# Telling Your Payroll Story Using Meaningful Metrics

2023 Wisconsin Statewide Payroll Conference

September 20th – 21st, 2023

# Agenda

- What are metrics?
- Why are metrics important?
- Developing key metrics
- Presenting your departments metrics

# Linda Obertin, CPP

*Linda currently serves as President, PayrollOrg and is also a Senior Director, Human Resources - Global Lead Payroll, for Hilton Worldwide.*

*Prior to joining Hilton, Linda held senior leadership positions in the Finance and Human Resources divisions of Fortune 100 corporations. She has more than 30 years of in-depth Global Human Resource, Workforce Administration, Contingent Workforce and Payroll shared service experience, servicing populations of 300,000+ in over 70 countries. Her focus continues to be on optimizing service delivery.*

*In addition to her role as President of PayrollOrg, Linda is an educator for PayrollOrg, sharing thought leadership expertise whenever possible. Being honored previously by the American Payroll Association (now PayrollOrg) with the Certification of Merit Award, and Payroll Woman of the Year, Linda also served as APA President in 2010 and in Vice President and Director positions on the Board of Directors.*

*Managing Global Payroll (and broader Shared Services) is her passion that continues to bring joy, daily learning events, bountiful cultural experiences, and provides the opportunity to work with the greatest people around the world. Linda has personally worked and traveled in over 70 countries around the world.*

# Did you know Wisconsin's Population is..

Milwaukee 569,330

- 5,892,539 – 2022
- Growth – 8.1% since 1987
  - **4,777,919 – 1987**
    - **1,114,620 Increase**
- Comparison - US Population – 339,900,000

# Why is this important?

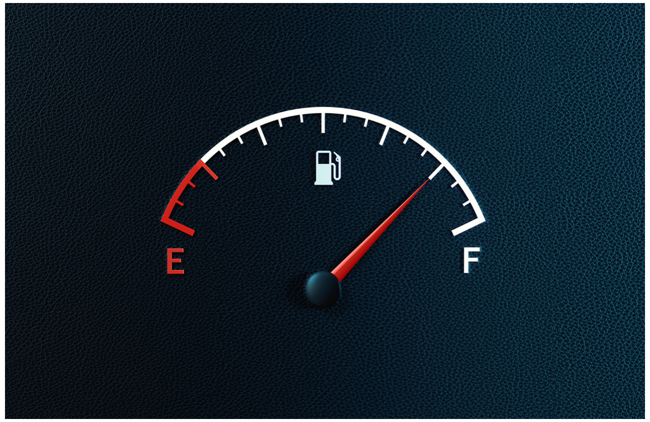
- Planning Infrastructure
  - Roadways
  - Schools
  - Hospitals
- Forecasting Revenue
  - Property Tax Rates
  - Production

# What are Payroll Metrics?

- Data used to measure activity, results or performance
- Data used to predict future performance/needs
- Metrics support a story - ”We had a very successful year”
- Measure your Third-Party Partners

# Why Metrics are Critical

- Helps to understand where successes and failures are coming from
- Used as an early warning system
  - Allows you to be proactive




- Foundation for making decisions
  - Investments: i.e., Talent, Systems, Rewards, Training
  - Timing

# Peter Drucker

..is known as the man who invented modern business management. He is widely regarded as the greatest management thinker of all time.

"You Can't Manage what You Can't Measure"

"If You Can't Measure it, You Can't Improve It"

# Common Metrics Terminology

- Data
- Key Performance Indicators (KPI)
- Critical Performance Indicators (CPI)
- Key Performance Measurements (KPM)
- Score Card
- Report Card
- Statistics

# What Story are we Telling?

- Awareness of your department Value Proposition
- Sell your ideas and make presentations
- Used as the basis of Process Improvement Plans
  - You can’t improve what you don’t measure
- Benchmark either internally or externally
  - Compare yourself to a standard
- Set individual and team objectives

# Why are Metrics Critical for Payroll?

- What gets measured gets attention
- The language of business is dollars and numbers
- Credibility
  - “Without data, yours is just another opinion”
  - Elevates your profile
  - Needed to make decisions
    - ✓ Allows you to have a seat at the decision table

# Common Payroll Metrics

- Volumes
  - Headcount
  - Paychecks Produced
  - Total Payroll $$ (Total Rewards)
  - % Direct Deposit
  - # of Legal Entities
  - # of Tax Jurisdictions
  - W-2's
  - Employee Inquiries

# Common Payroll Metric Evolution to Key Performance Indicators (KPI's)

- Cost per payment
- % of employees on direct deposit versus paper checks
- Ratio of Payroll Service Team to Number of Employees Paid
- % or number of off-cycle checks issued
- Total Tax Penalties

# Data Sources

- HR/PR Systems
- Financial System
- Time and Attendance System
- Call Center Database
- Project Management Database
- Excel Spreadsheets
- Post-It Note
- Third-Parties

# Know Your Data


- Just knowing a metric can improve it. You will be more aware of what makes the number fluctuate.
- When you review the metric regularly, you will start to make better decisions to influence it.

