NPI Guidelines - **IT PAYS TO KNOW**

Payroll Automation and Employee Self-Service™

NATIONAL PAYROLL INSTITUTE

The National Payroll Institute's mission statement is Payroll Leadership through Advocacy and Education. The Institute is committed to providing payroll-related services to payroll professionals and their employers who need to ensure compliance with over 200 legislative requirements that impact payroll.

Our Payroll Best Practices Guidelines provide general information about selected payroll legislative and compliance issues and employment and taxation laws. It is not legal advice and should not be relied upon as a substitute for reviewing your specific situation with legal counsel.

Every effort has been made to provide accurate information; however, we advise you to seek legal counsel and advice (from a qualified lawyer) regarding your specific situation. Legal obligations will vary according to the facts and circumstances and the employment jurisdiction.

All references to legislative requirements are current at the time of publication; however, government legislation shall prevail if there are any discrepancies between the guidelines and government statutes or regulations.

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INTRODUCTION

As the authoritative source of Canadian payroll knowledge, one of the objectives of the National Payroll Institute (NPI) is to publish guidelines that payroll professionals and their employers can reference as Payroll Best Practices Guidelines.

A challenge for many payroll professionals is having their employers understand that payroll is mission-critical and requires in-depth knowledge and skills to ensure compliance.

The Payroll Best Practices Guidelines can assist organizations with preparing for a payroll audit. They can also provide benchmarking tools for designing and implementing Payroll Best Practices.

These guidelines were created by a task force of NPI staff and subject matter experts, ensuring both accuracy of the information and practicality of its application based on real-life experiences within various organizations.

The Institute would like to thank the subject matter experts for their participation in the task force and contributions to these guidelines.

Members of the Institute should direct any legislative questions pertaining to these guidelines to:

NATIONAL PAYROLL INSTITUTE

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KEYWORD SEARCH AND HYPERLINKS

When viewing any of the Institute's guidelines online, readers can search for keywords appearing within the document. For example, if information is required on a certain word or phrase, type the word or phrase in the search window (activated on most applications by pressing the "Control" and "F" keys simultaneously).

These guidelines contain **hyperlinks** within the document itself. All government forms, guides and websites discussed within the guidelines can be accessed using these hyperlinks, which were active at the time of publication.

There is a quiz at the end of the document to test your knowledge.

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THE HISTORY OF PAYROLL AND AUTOMATION

The term payroll can be traced back to the 1750s in Europe as a combination of the verb 'Pay' and the noun 'Roll'. The word describes a periodic list of workers paid for services rendered. This payment was often in the form of barter by providing essential goods in exchange for work.

Through the 1800s, during the Commercial Revolution, economies based on trade began to emerge, and it became more common to compensate workers with currency based on time worked or pieces produced. The Industrial Revolution followed into the early 1900s, and organizations began classifying jobs and paying 'professionals' fixed salaries.

The personal income tax was first introduced in Canada in the early 1900s. However, it was during the 1940s that the Canadian government introduced legislation requiring employers to withhold and remit income tax from employees' wages. Canadian workers have been paying income tax on employment income on a pay as you earn basis ever since.

With the introduction of legislation requiring income tax deductions at source, record-keeping became even more important. During this time, employers used paper ledgers to record payroll data, and employees would be paid by cash or physical cheque. As you can imagine, the payroll process was very manual and time-consuming.

During the 1960s, the first mainframe computer system for business was introduced. These large systems often took up entire rooms within an organization's facility. This began the first steps in automating parts of the payroll process for larger organizations with access to this new and emerging technology.

In the 1980s, as desktop computers became more available, several payroll software vendors emerged. With more access to personal computers, small and medium sized businesses began to utilize computerized payroll. These systems automated the calculation of net pay and facilitated the delivery of employee pay by direct deposit.

During the 2000s, computerization's evolution continued with the introduction of integrated systems and cloud computing. Data could be easily shared between human resources, time and attendance, payroll, and accounting systems. Additionally, payroll could be processed anywhere, at any time, using mobile applications. Employees also had 24/7 access to personal information such as pay statements or tax slips.

The future of automation is unlimited as advancements in robotic process automation (RPA) and artificial intelligence (AI) continue to evolve.

