

GUIDE | OCTOBER 2021

# HOW EMPLOYEE-DRIVEN PAYROLL SHAPES THE FUTURE OF BUSINESS





# Executive Summary

Digital transformation is no longer an aspiration — it's reality. Self-service technology already enables your employees to enroll in their own benefits, request paid time off and manage their time sheets. But among the many ways workers can now own their data, they've often been removed from the one element to where all this data leads: their compensation.

Employee-driven payroll can empower a workforce to an unparalleled level of engagement by allowing them to access, view, manage, troubleshoot and approve their own paychecks so HR doesn't have to. While this doesn't mean employees can modify their pay, it can give them the ability to work confidently while sharply reducing painstaking and costly data entry associated with the payroll process. This can also drive down the possibility of errors, eliminating the scramble of administering a correction while leveraging your business's payroll accuracy overall.

Additionally, employee-driven payroll can grant your workforce unprecedented insight, giving them a greater chance to plan ahead while reducing the external factors that can hinder performance and limit your business's efficiency. Given that the American Payroll Association recently found that 69% of Americans live from paycheck to paycheck, this level of clarity is crucial, if not necessary, to improving the focus of your workforce.

Employee-driven payroll can also help reduce your organization's liability, as it requires an employee to acknowledge the accuracy of their check first, *before* payroll runs. By automating the payroll process, your business can experience a greater return on your HR technology investment without compromising your compliance.

## Key Takeaways

Through the power of employee-driven payroll, your business:

- » experiences heightened efficiency and paycheck accuracy while reducing costly, manual HR tasks
- » reduces payroll mistakes that require rushed and inconvenient corrections, such as through wire transfers, voids and manual checks
- » empowers employees to own more of their data, boosting their confidence in your organization and their financial literacy while leveraging focus
- » allows your HR professionals to serve as true strategic partners by freeing them from tedious payroll-related processes
- » helps improve compliance by adding a layer of process approval conducted by your employees, who are affected most by incorrect compensation



# Introduction

Self-service software has changed the game for employees. They approve their own time sheets, enroll in benefits, update their tax information and request time off with incredible ease – all without the need to directly involve HR. Yet there’s still another area where employee self-service can go even further: payroll.

As technology grants employees a more active role in their interactions with HR, it makes sense for them to be more involved with how they get paid. By giving employees greater access into their data and removing HR from the middle of payroll, organizations of every size can improve their overall payroll accuracy, reduce potential employee frustrations and increase their usage of self-service HR tech.

Mistakes are inevitable. In fact, they’re an integral part of the human experience. However, when mistakes affect something as crucial as our income, our tolerance can be abruptly cut short. Small errors, especially those involving pay, can have a detrimental impact on an employee’s trust in their employer.

In fact, in a survey commissioned by Paycom and conducted online by The Harris Poll in August 2021 among over 900 U.S. employees\*, nearly all (96%) of U.S. employees say a perfect paycheck is important to them. Similarly, in another survey commissioned by Paycom and conducted by The Harris Poll, the majority (51%) of U.S. employees say they would look for a new job if they experienced any payroll errors. Because employees know their information better than anyone else, allowing them to approve their own payroll cuts off doubt at its source and helps your business retain top talent, while also driving dollars toward your bottom line by eliminating voids and additional payroll runs to get payday accurate.



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of U.S. employees  
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Employee-driven payroll broadens the scope of self-service and elevates your workforce in a way few HR innovations have before by:

- » providing employees with previously unheard of insight into their pay
- » granting more ownership over not just employees' checks, but also their timecards, benefits and other deductions
- » reducing changes made after payroll runs
- » eliminating data re-entry while ensuring accuracy
- » increasing usage of HR technology already purchased

Any one of these advantages can drive engagement, lower compliance risk and boost precision independently, but united, they represent an unparalleled step into the future of HR and payroll.