# Your 2023 Payroll Scorecard

| GO GREEN | BUDGET |
| --- | --- |
| **Electronic Payments _____%**<br>*-Direct Deposit _____%*<br>*-Debit Cards _____%* | ***___% of Total Budget*** |
| **PAYROLL TEAM** | **CUSTOMER FEEDBACK** |
| _____ Years of Experience<br>Attended _____ Hours of Training | *1) Highly Satisfied _____%*<br>*2) Moderately Satisfied _____%*<br>*3) Somewhat Satisfied _____%* |

# WHAT DOES YOUR SCORECARD LOOK LIKE?

EXERCISE

1) Develop Your Own Company Payroll Scorecard
2) Give your company a name
3) Complete your view of your team's Metrics and turn them into KPI's
4) Discussion:
   - Are they your final targets or is there more work to do…

# Your 2023 Payroll Scorecard

## DIRECT DEPOSIT %

**Electronic Payments 96%**

*-Direct Deposit 90%*

*-Debit Cards 6%*

## UNDER BUDGET- SAVED $$

***98% of Total Budget***

## PAYROLL TEAM

**44** Years of Experience

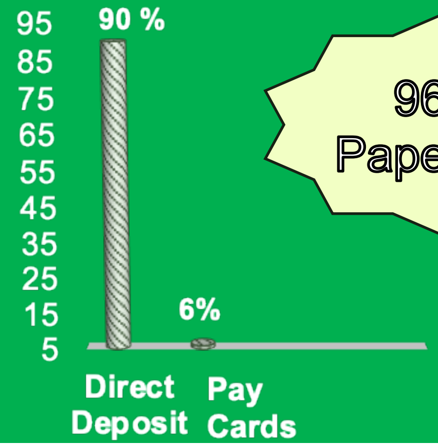
Attended **120** Hours of Training

## CUSTOMER FEEDBACK

1) ***Highly Satisfied 85 %***
2) ***Moderately Satisfied 10 %***
3) ***Somewhat Satisfied 5 %***

# Your 2023 Payroll Scorecard

## "PAYROLL GOES GREEN"

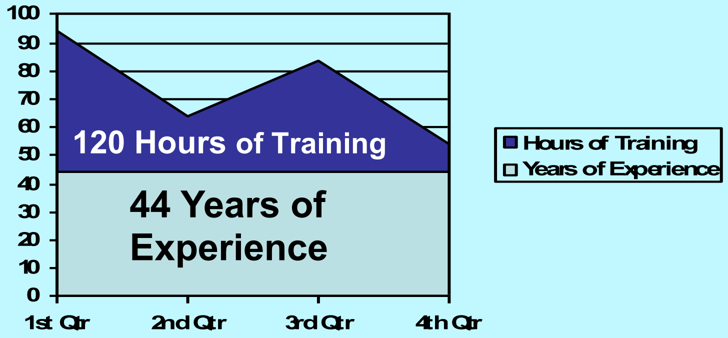



96% Paperless

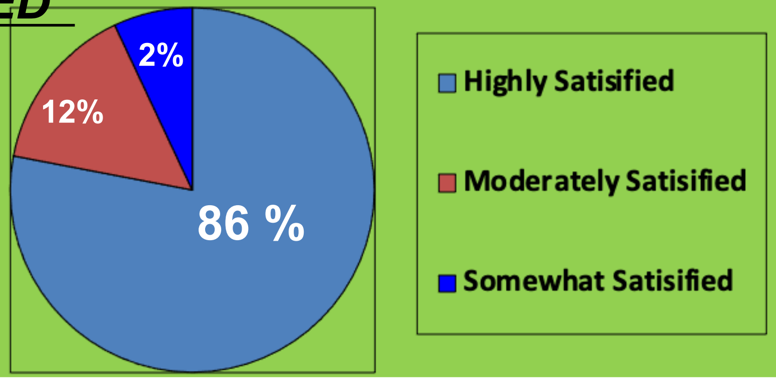
## FISCALLY RESPONSIBLE

*98% of Total Budget*

***Payroll Team Mitigates Risk and Manages Compliance with..***




**CUSTOMERS are saying…"they are *<u>HIGHLY SATISIFIED"</u>***



# How do I get Started?

1) Brainstorm with your Team and Partners
   - Collaboration is always a good first step
   - Get buy-in from Department

2) Align with your Objectives:
   - ✓Determine which KPIs are the most <u>basic</u> and the most <u>meaningful</u> to your organization

# TOOLS: Data Collection Tool

| Performance Measure | Operational Definition | Data Source and Location | Sample Size | Who will Collect? | Frequency of Collection | How will Data be Collected? |
|---|---|---|---|---|---|---|
| Cost Per Paycheck | Total Expenses/ Number of Checks Produced | Budget-Expenses To Date and Payroll Registers | 100% | Payroll Manager | Quarterly | Manually |
| Cost Per Employee | Total Expenses/ Number of Active Employees + Terminated Employees | Budget-Expenses To Date and Payroll Registers | 100% | Payroll Manager | Quarterly | Manually |