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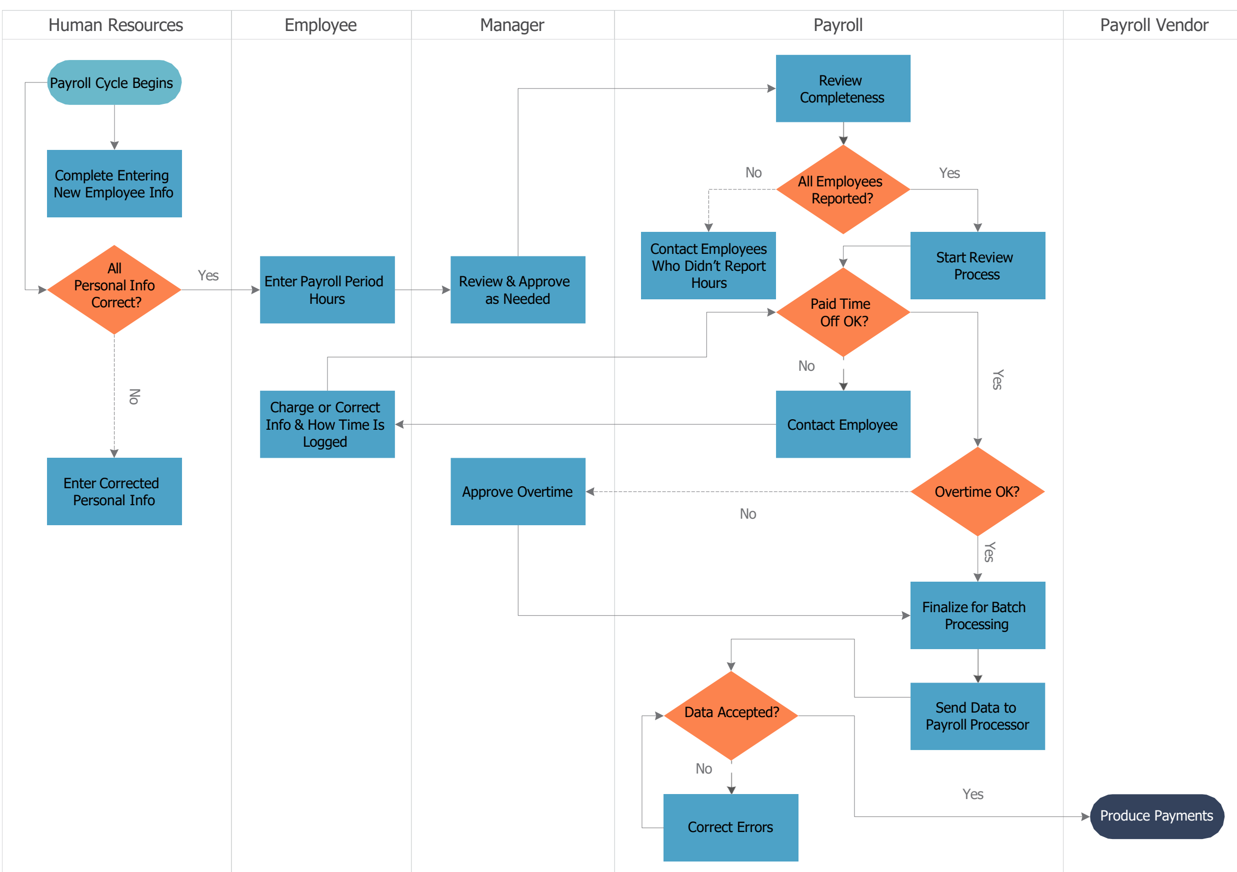
GETTING STARTED

The first step is to examine and document all the steps involved in the current payroll process. Review the methods of collecting initial (raw) payroll data to produce the desired final payroll outputs. Some beneficial questions to answer during this process are:

- What tasks must be completed to achieve the desired outcome?
- Who (position titles) is responsible for completing each task?
- How is each task completed, and what happens next?
- Are there ever exceptions to the normal process? If yes, how are these managed?
- At which steps in the process are there risks, and how are these monitored and controlled?

It is recommended that your document be consistent in style, format and level of detail. Determine if your organization already has a process document template that can be used. Some common elements include a flowchart identifying the payroll tasks to visualize the workflow, checklists or step-by-step instructions for each task.

Example of a Payroll Workflow



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Once the workflow has been documented, it can be analyzed to identify repetitive and time-consuming tasks, which automation could simplify. For instance:

- The volume of employee data changes keyed in by HR or payroll could be reduced by implementing an Employee Self-Service solution allowing employees to self-manage personal updates such as an address or direct deposit change.
- Utilizing a time & attendance solution for paid time-off requests may reduce the verification process when the completion of mandatory fields is required for approval.
- Automated reminders regarding due dates for submitting hours or paid time off requests sent to employees and managers may reduce the administrative burden for payroll.

As a best practice recommendation, automated payroll procedures, operations and methodology should be documented and applied consistently.

Refer to **Appendix 1** for tips on creating a process workflow for an automation project.

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COMMON TASKS TO AUTOMATE

BENEFITS – TAXABLE BENEFITS OR DEDUCTIONS

Insurance providers typically invoice premiums monthly, and employees enjoy benefit coverage 365 days a year. Employers with a payroll frequency other than monthly must pro-rate taxable benefits and deductions on a per pay basis. The pro-ration of taxable benefits and deductions can be automated to include the premium each pay period the benefit coverage is in place.

The coverage amounts for certain insurance benefits may be determined as a multiple of an employee's earnings. For instance, group term life insurance may be determined as a multiple of base salary.

EXAMPLE:

The organization provides all full-time employees with group term life insurance coverage equal to two times their current annual salary. The insurance carrier charges a monthly premium rate of $0.25 for each $1,000 of coverage. Employees in Manitoba, Ontario and Quebec will have an additional provincial tax amount added. To ensure that the fair market value of the taxable benefit for employer-paid benefits or the deduction for employee-paid premiums remains current, consider implementing an automated process to calculate the value and make adjustments based on:

- a salary update to an employee's profile, changing the insurance coverage amount;
- an update to the organization's insurance contract and the premium rate;
- an employee's province of employment changing, taking into consideration any additional tax on insurance premiums.

