

# WHITEPAPER

## Business Continuity Planning for Payroll



### An Essential Business Process

Payroll is an essential business process. An employer is obligated to compensate their staff for work done. They cannot delay or postpone payroll because of legislative and EBA obligations, and ethically because employees rely on their income to meet their financial commitments and to fund their daily activities.

Successful payroll delivery relies on technology that is fit for purpose, robust processes and a competent, well-trained payroll team. Every business is subject to somewhat unique terms and conditions of employment, requiring different combinations of people, process and technology. But what happens when something disrupts this trilogy? The recent COVID-19 pandemic is an extreme example of how payroll can become vulnerable. A more common example, such as a power failure or personal illness, could be enough to interfere with payroll delivery.

Without considering strategies to mitigate payroll disruption, organisations will be at the mercy of any event or action that affects their people or technology. Organisations need to develop and test a payroll-specific disaster recovery or business continuity plan.

This white paper will discuss the likely triggers to activating a payroll business continuity plan and the content an organisation should include when developing their plan. It also suggests an alternative to devising your own business continuity plan for payroll.

### Triggers to Activate a Business Continuity Plan

When developing a business continuity plan (BCP), you must think about the scenarios that will trigger its activation. These can be grouped into four distinct categories.

#### Staff Issues

Payroll relies on technology and process, but people are the key to both. The payroll team must have an in-depth understanding of your employment mechanisms, (agreements, awards etc.), and processes. They must also be competent users of your payroll technology. The most dangerous scenario is a single point of failure where the loss of a key employee would prevent the completion of a payroll process.

Organisations must have a contingency plan in the event an employee resigns, is terminated, or becomes ill.

#### Equipment issues

Payroll relies on technology. Complex payrolls may use time and attendance, rostering, workplace safety and benefit software. Each stand-alone component requires integration and sometimes physical equipment such as clocking devices.

Losing such equipment through theft, accident, fire or another event might significantly impact payroll processing. If your payroll system is in-house, you could potentially lose hardware, software and data.

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### Essential Services

Many organisations think about essential services in terms of energy, especially power. Having power is undoubtedly important, but give further thought to this category. Consider how your payroll people get to work. What would be the impact of a loss of public transport services or fuel supplies? What would happen if an event disrupted internet services? How would you deliver a payroll?

### Natural Disasters

Earthquakes, floods and strong winds can wreak havoc on community and business infrastructure. As recently evidenced, so too can health events such as pandemics. The COVID-19 pandemic highlighted payroll and other operational vulnerabilities as it significantly affected people and their ability to interact in offices and other public spaces.



## What should be included in a Payroll Business Continuity Plan?

A business continuity plan for payroll will encompass a great deal and require a significant time commitment to design and document. The intent is to develop a document that gives clear instructions on how payroll will achieve business continuity in the face of an adverse event. At a minimum, the document should provide planning around communication, processes, data and scenario-specific responses.

### Communication plan

A communication plan details what communications need to occur and who should make them. The plan should include:

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- Who must you notify if an issue occurs?
- What contact mechanisms do you need? Consider all possibilities, such as losing telephony or the internet. If there is a telephone contact list? How else might you make contact?
- Who has the authority to declare the business continuity plan activated?
- How is the activation of the business continuity plan communicated through all levels of the team and broader organisation?
- What backups for nominated individuals are needed? Who are they?
- Who must you advise when you activate your business continuity plan? Is it employees only, or vendors and other suppliers?
- What communications, both internal and external, could you develop prior to an event that you can send when a plan is activated? Who should receive these communications?

### Processes

Remember that losing key payroll personnel means the loss of key process knowledge. Ensure you document all existing processes in detail so that others can understand them if required. Consider the following questions:

- Do you have current processes mapped and described for each region or country that you are paying?
- Is there an alternative contingency process to enable business continuity?
- Is your team trained to follow both processes if required? Have you tested these processes successfully?
- How will you access the process documentation in the event of an activation? A document stored on a network is inaccessible if there is a power outage or if equipment is damaged.
- Should you develop a minimal viable payroll plan? For example, a plan that pays only hours of work and leave but omits ad hoc allowances and entitlements.

### Data

Consider the data that you will need to have if an event occurs. Your plan will have identified some of this already. Include:

- Phone numbers, emails and physical addresses for all key actors in the communication plan.
- The configuration of phone and/or hierarchy trees, with contact mechanisms as above.
- Critical business details, including banking details.
- Payroll vendor contact details, including technical and help desk contacts. Vendors will have their own business continuity arrangements linked to these mechanisms.

