



Handling payroll can often be complex and demanding. If you're stuck using outdated methods like spreadsheets or manually generating reports, you're likely feeling overwhelmed. This not only consumes a significant amount of your time but also diverts your attention away from other critical HR tasks. So, the question arises: How can you streamline your payroll processing? The answer lies in embracing payroll technology.

What is Payroll Technology?

Payroll technology comprises any digital tool or software designed to assist HR teams in efficiently managing and disbursing employee payments. Regardless of whether your company follows a weekly, monthly, semimonthly, or biweekly pay cycle, adopting digital, paperless systems can significantly diminish human errors and cut down on the time required to process payroll. Beyond just monitoring pay cycles, these technological solutions offer customization options for reports, saving even more time.

This technology doesn't just benefit HR and finance teams; it also enhances the overall employee experience. Modern payroll solutions provide a user-friendly interface, allowing employees to easily access their pay stubs, tax documents, W-2s, and more, all from a single platform.

Exploring the Market for Payroll Technology

But where do you begin if you're considering upgrading to new payroll technology? Our Payroll Buyer's Guide outlines key software functionalities and the five crucial stages of the purchasing journey to assist you.

Understanding Payroll Technology and Its Necessity

As the call for contemporary payroll management solutions becomes clearer, statistics reveal that 29% of businesses are using payroll systems that are at least a decade old. Many HR professionals are keen to modernize and streamline their organization's payroll processes for greater efficiency. The payroll function is a critical area where the advantages of using Software as a Service (SaaS) are most evident.

SaaS and Payroll Processing

SaaS, or Software as a Service, delivers software over the Internet, allowing businesses to access the application via login details. The provider manages and hosts the solution on their servers. SaaS platforms offer numerous benefits for HR, from simplifying payroll processing and ensuring tax compliance to updating systems for increased accuracy and efficiency. This not only frees HR to focus more on people development but also reduces the need for the resources that would be required for an in-house solution.

When evaluating SaaS payroll providers, consider your business's specific needs, the user base, budget, and the software's user-friendliness to find the most suitable solution.

Key Features of Payroll Processing to Consider

When exploring payroll technology, it's crucial to ask the right questions:

- What is your standard method for paying employees?
- Can the system accommodate local regulatory requirements?
- Is there support for bonuses, commissions, and other non-regular payments?

- Does it cater to contractual services?
- Is there integration with time tracking solutions?
- How flexible is the system with edits and overrides?
- Can you preview payroll results before final submission?

Your chosen payroll software should address the varied needs within your employee base, offering solutions like flexible pay schedules and multiple payment methods (e.g., direct deposit, debit card) to alleviate financial stress for employees and save time for your payroll team.

PAYROLL MANAGEMENT BACKEND

Crucial payroll operations are handled behind the scenes within the payroll system to maximize efficiency and reduce the administrative load.

When choosing payroll functionalities for your company, consider these critical queries:

- Is there a specialized individual or team available internally to operate the system?
- Can the system be swiftly mastered with minimum instruction?
- Does this software seamlessly link with other business systems like general ledger, employee rewards & recognition, HR, and benefits?
- What level of technical capability is demanded by our organization from this software? For instance, businesses with only fixed-salary staff might opt for simpler options, whereas a diverse global workforce necessitates a more versatile system.

Having contemplated these points, let's delve into some key administrative capabilities that payroll systems manage effectively:

- Wage Deductions
- Managing Taxes
- Benefits Administration
- Tracking Time and Attendance
- Records Management
- Ensuring Compliance
- Securing Data

SOFTWARE AS A SERVICE (SaaS) FEATURES

ADMINISTRATIVE BACKEND

Wage Deductions

Beyond logging hours worked and processing salaries, payroll systems must proficiently handle intricate tasks like wage deductions for taxes and benefits. These calculations include deductions for state and federal taxes, Medicare, social security, and employee contributions to their benefits plan. While automation aids in this process, it's crucial for payroll personnel and contractors within your organization to understand mandatory legal deductions.



Tax Management

Payroll solutions can be tailored to suit your specific tax and benefits requirements, with adaptability for each employee's circumstances. These systems feature tax management abilities that automatically compute paycheck deductions for federal, state, and local taxes. Furthermore, they can adjust to tax code changes and manage the payment and filing of taxes on behalf of your business—vital for maintaining accuracy and adherence to tax regulations. However, businesses must ensure they accurately report and remit payroll taxes, regardless of the system used.

Benefits Administration

Automatically tracking and managing offered benefits such as insurance, retirement, and paid time off is simplified with this system feature. This capability may be an integral part of the software or available as an additional module, varying by provider. Directly integrating your benefits administration with payroll software can conserve both time and resources by avoiding manual consolidations which are prone to errors if benefit adjustments necessitate payroll modifications.

