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TIME IS MONEY: THE BENEFITS OF INTEGRATING PAYROLL AND TIMEKEEPIING

Delivering accurate paychecks is a huge factor in the trust between employers and employees. If they don't feel like you can accurately track their time and pay them correctly, why would they trust you with their development or performance management?

May, 2017

Time + Pay = Results

Work is defined by the fact that you get paid. But you can't get paid properly unless your employer knows how much you've worked. There are, of course, multiple ways to measure "how much" when it comes to work, but time is the most common. Which is why, for most organizations, time tracking and payroll go hand in hand.
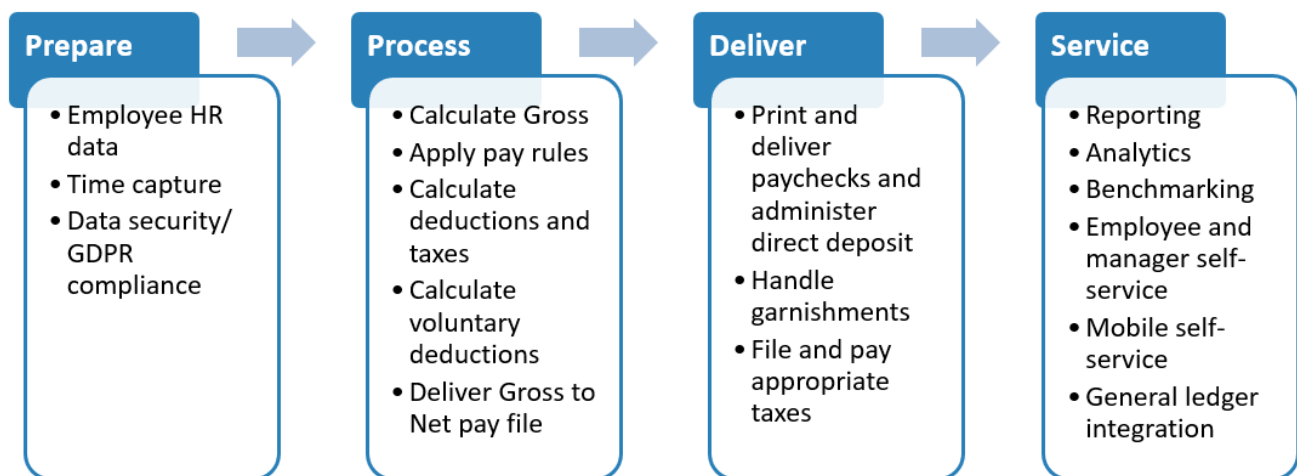
> *As organizations make their payroll decisions today, they're looking at a variety of factors beyond just the capabilities of calculating Gross to Net and issuing checks or direct deposits.*

Of course, it isn't always as simple as multiplying a number of hours times an hourly rate, or a number of days to have a daily rate. There are taxes and other deductions, and not all time may be treated equally on a particular job. Maybe you are a service technician that gets paid one rate for time spent in your truck driving to appointments, another rate while you're working at a client site, another rate for meals, and overtime after 6 ½ hours in one shift. Then the marriage of time and pay becomes even more complicated.

The world of payroll can be complex. The Gross to Net calculation is truly the core of payroll, but that process cannot begin without knowing who's working, for how long, and at what tasks.

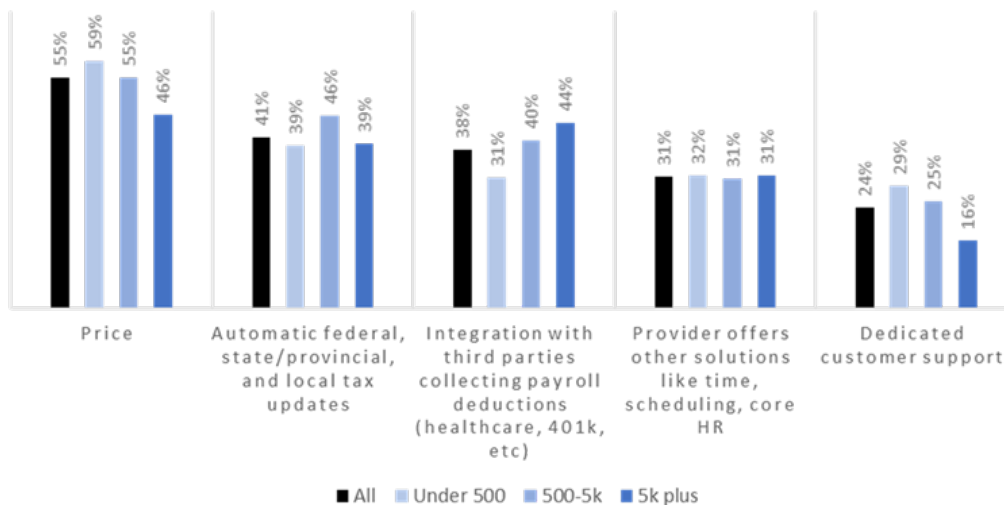***Figure 1: How Aptitude Views Pay – Time is Essential***

Prepare	Process	Deliver	Service
• Employee HR data • Time capture • Data security/ GDPR compliance	• Calculate Gross • Apply pay rules • Calculate deductions and taxes • Calculate voluntary deductions • Deliver Gross to Net pay file	• Print and deliver paychecks and administer direct deposit • Handle garnishments • File and pay appropriate taxes	• Reporting • Analytics • Benchmarking • Employee and manager self-service • Mobile self-service • General ledger integration

Source: Aptitude Research Partners. 2018.