The Institute recommends using separate payroll codes for each earning and deduction rather than combining the total premiums of all benefits into one earning or deduction code. An employer may also choose to establish a separate earning or deduction code for the sales taxes associated with the insurance premiums to avoid the error of excluding the sales tax when recalculating insurance premiums.

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RPP, RRSP, DPSP CONTRIBUTIONS AND LIMITS

Many employers, by virtue of a company policy, union collective agreement, or employment contract, offer the benefit of savings towards an employee's retirement. There are two common types of single employer registered pension plans (RPP): Defined Contribution (DC) and Defined Benefit (DB) plans. Many employers, especially small businesses, may provide a Group Registered Retirement Savings Plan (RRSP) or Deferred Profit Sharing Plan (DPSP) instead of a registered pension plan.

Depending on the type of plan offered by the employer and the plan specifications or plan document, employee contributions are typically calculated using a per cent of earnings or a fixed dollar amount. Where offered, an employer contribution is generally a match based on the employee contribution.

If a percentage is used, the employer can automate the calculation by programming the percentage to be applied only to specific earnings. The earnings for the calculation are usually defined in the plan document for a registered pension plan or a company policy for a Group RRSP. In addition to calculating contributions each pay period, an employer must ensure the **Canada Revenue Agency's RPP, RRSP, and DPSP limits** are adhered to.

NOTE:

The Institute's **Legislative Compliance Rates Sheet**, which provides the annual RPP, RRSP, and DPSP limits, can be found under the Resources section of the website under Tools & Resources.

Allowing over-contributions to a Defined Contribution or Defined Benefit plan can have serious consequences where plans can be revoked and lose their tax-sheltered status.

Excess contributions to an RRSP may result in the employee having to pay a penalty of 1% per month on contributions that exceed their RRSP deduction limit by more than $2,000 unless the employee:

- withdrew the excess amounts before the end of the month when the excess contribution was made; or
- contributed to a qualifying group plan.

Programming annual limits in the payroll system will stop contributions automatically and avoid negative consequences for employees and employers. Each year, when validating new-year configurations, payroll professionals should ensure that the annual RPP and RRSP limits have been reset to the new limits.

EXAMPLE:

An organization provides a defined contribution pension plan that allows employees to contribute 5% of their regular salary. The employee contribution is matched 100% by the employer. With a combined contribution of 10%, some higher-income employees may reach the annual maximum contribution before the end of the year.

By entering the CRA contribution limit into the payroll system each year, payroll professionals can ensure that contributions do not exceed the established limit. Therefore, higher-income employees will see their contributions stop during the year once that maximum has been reached. Contributions would resume the following year up to that year's established maximum.

See Appendix 2 for details on estimating an employee's new RRSP contribution room.

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UNION DUES

Nearly 30% of Canadian workers belong to a union. More than a hundred different unions exist in Canada, employing about four million Canadian workers. All union members gain from a union contract and are legally required to pay union dues. Depending on the collective agreement, union dues can be calculated using a percentage of earnings, a specific rate based on the hours worked, or a flat-rate.

EXAMPLE:

- The collective agreement will define which earnings are subject to the calculation and the percentage to withhold. The calculation can be automated by programming the percentage to be applied only to specific earning codes based on the documented criteria.
- The calculation based on hours of work can be automated through a formula that multiplies the hours of work by the rate per hour established by the collective agreement.
- The collective agreement will define a fixed amount that must be remitted by each member every pay period.

GARNISHMENTS / FAMILY SUPPORT

A garnishment is a legal order obtained by a creditor that allows them to collect on an outstanding debt. The debtor could pay the creditor directly, but an order will often be made to garnish the debtor's wages until the outstanding debt has been satisfied. On receipt of a garnishment, the employer is bound by legislation to enforce the order. As such, an amount must be withheld from the employee's wages and forwarded to the court or government agency within a timeframe specified in the order. The employer must withhold the specified amount, stated on the order, from an employee's present and future wage payments until the debt is fully satisfied or the employer receives a written notification that withdraws the order.

When setting up an order in the payroll system, the deduction calculation will be based on the specifics of the order as defined by federal or jurisdictional legislation related to garnishments. Deductions are generally calculated as a percentage of either gross or net wages.

Based on the type of order and the jurisdiction from which it was issued, it may be possible to automate the calculation of the garnishment deduction each pay period. This can be especially helpful when the employee's wages vary from pay to pay. Additionally, a garnishment will have a total amount owing as the employee's debt. This amount can be set up as a "goal" limit, and once reached, the garnishment calculation and deductions would end.

A Family Support and Maintenance order requires the employer to deduct and remit payments, usually on a continuing basis. The payment is generally a fixed monthly amount. Sometimes an additional deduction is also required for arrears if the payer has a past amount outstanding. The maximum withholding deduction when an arrears amount has accrued varies by jurisdiction. Generally, once the arrears have been cleared, the employee's pay period deduction would revert to the normal fixed support amount.

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TIME AND ATTENDANCE

Accurate time and attendance tracking are vital to achieving the main goal of any payroll department: paying employees accurately and on time.

Using readily available technology, many elements of this task can be automated. When done correctly, this yields numerous benefits and a measurable return on investment.

