



# Payroll

PROCESS, CHALLENGES, AND THE ULTIMATE SOLUTION





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# Preface



“Why do people work”? For financial sustainability, right? Would anybody continue to work if they don’t get paid accurately or get a late paycheck? In popular opinion, people will bear this kind of irregularity once or twice, but not for long. The first week of the month is the most exciting time for an employee, as it is the time when she will be getting paid for the efforts she has put in to keep the organization growing. After working expeditiously for a month, everybody anticipates a timely and accurate pay-check. This is why companies need to focus on the timely distribution of remuneration.

*“In order to build a rewarding employee experience, you need to understand what matters most to your people” Julie Bevacqua*





To outlast in the competitive business world, one needs to preserve one's most valuable assets, i.e, the employees. Organizations invest copious amounts of time, money, and effort to recruit, train, and sustain sufficient employment for their business operations.

### Interesting Trivia:



1 out of 5 payroll professionals (18%) spend copious amounts of time on day-to-day activities, such as data entry<sup>(1)</sup>



Manual data entry is also a part of the payroll activity that results in the most errors (35%)<sup>(1)</sup>



25% of payroll inquiries are about employees' payslips<sup>(1)</sup>



The second most common reason for payroll inquiries is related to missing pay, at 22%<sup>(1)</sup>

**All this signifies how fragile employee engagement is when processes fail leaders/employers to carry out core HR functions.**

This states that accuracy and minimal human intervention is the need of the hour. Organizations must process the payroll on time to keep the employees engaged and motivated. When you hire an employee, it is important to pay her accurately, on time, and in compliance with the government's regulations. This will help boost employee morale and keep your workforce motivated. This is not only about penalties but also about your brand's reputation.

Irrespective of the size of the organization, payroll plays a crucial role in maintaining the morale of employees to the financial stability of the company. As an employer, you need to make sure that monthly salaries are being paid consistently without delays.



# Chapter 01

## Understanding the Payroll Process

*Being paid is the definition of work. If you can't get it right, really nothing else matters. And you have to get it right for compliance reasons, as well as for your employees. Nobody likes surprises, particularly when it comes to their money.” — Mollie Lombardi, Co-founder and CEO Aptitude Research*

Agree or not, but payroll management is one of the most dreadful and at the same time indispensable tasks for HR personnel. In layman's terms, payroll is the process of paying the employees. It may refer to:

- An organization's financial records of employees
- Issuance of employee paychecks
- Annual records of employee emolument

*The payroll process is divided into 3 stages:*







## Pre-Payroll Activities

### Collecting Salary Information

Before you start calculating pay:

- Draft a well-defined pay policy
- Gather Inputs
- Input validation
- Set up a payroll schedule
- Establish tax payment dates

## Payroll Calculation

Computing withholdings from pay

- Decide the proper withholding amount for statutory payments
- Calculate other deductions and submit payments to taxing authorities.
- Deduct other required amounts from gross pay

## Post-payroll Process

Things to keep in mind after each pay period:

- Review, generate and issue Payslips, Statutory payments Reports, Cash Reports
- Access the bank reports and download them by choosing a financial year, frequency, period, and batch
- Keep payroll records



# METHODS AVAILABLE FOR PROCESSING THE PAYROLL

## Using a manual system

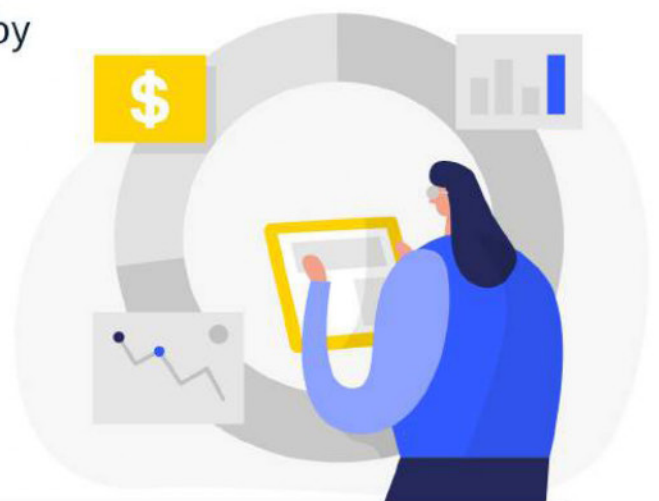
Startups or businesses that are at the initial stages of their operations opt for a manual system for processing the payroll. Here, the payroll managers use traditional payroll ledgers, spreadsheets, and a calculator, for making entries. While this method doesn't cost anything, the process is cumbersome, tedious, and error-prone.