Begin with the End in Mind

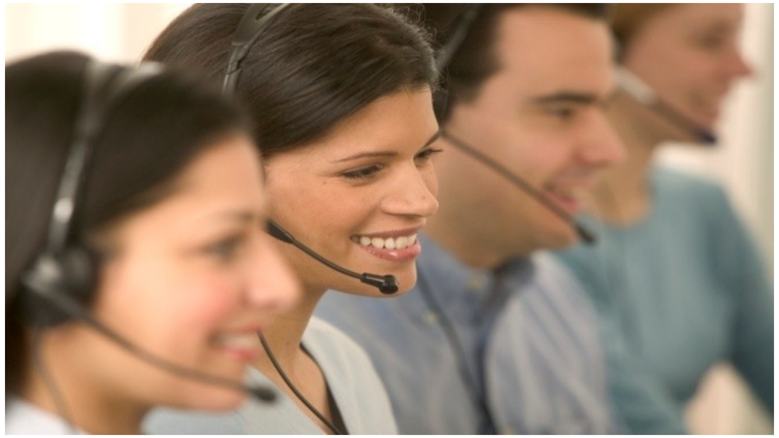
# Metrics As Controls

- Trend Analysis
  - Gross Wages between periods
  - Checks in Excess of $X.XX
  - Total Taxes Paid
  - Number of employees with no check
  - Hours worked in excess of….
  - Account balances
  - Other Key Amounts

# Customer Service Metrics and Support SLA's

## <u>CALL CENTER</u>

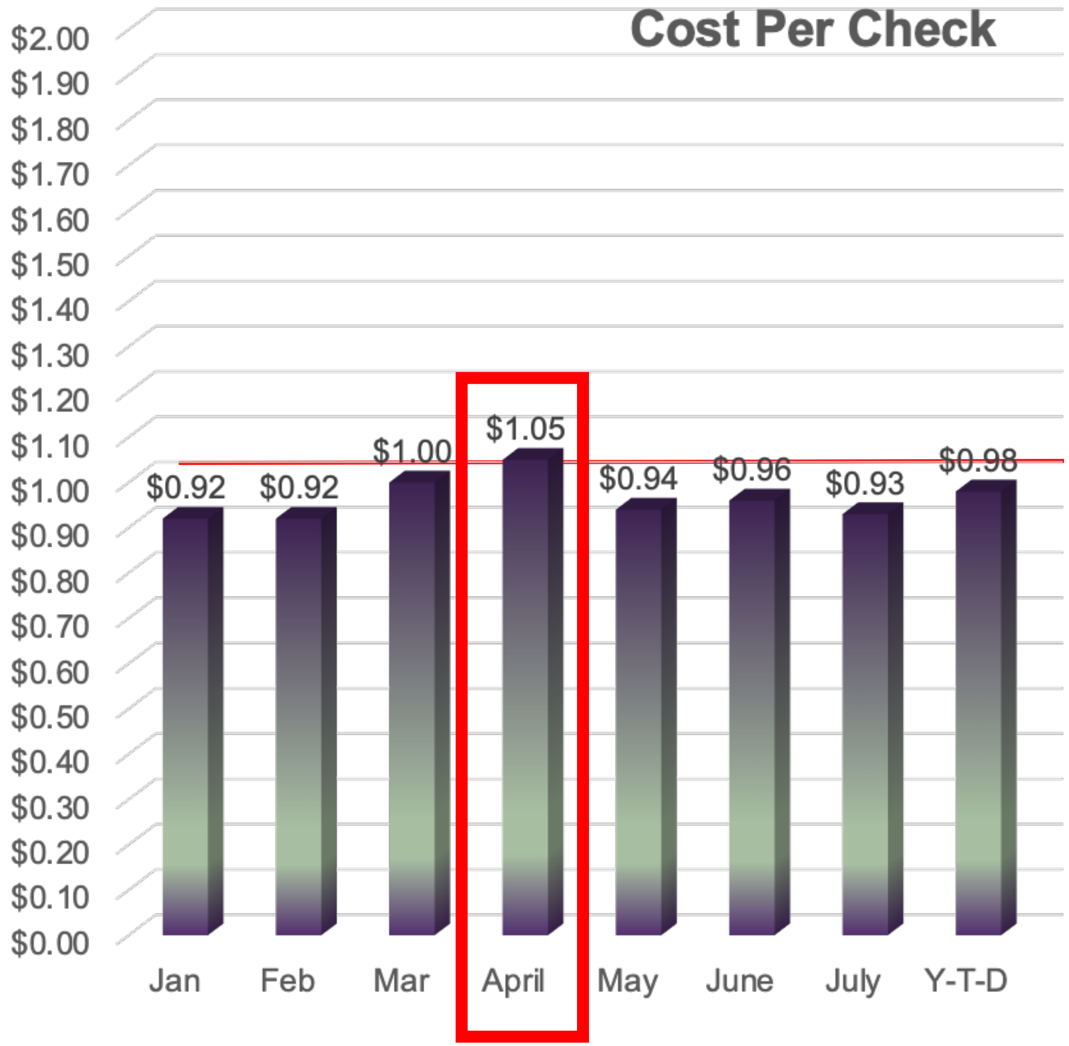
- Number of Phone calls taken
- Abandoned calls
- Time Spent on call
- Processing time
- Accuracy of response
- Number of contacts before resolution
- Speed of response



