

## Working process of Payroll in SAP HR Module

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### ABSTRACT:

*Payroll means maintain records of employees. In/Out data updating. Processing Salaries, statutory payments like PF,ESI& TDS deductions and payments. Generate Payslips and distribution. In short "Maintain Employees Data, Distributing Salaries and making all statutory deductions & Payments is called Payroll Processing" My paper is based on payroll implementation and working process of payroll in SAP HR module. Information and database system projects are initiated to improve the accuracy of the processing data and ensure the procedure prescribing how to do a specific task. A computer program can maintain accurate and consistent database, hence resulting in an improved performance. The program efficiency can be increased considerably by including automatic calculations and fast data retrieval capabilities. This will dramatically reduce the manual error and permit more study at lower cost and effort. One of the main jobs of admin section is to generate pay roll for all the employees and their Payment reports. Due to the non-availability of a proper database management system all the data is handled manually. Because of large volume of payroll data and calculations, it is very difficult to handle the data manually and delayed the pay roll process. This created an immediate need to develop a new computer based pay roll data base system to avoid the delay in generating pay bills, loan schedules, payment reports, pay slips and so on. The payroll program is run at a specific point in time, not only to calculate an employee's basic remuneration but also any special payments, overtime payments or bonuses. The Payroll Process in SAP begins with the entry and maintenance of data and ends with the "Subsequent Activities" performed after each payroll is completed to satisfaction.*

**KEY WORDS--** Payroll System, SAP HR Module, Payroll Working Process, Manual Payroll, Computerized Payroll

### I. INTRODUCTION

Human Resource Management (HRM) is the function within an organization that focuses on recruitment of, management of, and providing direction for the people who work in the organization. HRM is the organizational function that deals with issues related to people such as compensation, hiring, performance management, organization development, safety, wellness, benefits, employee motivation, communication, payroll, administration, and training. The part of human resource management that specifically deals with training and development of the employees. Human resource development includes training an individual after he/she is first hired, providing opportunities to learn new skills, distributing resources that are beneficial for the employee's tasks, and any other developmental activities. The term "payroll" encompasses every employee of a company who receives a regular wage or other compensation. Some employees may be paid a steady salary while others are paid for hours worked or the number of items produced. All of these different payment methods are calculated by a payroll specialist and the appropriate pay checks are issued. Companies often use objective measuring tools such as timecards or timesheets completed by supervisors to determine the total amount of compensation due each pay period.

### II. OBJECTIVES

1. Comparison between manual payroll and computerised payroll
2. Rational benefits of computerised systems
3. Benefits for reader to understand the general aspects of payroll on SAP HR Module
- 4.

### III. MEANING OF PAYROLL

Payroll is one of the most important functions of any human resources department. When employee payroll data is processed and recorded efficiently, it helps the entire organization run more smoothly.

**Manual Payroll:-** A manual payroll system is done by hand. This means that all wage calculations are performed on paper; this includes computation of hours, statutory deductions (taxes) and involuntary deductions (health and pension benefits). An advantage of using a manual payroll system is that it costs very little to use. However, it takes a lot of time and energy to do manual payroll processing. Additionally, there is more room for error with this method. Employees' paychecks and tax filings are susceptible to inaccuracy as a result. In particular, tax filing errors can be costly due to penalties from the government.

**Computerized Payroll:-** A computerized payroll system is when the employer purchases payroll software and uses it as her means to process payroll. This method is much quicker than a manual payroll system. Some companies hire an in-house payroll staff to process their payroll through the computerized payroll system. The payroll staffs are responsible for entering all wages to be paid into the system. The system computes the wages, stores payroll information, and print checks. The payroll professional can also access payroll reports, which allows him to check for errors and correct them before the employee receives her pay check. Computerized payroll also reduces the amount of paperwork to be filed, as most of the payroll information can be stored in the system.

**IV. GENERAL WORKING PROCESS OF PAYROLL ON SAP HR MODULE**

**Salary Structure:-** We can divide the Salary structure in parts:

**Band 5 :** This salary structure does not contain the Employee welfare & Food coupons but it contains Statutory Bonus.

**Band 4 :** It contain Bonus, Employee welfare & Food coupons

**Band 3 & Above :** Excluding Bonus, It contains PLI as well rest is same as Band 4.

Head	Remarks	Payout type
Basic	Same for all Bands	Earning
HRA		
Special Allowance		
Medical		
Employee Welfare	Only Band 4 and	Earning
LTA	CTC above 15000	
Employer PF	All Bands	Deduction
Employer ESI	Gross Salary less than 10000	Deduction
Bonus	Only Band 4 & Band 5	Earning

Payable Salary = Net salary / (No. of days in a month – LOP)

Band	Role	Designations
5	Entry Level	<ul style="list-style-type: none"> <li>• Executive</li> <li>• Senior Executive</li> <li>• Specialist</li> </ul>
4	Supervisory	<ul style="list-style-type: none"> <li>• Team Lead</li> <li>• Assistant Managers</li> </ul>
3	Managerial	<ul style="list-style-type: none"> <li>• Manager</li> <li>• Senior Manager</li> </ul>
2	Functional Leadership	<ul style="list-style-type: none"> <li>• AVP</li> <li>• Director</li> <li>• Vice President</li> </ul>
1	Management	<ul style="list-style-type: none"> <li>• Senior Vice President/ CXO</li> </ul>

Band-5

Head
Basic
HRA
Special Allowance
Medical
Employer PF
Employer ESI
Bonus

Band-4

Head
Basic
HRA
Special Allowance
Medical
Employee Welfare
LTA
Employer PF
Bonus

Band-3 & Above

Head
Basic
HRA
Special Allowance
Medical
Employee Welfare
LTA
Employer PF
Bonus

**Difference between payroll and attendance cycle**

Cycle	Period
Attendance Cycle	From 21 <sup>st</sup> of last month to 20 <sup>th</sup> of current month
Payroll Cycle	From 1 <sup>st</sup> of every month to last day of month
No of days salary	No of days in a month – LOP(loss of pay)

Suppose we are processing the payroll for June 08 then our attendance cycle would be from 21st May 08 to 20th June 08 and payroll cycle would be from 1st June 08 to 30th June 08.