According to the IRS,

around **33%** of payroll managers make payroll errors that can cost an organization billions of dollars annually. <sup>(2)</sup>

**Isn't that a huge amount?**

Organizations can save all this cost by only spending a few dollars on an automated payroll system.





## Outsourcing payroll operations

Some companies engage external parties to handle all payroll related activities. Outsourcing payroll operations is generally done to reduce the cost and time required to handle the financial tasks related to payroll. The external party handles payroll records and tax analysis, it also takes care of employee provident fund, insurance processing, audit planning, and procedures.

**19%** of employees, i.e 1 out of 5 have participated in some form of time theft, which can cost companies up to **7%** of their gross annual payroll. <sup>(3)</sup>

However, this method is not generally considered safe, as there is always a risk of data breach and identity theft.

## Implementing payroll management software

Payroll management can be done effectively with online payroll services. Many companies have shifted from traditional ways of payroll management and have adopted the online payroll system. Besides, managing the payroll activities, automated payroll software serves as a holistic leave and attendance management system. It helps in error-free payroll processing as well as payslips can be generated in no time.

An automated payroll system can benefit your organization in numerous ways and can reduce the payroll costs by as much as **80%**, increase your team efficiency by **73%**, and can eliminate the risk of manual errors by **91%**.





# Chapter 02

## Common Payroll challenges businesses are facing today

Before the emergence of the Human Resources department, companies had personnel departments that were engaged to ensure that the employees were paid timely, taxes were filed, and labor laws were followed. After more than a century of innovations and technological advancements, payroll is still hard and is a pain for many organizations.

While today, the HR tech has provided company leaders with timely insights on performance and other aspects, the core requirements for payroll professionals haven't been banished.

Gratuitous management of the payroll can lead to high attrition rates, poor employee management, decreased productivity, and low employee morale.

**Here are some of the payroll management challenges businesses are facing today:**

### The risk of non-compliance in payroll

One of the biggest challenges faced by major companies, thanks to its large, complex nature, has been payroll.

It is estimated that approximately **25% of companies pay hefty fines or penalties** to the IRS every year, due to compliance errors. <sup>(4)</sup>

Most of these errors stem from the changing nature of regulations.



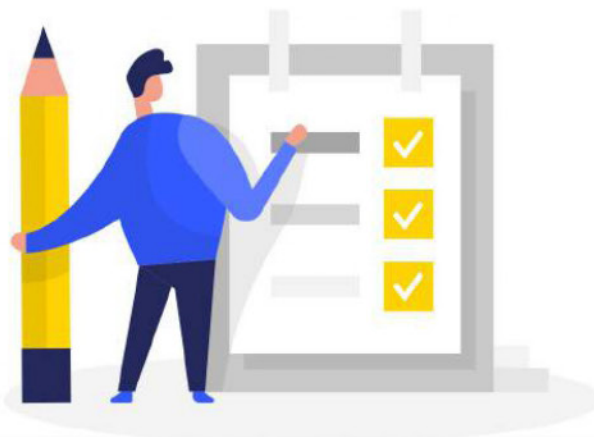
Compliance is a dense forest of regulation that is erratic. It is the job of the HR or payroll managers to keep themselves abreast of the workforce laws and organizing required training. They are also responsible for handling the necessary reporting to keep the business compliant.

Around **21%** of payroll managers find it hard to stay compliant with labor laws.

Drafting a tactical strategy is crucial for multinationals, SMEs, or even startups to manage compliance with data protection and reporting requirements.

### **Poor management of timesheets**

In this age of digitization, if you are still relying on spreadsheets and paper timesheets to manage your employees' working hours, project timelines, and expenses, you could be leaving enough room for inefficiencies, inaccuracies, non-compliance with working time legislation, and even employee fraud.





