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Payroll work makes for a heavy load

Delegating; Paint store owner had hand in too many pots

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For Jamie Tripp, payroll was always a headache. Like many small businesses, the Midland, Ont.-based paint dealer originally handled his payroll himself.

"We used paper-based tables provided by the government, and retained our source deductions, remitting to the government on a monthly basis," he recalls. This caused problems for the proprietor of Tripp's Paint and Decorating Shoppe, who is no different from other small business owners in that he has to be chief operating officer and president, all at once.

Trying to manage complex issues such as payroll while keeping an eye on the direction of the business can be a challenge, and Mr. Tripp found himself running out of time every two weeks as he paid the 11 employees of the store and his other colour matching business.

"As business operators, we tend to devalue our own time," he warns, adding that managing payroll cost him \$150 to \$200 a week. "I handed it off to a bookkeeper, but then we had some issues where source deductions were not done in time, or I'd have to go and sort out mistakes," he says. With the \$50 per week and the \$100 a week in time that it will cost him to go in and troubleshoot problems, he wasn't much better off.

Managing payroll is a challenge for most small businesses, warns Patrick Culhane, president of the Canadian Payroll Association. Making sure that the government gets its cut is a significant part of the problem. "1.4 million employers in Canada pay over \$220-billion in statutory remittances to the federal and provincial governments," says Mr. Culhane. "The numbers we are talking about are staggering."

Medium to large businesses are forced to deal with the problem more systematically, he explains, because companies with over 500 employees are required by Revenue Canada to use some form of technology in their payroll management. "You have to use magnetic media or online files to supply your payroll details to the government," says Mr. Culhane. But the million or so smaller businesses with 500 employees or less, often don't always take advantage of computerization when it comes to managing employee payments.

Another problem is that it can be difficult to automate payroll totally. Administrators have to think about multiple parameters when paying employees. Are they full-time? Are they paid on a piecemeal or an hourly basis? What about contractors? Employers must also deal with overtime and sickness or vacation issues. While it may be possible to conduct sophisticated integration between production systems and payroll accounting software in larger

companies, smaller businesses are unlikely to progress to that level of integration, says Mr. Culhane. However, there are some things that small businesses can do to make payroll less painful. "You can reduce the number of pay periods," he says. "Moving to a biweekly pay period from a weekly one is the first step."

He also advises companies to reduce the number of exceptions in the payroll system, standardizing as much as possible. "You want to reward performance, but by doing that, you are going to make payroll a little more time consuming," he warns. The trick is to find a balance between simplicity and complexity. Companies may want a payment system that provides employees with an incentive for their work, but making it too complicated could backfire, chewing up valuable management time. "You can get to a level of granularity where you're looking for a level of precision that isn't warranted by the end result."

By simplifying their payroll practices, businesses could prepare themselves for Mr. Culhane's other suggested measure: Apply technology where at all possible. He points to around 50 software providers dealing with payroll, some of whom have unique product catering for particular industries. "For example, one provider just handles films," he says. "There are unique requirements for short-term work on movie sets."

Mr. Tripp chose another route, choosing to farm out his payroll management to an online service, rather than handle it using local software. He signed up with NEBS Pay-web, a Web-based service that handles payroll for businesses online, using employee payment information entered via a web form.

"You can do the payroll from anywhere where you have Internet access," explains sales vice-president Pierre Barrette. "The process is like any other payroll software that sits on your computer. You input the employees' hours, and the calculation is done behind the scenes." Other types of employee revenue, such as sales commissions, would be calculated by the user before entering them into the system, he says.

Mr. Barrette emphasizes the direct funds transfer capabilities of the system. Once the payroll information is uploaded and the calculation is done, money can be deposited directly into each employees' bank account, and then the tax is automatically reserved for later payment to the government.

Moving to an online service has changed things for Mr. Tripp. "Now my base bill is \$25 every two weeks to handle all those employees, as well as all the reporting," he says, adding that the process, which would have taken that least a day before, now takes just a few minutes.

"We don't have to do the source reductions or T4s. All I have to do is physically enter the employee hours using a web form." For one more business at least, payroll has ceased to be a challenge, and Mr. Tripp can concentrate on steering his company where it needs to go.

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