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As organizations make their payroll decisions today, they're looking at a variety of factors beyond just the capabilities of calculating Gross to Net payroll and issuing checks or direct deposits. They're looking for additional services such as tracking legal and compliance updates, integration with other systems, and technical support, all delivered efficiently and economically. These factors were identified by organizations of all sizes in Aptitude's 2018 HR Impact study looking at the drivers for payroll system purchase decisions.

Figure 2: Most Important Factors in Payroll Solution Selection

Source: Aptitude Research Partners, HR Impact Survey. 2018.

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While just under a third of all organizations cite the availability of timekeeping solutions from their payroll provider as a top three purchase decision criterion, you'll see how this type of integrated solution can help deliver on the other elements buyers are looking for. In this report we will explore three critical benefits of ensuring that time and pay are integrated:

- To ensure regulatory compliance
- To maximize business impact
- To enhance the employee experience

Compliance Streamlined

In its 2018 HR Impact Survey, Aptitude Research Partners found that compliance was among the top three most critical needs shaping HR technology investment, behind improving productivity and improving hiring speed and effectiveness. This is not surprising given the growing complexity of wage and labor laws in the US at the federal, state, and even city level, in addition to new GDPR requirements impacting most of Europe.

Figure 3: Most Critical Needs Shaping HR Technology Investment
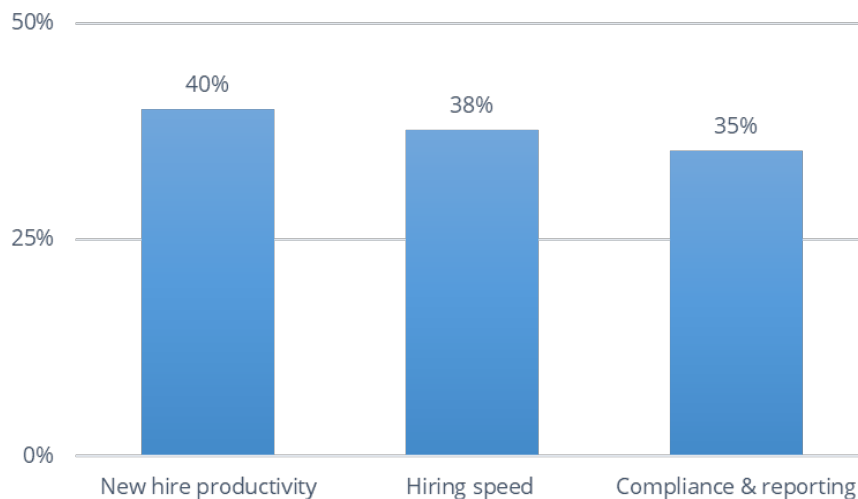
Source: Aptitude Research Partners, HR Impact Survey. 2018.

The penalties for noncompliance can be steep, not only in terms of money, but in terms of the time and resources they can take up, as well as the potential damage to both the consumer and employer brand should violation occur and become public. And most noncompliance is not willful; it tends to come from user error. This is another reason that organizations are looking to integrate time and pay. The closer you can get the employee's time entry to the payroll calculation, the less chance for error. Integration is possible between two different systems, but for some providers "integration" could mean file transfer or other manually assisted methods that can add another layer of potential for error.

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Another safeguard organizations are using to ensure compliance is robotic process automation, or RPA. RPA is the use of technology to make processes that are "repetitive, rule-based, and liable to human error" more efficient, according to the Institute of Robotic Process Automation and Artificial Intelligence. The use of RPA is transforming many back-office functions, and freeing up payroll administrators to analyze payroll data, as opposed to entering data. In solutions that offer both time and payroll on the same platform, RPA is often used as a way to eliminate errors before payroll is run by comparing the current data to previous weeks and highlighting potential issues before they are ever processed.

Business Impact – Top and Bottom Line

Improved accuracy and efficiency are of course going to drive business value. And indeed, Aptitude's research found that organizations utilizing a solution that had both timekeeping and payroll capabilities were 44% more likely to have a payroll error rate at 2% or less, saving countless hours for payroll administrators, and employee and manager time, as well as the cost of reissuing checks or payments.

Not only are there real dollar savings from efficiency, but better, more accurate payroll data also allows organizations to make better strategic decisions. The study found that organizations combining time and pay from the same provider were:

- 54% more likely to have task tracking capabilities (i.e. time spent on individual tasks within a shift);
- 44% more likely to utilize business intelligence or data query tools to mine their payroll data;
- 38% more likely to use dashboards and reporting tools to combine workforce and business data; and
- 37% more likely to use predictive analytics solutions to help with forecasting workforce planning.