TIMECARDS

Electronic timecards have transformed the day-to-day life of payroll professionals. Where Monday mornings may have once been spent reviewing large stacks of paper timecards and hopefully catching any errors made by employees or supervisors who completed them, the elimination of this tedious review and the error-prone data entry that followed has allowed payroll professionals to save time and focus on more important tasks that are more aligned with their skill set.

Employees can complete or view their timecards before payroll is processed and ensure any required corrections can be made so that their pay is accurate. They can also see how their hours worked have been categorized, whether they can expect them to be paid at their regular hourly rate or overtime rate. They can ensure any required corrections are made when they do not clock in or out, and they know what to expect on their pay. With most Canadian employees being eligible for overtime, this helps employers comply with employment standards and benefits employees.

Lastly, electronic timecards provide real-time data to businesses that no longer need to wait for payroll to be processed to gain access to workforce data.

TIME-OFF REQUESTS

Time-tracking systems allow employers to accurately keep track of their employees' requests for time off in many circumstances, such as illness, personal days, bereavement, and other types of leaves. This allows employers to ensure and demonstrate that they have provided time off as legislated or as defined by internal policies. It also facilitates displaying this information on employee pay statements as required in some jurisdictions or as a best practice.

Personal days, for example, can be automatically added to a time-off bank, either front-loaded or added on specific dates or at specific intervals. Employees can be given access to view how many hours or days are in their time-off bank and make requests without the intervention of payroll. Managers can approve the requests, and the information can flow directly to payroll.

OVERTIME BANKS

Many jurisdictions allow employees to bank overtime hours so that they can take time off instead of having the hours paid when worked. Automating this process gives employees visibility and access to these time-off banks. With the correct configurations, employers can automate the process of complying with the rules for each applicable jurisdiction, such as whether the hours should be banked at a multiple of 1.0, 1.5 or 2.0 times the hourly rate, as well as any restrictions on how long hours can remain banked before they must be paid out.

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VACATION

The benefits of automating the tracking of vacation earned and paid are significant. Since providing time off and vacation pay are legislated, administering employee vacation banks is essential.

Automating vacation accruals and tracking of time taken and paid benefits employees who can foresee how much vacation they will have available in the future and how much they have taken. They can put in vacation requests ahead of time, allowing for better workforce planning.

Employers who are required to demonstrate that they have provided the required vacation time and pay also benefit from automation in this area. In addition to the time saved when this no longer requires spreadsheets and the easier task of scheduling, automation carries a much lower risk of error. Employers can also fulfil their duty to ensure employees take a vacation.

Paying out unused vacation can result from vacation leave not being recorded. Time off being recorded directly by employees in a time-tracking system can reduce unnecessary costs. Employees inform managers, who in turn inform payroll that an employee is taking time off, the risk of the information not being recorded accurately or at all increases. There are also situations where plans change, and an employee who has scheduled vacation does not take time off. Without ongoing visibility to vacation banks and the ability to request corrections, employees may not benefit from all the vacation time and pay they are entitled to.

SYSTEM INTEGRATION

An integrated system is a software solution that merges activities related to human resource management, payroll and employee time and attendance tracking in a single system. By integrating these workforce management activities into one platform, an organization can better support its employees from hire to retirement. These systems are commonly referred to as Human Capital Management (HCM) solutions.

Some of the benefits of implementing an integrated solution include:

Accuracy and security

New hire information or changes to current employee profiles will automatically be updated in all systems. This reduces the risk of a discrepancy between systems that may lead to payroll errors or delays in payment. Sensitive employee information, such as the social insurance number, is only collected and stored once, reducing the risk of compromised data.

Consolidated reporting

A single report can be created instead of merging data from multiple sources. For instance, when planning compensation changes, a report generated from an integrated system could include the names of employees, their manager's name, current earnings information and the most recent performance rating.

Streamline updates

With an integrated system, there is a single system of record for employee data. For instance, when an employee leaves the organization with one entry, the termination will be reflected in payroll to process the final pay, in benefits administration to end coverage and in other internal reporting such as headcount.

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Ensuring compliance

Organizations must ensure compliance with the federal government, with the jurisdictions in which they employ workers and, for some, with regulating bodies for their industry. A single integrated system will provide an audit trail of all changes to employee data and validate that legislative requirements and company policies are consistently followed.

Improve the employee experience

An integrated system allows an organization to provide information to its employees faster. When paired with an employee self-service portal, employees will have 24/7 access to all of their personal information, such as payroll history, benefits coverage, and annual tax slips, through a single access point.

Retaining talent

Through an integrated system, an organization will have a 360-degree view of employee data that will be beneficial in spotting trends or concerns. Issues around pay inequity may impact an organization's culture and its plans around diversity, equity and inclusion. Ensuring hiring and compensation strategies are fair, equitable, and uniformly delivered will help promote a positive employee experience and retain key talent.

An integrated solution can provide payroll and human resources professionals with the tools they need to streamline tasks and build a more satisfied, high-performing and cost-effective workforce while making data more accessible and usable by the whole organization.