### Scenario-specific plans

You should be able to work through some likely scenarios and develop a response for each. Examples might include:

- An IT issue will occur when some part of the infrastructure fails. Consider back up or fail-over sites and the off-site storage of a current backup of software and payroll data. Give consideration to the time required to get backup software and data operational.
- Banking issues may render your bank unable to transfer employee pays to their accounts. Consider having an alternative institution locally or investigate the capacity to wire funds via a bank located off-shore. You would include such details in the data records discussed above.

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By anticipating scenarios that might affect your organisation, you can devise mitigating actions in advance. This is very much a case of 'a stitch in time'.

### Review and Prepare

A BCP is not static. Just as business conditions, technologies, human resources and vendors change over time, so too must your plan. A plan needs constant review and frequent testing to ensure that it will be effective when you need it.

After developing your plan, review it to determine what actions you must take in readiness. This may include the cost of acquiring and maintaining fail-over or secondary sites for IT support. You will need to consider whether employees have the correct technology to work and access payroll databases offsite. You will need to investigate the cost of licences for access via VPN if that forms part of your solution.

Begin your internal processes to make a case for acquiring the resources you may need when activating your plan. Do not underestimate the time, equipment and people required to create, review and enact your plan and make sure you review it often.

For many organisations, there won't be the appetite, expertise, resources or budget to develop a workable BCP, but you can still mitigate against catastrophic events. One solution is payroll outsourcing, which offers a permanent means to protect the delivery of your payroll.





### How Outsourcing Payroll Services ensures Payroll Business Continuity

Outsourcing payroll to a reputable and experienced vendor is an effective way to protect against any event that threatens payroll delivery.

Organisations that outsource payroll services can save money on software, staff and training costs. They mitigate risk by having a dedicated team of experts focused on their payroll, instead of relying on internal employees. They also save time by leveraging best practice processes developed by payroll specialists.

Deciding to outsource payroll services enables an organisation to take advantage of the business continuity plans implemented and maintained by their chosen vendor. Typically, vendors that offer payroll services have well-developed and tested business continuity plans. To illustrate:

#### **A payroll services supplier will protect their technology.**

Reputable payroll vendors have to ensure that their technology is available anytime. They invest significant sums of money in developing infrastructure that can survive adverse events which may cripple other organisations. This includes having their own secondary sites for IT infrastructure.

They may partner with data hosting centres that will provide world-class BCP strategies. Such providers ensure card access security to premises, duplicates of critical equipment, sophisticated climate control systems and backups, their own electrical sub-stations supported by back-up generators and state-of-the-art fire monitoring and control systems. Global providers can offer fail-over services to other geographies to further enhance security and reliability.

#### **A payroll services supplier can restore quickly.**

Because they use world-class vendors for hosting, payroll service providers can commit to restoring services quickly; usually within an hour or two. For an organisation not well-versed in activating back-up plans, this process could take much longer.

#### **A payroll services supplier has experience.**

A vendor with significant experience has tested their plans. The South Australian blackout in September 2016 was a widespread power outage that occurred because of storm damage to electricity transmission infrastructure. When the rest of Adelaide and most of the state shut down and went home, Frontier Software enacted its business continuity plan and paid all its clients, some with tens of thousands of employees, without fail. Such experience lets a vendor test and refine their plans, ensuring complete preparedness for future events.

#### **A payroll services supplier preserves your expertise.**

Outsourcing payroll services avoids the threat of single-point sensitivity. If an organisation risked being single-point sensitive, an event such as a natural disaster or health pandemic might present a significant threat. By outsourcing payroll services, the threat is mitigated. The payroll services team has a shared understanding of your processes and employment conditions and each team member can apply that knowledge when processing your payroll.

For more advantages of and information on payroll outsourcing, go to:

<https://www.frontiersoftware.com/trust-frontier-software-your-payroll-processing>

### Conclusion

Nothing can stop a pandemic or natural disaster, but you can prepare for it if you act now.

It takes time, resources and funds to install strategies that will deliver payroll services in the face of disaster. Success requires detailed preparation, trained resources and the support of your executive team. Or you can consider outsourcing to an experienced payroll services provider that already has a business continuity plan in place.

One thing is certain: An organisation can always take a payroll back in-house, but it can't outsource it when a disaster occurs. An organisation has to be sure of its ability to deliver services such as payroll in a disaster scenario.

#### Are you prepared?

To find out how outsourcing payroll services can protect your business, contact your Frontier Software representative. You can trust Frontier Software with your payroll.