# How to Present KPIs

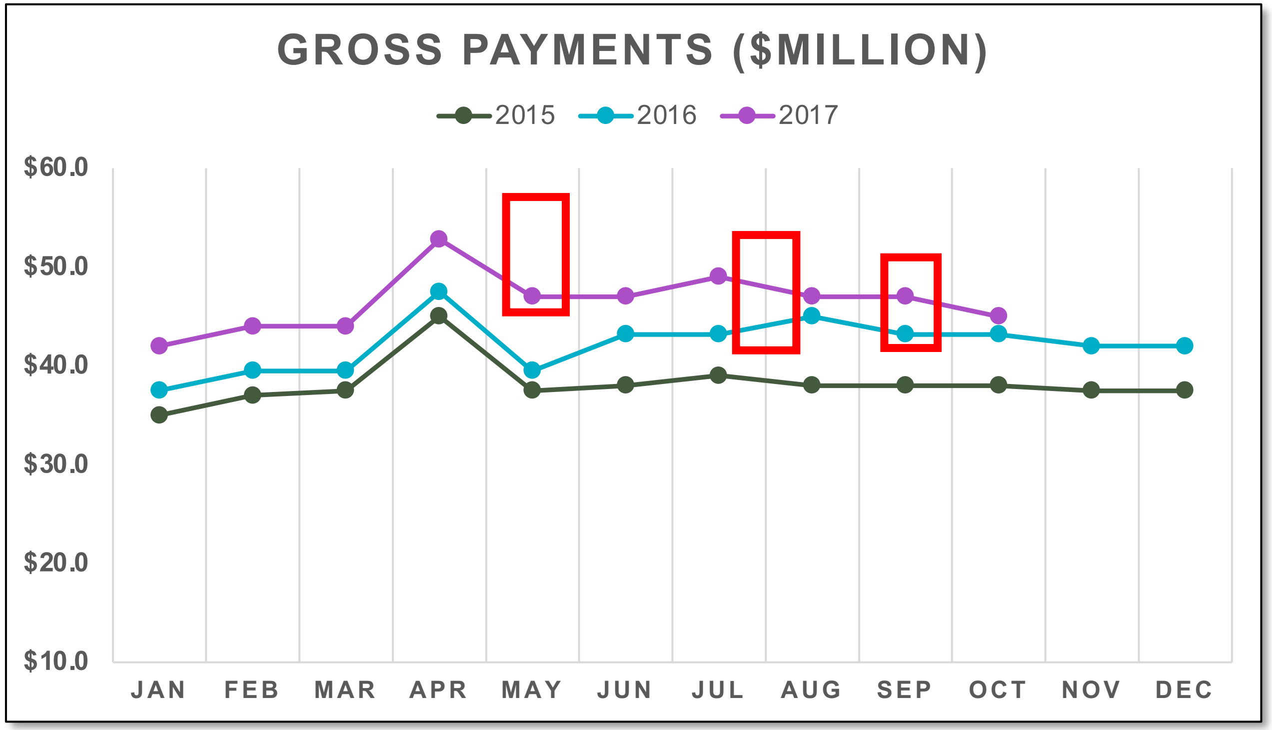
- Bar graph
- Pie chart
- Scorecard
- Plotted points on a graph
- Straight stats