SOFTWARE AS A SERVICE (SaaS) FEATURES

ADMINISTRATIVE BACKEND

Time and Attendance Management

A key function, this feature tracks the hours worked by employees and accruals for vacation and sick leave. Hourly staff typically log time through a digital time clock in the payroll software. The system facilitates easy input and storage of employee attendance information.

For businesses with employees in various locations, requiring adjustments for different shifts or overtime, it's essential that your payroll software can accommodate these complexities. The system can establish rules for breaks, shift timings, and overtime calculations, including daily, weekly, and weekend rates.

Various methods for time input, such as biometric scanners, badge systems, online entry, telephonic check-ins, or mobile apps, should be assessed for suitability. Note that while some payroll systems have integrated time and attendance tracking, others might require an external module, streamlining data entry and centralizing time records.

Record Keeping

SaaS technology enables digital record-keeping in the cloud, offering an eco-friendly solution that conserves physical storage space. It provides an organized platform for maintaining comprehensive employee historical data, accessible instantly as needed and easily deleted when obsolete.

This digital record database is invaluable for analyzing trends, tracking employee retirement plan participation, and ensuring regulatory compliance—a solid foundation for any audits or reviews. Efficiently monitoring these aspects through your system also eases tax preparation at the fiscal year's end.

SaaS Features

ADMINISTRATIVE PLATFORM



Compliance Assurance

Ensuring compliance with relevant laws and regulations, like the Equal Employment Opportunity Commission (EEOC), Fair Labor Standards Act (FLSA), and the Department of Labor, is crucial for mitigating risks. A well-equipped payroll system can alleviate these concerns by establishing customized rules within the platform and securing timely and accurate report submissions. Handling these sensitive issues through the payroll system decreases the likelihood of tax audits, enhances audit pass rates, and reduces penalties for compliance violations. In the event of an audit, centralized and securely accessible payroll data proves to be significantly advantageous.

Data Security

The security features offered by SaaS payroll software are paramount, especially for the protection of sensitive employee information such as social security numbers, bank details, addresses, and family data. Many providers fortify their systems with multi-factor authentication (MFA) and data encryption, adding a substantial security layer. Some even offer access to risk assessment teams. Given the potential consequences of data mishandling, maintaining a secure payroll database is a high priority.

SaaS Features

REPORTING INSIGHTS

Understanding the backend is step one; next is grasping the payroll system's essential reporting functionalities and requirements. The essence of effective reporting lies in simplicity — selecting options to ease the stressful end-of-cycle reporting commonly faced by payroll managers. Seeking user-friendly solutions, like a system displaying vital figures through a clear dashboard or one with a proven track record of meeting customer needs, is advisable.

Although payroll platforms offer various reporting templates, occasionally, a more targeted and robust reporting approach is necessary. For such instances, custom reporting emerges as a valuable tool. These customizable reports should be intuitive for payroll administrators to use, featuring straightforward field integrations. By setting up custom reports to generate automatically, future reports can be prepared with minimal effort, catering to on-demand reporting needs with ease — a blessing for admins, whether new to the system or transitioning from another one.

For instance, should the Head of Human Resources need a breakdown of employee benefits utilization across different departments, having customizable fields in a readily available report simplifies this task. Likewise, the quick generation of absence reports, initiated by managerial questions regarding attendance patterns, can assist in adjusting leave policies and offer insights into absence trends within various teams.

SaaS Features

REPORTING DEEP DIVE

Delving into the reporting aspect, separating essential reports from those that are beneficial but not critical is important:

Essential Reports

- **Payroll Register:** Breaks down employee wages, both employer and employee taxes, and deductions within a given period.
- **Payroll Summary:** Offers a comprehensive view of wages, deductions, taxes, direct deposits, fees, net checks, and total bank transfers for the chosen timeframe.
- **Cash Requirement:** Summarizes wages, hours worked, deductions, and taxes for the specified period.
- **Net Check Register:** Detailed analysis of wages, deductions, taxes, and hours worked by each employee, for a chosen timeframe.
- **Deductions & Accruals:** Comprehensive summary of all deductions and accruals for employees within the selected period.
- **Employee Census:** Lists active employees during the specified period, aiding insurance brokers in accurate rate quoting.
- **Employee Deduction & Wage Lists:** Details active employees during the chosen period, including their deduction and wage information.
- **Change Reports:** Summarize any alterations in employee details from one payroll period to another.
- **Quarterly and Federal Reports:** Necessary for reporting taxes and wages to the government and for reconciliation purposes.
- **Overtime, New Hire, and General Ledger Reports:** Provide insights into working hours, new employee additions, and financial transactions broken down by various organizational categories, respectively.

