



# Hitting pay dirt

Technological developments in payroll administration and processing can have a dramatic impact on the role that HR plays in an organisation. **Teresa Russell** looks at organisations that have freed themselves from the shackles of old, unstable payroll systems

There is perhaps nothing more liberating for an HR professional than crawling out from under an old, unstable payroll system that has been nursed along well past its “use by” date and moving to either an outsourced or in-house payroll system that just works.

Australian HR professionals are spoiled for choice – once they get financial approval to go to the market to source a modern payroll system. When Stuart Gillespie, executive manager for organisational growth and development at Moonee Valley City Council went to the market for an expression of interest in providing council’s new system, the task came with a very tight deadline.

“We went to market in November 2006 and wanted the system to be running live for the first pay period after 1 July 2007,” explains Gillespie. “Our old system was an integrated finance and HR management payroll system that lacked the functionality we needed. The provider was based interstate and didn’t seem to understand local government needs. We had problems with year-end processing. It also allowed negative leave and there were difficulties with termination processing,” he adds.

Moonee Valley City Council has 950 employees delivering a range of local government services in Melbourne’s north-western suburbs. Despite the fact that it has a number of areas outsourced – leisure, construction and waste collection are all contracted out – Gillespie says that outsourcing payroll was never a consideration. “We felt we could provide a better product and service in-house, rather than doing it externally.”

Further to the west, in Melbourne’s outer suburbs is Mowbray College, an independent coeducational school that is spread over three different campuses. It employs 473 casual, part-time and full-time staff that looks after 1,800 students from pre-school to year 12. The school operates in a high growth part of Melbourne and expects to grow another 40 per cent in the next few years.

John O’Shea, Mowbray College’s principal, says that the previous payroll system had several problems. “The payroll process had become so complicated, it required two full-time personnel to process payments and produce the accompanying reports. As a result, errors were occurring in payments and deductions,” he says. Printing and distributing paper payslips was also time consuming.

However, when the college’s payroll manager left on short notice in early 2007, they were left in the lurch. She had been the only team member who could run the system. “We decided it made good business sense to use this natural break to identify both a new payroll manager and a new, easy-to-use payroll system so we’d never be in this difficult situation again,” says O’Shea.

Joanne Horne, the then new payroll manager explains that there was no centralised HR function in the college in 2007 and that it became apparent that a system was needed that could incorporate all the areas of HR into one centralised HRIS integrated database. Mowbray College turned to its current payroll software provider for its new system.

## Key criteria

Gillespie says that council’s two key criteria in a new provider were that they needed to have already established quite a few Victorian local government sites and also have strong consulting support presence in Victoria. “Our budget limited us to find a system that would be about the same cost that an upgrade to our current provider’s new product. We also wanted to ensure that whomever we selected would become a real partner of council into the future,” he says.

Because of the tight timeframe they were asking of the eventual winner of the tender, Gillespie knew that the project had to be properly resourced on their side. He appointed a project coordinator who was responsible for developing specifications, coordinating the evaluation process and implementing the new system. The two (1.6 FTE) payroll staff were relieved of any significant responsibilities during the project.

At Mowbray College, the major criteria were that the payroll system would not only interface with the existing finance database, but would fulfil the college’s strategic plan to establish one centralised, fully-integrated HR system. Data accuracy and reduced processing and reporting times were also expected.

Because Horne was just new in the job and new to the system, a payroll temp was contracted to help with day-to-day payroll administration to help her fully learn the new system.

## Implementation

Gillespie says that the implementation went smoothly because both the council and the provider agreed to the tight timeframes and adequately resourced the project. “We ran the system in parallel for two pay cycles at the end of the financial year, then went fully live after 1 July. Our payroll staff were positive about the new system because they weren’t burnt out from having to do two jobs at once,” he says.

The project coordinator stayed working with payroll for just three months and has now been deployed to

## The business case

Comprehensive structure of a business case should include:

- Executive summary
- Introduction/background
- Current situation
- Internal analysis
  - External analysis
  - Vision of the future
- Evaluation of the options
- Critical assumptions
- Recommendation
- Appendices
  - Cost analysis
  - Reference information
  - Competitor analysis
  - Where to from here – timetable
  - IT considerations
  - Comparison tables

Source: Snp Consulting

## “HR can now focus more on the quality of output, rather than the quantity of processing”

manage the selection and implementation of council’s new asset management system.

Gillespie believes that one of the keys to success of this project was the fact that they took the opportunity to amend their own processes to fit the system, rather than amending the system to suit their processes. “If you have gone to market and selected the best system on offer, why change it? Implementation is far quicker and more effective if it is a vanilla product and you reduce consulting costs as well,” says Gillespie.

### Savings/ROI

Mowbray College has realised significant time and cost savings. Time savings occurred immediately as the staff went from both monthly and fortnightly pay cycles to just fortnightly. Two staff used to take two days to process the payroll. Now it takes Horne just two hours to complete the work. Emailing payslips has reduced the costs of printing and folding payslips and made it easier for employees to store their pay details. “Errors have dramatically reduced and are minimal or non-existent now,” says Horne.

Finance now uploads the payroll directly into its system, removing the need to re-key all the information. Horne is looking forward to implementing the next phase of their system that will allow electronic timesheet upload for their 205 casual employees, removing the need to manually key in their hours.

Moonee Valley City Council has judged the savings it has realised from its new payroll system predominantly in terms of access to HR management data. “We previously couldn’t get accurate HR statistics, but we now have the information and the stable system we need to manage properly,” says Gillespie.

The council has realised further savings with self-service such as less paper flow, instant access for employees to their information and the systems integration of training, performance management and performance review modules.

### Just the beginning

As is often the case, new payroll systems at both Mowbray College and Moonee Valley City Council have been the first step towards providing a fully-integrated HRIS.

At Mowbray College, the system change has been the catalyst to create a proper HR function and equip it with a modern HRIS. Horne says that they have just added an employee self-service module that allows electronic submission of leave applications. In the near future, the system will be upgraded again to allow performance appraisals, recruitment, tracking of professional development and managing salary packaging back in-house.

Gillespie says the council is about to add an e-recruitment package to the payroll and employee self-service modules currently in uses. It has also joined a Victorian local government user group to help its provider identify potential upgrades useful for the sector. “HR can now focus more on the quality of output, rather than the quantity of processing,” he concludes.

## Vendor news

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