# Payroll Cost per Paycheck – 2018 Partial Analysis




**Target $1.00**

# Gross Payments – Building Trend Data

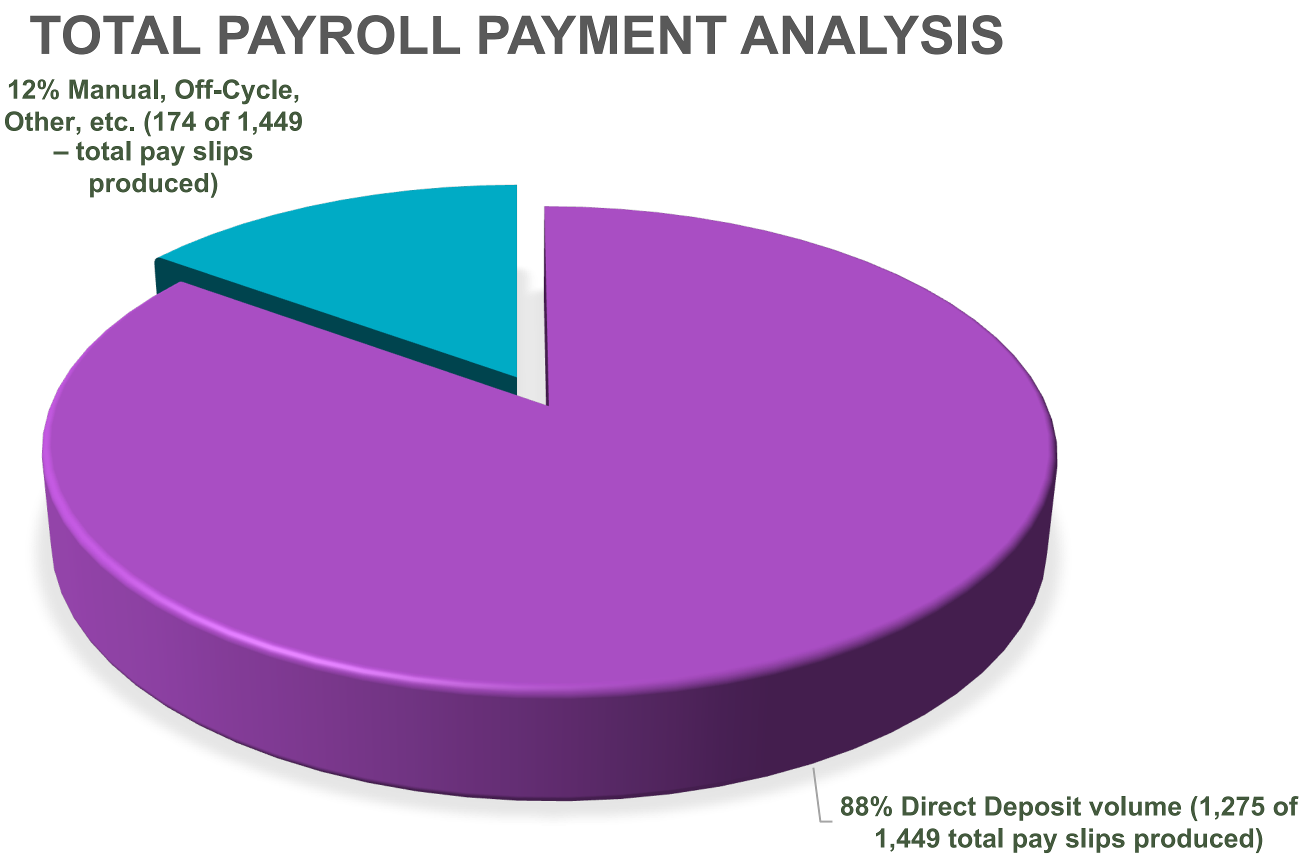



**April 2017 –** Total gross payments increased 20% from previous month ($44.0m to $52.8m, respectively) due to annual bonus payments, representing an increase of $5.3m from 2016 to 2017 ($47.5m to $52.80m, respectively).

**August 2017 –** Total gross payments decreased from July to August ($49m to $47m) by 4.08% due to divestiture of subsidiary A – phase 1 (140-employees).

**October 2017 –** Total gross payments decreased from September to October ($47m to $45.6m) by 2.98% due to divestiture of subsidiary A – phase 2 (100-FTE).