\* Paycom surveys were conducted online within the United States by The Harris Poll on behalf of Paycom from Aug. 24-26, 2021, among 922 adults ages 18 and older employed full/part-time, and Aug. 31-Sept. 2, 2021, among 948 adults ages 18 and older employed full/part-time. These online surveys are not based on a probability sample and, therefore, no estimate of theoretical sampling error can be calculated. For complete survey methodologies, including weighting variables and subgroup sample sizes, please contact [research@paycomonline.com](mailto:research@paycomonline.com)



# Employee Insight

When your employees know exactly what their paycheck will be, they have an opportunity to plan their finances accordingly. Having a clear view of their compensation could be more crucial to employees now than ever before.

## PLANNING AHEAD

Before employee-driven payroll, the majority of employees' budgeting was rooted in speculation. While they may have had an approximate idea of what their check might look like based on recent paystubs, a precise amount could still elude them. In the survey, **48% of U.S. employees say they have been unsure what the amount of their paycheck would be on payday.**



A number of different factors can lead to a variance in pay. Suppose an employee changed their 401(k) contribution to increase every year until they reach the company match maximum but doesn't remember the exact date. Or they didn't work their normal 40 hours because they took 16 hours of what was supposed to be paid vacation, but their pay for their time off is missing because a manager forgot to approve their request. Or maybe an hourly employee had to step out to take an important call for half an hour. On a larger scale, a new commission structure could leave many sales representatives guessing about what their bonus will be.

Some of these examples may seem insignificant, but for many Americans, any unknown variable related to their income can carry heavy consequences. According to a study conducted by the American Payroll Association in 2020, **69% of U.S. employees live paycheck to paycheck.**

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Uncertainty can compound this already precarious situation: In the Paycom survey, **28% of employees who have been unsure of the amount of their paycheck say they couldn't pay their bills on time due to their unexpected check amount, and one in four (25%) stated they overdrafted their personal accounts.**

The insight employee-driven payroll provides is a game-changer, enabling employees in delicate financial situations to proactively adapt before their paycheck hits their account.

The advantage of employee-driven payroll isn't just limited to those living paycheck to paycheck. By seeing their pay in advance, employees have the power to make adjustments on their taxes, move their direct deposits or transfer their money around as needed. This can be especially useful after a new promotion, a big bonus or any other paycheck-impacting events.



**64% of U.S. employees  
don't understand all of their  
paycheck's taxes and deductions.**



## GREATER UNDERSTANDING

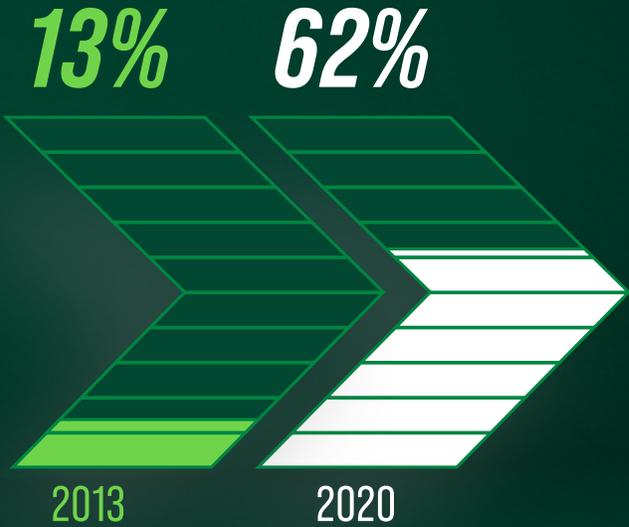
Regardless of your employees' unique dispositions, there is still a strong chance they may not understand how their paycheck is calculated. In a survey from the American Payroll Association, almost **40% of U.S. employees suggested they aren't very certain their withholdings and take-home amounts are correct each payday.**

A number of factors — such as new tax laws or shifts in benefits — can distort an employee's exact expectation of their paycheck. In fact, **64% of U.S. employees admit in the Paycom survey that they don't understand all of their paycheck's taxes and deductions.** Employee-driven payroll gives them a tool to ask questions about any mystery that may shroud their income.

