Speaker 1:

Welcome to PayTalk, the podcast for payroll professionals, with your host Nina Talley. In the podcast, we explore the human side of payroll by speaking with global industry leaders who provide their unique insights to help listeners better understand the issues important to them and their careers.

Nina Talley:

Hey, everyone. Thanks for joining us for PayTalk, the podcast that brings you payroll's human side. This month, we're continuing our conversation with Jim Medlock, CPP, former Director of Education and Training at the American Payroll Association, and Mark Thornton, CPA, CPP, Payroll Tax Supervisor at Southern Company. This is part two of my conversation on payroll data analytics with Jim and Mark. If you haven't listened to our last episode, make sure you go back and do so now. Otherwise, you may miss out on some crucial information and context. Without further ado, let's jump back into the conversation.

Today with us, still struggling with the great resignation and knowing that employee retention is so, so important. Is there any way that payroll data analytics can be used to improve employee retention?

Jim Medlock:

There's a number of different pieces of data that we have that we can use to be able to project what might be possible, whether it's a retirement or someone who is planning on leaving the organization. By using some of the more extensive analytical tools and making regressions and projections from those regress analysis, we can look at historical data, then apply that to current employees to see how that is happening. One area that we can look at to see is, are employees taking their vacation time? If they're not taking their vacation time, most employees, company policies, and state laws require that vacation time to be paid off. Employees know that. That's a big lump sum payment. If they're making a plan to leave, they may just be letting that vacation roll over.

The other piece of that is there's always that possibility if that person's not taking the vacation because they're also doing fraudulent action as well. They don't want someone to be able to see that they're doing something out of the ordinary because someone's filling in for them. Vacation hours taken is really a very key factor in being able to see not only projections of what's happening, we can also look at trends and turnover, looking at are some managers having a higher turnover [inaudible 00:02:52], and again, looking at what are some of the issues that those individuals that have left?

Nina Talley:

Oh yeah.

Jim Medlock:

What about have their salaries lower? What are some of the actions? Taking a look and then working with HR after we've identified managers who may have a higher turnover, what were some of the results of the exit interviews? What were some of the comments that may be made. But one that I really like to look at because I can relate to it, and I think APA did a wonderful job when I retired, was being able to project that ahead of time and looking at the data, seeing when we have employees, what's the historical trend for, when do employees leave an organization for retirement?

We know when they retired, what age that they were at that retirement. We may be able to get through our 401k plan, what their 401k balances were, and then use that to project what kind of ages

we're looking at. It's really important, especially now that we're seeing many of the baby boomers retiring, that companies start to project and look at that so that they can plan. That's one of the things that I really am most proud about at APA. We started when I retired in 2019, we actually had started working towards my retirement four years before that.

Nina Talley:

Oh, wow.

Jim Medlock:

Planning what kind of things needed to be done because many of the duties that I had were done once a year. We actually had my replacement on staff two and a half years before I retired.

Nina Talley:

That's excellent. I think that monitoring those things like the average age and the average years of service is really, really important just for keeping things moving smoothly. Like you said, APA was able to hire your replacement two and a half years ahead. There was no scrambling to train this person. There was no fear that, "When Jim leaves, what are we going to do?" On top of it, that made a very smooth transition for your replacement. They were able to train under you. They were able to get the actual boots on the ground experience of what you were doing ahead of time. That's a part of data analytics and payroll that I hadn't really considered before.

Jim Medlock:

It's really important, especially as more and more baby boomers are retiring, for organizations to plan. Since we in payroll have this information, we can be providing that, being proactive, saying, "This is what we're seeing. These are the ages. This is the period of time that the employees have been with us in the organization historically." Then look to see what employees will be falling into those criteria. With the data we have, it's relatively easy with some of the tools we have to be able to those projections.

Nina Talley:

That's really, I think, the sweet spot of payroll data analytics, being proactive and the ability to be as proactive as possible and make educated decisions long before they begin to impact your department, yourself, and your business. I want to get into the specifics of the technologies that are used. What are the actual analytical tools that you recommend a payroll professional get comfortable with and begin using as they start to implement more advanced data payroll analytics?

Mark Thornton:

First of all, Excel is probably the simplest and most successful tool that I would recommend. A lot of the analytics that we've already discussed can be performed within Excel. Not so much the more complex ones, especially when you get into predictive or optimization, even though there is tools within Excel that you can use for those. But Excel can do a lot, assuming you have access to the data. Just as a side note, the biggest challenge with a lot of these payroll analytics that we talk about, it often starts with just maintaining good clean data and making sure that we have access to it. One of the things Jim and I talk about, we always stress garbage in, garbage out. If you're working with bad data to begin with, that can be data that's inconsistent either in its format or the way it's presented, or it can be inaccurate data, incomplete data, or just outdated data.