ELECTRONIC DELIVERY

Over 90% of working Canadians receive their pay electronically through direct deposit or eTransfer. Employment standards legislation in all Canadian jurisdictions requires employers to provide a pay statement for each pay issued to an employee. These statements may be delivered electronically as long as the employee's personal information is secure and the employee has access to print a copy. Details on an employer's responsibility related to pay statements may be found in the Institute's **Pay Statement Payroll Best Practices Guidelines.**

Since 2017 the Canada Revenue Agency (CRA) has allowed employers that meet certain criteria the choice to deliver T4 slips to employees electronically without first having to obtain consent. Employers are allowed to use e-T4s as the standard delivery method if they provide a secure electronic portal that an employee can use to access the T4 slip and a secure site for printing it. They must also allow employees to receive paper copies of the form if requested. Despite the rule change, employers will still have to provide workers with two paper copies of the T4 slip if, at the time they issue it, the employee is off work on an extended leave or is no longer employed or if it would be unreasonable to expect the worker to obtain the form electronically. Refer to the CRA website for information regarding the **Electronic Distribution of T4 Slips**.

Revenu Quebec has adopted the same position on the electronic delivery of RL-1 slips to employees. Refer to Revenu Quebec's website for details on **Distributing RL slips electronically** for more details.

AUTO-GENERATED REPORTING

Automatically generating reports will save payroll professionals time and money while validating your data's accuracy and reliability. Many payroll software providers already provide specific reports, but here are a few reports the Institute recommends asking if your provider already includes or can be custom-built for you.

NEW HIRES

Employers should generate or request new hire reports from their payroll provider listing all newly hired employees in the pay period. Such reports can be useful to validate the successful data entry of a new hire in the payroll systems. The employer can use the report to validate the following information about a new hire:

- Name
- Social insurance number (SIN)
- Address
- Rate of pay (salary, rate per hour)
- Start date
- Province/territory of employment
- Birthdate (for eligibility to contribute to C/QPP)
- Pay period frequency and hours of work (if the employee is not hourly)
- Position/title
- TD1—Personal Tax Credits Return federal and provincial and TP-1015.3-V Source Deduction Return for Quebec employees
- TD1X—Statement of Income and Expense and TP-1015.R.13.1-V Statement of Income and Expense for Quebec commission employees who incur expenses
- Work location and cost centre
- Benefits enrollment information

TERMINATIONS

Employers should generate or request a report from their payroll provider that lists all employees terminated in the pay period. The report can be used to verify that employees are no longer active in the system so that no further payments will be made to them. This can also be helpful to ensure that no unauthorized changes have been made to the employee's profile that could potentially result in fraud.

RISK MANAGEMENT - UNUSUAL EARNINGS OR DEDUCTIONS

Payroll is one of the largest single expenses of an organization. Employers must understand their payroll costs and know how to analyze and have fraud controls in place. Payroll professionals should review and audit their payroll for any unusual earnings and deductions before finalizing their payroll and submitting it for completion. Audit reports should be completed to check for potential fraud, such as:

- Ghost employee – creation of a fake employee, changing the banking information of a terminated employee and continuing to pay them, or not effecting deductions for an employee.
- Paycheque diversion – an employee gains access to another employee's cheque and cashes the cheque themselves.
- Pay rate change – employees collude with the payroll professional to change their pay rate.
- Unauthorized hours – submission of hours for payment which were not worked.

PENSIONABLE AND INSURABLE EARNINGS REVIEW (PIER)

An employer must ensure that the correct amount of CPP contributions and EI premiums have been deducted from the employee's income and remitted to the CRA. A similar process for Quebec employees would validate QPP contributions and QPIP premiums.

In preparation for year-end, it is recommended that employers conduct their own audit before finalizing the tax slips to avoid deficiencies and the interest and penalties that they attract. Some payroll providers automatically generate a report for their clients. Other providers may provide a report upon request. The report should be generated before processing the last payroll run of the year to validate the deductions and process any deficiencies with the last payroll run of the year.

WC ASSESSABLE EARNINGS, PREMIUMS, AND ANNUAL REPORTING

An assessable earnings report may be helpful in assisting with the reporting of assessable earnings, the calculation of workers' compensation (WC) premiums, and the completion of the annual reporting. A payroll system provider may be able to create the employer's report. The payroll provider should be advised of what earnings are assessable based on the jurisdiction in which the employee performs their duties. Generally, the earnings reported in Box 14 of the T4 slip and Box A of the RL-1 slip are considered assessable, with some exceptions depending on the jurisdiction.

NOTE:

The Institute's **WCB Assessable Earnings Chart** specifies the assessable earnings by jurisdiction and can be found under the Resources section of the website under Tools & Resources.

The report of the assessable earnings can be used to ensure the correct workers' compensation premiums are calculated and remitted to the workers' compensation board and to complete the annual reporting required by each jurisdiction.

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TAX AND LEVIES EARNINGS, PREMIUMS, AND ANNUAL REPORTING

Employers must register and remit amounts for provincial or territorial taxes and levies.

The following jurisdictions require a premium or impose a payroll tax.

- British Columbia – Employer Health Tax
- Manitoba – Health and Post-Secondary Education Tax Levy
- Newfoundland and Labrador – Health and Post Secondary Education Tax
- Northwest Territories – Payroll Tax
- Nunavut – Payroll Tax
- Ontario – Employer Health Tax
- Quebec – Health Services Fund

The payroll system can create a report for the employer that can be used to validate the premiums remitted and assist with the annual reconciliation and reporting. The payroll provider should be advised of what earnings are subject to the health tax or levy. Generally, the earnings reported in Box 14 of the T4 slip and Box A of the RL-1 slip are subject to the tax or levy; however, there may be exceptions.