When your employees understand the reason their paycheck is different than they expected, it can cut off frustration before it snowballs into distrust in your organization. In the event there is a perceived error — like the absence of a 401(k) increase or missed overtime — **your employee can notify HR immediately within the same application**, enabling proactive corrections to payroll. This extra layer of review can allow your employees to build rapport with HR and strengthen your business as a whole.

The foresight of employee-driven payroll can encourage financial literacy within your workforce, alleviating stress and allowing them to focus on pushing your business forward. Employers have identified financial wellness as important. For example, according to the *2020 Workplace Benefits Report* by Bank of America, **62% of employers feel extreme responsibility for their employees' financial wellness, up from 13% in 2013.**

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## Ownership

Employee-driven payroll doesn't just allow your workforce to see their check in advance; it makes them an active participant in the process. This extra layer of review isn't a needless, additional responsibility, but one that arguably should have belonged to your employees all along.

Many employees have felt the sting of this lack of control, as **73% of U.S. employees in the Paycom survey confirm they have experienced at least some issue with their paycheck throughout their career.** In tandem with this, 74% state they would prefer to update information that impacts their paycheck – such as 401(k) contributions and tax status – themselves over an employer or HR professional.



**73% experienced at least some issue with their pay.**

In a survey of 1,000 office workers conducted in December 2020, research commissioned by Paycom and conducted by OnePoll found that one of the top three useful aspects employees would like to see in their HR tech is details of their checks.

At the end of the day, your employees are affected most by their pay. And that ownership and improved payroll accuracy reduces costly errors and duplicate entries, which have huge implications for your organization. **Especially since a 2021 update to an Ernst & Young study found the average cost of a single manual data entry made by an HR professional is \$4.70.** Employees owning the information that impacts their pay by inputting it and approving it themselves removes those needless extra costs.

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## CATCHING MISTAKES

In addition to seeing their gross wages and deductions, your employees also see their taxes when they approve their own checks. While it is your employee's job to ensure their Form W-4 is correct, giving them the ability to see their check through the comprehensive lens of employee-driven payroll can help them spot a tax-related discrepancy.

After all, an employee could be subject to back taxes and up to a \$500 penalty if they have no reasonable basis for paying less than the required taxes. In the Paycom survey, **one in five (21%) U.S. employees say they have experienced a payroll error related to incorrect taxes being taken out.** Seeing their own paycheck in advance helps prevent such consequences.



**One in five [21%] U.S. employees say they have experienced a payroll error related to their taxes.**

In some ways, your employees may already be involved with aspects of payroll. For instance, they're responsible for their aforementioned tax information and direct deposit setup. However, they may not be paying close attention to their timecards.

With employee-driven payroll, they can become more in tune with the time they work because they are seeing the imminent impact it will have on their pay. Additionally, if an employee worked overtime or had a sick day during the applicable pay period and they don't see it reflected in their upcoming check because it wasn't inputted correctly, they can raise an alarm early.

## ADDRESSING ISSUES

**Employee-driven payroll doesn't mean your employees get to modify their pay.** Likewise, when they are approving their checks before they hit their accounts, they should understand that changes made after they've already approved their check and payroll is finalized may not be implemented until later. This means they could have to wait until the next pay period for a correction, giving payroll administrators room to breathe so they don't have to desperately scramble to make any changes.



# HR empowerment

Employee-driven payroll can be just as much of a win for your HR and payroll departments as it is for the rest of your organization.

Traditional payroll has the potential to be a minefield of possible costly compliance risks, especially with a large workforce. In 2021, the Occupational Safety and Health Administration's maximum per-violation penalty is \$13,653 and \$136,532 for willful or repeated violations. Additionally, correcting mistakes is rarely a quick fix – **51% of U.S. employees in the Paycom survey who ever had issues/errors with their paycheck recall it took a week or more for a payroll error to be rectified.** And even if the compliance issues are infrequent, the time HR spends entering payroll data is significant.