If you're working with bad data, you're going to get bad results. It's important to have good, clean data to work with, or else your analytics probably won't mean a lot. You probably won't be able to rely on them to assist you in any meaningful kind of way. You also have to make sure that you've got access to it, that you can pull it as needed.

Nina Talley:

Yes.

Mark Thornton:

Or else you're not going to get very far with your analytics. You need to know where it's stored. You need to make sure you've got the appropriate access in order to pull that data. I just had to mention that. Going back to Excel, one of the things I like about it is it's a business tool that pretty much everyone has access to. It's part of the Microsoft Office suite. Right off the bat, just about any payroll professional can begin crafting analytics using Excel. It's very accessible. Given that it is widely used as it is, there are an infinite number of resources, training courses available online. Any Excel question you have when you're working on something, you can usually find your answer through YouTube or Google.

That may or may not be the case with some of the other analytics tools. But Excel is great for just aggregating data, sorting, filtering, visually showing it and visually displaying the results of your analytics. Even within Excel, you can create a dashboard where you can simply run your data, plug it in, and have Excel display for you some of those key metrics that we talked about earlier that you're interested in, keeping an eye on on a continual basis. If an organization is really interested in delving into more complex analytics like predictive modeling, again, there are some built in tools within Excel that can help with that. But those types of analysis or analytics, they may require more focused analytics platform. Beyond Excel, there's ACL, Audit Command Language, there's SAS, Statistical Analytics Software, Python. These are some others, and they're probably going to require some more expertise from your employees or at least some additional training. You're probably not going to be able to get started right off the bat, getting into some of these analytics as you would with Excel.

Jim Medlock:

It really depends on what kind of data that you're using as to which tool works best. Most of the data that we'll be dealing with from a payroll perspective is numeric data, which Excel is terrific at using.

Nina Talley:

Yes.

Jim Medlock:

But if we start seeing that we're beginning to use some textual data, that makes it much more difficult to keep the data clean. If there's any way that the data can be tied into tables, something that's normally a text, but it's tied into a table that becomes a numeric, it makes it much easier to make sure that data is clean. Some of the things that we've been reading through, we're finding that most of the time spent working on analytics is not really using the tools to develop the analytics. It's cleaning up the data. It's finding pieces where some data may be missing. All of that comes back to, how did we acquire the data at the beginning and looking to see are there ways to ensure that we're getting the data at the beginning rather than having to clean it up later?

It's a lot less expensive to deal with data at the beginning than it is to figure out, what was missing? What should it be? Who do we go to find out what it should be? Those are all issues that'll take time because the data has to be clean before we're going to be able to use it effectively, whether we're using it for relatively simple analytics, like a drill down into more details from a report in developing a dashboard, or into some of the more detailed analytical tools like developing regression analysis. All of them require the same clean data upfront.

Nina Talley:

That is such an important point. I love talking about data. I love talking about the power that data can give you as a payroll professional to move forward and to elevate yourself and your department. But in the same breath, if your data's inaccurate, it's going to lead you to inaccurate results. I really love what Mark said, "Garbage in is garbage out." It will make you look just as bad if your data is no good. I think taking that extra time at the top to verify, verify, verify is so, so, so important to actually making your analytics effective. Otherwise, there's no point. You've wasted your time on a bunch of answers and predictions that won't really lead you to the right place and will actually make you look worse than when you started. What advice would you give to a payroll professional at, say a smaller company, who's trying to implement payroll data analytics into their existing operations?

Jim Medlock:

I have a little bit of an advantage over Mark. Most of my career was in a one person or a two person payroll department. One company I worked for when we had 1100 employees, I wouldn't really consider that small. But we were using what we thought were just reports. But now that I know more, we were really using those reports for analytical purposes, being able to control, to balance, especially when we have large divisions. Of course, that's always where a problem was. If something was out of balance, it was always in the large division. Being able to subdivide those rather than having to look at all 150 employees to figure out which one was incorrect. Being able to subdivide those into groups to see which group was in balance, which group was not, to be able to identify those.

It's really looking at what tools have, how you're using them, and then being able to identify, what are some of the needs in the organization? That's really where it's important for payroll professionals to be asking questions in the organization. What are the needs of the other departments? What are the needs of our customers? I'm not thinking of customers now as our employees. I'm thinking of customers as department heads. What kind of information do they need? What are those pieces of data that they need to have at their fingertips to be able to make those decisions to better the organization? How can we be able to provide that information?

We've got in our payroll systems. It's knowing what the data is, how to access the data, and then how to use the tools. Mark mentioned Excel with pivot tables, and being able to use a variety of the other tools that Excel provides us really can be able to get that data that we need to help the organization provide to the different managers what they need to be able to deal with the organization. Whether it's a small organization or a large organization, it's really knowing the data so that we can be able to use it effectively in the organization.

