Insight Guide

Payroll makes the world go round

It's so obvious, we often take it for granted. That's why Oracle Payroll's ability to make it 'go round' digitally and in a timely, accurate and compliant way, is key to the success of any modern public sector organisation.

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Introduction

"It's strange how when you think about it, payroll intersects with our most personal moments and life-changing milestones." says Sarah Wadsworth, "When you get a job or leave one; when you get married, have a child, need to go on maternity or paternity leave, or compassionate leave, or if you get sick – at each of those times payroll comes into play in important ways."

Tracey Collins agrees and then widens the perspective to an organisational level; "When you think about it that way, the sheer complexity of payroll seems staggering. That's why it's vital that any people focused organisation – and the entire public sector is made up of the most people-orientated organisations you can think of – must ensure that their payroll is both highly visible and invisible at the same time."

It's a statement that sounds like a riddle but is in fact an expression of a fundamental truth. Payroll matters because it's how the vast majority of us get paid each month.

We take it for granted until there's a problem. The process is invisible to all but the people who run and manage it. The money appears in our accounts or pay packets (they do still exist) on time and 'on the money.' We move on.

But when it doesn't work, then people suffer. "Payroll is actually a highly emotive issue," stresses Eddie, "if your pay is wrong, or you don't get the extra overtime you were expecting this month and have to wait another, then that can turn your plans upside down." Sarah agrees and adds; "Till then, in truth, most employees don't talk to their HR departments, and if they do it's a usually for functional reasons. Payroll errors or issues end up taking up valuable time for both the employee and the HR professional and can undermine the credibility of HR itself."

And that's what this Insight Guide is about. We've brought together three Fujitsu experts to share their experiences and opinions about how Oracle Payroll is the next logical step.

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When Payroll is on a roll – everyone is happy

The need to record precisely what is owed and when it should be paid was the stimulus for when a 15th century friar called Luca Pacioli decided to invent double-entry book-keeping. His carefully inked ledgers are the direct ancestors of generations of accounting and payroll methods, including 21st century digital ones like Oracle Payroll. The objective has always been the same: achieve accuracy, timeliness, and compliance.

Bill Monks, a public financial management expert, puts it very simply; "Payroll costs are a very significant component of recurrent government expenditures, setting accurate and comprehensive budgets for payroll, and ensuring efficient budget execution are critical to effective public sector Financial Management."[1] He stresses that the scrutiny on public finances is necessarily intense. The money, after all, comes from our taxes (deducted by payroll!) and therefore it's vital that there is clarity and transparency about how money flows through public organisations.

Monks also stresses that public sector pay is, in many countries, an engine of the wider economy. It can account for between 10% and 40% of total government expenditure. That sounds a lot, but the money flows directly into all other private businesses as well as other public services such as transport. A key element in Keynesian economics is, of course, the importance of enabling money to flow from government to the economy and back again. It's also a major part of the latest iteration of that approach, Modern Monetary Theory[2], which puts public sector pay at the heart of the fight against inequality. Simply, when the public sector payroll works efficiently, the rest of the economy benefits. And when that happens, everyone is happy.

[1] The International Handbook of Public Financial Management: Palgrave Macmillan 2013
[2] The Deficit Myth by Stephanie Kelton: John Murray 2020

What we expect from payroll – every month

Yes, we take payroll for granted. That's because it works, most of the time. But it's complex.

Accurate payslips which reflect our contracted pay plus any overtime or additions, as well as reimbursement for expenses

All deductions to be accurate – taxes, national insurance, pension payments (MyCSP for the Civil Service in the UK)

Payroll to be to be **constantly compliant** so there's no comeback to us individually if there's an error

We expect...

Transparency – a clear and simple explanation of all elements of our pay and deductions

A definite date in the month where we can report overtime, additions, changes etc. – the later the better so they appear in the closest payslip

No errors – or as few errors as possible because they cut the money we get, which can ruin our plans and any errors that are in our 'favour' are just as problematic and frustrating

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Payroll enables HR to be even more of a 'human resource'

Sarah Wadsworth sees payroll as the key to enabling HR teams to be more effective.

"HR works when there's trust; between the HR team and the organisation's employees," says Sarah, "trust gives us a mandate to engage with people on a personal level and enable them to thrive. But that mandate depends on processes that work. Payroll that pays. On time, every time."

As Sarah stressed in the introduction, payroll is the one function that intersects with our most fundamental needs and milestones: from getting that job we want to achieving the promotion we've worked hard for. And the other way around.