# Direct Deposits – January 2019



# What Story are you Telling?

# Scorecard January 2022

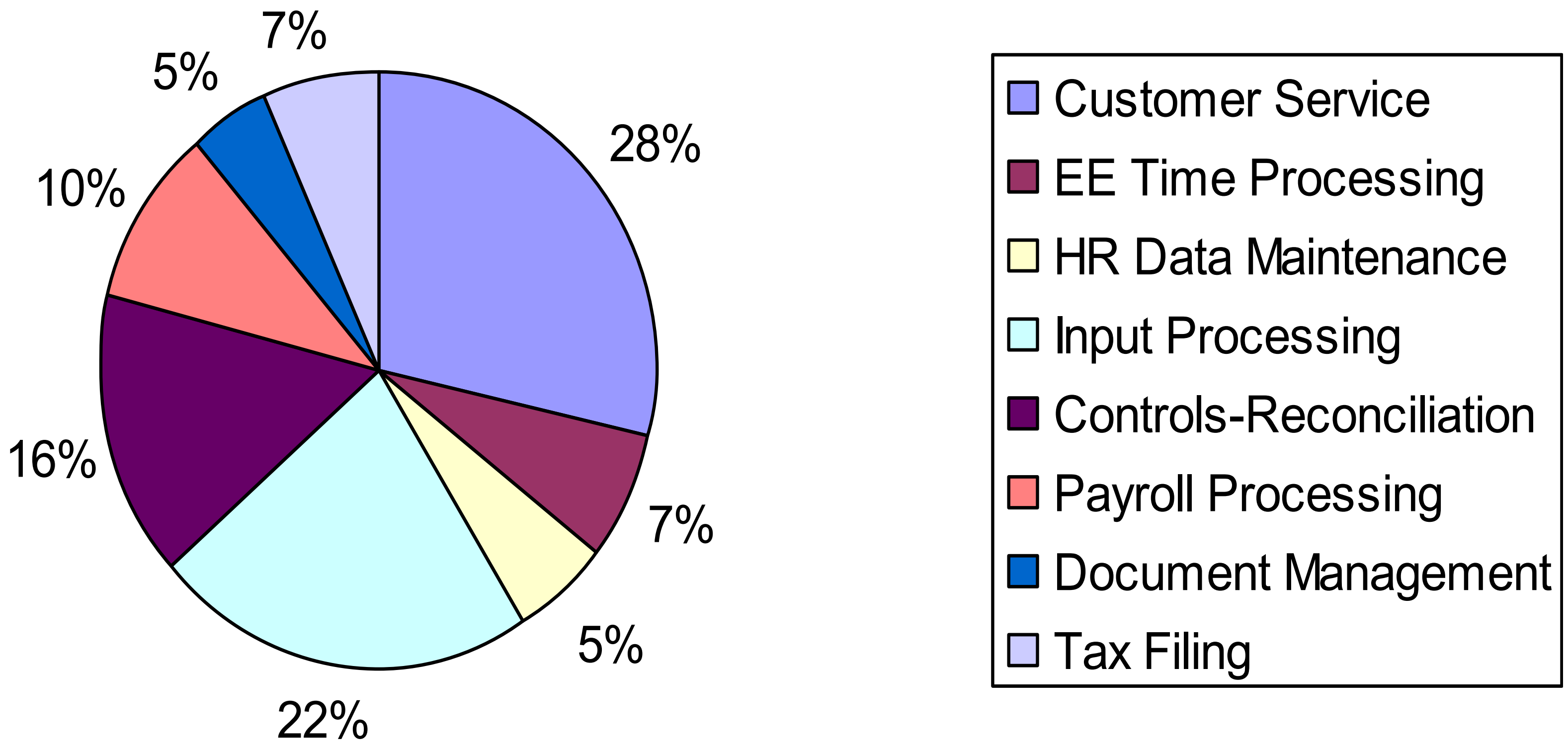
| | Target | Actual | Score |
|---|---|---|---|
| % Of Off-Cycle Checks | 0.5% | 0.1% | Green |
| % Of Direct Deposit | 100% | 96.4% | Red |
| Late Personnel Actions | 2% | 1.8% | Green |
| % Of Under Payments | < 1% | 0.5% | Green |
| % Of Over Payments | < 1% | 0.9% | Yellow |

Red is Relevant – *Draws Attention – Highlights Needs*

# What Is Your Organization's Story?

| METRIC | YOUR COMPANY | PEER | BEST IN CLASS |
|---|---|---|---|
| FTE/Ratio | 920/1 | 880/1 | 1200/1 |
| Off-Cycle Checks | 2% | 4% | 1% |
| Cost Per Paycheck | $4.30 | $5.00 | $4.25 |
| Direct Deposit | 94% | 86% | 93% |

# Labor Distribution



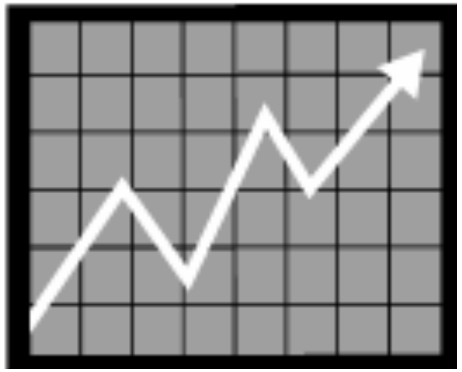
# Your Payroll Story Should…

- Support decision making
- Measure performance
- Identify trends
- Define baselines
- Provide a basis for benchmarking
- Support Corporate Scorecard
- Win you a Seat

**THANK YOU for ATTENDING**
**and**
**Enjoy the rest of your Conference!!!**

# Additional Key Payroll Metrics

- Cost metrics
  - ✓ Cost per check
  - ✓ Cost per service; Garnishments, Timekeeping, Processing
  - ✓ Cost per FTE
  - ✓ Process costs as a percentage of revenue
- Efficiency / Quality Metrics
  - ✓ Transactions per FTE
  - ✓ Percent of electronic pays
  - ✓ Payroll / HR FTE's to Customer FTE's
  - ✓ Quality; Errors (internal and external)
  - ✓ Error resolution timeframes
  - ✓ Number of off-cycle / manual payments
  - ✓ Number of Amended W2's
  - ✓ Fines / Penalties for non-compliance
  - ✓ Cycle Times (payroll close to pay date)
  - ✓ Late submissions of transaction documents from source(s)
  - ✓ Direct Deposit Recalls