According to a report, sponsored by Replicon, time tracking solutions create challenges for businesses: <sup>(5)</sup>



report challenges with time tracking



of solutions don't offer clear visibility and insight into resource usage



say employees make mistakes



of solutions used at large organizations do not meet compliance requirements



say users don't like entering their information

The report also states that **70%** of employees selected timesheets as the most disliked process, dramatically more than expense reporting (**18%**) or paid time off (PTO) reporting (**8%**). Faulty employee time tracking and timesheet fraud is the major cause of disruption in organizations that use manual processes. <sup>(5)</sup>





## Vendor Management

Vendor management is a leading issue that is raising the payroll agenda. **According to a survey conducted by Venminder, collecting documentation is the biggest challenge for small and mid-sized companies.** <sup>(6)</sup> For large organizations, completing vendor risk assessments is the number one challenge.

### Some of the other major vendor management challenges include:

- Getting the right documentation from vendors
- Analyzing SOC reports
- Automating the process
- Completing risk assessments
- Managing contracts and negotiations
- Having the right internal resources
- Awareness of your vendor's cybersecurity
- Inaccessible account managers
- Slow and inefficient problem escalation procedures
- Lack of coordination of deliverables across multiple contracts.

Having different vendors as per different locations create coordination issues for the employer. There may be difficulty in understanding and interpretation, which may result in flawed reporting and penal consequences. When multiple vendors are involved, there are high chances of an increase in cost execution.



## Data management and reporting

Data management has been a major challenge for payroll teams because of the complexity of data integrity. Local storage of payroll data makes it difficult for the teams to collate the data. Moreover, generally, the data is not found in sync with other corresponding systems within the organization. Manual processing of the data is susceptible to errors and can often mean the data is incomplete, outdated before it is ready for analysis.

Besides data management, reporting is another payroll challenge. Payroll teams can tell how burdensome it is to compile information from a variety of different payroll and HCM systems worldwide. Since it is done manually in many organizations, the data collected can be incomplete, inaccurate, and outdated. Today, business leaders rely on real-time, accurate information for quick decision making, thus it becomes imperative for organizations to change with the changing expectations.

## Inconsistent policies and processes

**According to TMF Group's Annual Global Payroll Survey, 7 out of 10 payroll professionals reported having gaps in policies and processes.** <sup>(7)</sup> Non-aligned policies and processes can cost you a lot of time and money. Payroll managers can find consistency between these two areas by implementing the right controls. This is imperative for organizations operating in multiple locations. Payroll policies keep changing regularly and vary from one organization to another. So, the payroll teams will need to ensure that they work to maintain consistency across offices.





Delivering timely paychecks is a huge responsibility and you can't let your employees down with manual practices and antiquated systems. Organizations that don't apply their workplace policies consistently are more likely to have employees file employment claims against them and more likely to lose those claims.

## Confidentiality and privacy

Data is always critical and this is why everyone talks so much about data security. Maintaining payroll confidentiality in Indian workplaces is a difficult mission. Countries across the globe have made significant changes to ensure data privacy and protection. Staying ahead of privacy and data security regulations helps keep your organization compliant while giving your employees and customers confidence that you are invested in the protection of their data.

Since it requires the administrators to abide by the various tax laws that keep on changing time and again, payroll for an Indian company is complex. The dynamic nature of the country's regulatory embodiment requires the payroll administrators to embrace pay systems and procedures that are flexible to allow a new compensation structure. Failing to comply with the tax laws or regulations can invite problems.







# Chapter 03

## Manual VS Automated Payroll



As discussed earlier, there are different methods to process payroll. Today, most businesses have started opting for an automated payroll management system, but many businesses still rely on manual payroll processing. A manual payroll process can be ideal for small organizations, but it may be quite impractical to use this process in large enterprises. An automated payroll management system eliminates human intervention, ensures timely and accurate payroll processing, and provides consistent and reliable results. However, if you are still skeptical about the advantages of an automated payroll management system, then you might want to have a look at this list of differences between automated and manual payroll processing:



## Manual

It is a **time-consuming process**, as the entire process is managed by individuals. This is entirely manual and doesn't involve the use of specialized systems.

This is a **daunting task** as all the steps in the process are managed manually.

The manual system of payroll processing is more **susceptible to bottlenecks**. It requires a lot of coordination, deadlines, verification, and approvals.

You **can't have a backup of all the files** and you won't be able to easily track the previous records in case of any emergency unless you make copies of all pages, which again, is as inefficient as well as a time-consuming process.

The **chances of errors** in manual payroll processing are high. When it comes to payroll, security is another issue that needs our utmost attention.

Manual payroll processing has security issues as it involves a lot of paperwork and doesn't have much scope for encryption.

