



OUTSOURCING PAYROLL AND HR

Question:

I am considering outsourcing my payroll. What types of things should I consider before selecting a provider?

Answer:

In the current economic climate, outsourcing key functions such as payroll and HR makes excellent financial sense for many organisations. Payroll is an ideal function to outsource, as it is a time-consuming and process-driven task required by all organisations that employ staff.

No matter the size of your organisation, payroll and HR outsourcing offers enormous benefits including risk minimisation, cost savings, reduced exposure to payroll errors and ongoing legislative compliance. Outsourcing payroll and HR can enable small companies to grow, as resources are freed up to perform the core functions that are driving business expansion.

There are several key points to consider which will ensure you are able to maximise the benefits provided by this model and ensure your transition is smooth.

Consider which elements you want to outsource. Do you require a fully managed service where the provider handles all data import, as well as payroll processing and management of enquiries? Is your preference for a provider that performs the processing, with your organisation managing the rest? A provider that is flexible with their service options will allow you to exploit the benefits offered by the solution as your needs change.

Another important aspect to consider is the availability of your data. Do you require access to your data 24/7, including immediate access once payroll is run? Consider the level of employee data you require, and how frequently you will need to access it to ensure the provider is able to meet your needs. Your workforce is one of your most valuable assets, and having access to data such as skills frameworks and leave calendars may be crucial to maximising workforce effectiveness and your investment.

Security of your data is also extremely important. Payroll data is particularly sensitive, and it is important that this information is protected and secure at all times. Some organisations like to store their payroll database on their premises, while others prefer a secure data centre to house their payroll data – whatever your preference, ensure your provider can meet your needs.

System maintenance and administration should be conducted regularly. You also need to find out how quickly system access can be granted to new users. Auditing is another consideration, and it is a good idea to identify your audit requirements with the outsourcing provider in the early stages to ensure compliance.

The transition to a new system can be troublesome, and working with a provider that has a proven implementation methodology will ease the changeover process and ensure it is as smooth as possible. Depending on the size of your payroll, project management may be required. If your provider is able to provide a dedicated project manager, it will certainly help minimise problems and ensure the project is delivered on time.

Reporting is a key function of any payroll system – whether in-house, hosted or outsourced. Consider the types of information you need to report on regularly, and prepare a wish list of additional information that will ease your reporting burden. To ensure all of your reporting needs are met, it is a good idea to pinpoint how you would like the reports delivered. Specify your layout or formatting needs (for example, PDF or spreadsheet) and how frequently you will need the reports.

The need for historical information also needs to be considered when reviewing outsourcing options. If you decide to migrate your historical data, you will need to ascertain the complexity of the mapping task to convert your old codes into the new system – as well as the volume of data to be migrated into the new system.

Flexibility and scalability are two key requirements to consider in a payroll system. A system and provider that can grow and change with your needs will eliminate the need to change systems in the future. The uncertain pace of business in 2009 means most organisations require an agile workforce management platform that will support their needs today and into the future. A system that scales well – without any loss of performance as your employee numbers increase – will ensure longevity and protect your investment.

If your payroll extends offshore, a single vendor that can understand your obligations on those foreign shores and can support payroll in other currencies will streamline your global payroll processing.

Vendor reputation and longevity should also be reviewed. The length of time a vendor and product have been operating in the market, along with the size of their client base, are a testament to their suitability and appropriateness to the market in general.

Finally, you must know what your functionality, service offering and ongoing support requirements are. By taking the time to outline your requirements up front, you can fast track the selection process.

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