# Payroll Metrics

- Costs/Volumes
  - Payroll costs/administrative expenses (%)
  - Payees processed per FTE in Payroll
  - Average number of payroll payments per employee
  - Percentage of employee on direct deposit
  - Percentage of employees receiving checks
  - Percentage of employees with both check and direct deposit-Go GREEN
- Number of Special Checks (i.e., Off-cycle Payments)
- Number/Percentage of manual checks vs. system generated checks

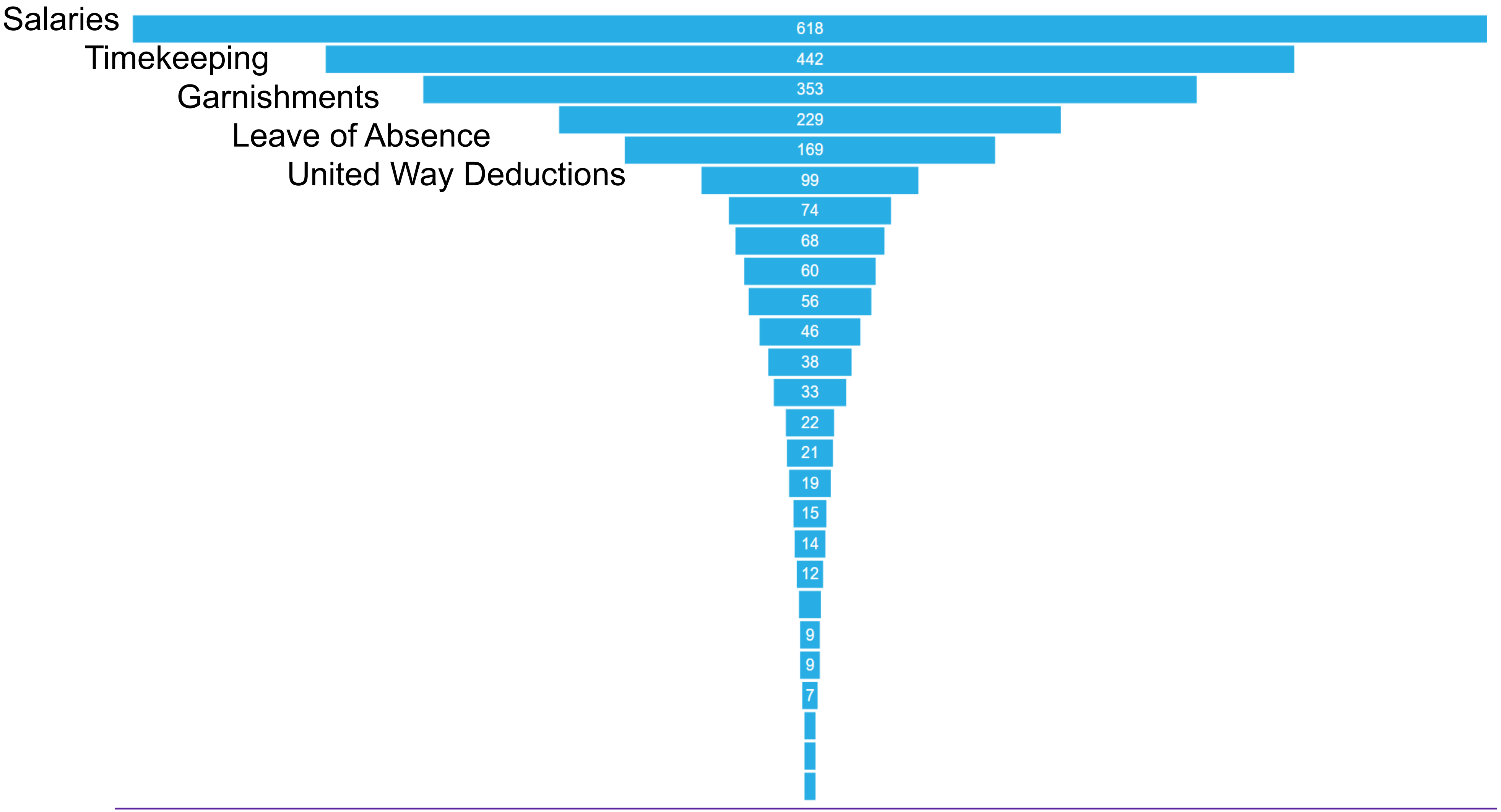
# Payroll Tax Metrics

- Number of FEINs and tax jurisdictions for enterprise
- Number of state and local jurisdictions per FEIN
- Employer taxes as a percentage of total wages
- Percentage of penalties/interest paid on total taxes
- Percentage of penalties/interest paid on total gross
- wages
- Number/percentage of tax abatements
- Number/percentage of on time payments/reports
- Number/percentage of late payments

# Key Customer Service Metrics

- Customer Satisfaction
- Average Speed to Answer
- Average Talk Time
- Abandonment Rate
- Average/Mean Time To Resolve
- First Contact Resolution (the 80% rule)
- Aged Trending of Cases
- Contacts per Professional – Tier 2 and Tier 3 Utilization Rates)
- Total Contact Ownership
- Root Cause Analysis