Manual payroll management involves a lot of paper trail. It is **not an eco-friendly option**.

## Automated

The process is managed using a **computerized system**. It helps in removing bottlenecks, thus allowing the organizations to quickly execute processes

It is a **quick process**. With just a few clicks, you can process the payroll for hundreds of employees.

Since the **systems are centralized**, it is easy to collect information on a real-time basis. There are only a few layers of coordination, verification, and approvals.

You can **easily save and back up** all the transactions, in case of fire or any other mishap. The simplicity of the backup of computerized systems is another major factor that makes it a great way to process the payroll.

There is **little or no scope for errors** in automated payroll processing.

This is a **secure method** as data is encrypted and password protected. Nobody can compromise the security of the system.

This method doesn't require much paperwork. Hence, it is **good for the environment**.





# Chapter 04

## Here's how Zimyo can help you overcome the payroll challenges

*"If you're in the market for an HCM solution, you need a cloud-based technology that offers a simple, intuitive user interface and robust analytics and reporting." - Forbes*

### Wouldn't it be amazing if you could:

01

Have a system that automates tedious payroll processes, eliminates timesheet errors, and reduces your reliance on human resources for the transfer of data or manual

02

Automatically flag exceptions that go against your organization's policies and forewarn managers, so they can take disciplinary actions on violations such as missed punches, early or late arrivals, and extended breaks — which increase the odds for payroll errors.





03

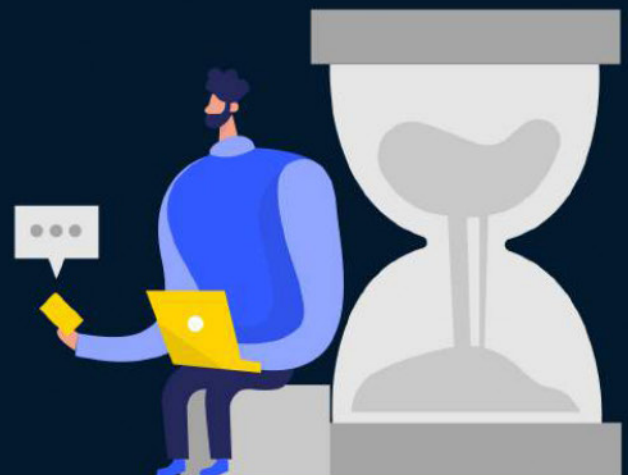
Automate data delivery of working hours to your payroll system, so each employee gets paid right the first time.

04

Get automatic alerts throughout the process to flag violation issues and minimize errors

05

Run and review as many reports as needed- payroll register, labor distribution, general logbooks, and more- before finalizing and submitting payroll to ensure error-free accurate results



At Zimyo, we are striving hard to make all this possible for you. With our state-of-the-art cloud-based payroll module generate accurate payslips in 3 easy clicks. This module enables self-service data retrieval, reducing time, and resources spent on manual data input, updates.



**Our integrated Payroll software ensures:**

## **Easy setup and onboarding:**

When companies fail to systematize their onboarding process, company culture, performance, retention, and engagement suffer. Zimyo's payroll management system is easy to set up and provides one-click solutions. Our payroll system simplifies orientation procedures, helps fill out all of the required forms, and offer a memorable experience to the employees.

**As per the research conducted by Glassdoor, organizations with a robust onboarding process boost new hire retention by 82% and productivity by over 70%.<sup>(8)</sup>**

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## **Automatic Payroll/Payslips**

Zimyo's payroll management software enables you to automatically compute and process payrolls accurately for each payment period. It also helps generate customized payslips and also direct deposits into your employee's bank accounts. Our payroll management solution helps businesses streamline their business processes with high-tech services and high-touch services. It enables easy integration of timesheets, human resources, compliance reporting, accounting, and insurance services, thus, leaving no space for human errors.

**The statistics from the American Payroll Association (APA) states that organizations that have automated their payroll process can reduce payroll costs by as much as 80%.<sup>(9)</sup>**

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## Cloud-based payroll system

Since our service runs on the cloud, it gives you the flexibility to access it from anywhere and from your shortlisted devices. This makes it possible for you to administer timely payouts even if you are busy with other obligations.

The cloud-based payroll system liberates organizations from the complexities and costs of purchasing, maintaining, and upgrading legacy on-premises systems. Mobility and real-time connectivity offer added benefits for users, especially for businesses using distributed workforces with remote employees or field operations.

