

# Great Expectations for the Future of Payroll

*Rapidly changing technology will drive payroll and related functions*

BY TODD ASEVEDO

A formidable inventory of “moving parts” stands between the payroll professional and timely, accurate data output. As companies continue to squeeze their payroll and accounting functions, payroll departments are becoming responsible for more of these moving parts. By embracing the future of payroll technology—a future in which rapid change is the only certainty—payroll professionals can stay ahead of the efficiency tide.

Over the last 40 years, the payroll process has evolved with dizzying speed. Cutting-edge technologies of the past decade such as employee and manager self-service and online timekeeping are already entering a second generation.

Just as laser printers seldom jam any more, the average personal computer has enough power to compute 5,000 checks in one hour. Tax filing is as complex as ever, but now even the most inexpensive payroll applications allow you to generate signature-ready forms right from your laser printer.

What are the next big innovations in payroll technology?

## Centralized and Paperless

One industry trend is the consolidation of payroll vendors, where larger vendors acquire applications that complement their main offerings.

The payroll department of 1998 may have had multiple vendors for time collection, human resources, payroll processing, direct deposit, garnishments, and tax filing. The payroll department of 2004 can have all these functions in-house and supported by one vendor.

Another emerging trend is the application of new technology and services to what has always been a paper-based

process. From completely integrated time collection to the electronic disbursement of payables, payroll can be the hub of an affordable and paperless electronic process. Here is how the future could look:

*An employee's time is electronically collected and passed through an approval process. The information is then accessed by payroll, and the employee's pre-selected benefits that are tied to his deductions are automatically withheld from his electronic payment. Three thousand miles away from your office and the nearest check stock, the employee's paycheck is automatically credited to a paycard he keeps in his wallet.*

All of this can happen in a matter of hours, without a single piece of paper falling through the cracks.

## Easy Analysis

Those who interact with their organization's human resources department may have already heard about analytics tools, online analytical processing (OLAP), or decision-making tools. Essentially, these tools access, analyze, and arrange payroll data into accessible reports.

A payroll manager can then present the information to a controller or chief financial officer to help manage overtime, plan new facilities, oversee job costs, or analyze important tasks recorded by payroll. The new analytic tools' relevant metrics and ease of use allow users to turn data from a job cost report or payroll register into information that can help run a business more efficiently.

Another trend to watch is the movement toward electronically managing payment and data exchange between payroll professionals, third-party admin-

istrators, provider networks, and payroll and human resources vendors.

In recent years, the HR-XML Consortium, a nonprofit organization, has worked on an easy-to-maintain interface structure that can accomplish this goal. It has also completed two specifications to allow the easy exchange of payroll-related instructions. These standards, called Payroll Benefit Contributions and Payroll Instructions, are being implemented in many HR-XML certified products.

## The Road Ahead

A few other notable advances will gain momentum in coming months and years. Keep an eye on paycards, third-party administrator self-service, and tools to track your contingent workforce.

As payroll professionals strive to balance the complexity and accuracy of their jobs with the reality that they are always being asked to do more with less, they must consider:

- Which advances in payroll technology will provide the most value at the lowest cost.
- Which advances will keep them aligned with the goals of their organizations.
- How long they should wait to embrace the changes these innovations bring to the market.
- What impact waiting will have on their organizations.

By answering these questions, payroll professionals will be positioned to benefit from technological advancements, making them more efficient and productive despite their ever-increasing workloads.

*Todd Asevedo is the Human Resource Management System Business Manager at Kronos Incorporated.*