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Defining challenges of holiday payroll

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Overview

Payroll at any time of year is a challenge. But during the holiday period, it can be a real burden for even the most successful, well-operated company. So much so, in fact, that it has been recognised as one of the top concerns for the medium sized business.

So what is it about the holiday period that brings even the most seasoned payroll manager out in a cold sweat?

In addition to standard payroll inputs – time, salaries, entitlements and taxes – the holidays bring the following additional challenges:

- **High data volumes** – the popularity of the holiday period means there are more leave applications to be reviewed, approved or rejected.
- **Vacation differentials** – public holidays at the end of the year vary according to the calendar.
- **Bonus time** – for companies offering them, end of year bonuses have to be paid, or at least calculated, over the holiday period.
- **Extra costs** – contractors are often required to cover absenteeism amongst permanent staff, which means raising purchase orders, processing and paying invoices.

These challenges all increase workload for payroll staff significantly – often at a time when they themselves want to take leave.

As long as everyone gets paid?

Payroll is much more than just making sure people get paid on time.

Payroll shows you just how much it costs you to run your business at the size it is. It's a barometer for the competitive status of your business. A tool for forecasting – as much as summarising.

With the right processes in place, you can go into any period knowing how much your staff is going to cost you – before you've completed the payroll. Even without every piece of data at your disposal, you can at least be certain of minimising any nasty surprises.

But if your business is heavily reliant on manual processes, it's hard to get that kind of visibility – because your payroll staff can't get through their to-do lists quick enough. Which means you don't have access to business critical information when you need it.

And during the holiday period – when volumes are high and there are additional factors to consider on top of a normal period – that can be frustrating.



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A need for better workflow

Payroll shouldn't just be the responsibility of one department. All business areas – from finance and operations, to legal and HR – generate data that's used by payroll. So it makes sense for that data to flow naturally into the payroll process.

The trouble is, if each of those departments is using a separate spreadsheet, or off-the-shelf system, the data flow stops with them.

The only way for it to get into payroll is with a lot of duplication of effort and data re-entry – which is a slow, laborious process. And during times of high data volume – such as the holiday period – that places extraordinary stress on payroll staff.

Staying on top of the variables

Duplication doesn't just cost businesses dearly in terms of time either. It introduces unnecessary errors. And in today's climate, with ever tightening margins, those errors can very well be the difference between profit and loss.

Without a certain amount of automated workflow, it's inevitable that errors start to creep in to the payroll. Spreadsheets and even some off-the-shelf products are far too reliant on user input and often simply don't have the flexibility to deal with the variables involved in payroll calculations and data management. Variables such as:

- part-time employee pro-rata entitlement
- local and international workforce rights
- country tax differentials
- holiday cover and out of hours compensation
- student and temporary tax options
- bonuses.

And then there's legislation.

When you add the impact of regulatory change to the complication of holiday payroll, it's a surprise any business relying on a largely manual payroll system gets through the holiday period unscathed.

There's the on-going need to meet national and international compliance payroll, compensation and tax requirements – the need to ensure those changes and updates are made on the workforce.

Holiday, leave, sickness and temporary resource out of office entitlements change on a regular basis too. As do Government Payroll Standard requirements.

Plus, when holiday periods coincide with complex calculations such as long service leave, maternity and paternity leave, adoptive leave, carer's leave, gender pay entitlements and the right to be trained, even closer attention has to be paid to regulation and employee entitlement.



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A competent solution – for a complex problem

Clearly, if your business is to cope with increased volume of data during the holiday period, remain compliant – and be able to use payroll as a means of predicting costs on an ongoing basis, it's not enough to lay everything on your payroll team.

The management of payroll information is complex. It demands the need for multi-system management and alignment across your business.

So what are the options?

- Outsource your payroll service to a third party.
- Add additional systems to the mix of documents, processes and software already used.
- Implement an integrated payroll and people solution.

Payroll and people together

Outsourcing is an excellent way of reducing the internal payroll workload – and some of the headaches associated with it. But for many businesses, it's often far too costly an option.

Adding additional systems to the mix of documents, processes and software already being used can – in the short-term – resolve certain conflicts of data. But ultimately, it's likely to add to the lack of cohesion across your organisation.

Really, for the medium sized business looking for more control over the payroll process – particularly during the holiday period, by far the soundest solution is to opt for an integrated payroll and people system.

Implementing such a system is not without its challenges. But ultimately, it's likely to be a reliable way of reducing costs – and improving your bottom line.

It'll help you automate work flows, minimise duplication of data (and therefore errors) – and provide you with genuine business intelligence on your business.

Specifically, you'll benefit from:

- pre-planning and pre-loading holiday and leaves dates
- reviewing company and country public holidays
- inputting data into just one system
- scheduling holiday shift patterns
- determining amount of leave time remaining throughout the year.

There are a number of software packages out there to choose from. But before choosing, businesses need to consider two essential points.



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1. Choose a system that looks and feels easy to use

Don't be seduced by systems that come laden with bells and whistles. They may look attractive, but if they're impossible to get to grips with or require support calls every few hours, you'll be less productive than you were back in the spreadsheet days.

2. Choose a system that is flexible

You need a system that not only integrates with your existing processes, but isn't so rigid that it has you looking for a replacement six months down the line. In short, you want a system that grows as you grow.

The beauty of integration

Integrating payroll, people management and financial management into a single system has huge benefits for your business.

With all your data held centrally there's no longer any need for manual duplication into other systems. Information that's entered by one part of the business flows naturally through into payroll the moment it's created. Which means earnings, taxes and deductions can be calculated automatically.

Not only that. A centralised, integrated system gives you real-time intelligence on all aspects of your business – so you can track labour costs, analyse trends and create detailed management reports. You can also look back at historical data and make predictions on staffing requirements or estimate costs for future periods.

Multi-user access capabilities mean that you can encourage staff to book their own time off too – and that gives both managers and payroll a better view of staff scheduling across the entire business.

And because all information is stored in a single place, your payroll team has instant access to the data they need – even if the business is spread across multiple locations.

A decent integrated payroll system should also enable you to pre-load public holidays and other critical data – such as the latest legislative changes. Which means individual pay, benefits or any other conditions can be automatically calculated according to the most up to date regulations.

Above all, what an integrated payroll, people management and financial management system gives you is a 360 degree view of your business and your costs. So you never have to go into another holiday period without knowing what the impact is likely to be on your business.



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EXO: a platform for growth

EXO Employer Services is a module-based system that gives you control over all aspects of your staff administration. At its core is EXO Payroll – a complete, customisable payroll solution that makes maintaining and processing your payroll faster and easier.

Employer Services is part of the MYOB EXO integrated business solution, which allows you to centralise all your business management functionality into a powerful but flexible all-in-one management tool – for complete visibility on all aspects of your business.



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