WORKFORCE SURVEYS

Payroll professionals may encounter the Survey of Employment, Payrolls and Hours. This survey measures payroll employment, paid hours and earnings of workers in most industries. Employers of all sizes in every industry may be requested to complete the survey. The survey can be done via mail, electronic questionnaire, or telephone interview.

A payroll provider may be able to generate a report that can be used to complete the survey by compiling the following information:

- employment (all employees, salaried employees, employees paid by the hour, other employees);
- payrolls (all employees, salaried employees, employees paid by the hour, other employees);
- average weekly earnings, including/excluding overtime earnings for salaried employees, employees paid by the hour, and other employees;
- average weekly hours of employees paid by the hour;
- average standard workweek of salaried employees;
- average weekly overtime hours of employees paid by the hour; and
- average hourly earnings, including/excluding overtime of salaried employees and employees paid by the hour.

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PAY EQUITY

Pay Equity Acts ensure that employers pay women and men equal pay for performing jobs that may be very different but are of equal or comparable value. Manitoba, New Brunswick, Nova Scotia, Prince Edward Island, Ontario, and Quebec have legislated Pay Equity Acts. Saskatchewan, Newfoundland, and British Columbia have not enacted pay equity laws but have developed policy frameworks for negotiating pay equity with some specific public sector employees. Alberta has neither passed pay equity legislation nor developed a pay equity negotiation framework.

Employers should establish and periodically update their pay equity plan and complete the following tasks:

- identify the different job classes made up of positions in their workplace
- determine whether each job class is predominantly male, predominantly female or gender neutral
- determine the value of work of each predominantly female or male job class
- calculate the compensation of each predominantly female or male job class, and
- compare the compensation between predominantly female and male job classes doing work of equal or comparable value

900 SIN – WORK PERMIT EMPLOYEES EXPIRING

It is the employer's responsibility to ensure that their employees are authorized to work in Canada. The Institute recommends that employers establish a tracking system to ensure follow-up with employees before their work permit and SIN expire.

Some payroll or HR systems will allow you to set up specific date fields for tracking and reporting, e.g., anniversary dates or seniority dates. This may provide a mechanism for tracking SIN expiry dates.

You may consider setting up reminders in your calendar or scheduling follow-ups regarding expiry dates.

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EMPLOYEE SELF-SERVICE

Employee self-service, or ESS, is a feature available with the most modern payroll or human resources information systems. An employer may also establish ESS using their company intranet site. ESS allows employees to manage certain employment and payroll related tasks that would otherwise need to be completed by their manager or by a payroll or HR team member. Empowering employees to manage certain tasks themselves helps to streamline processes, save time on manual tasks and focus on other aspects of business growth.

Some common features of an ESS solution are:

- Updating personal information such as the employee's address, contact information, or banking information for direct deposit.
- Allowing employees to complete, share and store payroll related forms such as the TD1 or TP-1015.3-V.
- Providing access to current leave balances, such as vacation or employer-paid sick days, and online submission time-off requests.
- Submitting benefit or pension enrollment forms and changes to beneficiaries or pension investment choices.
- Signing up for and authorizing payroll deductions for voluntary programs such as charitable donations, social committees or savings plans.

An ESS portal can house internal documents such as policies and procedures or employee handbooks. Employees may also access other company systems through the ESS, such as performance management or business travel and expense management.

When implementing an ESS solution, employers must ensure the security and integrity of data. Certain steps can be implemented, such as running system checks, control over access and view of employee information, multi-function authentication, timeout period when inactive and the requirement to use a virtual private network (VPN) when accessing the system remotely.

EXAMPLE:

- When an employee logs into the ESS from a new device or IP address, in addition to entering their user ID and password, they will also require an authentication code that would be sent to their secure email or the cellular device tied to their account.
- When employees update personal information through the ESS portal, certain fields will be mandatory, and changes will not be saved unless completed.
- When allowing employees to manage their TD1 or TP-1015.3-V credits through the ESS portal, claim amounts over a specified dollar amount or requests to exempt income tax will be flagged for a secondary review.

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When implementing an ESS solution, consider the following:

1. **Flexibility:** Select a platform you can customize and configure so you can tailor it to your organization and your employees. Don't settle for a fit that is less than ideal.
2. **Mobile access:** Employees want to access practical tools on the go from their mobile devices. Especially in a world of remote work, mobile access is key for the employee experience, so choose a platform that is optimized for any device.
3. **Personalization:** Make sure your employee self-service portal is designed to create a completely personalized experience for each user. For instance, allowing users to pin or bookmark the areas they refer to regularly for quick access.
4. **Convenience:** The user experience should also be intuitive and convenient. Ensure your portal is easy to locate and user-friendly so employees will take advantage of it.

Employees should receive training on using the ESS portal and be reminded to consider any security risks associated with outside networks. The training plan should typically cover three situations:

- A post-implementation training process for all employees to demonstrate the features and encourage the adoption of the self-service portal.
- A refresher when updates are made or new features are added.
- Training during the onboarding of new employees to familiarize them with the portal from day one.

The primary benefit of ESS for employees is 24/7 access to their personal information. Employees can get information or answers to questions outside of standard working hours.