Nina Talley:

I think that's something that comes up repeatedly on PayTalk, ask the questions and be the solution. Go to your different department heads, build those relationships with them, and ask, "What would make your life easier? What can payroll do to make your life easier?" Finding those key metrics that they need will help you build and elevate your position within the company, and also help you justify some of the

expenses that might come with implementing payroll data analytics. You can show, "With this, I could solve X problem for this person. I could solve Y problem for this other person." That's just a great, great first step for anyone to take.

Jim Medlock:

To add to that, Nina, I think it's important to work with that business manager to determine not only what their needs are, but what may be some of their hypotheses to determine what really is something that they think the issue may be, but not really just sticking to one or two of them. Have a brainstorming meeting with them and look at, what are all the different possibilities that they may have of issues, so when we're looking at the data, we can apply the data to those different hypotheses because we may find something that is not really what they anticipated. But that's the resolution to the issue that they're facing.

Nina Talley:

Yes. I love that. I love that that is something that data analytics can offer, unexpected resolutions that still get the job done.

Jim Medlock:

Absolutely.

Nina Talley:

Want to learn more about payroll data analytics? Then take one of the American Payroll Association's Foundations of Payroll Analytics three day educational programs, either in-person or virtually. While analytics have always been required in payroll, they were usually confined to a handful of people. Today, every payroll staff member is accountable for understanding and interpreting the data. If you would like to demonstrate your dynamic leadership, leverage the value of data analytics, identify trends for process improvements, and measure real success in your payroll operations, then choose from in-person classes at Meet Las Vegas, starting October 17th, or attend an interactive virtual class starting on September 26th. Unravel the complexities of payroll data analytics. Visit APA's Foundations of Payroll Analytics course at www.americanpayroll.org. Again, that website is www.americanpayroll.org.

Now is the time in our podcast for something we like to call payroll nightmares. These stories are just some of my absolute favorite to share because I think we can all relate to when things get a little bit out of our control. Do you two have a nightmare to share about how data analytics either uncovered a payroll nightmare or maybe could have been used to prevent a nightmare?

Mark Thornton:

I've got actually a fairly recent example I can share. Fortunately, it's not my own. I'll keep it anonymous [inaudible 00:17:25]. I don't know if this is quite dramatic enough to call a nightmare, but it was not fun for the person involved.

Nina Talley:

Then it's a nightmare.

Mark Thornton:

I was talking with a colleague of mine specifically, actually about analytics. He was sharing a story of his own with me. This goes back to one of the things we talked about earlier. But he had been working for about three full days, the better part of a week, creating, crafting, using some analytics to come up with a business recommendation for his own management. He had everything put together. Everything looked great. In the morning he was set to present. He was just taking one last look over everything just to make sure he was comfortable with what he was presenting. Just by luck, I guess, he blindly stumbled upon what appeared to be an oddity in the data, something that he knew right off the bat, "That's not right."

He told me it gave him immediately a sick feeling in his stomach because he knew that if that was wrong, there had to be other problems. That wouldn't be the only one. Automatically, he was questioning his entire analysis that he was set to present. Sure enough, the data that he was working with that he had basically gotten thrown off with it, right after he had pulled it when he was sorting it in Excel, rather than filtering, he had used Excel sorting function, but not on the entire data set. He had values that were mismatched throughout the entire data set.

Nina Talley:

Oh, no.

Mark Thornton:

By the time he realized his mistake, he could tell his whole presentation that he prepared was not what he thought. Basically, he had to take it all back and start over. Fortunately, he could still use the analytics that he had built. But the data ended up telling a totally different story than he thought it was going to. Really, that's a twofold lesson there. Be careful with your sorting in Excel. But as I said before, bad data produces worthless analytics. It didn't quite undo three days worth of work for him, but he missed his deadline and spent an additional probably full day getting it all straightened out.

Nina Talley:

That's a great lesson on checking those controls, just making sure that it's all in place, and how doing a little bit of extra work upfront will save you a little bit of a headache on the back. Jim, do you have a nightmare for us?

Jim Medlock:

Yes, I do. It was not like Mark's, very recently. This was many years ago. In fact, it was so far back, it was before we'd even introduced direct deposit at the organization that I was working for. You can tell that it was many, many years ago. I was working for a utility. Mark can attest at utilities, we had employees working 24 hours a day, seven days a week. We paid on a semimonthly basis. We had employees who worked, what we called off normal schedule. We had a report that showed the number of hours that those employees worked, whether it was a 80 hour pay period, an 88 hour pay period, or a 96 hour pay period. Because we were a utility, every dollar had to be tracked for rate making purposes, whether it was the Executive or the Board of Directors or the person who is putting together the fire hydrant. In this case, it was a water utility. Everybody had to turn in a time sheet or a time record.

