Measuring Payroll Efficiency

Key Performance Indicators
Key Performance Indicators (KPIs)

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Key Performance Indicators (KPIs)

• Sometime Known as Key Success Indicators (KSIs)
• Benefits
  – Monitor Business Performance
• Identifying
  – Trends
• Selecting
• Presenting
Key Performance Indicator’s?

- To measure the performance of the department
- Statistical performance of the organisation
- To measure the performance of Individuals
Possible KPI’s For Payroll

- Monitor Performance of Team
- Monitor Compliance with Targets
  - Set by Organisation
  - Within a Service Level Agreement
Developing KPI’s

Step 1

• Produce an analysis of your
  Strengths
  Weaknesses
  Opportunities
  Threats

Known as a SWOT Chart
<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Accuracy of Input</td>
<td></td>
</tr>
<tr>
<td>• Handling pay Queries</td>
<td></td>
</tr>
<tr>
<td>• Keeping up-to-date with legislation</td>
<td></td>
</tr>
<tr>
<td>• Ability to do manual checks</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Introduce e-payslips</td>
<td></td>
</tr>
<tr>
<td>• Provide payroll service</td>
<td></td>
</tr>
<tr>
<td>• Electronic Payments</td>
<td></td>
</tr>
<tr>
<td>• Company considering outsourcing</td>
<td></td>
</tr>
<tr>
<td>• Failure to send changes of personal data</td>
<td></td>
</tr>
<tr>
<td>• Company considering outsourcing</td>
<td></td>
</tr>
</tbody>
</table>
Employment Related KPI’s

• Service Performance KPI’s
  – Handling employee’s queries

• Employment Performance KPI’s
  – Labour turnover
Service Performance KPI’s

Percentage

• Payslips manually recalculated
• Overpayments
• Payslip received after payday
• Time spent double checking
• Reply times to status enquiry form
• Telephone queries answered immediately
• Average time to respond to telephone call
Payslip Recalculation KPI

- 2000 employees
- 35 recalculated upon request of employee
- Target 0.5% (5 per 1000 employees)

Index is number of recalculations divided by number of employees paid multiplied by 100

\[
\frac{35}{2000} \times 100 = 1.75\%
\]
Employment Performance KPI’s

• Measured Performance
  – Absenteeism
  – Overtime
  – Timekeeping
  – Labour Turnover

• Evaluate Performance
  – Departments
  – Business Functions
  – Job Grades
  – Benchmarking
Most Important KPI’s

• Labour Turnover and Retention
  – Expected level of recruitment in following year
  – Benchmarking
  – Compare departments
  – Skills being lost
  – Effective recruitment
Labour Turnover KPI

- Measured using flags
  - New starter flag, followed by current flag
  - Termination flag
  - Permanent status flag
- 250 leaver
- Average 1000 employees
- \( \frac{250}{1000} \times 100 = 25\% \) Turnover
- Compare with previous year
A Tool Not A Solution

- Identifies Problems
- Trends
- Further research to identify reason
- May suggest resolution
Presenting Your KPI’s

• Need to be clear and concise
• Factual
• Relevant
• User friendly
• Regular and on time
• Confidential
Presenting Your KPI’s

- Paper
  - Figure
  - Percentages
- Fractions
  - Charts
Presenting Your KPI’s

- Email
  - Ensure security
  - Password
  - Change on a regular basis
Presenting Your KPI’s

• Intranet
Getting Started

• Review your current payroll services
• In-House
• Outsourced
• Service Levels
• Measure performance
Payroll Performance Indicators

- Identifying costs
  - converting them into unit costs
- Confirms how and where money has been spent/allocated
- Highlight inefficiencies in Payroll
- Enables the comparison of costs
  - benchmarking
    - ensure like for like
Payroll Systems Changes

- Cost time and money to implement/test
  - Statutory Changes
  - Organisation Changes
  - Flexible Benefits
Staffing Costs

- Salary
- On-costs
- Employee benefits
- Sickness, Maternity and Adoption
- Training
  - internal & external
Other Costs

- Payslip Distribution
- Method of Pay
- Stationery
  - pens, paper etc
  - specialised stationery
    - payslips, P60s
- Accommodation & Utilities
  - Location, heating, lighting
Other Costs

- **Archiving / Storage**
  - off-site storage
  - CD rom, tape, microfilm,
- **Security**
  - lockable cupboards, offices,
  - fire proof cupboards
- **Office Machinery**
  - specialised, fax, scanner, photocopier, readers
  - option to share?
Other Costs

- Hardware
- Software Costs
  - maintenance
  - upgrades
  - processing
  - licenses
  - telecommunications

The first time PPIs are prepared - a lot of time and effort will go into finding all the relevant information.
Problems

• Finding the information
• Getting the right information
  - Third Party Reluctance
• Ensuring a Consistent Approach

..... *Take Time to Get it Right*

Remember...
Calculating PPI’s

- Per Payroll/Country, Per Employee
- Per Payroll/Country, Per Payslip
- Overall PPI, Per Employee
- Overall PPI, Per Remittance
Direct and Indirect Costs

• DIRECT
  – can be clearly attributed to a specific function
  – an administrator employed to do weekly payroll
  – sometimes known as producers
Direct and Indirect Costs

- **INDIRECT**
  - cannot be specifically attributed
  - needs to be apportioned across two or more payrolls
  - an administrator employed to process sick absence records for the whole company
  - sometimes known as non-producers
In Summary

Using Payroll KPI’s can only help to raise the profile of the Department