"The world of work is a series of progressions and sometimes regressions which affect our pay and our sense of wellbeing," says Sarah, "if there are errors, then that undermines the employee's view of the entire organisation, but especially the HR department. Errors inhibit trust. And without trust HR professionals can't use their skills."

Sarah's focus on HR is both 'spiritual' and 'functional.' As she puts it, "You can't get spiritual if your pay is wrong and you're worrying about money." That's why a focus on the efficiency and accuracy of payroll is not something you can avoid as an HR professional. "It's the foundation of good practice," Sarah says.

She adds, "When you can trust payroll, you can trust the people who run it, even if the person you're talking to doesn't run it themselves."

Digital transformation has helped HR in more agile and efficient ways. It's delivered seamless access to an array of data which can inform both policy and practice focused on boosting employee wellbeing, engagement, and diversity of opportunity and inclusion. "HR is all about harnessing data to achieve human insights which can then inform personal engagement with employees," says Sarah, "it's how you can actually make the claim that you're a 'people business' and are using data to benefit real people in real work situations."

In Sarah's view, the public sector is the ultimate people business: "Digitalisation is key to the HR agenda, and, as I've stressed, payroll is the most crucial element of what HR delivers day by day, month by month, year by year," she says.

Isn't that overstating payroll's importance? "Not at all," says Sarah, "because payroll is data intensive and requires intense scrutiny to avoid errors, a lot of time and focus is spent getting it right as well as for those organisations which use a third party to calculate each person's pay and deliver the payslips on time. Less resources spent on payroll frees HR time to focus on the development of talent within the organisation."

"Trust gives us a mandate to engage with people on a personal level and enable them to thrive. But that mandate depends on processes that work. Payroll that pays. On time, every time."

Sarah Wadsworth

Payroll only hits the headlines when things go wrong

Search for 'payroll' on the internet and it's mostly bad news. Payroll doesn't make headlines any other way. That's no surprise, but the theme that recurs in all the stories is, you guessed it, error.

A supermarket worker on the minimum wage in the UK thought she'd been given a pay rise when her payslips showed a higher hourly rate. She happily spent the money for a few months until she was told it was an error and she owed her employer money. She couldn't pay. The Daily Mirror took up her case and the employer suffered from the bad publicity.[3]

In 2019 the National Bank of Australia announced a payroll review which finally reported in May 2021 resulting in global bad publicity. That's because it was revealed that over 3,000 current and former employees had been paid the wrong amount and AU$55m had to be repaid. The Finance Sector Union got involved. HR teams worked overtime to resolve the issue which was related to complex contracts and hourly rates. The fault turned out to be overly complex processes.[4]

[3] https:|www.mirror.co.uk/money/my-employer-overpaid-800-pay-18968762
[4] https:|www.zdnet.com/article/payroll-automation-error-behind-nabs-au55m-wage-repayment/

Payroll designed to be human

Eddie Davidson sees payroll in the cloud as the best way to make the function truly human-centric. How does Oracle Payroll enable HR to be more 'humanistic'? "When processes and tools are moved to the cloud and there's more automation, and processes are simpler," says Eddie, "you free up 'human' time and brain space. That means you deliver the payroll to keep the work turning AND you free up HR professionals to engage with and support employees."

You can also use the data that payroll provides to understand who works for you and who doesn't, to identify gender or ethnicity pay gaps. That helps reframe employment policy and practices to attract new talent from more diverse populations. It also helps boost retention. All of which have knock-on effects both fiscally and socially. In Eddie's view, it's a win-win.

"The public sector across the world has been moving to the cloud for the last decade," he says, "in the UK our government's 'Cloud First' policy was launched in 2013 and, despite some initial hesitancy, a lot of progress has been made. And Fujitsu has been helping a range of departments and organisations migrate successfully."

Oracle Cloud has been central to the projects Fujitsu has run for several government Departments totalling more than 400,000 civil servants. Fujitsu therefore understands how to match the right services with the needs of each Department and its people.

"The one thing we're always asked all along is 'how can we manage our payroll better?'", says Eddie, "until now we've been unable to offer them a solution that's integral to the Oracle Cloud. But we always reassured UK customers that it was coming. And it has. It's here."

So that's good news? Eddie demurs, "That depends on your point of view. For me, it's great news because you can now fully integrate what is, as we've stressed, a vital but complex function into the entire cloud landscape. Oracle have designed their solution to assure users of those three imperatives: accuracy, timeliness, and compliance."