## Inbuilt compliance

Our payroll software enables auto calculations of deductions such as Provident Fund, Professional Tax, ESI, Income Tax, etc. The volatile nature of these tax laws makes it imperative for businesses to employ software that helps them make precise calculations.

Zimyo helps businesses organize their compliance management processes with a searchable file library, automated task management capabilities, and built-in compliance monitoring and analytics. At Zimyo, we completely ensure that we maintain compliances up to a level, wherein all the Indian regulations are followed. Also, we make sure that certain policy changes as per policies in compliance (such as PF, ESI) can be done by the client at their interface.

Coming across as an HRMS and Payroll organization, we cater to the clients as consultants as well, wherein dedicated resources are implemented to make sure that we are 100% reliable. To ensure such a level of knowledge, we have a tie-up with multiple CA firms and have compliance specialists within our organization. As a product, we take full ownership and stand by our roots for compliances with zero non-compliance tolerance.





## Employee self-service portal (ESS)

This feature in HRMS not only helps the employees but also the employers. This frees up the employers from managing every individual employee's records or documents. With a well-integrated ESS, employees can access their payslips anytime, anywhere.

**A U.S. survey of ESS initiatives shows a 100% return on the initial investment, an average overall labor cost reduction of 60%, and a reduction in headcount of up to 75% <sup>(10)</sup>**

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It creates more mobile automation and digitalization of processes that are cumbersome and repetitive. It not only covers the needs of both casual and permanent employees but also delivers outputs tailored to the job level of each employee. In addition to this, it also makes communication between employees and HR or payroll managers smoother and more transparent.

## Expense management

According to a survey conducted by Certify, the top hot-button issues in expense management are:

**50%**

of employees lose paper receipts <sup>(11)</sup>

**45%**

of employees fail to submit reports on time <sup>(11)</sup>

**38%**

of employers take time to reconcile, review and approve reports <sup>(11)</sup>

With Zimyo's expense management software businesses can simplify the expense reporting process, expense system accessibility, gain reporting and analytics, improve employee compliance rates, and reimburse employees faster.

Our expense management software is designed to take care of manual data entry, provide real-time policy checks, and empower your finance team with accurate data analytics.



# Chapter 06

## Conclusion

**HR Tech is expected to bring about significant improvements in employee satisfaction (by 76%), productivity (by 83%), and performance (by 75%).** It is no brainer that for companies with many employees, the correct management of daily presence can become a tedious job, especially when dealing with employees working in different locations. An integrated payroll solution provides standardization and centralization of your data in a compliant and transparent manner. Zimyo's payroll management system provides real-time reporting to both employer and employee.

With **our state-of-the-art payroll system**, you can

- Manage by exception, review easily, and approve employee time daily. This helps you pay accurately and timely.
- Identify problems and collaborate with email alerts and strong workflows that flag issues to avoid the inevitable payroll problems
- Save time for your managers or supervisors, so they can focus more on revenue-generating activities, such as customer service or product quality

The right system in your organization can reduce costs caused by payroll leaks, inefficient payroll software or manual processes, and failure to maintain compliance with labor and pay regulations, union regulations, and pay rules.





## Case Studies



Based in Bahadurgarh, Haryana, Hillson is a renowned name in the shoe manufacturing and exporting industry. For an organization with such a reputation and credibility, it is imperative to carry out even the smallest of tasks with great efficiency.

Two years of repeated payroll errors, challenges in maintaining personnel records, and other HR-related issues, led Hillson to look for a tool that can help it manage the critical HR functions without much effort.

Know how HR leaders at Hillson managed to reduce their payroll costs by 80%



iMocha (formerly Interview Mocha) is the world's largest skills assessment solution API platform that helps organizations build winning teams. It was difficult for the HR team to manage employee data, leave & attendance, measure performance and engage employees so they required a solution that could help them resolve these issues efficiently.





## Author Bio



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Content Specialist

An avid writer, and an amazing team player, Manisha is a meticulous learner and has a good grasp of technical writing. She has her own unique flair for writing, which has helped her grow and engages the readers quite well. She has a stronghold of the English language, and 'never give up' is something that helps her overcome challenging situations at work. In addition to her astute sense of professionalism, she is a sociable and cheerful addition to the team.



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