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BENEFITS OF AUTOMATION

There are several benefits to the payroll department as well as the employees of an organization when certain functions are automated.

Automation will result in time and cost savings for the organization. Payroll staff will not be required to perform repetitive manual tasks. Routine and time-consuming processes will be streamlined and, in some cases, eliminated, leading to reduced payroll processing costs. The productivity of the payroll function will be increased, and the focus will change to providing more value-added and strategic services to the organization.

An automated system will better support regulatory compliance with the numerous payroll legislative requirements that must be adhered to. The margin for human error will be reduced. Additionally, systems can be automated to notify of exceptions requiring attention so that they can be proactively resolved.

In an automated payroll environment, historical payroll and related records can be easily accessed without the need for physical storage. Specific levels of access to information can be configured and granted to the appropriate parties involved; however, in that process, organizations must ensure that employee information is kept confidential and the necessary safeguarding measures are in place.

Integration of systems within the organization, e.g. HRIS, accounting or benefits modules, will streamline the safety and integrity of information shared between systems. The organizational policies and procedures will be applied in an improved and more consistent manner.

Deployment of a self-serve automated feature will enhance the employee experience. Employees will be encouraged to take more ownership of their personal information. It will enable them to interact with payroll more efficiently. The use of digital services will reduce the processing and turn-around times for the issuance of routine documents and verifications.

As with any initiative, a change-management strategy will be helpful for users to adjust their roles to an automated workflow.

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THE FUTURE ROLE OF PAYROLL PROFESSIONALS

As the payroll process becomes more complex and time-consuming, manual functions will be automated using modern, seamless, data-driven solutions. The role of payroll professionals will evolve, becoming less process driven and more analytical. The focus will shift to working with and interpreting data, managing technology solutions and contributing to the employee experience. Additionally, the need to maintain knowledge of legislative and industry changes and the financial repercussions for non-compliance will continue to exist.

Increased use of automation is not intended to reduce the payroll employee headcount. For a successful payroll operation, an organization requires support and participation from key payroll professionals to design, deploy, maintain and continuously improve processes.

Therefore, in addition to maintaining compliance knowledge, payroll professionals should consider upskilling in advanced reporting and metrics, data analytics, current and emerging technology, communication and customer service. Additionally, having knowledge of other business areas, such as human resources, accounting, or internal auditing, will be beneficial when projects require cross-departmental collaboration.

LOOKING FORWARD

ARTIFICIAL INTELLIGENCE (AI)

Payroll systems of the future will incorporate artificial intelligence (AI) with problem-solving and predictive capabilities. Through machine learning, this technology can get smarter over time.

- AI could identify data irregularities and sometimes autocorrect common repetitive errors based on legislative requirements or company policy.
- Through its predictive capabilities, AI will recognize patterns or trends. For instance, if an employee submits a new TD1 each year with additional credits, the system can anticipate this and generate a reminder for the employee to submit their updated form before the start of each new year.
- AI chatbots could be programmed to answer common payroll questions and, in cases of more complex issues, open a ticket and direct the question to a payroll team member for resolution.

ON-DEMAND PAY

On-demand pay, also known as earned wage access (EWA), is a payroll service that allows employees to access some or all of their net wages as they are earned. The employee would make the pay request through an application facilitated by a service provider.

Employers still manage and process their payroll based on the established pay frequency. The pay period statement and pay would be a reconciliation, with a final balance due that considers any net pay accessed early.

VIRTUAL CURRENCIES

Virtual currency is a digital asset that buys and sells goods or services. Cryptocurrency is a blockchain-based virtual currency. Bitcoin is one example of a cryptocurrency.

From a reporting and taxation perspective, if an employee receives digital currency as payment for salary or wages, the amount (in Canadian dollars) is included in their employment income. It is subject to all regular statutory withholding. The employee's net pay would be delivered in virtual currency instead of a traditional bank deposit.

EPAYROLL

ePayroll is a term used by the government to refer to the sharing in a digital form of the detailed payroll data of all employees with the government every time organizations process that information. The stated objective of this initiative is to significantly reduce the administrative burden on employers, to improve the employee experience, and to provide the government with authoritative real-time employment information for improved decision-making.

The Canadian Government is interested in re-imagining the employer/government data interface using contemporary digital technology to achieve the important objectives outlined. Currently, information is shared with the government at a point in time (e.g., when a T4 slip or a Record of Employment is issued). Employers must currently provide the same or similar information to multiple government entities, and requests from the Government of Canada are not always aligned with what is readily available in payroll

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systems. ePayroll follows a "tell-us-once" approach, where employers will report employees' payroll information to the Government of Canada each time they pay employees, which can then be accessed across government to serve Canadians better.

The CRA is working with key stakeholders, including the National Payroll Institute, to conduct research, analysis, and prototyping to ensure that an ePayroll solution will meet the needs of businesses and other stakeholders. A top priority of this initiative is the protection of the personal information of Canadian employees.

A similar initiative, known as "Paie Électronique" was announced in the 2023-2024 Quebec provincial budget. Revenu Québec is leading the project and is also working with key stakeholders, including the National Payroll Institute.