But many public sector organisations use third-party solutions and partners to run their payroll and ensure those imperatives – why not just keep using them? Eddie ponders the question; "That's one option, but it means you keep the layers of complexity in place which could lead to error. I know that doesn't happen often, of course because those third parties know what they're doing. But the point is, complexity always introduces a risk. As is the fact that different sets of data are moving back and forth between people and organisations, and it takes time. Which means the system needs to send the data earlier in the month. So, employees have to put in their overtime, hours worked or other changes much earlier each month. The knock on effect is that they might not get the benefit of that data in real money in their next payment, which can be problematic for most people."

> "Errors in payroll have human consequences, so everyone tries really hard to avoid them. Oracle has designed the entire system to make it more transparent so you can catch errors before they impact people"

Eddie Davidson

The Oracle Payroll solution is built to deliver accuracy with less complexity and more in-built protections. "Errors in payroll have human consequences, so, everyone tries really hard to avoid them," says Eddie, "Oracle has designed the entire system to make it more transparent and enables you to catch errors before they impact people. There is always a lengthy process before you hit that button that sends out the payslips, and if there's a single error in there, that can affect hundreds, or thousands of people at once. Oracle Payroll reduces complexity which also cuts the chances of those errors getting through."

But isn't migrating to Oracle Payroll a complex thing in itself, especially if it means reorganising the way it's done and who does it? "Fujitsu will do it for you," says Eddie. He adds, "There's no need for a third party. It's the interaction with the cloud that really makes the difference.

For the payroll people it means you can access the processes on your PC, a tablet, even your phone, and the interface adapts itself to optimise your ability to use it simply, easily, and quickly. Which also helps shift the date data can be entered to later in the month which should help people's cashflow."

What does it do for the employee? "It matches their growing expectation to be able to self-serve their needs online anytime they want to, anywhere they happen to be. They get immediate access to their payslip and pay details 24/7 on any device they want to use. And they can be certain that if, for instance, there's been a retrospective change to their pay, it's been applied to the right period, so, they get the money seamlessly. It's all in the Oracle Payroll engine which means it's done by the software and that cuts down on human error. The same goes for overtime for both full-time and part-time employees. And it also copes with casual workers."

'We know how to make payroll work for the UK public sector'

Tracey Collins believes that having deep experience at the heart of the UK public sector is key to making the most of Oracle Payroll.

"Working as one team is the key to success in any migration," says Tracey, "it's how we always work, in collaboration with our public sector customers and focused not just on a quality implementation but continuous improvement too."

Tracey's experience encompasses a wide range of projects, but the work Fujitsu did with the government's pathfinder for Oracle Cloud stands out in recent history. "Any public sector payroll is challenging. There is a great diversity of employees and their terms of employment, from full

to part-time workers, contract workers, casual labour, through to a wide range of different allowances and pension arrangements," she says.

She adds, "It's no surprise that there's a certain amount of trepidation when it comes to revamping any payroll procedures. What I always point out is that we achieved 99.8% accuracy when we took the client live. So, you're not the first, we know what we're doing, and we have the experts to guide you on the journey."

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Talking of challenges; the UK's public sector pension arrangements have long been regarded as a potential challenge too far for any cloud-based system. Tracey relishes talking about it, "We knew it was a challenge, as did Oracle, but we worked closely to integrate and accommodate the necessarily stringent demands of MyCSP, the organisation that administrates the Civil Service Pension for 1.5 million employees. With our help, over 200,000 of those workers can be sure their pension contributions are efficiently delivered to MyCSP."

Tracy continues, "Oracle also provides a solution for a number of common sickness schemes, but some clients have extra requirements, such as a dual year rolling scheme for sickness. Using standard tools available in Oracle Cloud, Fujitsu can cover all the bases needed for successful calculations and, most importantly, accuracy."

And it is a journey. Oracle's quarterly releases will ensure that organisations not only keep up with change but stay ahead of it too; "Naturally, changes to the payroll system will need to be done, and we support customers to leverage the latest and greatest functionality with minimal impact to their service," says Tracey, "and as they get up to speed with it all, they'll be able to get into the groove of change, adaptation, and improvement especially, and new ways to automate certain tasks. So, by adopting Oracle Payroll they're future-proofing their organisation, ensuring that it has the agility to adopt new methods and opportunities at speed."

Tracy concludes, "Our experience with payroll in the UK public sector, especially in linking it successfully to MyCSP, is unrivalled. It's entirely accurate to say that our reputation proceeds us. We're working hard to build on that and ensure that public sector payroll keeps on rolling."

"Our experience with payroll in the UK public sector – especially linking it successfully to MyCSP – is, it's safe to say, unrivalled."

Tracey Collins

Talk to us about how we can help you run your payroll efficiently, accurately and compliantly - to enable a more responsive HR.

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