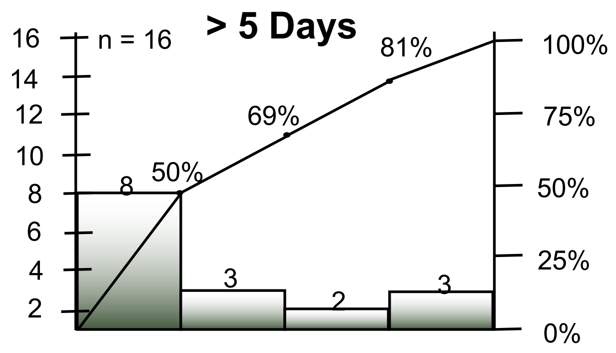
# Reporting Tools; PowerBI



# Quality

- Percentage of errors by type
  - Payroll department error
  - Manager / supervisor error – timely, accurate
  - Employee error – time reporting not submitted
  - Number of W-2c’s
  - Number of Amended Tax Returns

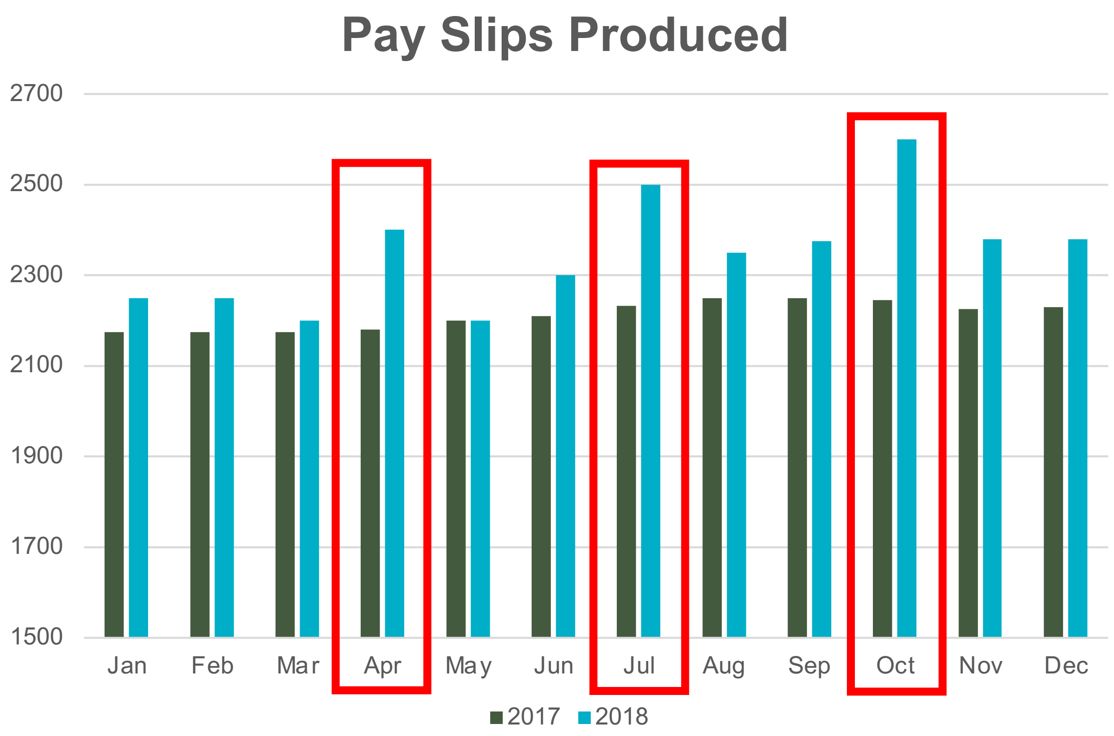
**Quality Review: Errors/Time to Address**



# Training Metrics

- Percentage of employees who participate in training
- Average number of employee hours spent training
- Amount of Training Dollars per employee
- Employees with expired certifications and licenses

# Pay Slips Produced – Bonus and FTE




**April 2018 –** Total pay slips produced increased 10.09% from March to April (2,180 to 2,400, respectively), due to annual bonus cycle payments (240-bonus total payments).

**July 2018 –** Total pay slips produced increased 8.70% from June to July (2,300 to 2,500, respectively), due to mid-year bonus payments (150 FTE), and additional hiring of 50 short-term contingent college interns for summer program.

**October 2018 –** Total pay slips produced increased by 9.47% from September to October (2,375 to 2,600, respectively), due to Q3 bonus payments and hiring of *75 new FTE to compliment expansion in factory 4ac, Jacksonville, FL.

- Product demand and expansion of production for Made in USA branded products, required additional staffing of 60-factory technicians, 5 line managers, 4 mechanical engineers, 2 CAD/CAM draftsmen, 2 payroll professionals, and 1 field sales representative, for newly renovated and expanded Jacksonville, FL, facility (factory 4ac – Red Brand Self-Propelled Walk Behind, and Sweeper Golf Course Models).