## LIMITING LIABILITY

When employees are verifying their own paycheck, it puts the responsibility of ensuring their compensation is accurate in their hands. Employee ownership can eliminate significant compliance pitfalls.

“With all employees reviewing their paycheck information in advance, errors, adjustments and updates can largely be made prior to the completion of payroll,” wrote Steve Boese, HR Technology Conference program chair and co-host of the *HR Happy Hour* podcast, “thus greatly reducing the number of post-payroll adjustments, check reversals, ledger corrections and more.”

With employee-driven payroll, your enterprise can convert retrospective insight into *proactive* insight because common questions and concerns can be delivered ahead of an upcoming pay period. Employee-driven payroll can add an extra layer of liability protection, as your payroll professionals have an opportunity to catch potential oversights before they harm an employee. It also helps protect managers who may have forgotten to approve expenses, requested time off or punches. Similarly, your organization may be given a stronger leg to stand on if compliance issues related to pay do arise after payroll runs, given an employee who had an issue would have still had to approve their check beforehand.

## AUTOMATION

By automating the payroll process, employee-driven payroll can allow HR and payroll to take a step back from one of the most tedious aspects of their department. An automated system sends your workforce notifications when approvals and changes are needed, then it *runs itself*. This gives the entire HR department the time they need to focus on more strategic endeavors, like professional development, employee relations and engagement.



# Conclusion

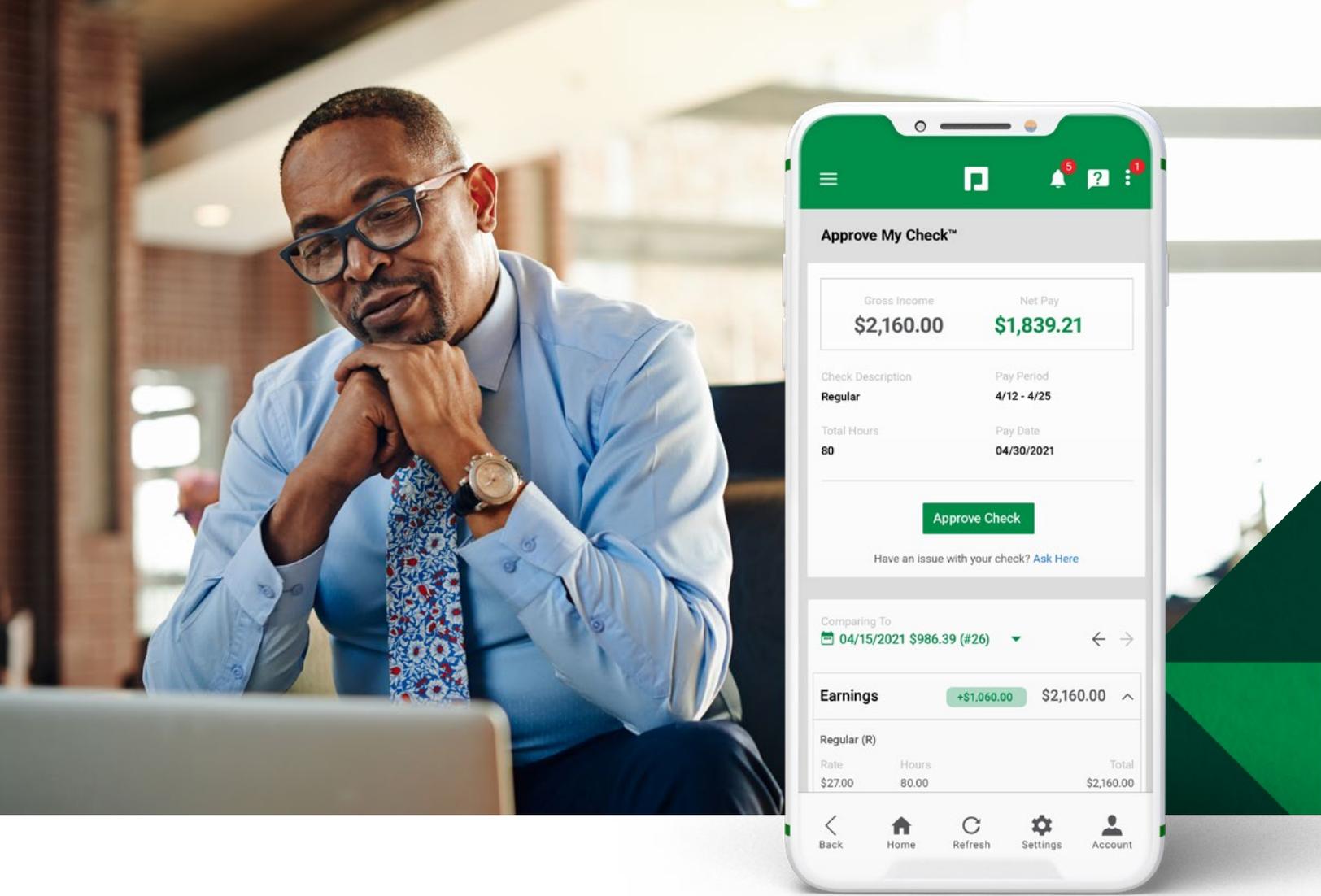
Employee-driven payroll means employees are active participants in their compensation. By involving them in the payroll process, your business:

- » provides your employees greater insight into their paycheck, boosting financial literacy and enabling them to plan ahead
- » compels your employees to own their data and use their self-service HR and payroll software, reducing payroll mistakes while improving their understanding of what impacts their paycheck
- » gives time back to your HR and payroll professionals, empowering them to be a proactive force within your organization by focusing on more impactful endeavors
- » reduces employer liability by ensuring pay data is correct while increasing oversight throughout the payroll process

The power of employee-driven payroll isn't far. With Beti™, Paycom's industry-leading payroll experience, named one of 2021's Top HR products by *Human Resource Executive* magazine, your employees can harness this concept firsthand. Through Beti's guidance, employees are responsible for resolving errors prior to payroll submission.

By implementing Beti, a benefits administration company was able to **reduce the time spent on its payroll process by almost 50%**.





Beti works seamlessly with Paycom’s single software, adding even more functionality to its comprehensive suite of tools. By sending early push notifications directly to your employees’ devices, it encourages them to verify their paycheck in advance while giving them the opportunity to submit questions. And by giving employees insight into their check before payroll runs, they have a better opportunity to plan their finances accordingly. When that information is in the same place they request time off, enroll in benefits, update their direct deposit information and more, they’re using the software purchased to its fullest potential.

With Paycom’s built-in Direct Data Exchange® tool, you get an instant way to measure their usage, proving your employees are actually using the technology you already purchased. Direct Data Exchange quantifies ROI for HR by providing real-time dollar amount savings when they use the software as intended.

**“Employees are empowered to approve their own paycheck prior to payroll actually being finalized,”** wrote Boese in his recent review of Beti. **“And since the entire world lives on their mobile phones, the process is supported by alerts, notifications and a powerful and intuitive employee self-service application.”**

By putting payroll in your employees' hands, Beti reduces the need for your HR and payroll professionals to manually enter data. This allows them to invest their time in more strategic and impactful endeavors like professional development and employee engagement.

With Beti, payroll is the way it always should have been: in the hands of your employees. As a vice president of HR at an automobile rental company said,

**“Beti is the most revolutionary payroll product I’ve ever seen.”**



Discover how employee-driven payroll through Beti can revolutionize your workplace by visiting [paycom.com/beti](https://paycom.com/beti).

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do for your company at  
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