Better analytics can power organizational growth and success in the near- and long-term. This is evidenced in the fact that the study also

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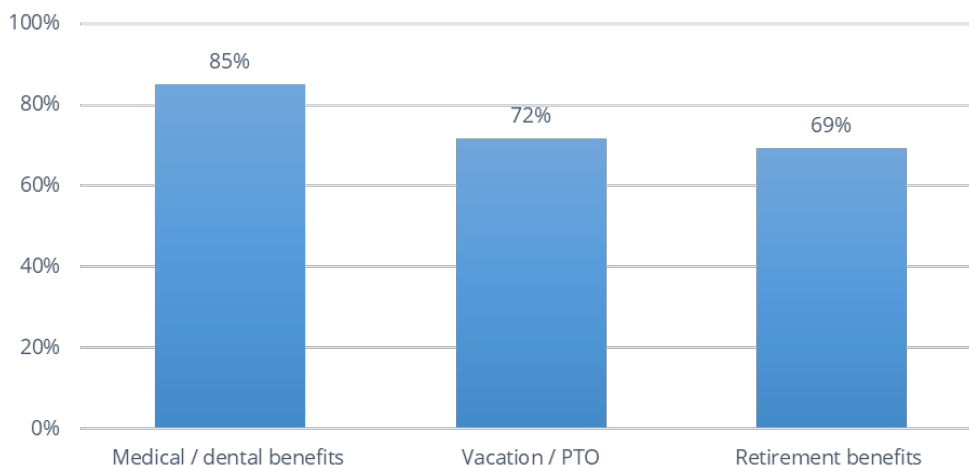
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found that these organizations overachieved their revenue targets by 7%, as opposed to 3.2% among organizations that did not have payroll and timekeeping on the same system. Given the basic necessity of timekeeping and payroll, combining them yields not only efficiency, but also a level of effectiveness and business impact that organizations may not achieve from separate systems.

Employee Experience – Time and Money are Personal

In its 2017 Culture study, Aptitude found that compensation accounts for more than a quarter of the reason individuals stay with their employer. Organizations understand this, stating in the 2018 HR Impact Survey that the top two intended outcomes of their compensation strategies were to retain current top performers, and attract new top-quality talent. In order to do this, organizations need data to ensure that their pay strategy is on par or ahead of their competition. Currently just 40% of organizations say they have a formal process in place to address pay equity, and only 20% integrate external compensation data with their internal pay data to ensure market parity. Organizations need to be willing to look at their pay data if they intend to keep and attract top talent. And of course, having a system that allows you to do so is the first step.

Compensation isn't just about your paycheck – benefits also require integration with payroll and timekeeping. Third-party benefits need to easily integrate with pay in order to ensure the proper deductions are taken for medical and dental benefits, as well as optional retirement benefits.

Figure 4: Most Valued Benefits

Source: Aptitude Research Partners. Culture Study. 2017. N=355

Also, tracking time worked in order to qualify for such benefits, as well as to determine vacation or paid time off (PTO) balances is essential. Without the capability to integrate with benefits providers and share data with them, as well as ensure accurate deductions, it will be very difficult to create competitive compensation packages.

Delivering accurate paychecks is also a huge factor in the trust between employers and employees. If they don't feel like you can accurately track their time and pay them correctly, why would they trust you with their development or performance management? And you can build up all the employee goodwill possible, but if their paycheck doesn't show up or their benefits aren't working, all that goodwill can be gone in an instant. Accuracy in tracking time and payroll is a business and employee engagement imperative.

Key Takeaways

- Automation of processing and compliance are essential. Organizations don't have time to waste on manual entry, nor do they have the resources to spend staying on top of every rapidly changing pay and labor regulation. Finding a partner that can not only automate and integrate payroll and timekeeping, but bring compliance expertise, will yield positive results.
- Closing gaps reduces errors. The fewer stops along the way between an employee entering time data and the calculation engine for payroll, the fewer points there are for mistakes to happen. And innovations like RPA are helping to eliminate bad data even further, allowing for better analysis and decision making.
- Combining time and pay is a positive from a business perspective by offering efficiency and effectiveness. But it also allows the organization to deliver a better employee experience, reducing it as a source of friction and allowing employees to focus on work, as well as help enhance the employment brand of the organization.

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Aptitude Research Partners is a research-based analyst and advisory firm focused on the new conversation required by changes in how HCM technology is delivered and utilized by today's organizations.

Our goal is to look beyond the obvious product capabilities to identify the real differentiators organizations should be looking for when considering providers, as well as the change management and change readiness capabilities consumers must have in place for successful technology adoption.

We conduct quantitative and qualitative research on all aspects of Human Capital Management to better understand the skills, capabilities, technology, and underlying strategies required to deliver business results in today's complex work environment.

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