The Institute is advocating for an epayroll ecosystem that is aligned across governments so that all employers across Canada can benefit equally from a standardized process. Read the Institutes **ePayroll Policy Brief**

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TEST YOUR KNOWLEDGE

1. When documenting a workflow, it is a best practice to identify the individual responsible for a task using their first and last name.
   A. True
   B. False

2. The most common method of paying employees in Canada is:
   A. Electronically by direct deposit or e-transfer
   B. Company cheque
   C. Cash
   D. Virtual currency such as Bitcoin

3. All of the following are common features of an employee self-service solution, except:
   A. Update direct deposit information
   B. Submit TD1 forms
   C. Change the rate of salary or wage
   D. Update residential address

4. All of the following are benefits of an integrated payroll and human resources solution except:
   A. Access to consolidated reporting
   B. Increased accuracy and security of employee data
   C. Ensuring compliance with legislation and organizational policies
   D. Storing employee data in multiple locations

5. Through increased adoption of automation, an organization will no longer require the services of payroll professionals.
   A. True
   B. False

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TEST YOUR KNOWLEDGE - ANSWERS

1. When documenting a workflow, it is a best practice to identify the individual responsible for a task using their first and last name.

   A. True

   B. False

2. The most common method of paying employees in Canada is:

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   B. Increased accuracy and security of employee data

   C. Ensuring compliance with legislation and organizational policies

   D. Storing employee data in multiple locations

5. Through increased adoption of automation, an organization will no longer require the services of payroll professionals.

   A. True

   B. False

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APPENDIX 1

Create a workflow to automate processes

1. IDENTIFY THE PROCESS OWNER

This individual needs to have the authority to make changes to existing workflows. As you prepare your business workflow, you will often encounter situations that require a clear definition that may not have existed.

For instance, who is responsible for approving overtime hours, and is there a maximum threshold for weekly overtime, after which a secondary approval is required? Is this consistently applied across all departments or divisions?

The process owner needs to be able to clarify any situations where the process has not been already documented. One side effect of automating a process is that it usually becomes much more defined than it previously was.

2. DEFINE YOUR PRIMARY GOAL

Establish the primary goal of an automation project. Are you trying to save time? Save money? Track items better? Reduce paper forms? Redistribute workload? Don't try to do it all; focus on the primary goal.

3. DO YOUR RESEARCH

Ask the process owner how this workflow was managed in the past. Have there been any significant changes in the last year or two? Why? Workflows may evolve based on changes to an organization's technology, demographics or departmental boundary lines, so don't make assumptions when you are unsure.

4. DIAGRAM THE WORKFLOW

When starting, map out the flow as described by the process owner. Additional details related to rejections and exceptions can be added as you continue to develop the workflow. Consider whether a parallel workflow will be required or if you need to add in certain conditional tasks.

For instance, a parallel workflow may be needed to document the process of entering requests for paid leave, having those approved and submitted to payroll for payment. Leaves over a certain number of days may also require review and approval from human resources, creating a conditional task.

Start simple and continue to build. You can always add tasks later if needed, but a shorter workflow gives you a greater chance for success. Enter the information into your workflow management software.

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5. GATHER DATA ON NON-AUTOMATED PROCESSES

The best way to demonstrate the effectiveness of automation is to compare it with the manual version. How many people are involved? How long does the completion of each task typically take? How long does the entire process take? Without clear control data, it will be hard to make the case that automation is making a difference.

6. TALK WITH EVERYONE INVOLVED IN THE WORKFLOW

Ask each task owner for the exact information they want to see. Avoid data overload; stick to the level of detail end users need to see.

7. TEST THE AUTOMATION

Start with a beta test using a small pilot group. Ensure all your conditional paths, parallel branches, formula fields and validations work correctly. Run several different items to ensure each follows the correct path.

8. GO LIVE

Monitor the process closely during the early release phase and ask for feedback from end-users to confirm that they have access to the data they need.

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APPENDIX 2

Estimate an employee's new RRSP contribution room

An employer offering a Group RRSP can establish a maximum contribution for the year for each employee based on earnings information from the T4 slips issued by the employer sponsoring the plan.

To estimate the RRSP contribution room based on the employer's reporting information:

1. Determine the lesser of:
    - 18% of employment income reported in T4 slip Box 14
    - The annual RRSP limit for the year established by the CRA

2. Subtract an amount reported in T4 slip Box 52 for a pension Adjustment (PA) if applicable.

3. Add the amount of a pension adjustment reversal (PAR) reported on a T10 slip.

4. Subtract a past service pension adjustment (PSPA) reported on a T215 or a T1004.

The result from the four steps detailed above is the new RRSP contribution room based on employment details with the employer sponsoring the Group RRSP.

New employees for whom the employer has not yet issued a T4 slip should be asked to verify their RRSP contribution room before being permitted to contribute to the plan.

Establish a policy

Some employees may have additional RRSP contribution room resulting from:

- Earned income from another source, such as a second employer or self-employed income.
- Unused RRSP contribution room carried forward from prior years.

An employer offering a Group RRSP should establish a policy that outlines whether employees who validate they have additional contribution room will be permitted to continue contributions to the employer-sponsored Group RRSP. Offering this as a matter of policy is at the employer's discretion and is not required.

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FEEDBACK

The Institute appreciates your comments and welcomes your suggestions as we continually seek to improve our member resources. Please direct any feedback on these guidelines to:

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