We missed, in one of our control reports, three executives and all five of our Board of Directors. They had zero hours listed. It listed the employees who had zero hours because they were off normal. We went ahead and we'd missed those. We processed the pay. When we were sorting the checks, we discovered that we had checks that were missing. Luckily, because we were still handling checks, we

were able to write manual checks. We got everybody paid on time. Some had system generated checks, some had handwritten checks. My nightmare was not that we didn't figure out. We changed our procedure to make sure that we didn't have that happen. A day after payday, I walked onto the elevator. There was one of the executives who had gotten a handwritten check. His question for me was, "Jim, what happened? Why did I get a handwritten check?" Needless to say, the truth came out because you never want to tell a story on something like that. I said, "We've changed our procedure. It will never happen again."

Nina Talley:

I love that you were able to be like, "I'm fessing up, but we fixed it. You won't get another handwritten check after this." Do you want to hear how our expert guests would've handled a payroll nightmare that you are familiar with? Send an email to podcasts@americanpayroll.org or leave us a comment on the APA's Facebook page to get involved in the conversation. We don't really like to leave things on a negative note with our nightmares here at PayTalk. I have one more question for you both. What is the best piece of payroll advice you have ever been given, or what is the piece of advice that you wish somebody had given you? Jim, let's start with.

Jim Medlock:

Never skip a step. If you've got to skip in your procedures, never skip that step. For the 15 years that I processed APA's payroll, whenever I was processing, even though I'd done it for years, I had my procedure manual sitting right next to my desk and going through those steps so I didn't a step was the most important. I knew that I had checked everything, balanced everything, and made sure that this was correct payroll because as the payroll manager at the American Payroll Association, you do not want to have an error in the payroll.

Nina Talley:

Yes. Talk about egg on your face for that one. Mark, what about you?

Mark Thornton:

Jim's is a great one. I've had to learn that lesson the hard way myself. I've actually got two, if that's okay.

Nina Talley:

That's fine.

Mark Thornton:

One's more technical and one's more personal. The first one is save everything. Prioritizing email retention, file retention, that can save you a lot of headaches and possibly get you out of big trouble. Not just saving everything, but having an organized method behind that as well. It's not going to do much good if you're trying to find a file from three years ago and you've just got it thrown in a folder somewhere with thousands of others.

Nina Talley:

Yes.

Mark Thornton:

[crosstalk 00:23:39] no rhyme a reason, but I could tell you that I shared that advice from personal experience myself. I've been burned by not having files that I've needed, and I've been saved by having some critical files that I've needed as well. Save anything and everything that's important now or could be important in the future. The second piece of advice I was given, and I really took it to heart, was to never stop learning. You may be 10, 20 years into your career, well removed from school, but that doesn't mean that your educational journey should just end there. The world is always changing. Payroll is always changing. It's crucial that you keep up with current events, that you keep up with updates within the industry, updates from the IRS, the SSA, state regulations, all that. Stay intellectually curious and you're going to add value to your organization and to yourself as well

Nina Talley:

That is so true. I like to think of payroll as a living beast. It's constantly evolving. It's constantly changing in so many different ways. You have different state regulations, you have different federal regulations, taxes are always being updated, you have employees who are leaving, employees who get severance. Just staying curious and flexible is so absolutely key to the longevity of a career in payroll and making sure that you can point to the fact that you're doing more than just cutting checks. You're learning, you're staying on top of things, you're optimizing.

Thank you both so much for those wonderful pieces of advice. I really can't think of a better way to wrap this episode than that. Mark and Jim, I just want to thank you both so much for joining us today. Truly your expertise on payroll data analytics is really just so valuable, not only for our listeners who are starting out on their journey with data analytics, but for those who are looking to improve their existing implementations.

Jim Medlock:

I hope that those of you who are looking for more information on payroll analytics will join me. I'll be teaching the first two of APA's Foundations of Payroll Analytics courses. One will be the first week in August. I'll be teaching it at APA's [inaudible 00:25:53] facility in Las Vegas. Then we'll have at the end of September, a virtual class for foundations of payroll.

Mark Thornton:

Yes, thank you. The course has been a joy to work on with Jim. We're very happy with what we're set to present. Looking forward to getting some feedback from those who get a chance to go through it. But thank you, Nina, for having us today. It's really been a pleasure.

Jim Medlock:

Agreed.

Nina Talley:

I also want to take a moment to thank all of our loyal listeners out there. Without you, PayTalk would not be possible. Make sure you rate, review, and subscribe on your preferred podcast streaming service. That is the best way to support this podcast and ensure that we can continue to bring you the human stories that make payroll so personal. Until next time, folks, this has been your host, Nina Talley, with PayTalk.

Speaker 1:

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