Carefully compiling these reports ensures operational efficiency and regulatory compliance, supporting a smoother payroll management process.

SaaS Characteristics

ANALYTICAL TOOLS

Essential Reporting Tools

- **Compensation Overview:** This analysis should provide a comprehensive examination of job classification and compensation across the organization. A thorough compensation review ensures equitable pay for employees based on their responsibilities and contributions.
- **Salary Insights:** A report aimed at evaluating the history and proposed adjustments in employee salaries. It allows supervisors to confirm the accuracy of intended salary modifications before initiating updates in the employee records.
- **Wage Breakdown:** A detailed report showing the distribution of employee wages by Pay Type within a specified period.
- **Processing Fee Summary:** An in-depth look at the fees associated with Payroll Processing for the current payment cycle.



- **Employee Financial/Tax Details:** A listing of currently active employees, including their banking details, within a specified timeframe.
- **W2 Draft Overview:** Provides a preliminary view of the information expected to populate the W2 forms.

SaaS Features

SELF-SERVICE FOR EMPLOYEES

The self-service portal offers significant advantages by granting employees control over accessing and managing personal information securely, such as earnings, bonuses, benefits, and work schedules. This autonomy enhances privacy and convenience, allowing for information updates whenever necessary, thereby streamlining payroll operations and minimizing inaccuracies.

A distinguishing feature of the self-service system is its comprehensive accessibility throughout the employee journey, from recruitment to post-employment phases:

- **Pre-hiring:** Before joining, newcomers can fill out necessary legal forms like the W-4 and I-9 electronically, bolstering the self-onboarding process. Queries get automatically redirected to appropriate company personnel for resolution.
- **During Employment:** It empowers employees to manage banking details, tax withholdings, check on vacation accruals, request time off, and access end-of-year tax documents. Some platforms include integrated systems for benefits enrollment and compliance training within their employee portals.
- **Post-Employment:** Exiting staff can independently access historical information, like pay stubs and tax documents, useful for income verification purposes. They could even electronically finalize post-employment paperwork, sparing additional administrative efforts.

Service Offerings

PAYROLL PLATFORM SERVICES

Payroll platforms should transcend basic functionalities to offer a suite of supplemental services, enhancing the standard technological capabilities.

What variety of services are accessible, and which align with your enterprise?

Company size often dictates the most cost-effective payroll service solutions. For businesses with fewer than 50 employees, a professional employer organization (PEO) might be the optimal choice.

Service Features

PEO SOLUTIONS

A Professional Employer Organization (PEO) acts as an HR and payroll outsourcing partner, entering a co-employment agreement with your business. This arrangement is particularly beneficial for smaller firms aiming to alleviate the complexities of HR, payroll management, and compliance while providing



automated access to employee benefits. The PEO assumes the role of employer-of-record for tax purposes, though companies maintain employee management rights.

PEOs undertake various responsibilities, including:

- Keeping financial records up to date
- Managing benefits administration
- Covering workers' compensation insurance
- Issuing W-2 forms
- Administering retirement plans

For growing enterprises transitioning from PEO setups to in-house management, managed services offered by HR platforms can simplify the transition, combining SaaS and consultative support for enhanced operational efficiency.

Service Features

SPECIALIZED SERVICES

- **Tax Compliance:** Payroll platforms can manage comprehensive tax filing responsibilities, ensuring adherence to federal, state, and local regulations.
- **State Tax ID Setup:** Support for establishing new state tax IDs, crucial for business expansion.
- **Garnishment Management:** Assistance with employee garnishment processes, from child support to alimony, mitigating penalty risks.
- **Year-End Preparation:** Services for managing year-end documents like W-2s and 1099s, streamlining end-of-year procedures.
- **Printing Services:** Solutions for check and report printing, easing the administrative load, especially in remote work setups.
- **Verification Services:** Employment and wage verification through partnerships, facilitating background checks for loans, rentals, etc.
- **Global Payroll:** For companies with a modest international presence, payroll platforms can manage or integrate with local accounting services, simplifying global payroll tasks.

Service Features

MANAGED PAYROLL SOLUTIONS

For businesses evolving from PEO reliance or solo HR operations, managed payroll services offer a strategic path to optimize payroll management. These services alleviate the operational burden by handling daily payroll processes, allowing businesses to concentrate on strategic goals. Providers deliver not only the required software and compliance expertise but also autonomy in managing payroll policies and HR technology preferences, acting as both consultants and operational supports to streamline payroll functions efficiently.

Navigating the Purchase of New Payroll Technology

Deciding to upgrade to new payroll technology can seem like a daunting task.

How should you approach it?

Splitting your search into manageable sections is the key. This makes the evaluation phase much smoother. Typically, the purchase of payroll technology follows five key phases: Internal Agreement, Narrowing the Choices, Evaluation, Decision, and Rollout.

To guide you through your purchasing journey, we've detailed each phase and provided a checklist for your convenience:

INTERNAL AGREEMENT

The initial step in acquiring payroll technology involves introspection. During the Internal Agreement phase, consider what you desire from the software and the challenges you intend it to resolve.

Identifying your needs early helps in crafting a strong proposal for your organization's decision-makers. Securing their support early on can significantly streamline the process. List out the essential and desirable features of your ideal payroll system.

Checklist:

Seek approval from top management/stakeholders.

Formulate a compelling proposal.

Navigating the Purchase of New Payroll Technology

NARROWING THE CHOICES

With internal consensus reached, the next question is which payroll technology vendors to consider. The market might seem crowded and overwhelming at first glance.

However, you can simplify your search by following these steps:

1. Assess the offerings of payroll tech companies for gaps in functionality
 - a. Consider: Do these offerings match my wish list formulated during the Internal Agreement phase?
2. Evaluate suitability based on company size
 - a. Payroll solutions might cater to small businesses or large enterprises. By examining the current clients of the software vendors, you can gauge whether their solutions fit your organization's scale.
 - b. Consider: Are their existing clients similar in size to my organization?
3. Gauge their market footprint
 - a. Your choice doesn't have to be the largest payroll software provider, particularly for small to mid-sized businesses. However, ensure the vendors under consideration have a solid market standing. This can be established through a quick online search, checking their review counts, or the size of their workforce on LinkedIn.

List out the essential and desirable features of your ideal payroll system.

- Evaluate functionality alignment
- Assess suitability based on company size
- Explore vendors' market footprint

Checklist:

Reduce your options to 2-5 contenders.

Navigating the Purchase of New Payroll Technology**EVALUATION**

Evaluation is a critical yet time-intensive stage in the purchase of payroll technology — and rightfully so. Aim to assess at least 2, but no more than 5 vendors. Reviewing only one does not give you a broad enough perspective, while considering more than five can become confusing and overwhelming. To streamline this phase, it's crucial to have a systematic approach to demonstration sessions that doesn't overburden your schedule.

Preparing for a demo involves:

1. Organization and preliminary research
 - a. Understand who you're speaking to. Review their websites and prepare scenarios and questions you want addressed during each demo to steer the discussion and ensure all desired features are demonstrated.
2. Creating a scoring system
 - a. By now, you've identified your key criteria and requirements during the Internal Agreement stage. Keep these priorities in mind by setting up a simple scorecard in Excel, allowing stakeholders to rate each aspect. This enables a more objective comparison.
3. Deciding on the demo attendees
 - a. It's unnecessary to involve everyone in a product demo; too many opinions can complicate the process. However, ensure that key decision-makers and users are present.

From your shortlisted vendors, schedule 2-4 demos.

Checklist:**Prepare for the demo:**

- Evaluate functionality alignment
- Assess suitability based on company size
- Explore vendors' market footprint

Navigating the Purchase of New Payroll Technology**DECISION**



Having chosen your preferred payroll technology, what's next?

The Decision phase often involves collaboration with other departments like legal, IT, and finance.

Review the contract provided by the vendor with your legal team and address any concerns. Also, secure the final budget approval from your finance team and involve IT to assess system integrations and security protocols. Though this stage requires meticulous attention and can involve extensive back-and-forth communication, it brings you one step closer to deploying your new system.

Checklist:

Engage IT for system integration and security assessment.

Secure final budget approval.

Proceed with data conversion and system activation!

Checklist:

Navigating the Purchase of New Payroll Technology

DECISION

Congratulations on your new payroll technology acquisition!

This venture is set to simplify your operations and is sure to be appreciated by your employees. Now, it's time to integrate the system. This involves setting up processes tailored to your organization's needs, which is typically managed by the payroll technology provider. However, your input on system configuration is crucial.

The key to a successful rollout is availability for the setup process. Be prepared to provide reports, extract data, and map internal procedures. While this demands commitment from your team, ensuring your availability will help the system align with your aspirations.

The search for new payroll technology can appear daunting — but it doesn't have to be. Understanding the offerings of payroll software and navigating the buying process with determination can help you move away from manual operations, freeing up valuable time.