The last date for attendance correction is before 20th of every month and the same is communicated by Central MIS team on monthly basis.

**MONTHLY LEAVE CALCULATION**

Type	Earned Leave	Casual Leave	Sick Leave	Maternity Leave	Paternity Leave
Number of days per year	18 days	4 days	6 days	12 weeks	7 days
Credit Period	1.5 per month	2 every 6 months	3 every 6 months	None	None
Maximum Accumulation	60 days	None	None	None	None
Carry Forward	15 days	None	None	None	None
Encashment	At the time of Separation	None	None	None	None
Minimum Notice to be given	15 days	Same day	Same day	15 days	15 days
Eligibility Tenure	3 months	None	None	80 days	None

**Step 1** :HR Collects the monthly attendance from Central MIS team.

**Step 2** :Division of leave into four category

$$EL = EL + HD$$

SL

CL

$$LOP = LP+UL+A+R+UR$$

Suppose if any employee has taken/availed more leave (**authorized**) against what he has in his leave account, then it will be counted under **TOTAL LOP**

**Note** :Unauthorized leave count as **LOP**

SAP ID	Name	Opening	Availed	Leave Type	LOP
80001111	Deepak	5.5	10	EL	4.5
80001111	Deepak	2	3	CL	1
80001111	Deepak	2	1	SL	1

Earned Leave are credit to active employees account after completion of one month payroll cycle.

**For Example:**

Ravi has joined the organization on 5th June 08 and at the time of payroll processing his EL would be **zero** but after completion of payroll cycle or **at the end of each calendar month**, EL will be credited in his account as per policy.

**Policy Description**:-During the calendar year a total of **18 days of Earned Leave** will be earned. 1.5 leaves will accrue after completion of each month’s service. If the employee joins before the 10th of the month 1.5 leaves will be credited, if the employee joins after or on 10th and before 20th then 1 leave will be credited and if the employee joins after or on 20th and before 30th then a half day leave will be credited for the month.

Period(From – To)	Leave Credit
1 – 9	1.5
10 – 19	1.0
20 – 29	0.5

The attendance correction for current attendance cycle should reach to Central MIS team before 20th of every month. It is also very important to verify the attendance on daily basis.

**Other Earning-:** On monthly basis HR receive the other earnings input and the last date of sending same is 14<sup>th</sup> of every month.

**Type and format of Other Earning-:**

1. Approved Incentive Mail with SAP ID.

SAP ID	Name	Amount	Type of payment	Period	Status
			Ex: Incentive/Production Incentive	Ex: Apr08	Ex:Active/Resigned

2. Approved Odd shift Allowance with SAP/IH ID.

SAP ID	Name	Amount	Type of payment	Period	Status
			Ex: Odd Shift	Ex: Apr08	Ex:Active/Resigned

3. E-mail IDs with SAP/IH ID(For payslip).

SAP ID	Name	E-Mail ID	Month
			Apr08+May08

4. Approved Other Input (Specify payment details) with SAP/IH ID.

SAP ID	Name	Amount	Type of payment	Period	Status
			Ex: Incentive/Production Incentive	Ex: Apr08	Ex:Active/Resigned

5. Part-timer to be paid as FT during Training (**Approved**):

Ensure that all eligible are covered with correct SAP ID and avoid duplicity of data.

SAP ID	Name	Process	No of days to be paid as FT	Training Start Date	End Date	Trainer Name

**Process of Name Correction-:** All employees have to ensure that they provide the correct name as per their 10<sup>th</sup> pass certificate and mention the same information in your Bank A/c and in HR records.

Process of DD cancellation due incorrect name:

1. Original DD with rejection slip, received from Bank.
2. 10<sup>th</sup> Pass Certificate.
3. Application for name correction(Mention SAP ID).
4. Photo ID Proof(As per requirement)

Name Correction process in HR records:

1. 10<sup>th</sup> Pass Certificate.
2. Application for name correction.
3. Photo ID Proof(As per requirement.
4. Correct Information in below mentioned format

SAP ID / Temp ID	Incorrect Name	Correct Name

Submit the above mentioned documents to your ER SPOC.

**Importance of SAP ID-:** It is very important that SO / TL provide the correct SAP ID to employee's, if they don't have the same then they can collect the same from their ER SPOC in below mentioned format :

Verify the SAP ID in the attendance inputs forwarded by you to the Process MIS as well as to the Central MIS Team..

**Pay slips-:** Currently you can request for your pay slip in two cycles as per below mentioned timelines:

SAP ID (required)	Temp ID	Name	Father's Name	DOB
	XXXXXX	XXXXX	XXXXXX	DD/MMM/YYYY

Cycle	Request on	Sent on	Remarks
1 <sup>st</sup> Cycle	10 <sup>th</sup> of every month	On and before 15 <sup>th</sup> of same month	Plz mark all request to your ER SPOC in the below mentioned format
2 <sup>nd</sup> Cycle	20 <sup>th</sup> of every	Between 3 <sup>rd</sup> to 6 <sup>th</sup> of every month	

**Pay slip request format:**

SAP ID	Name	E-Mail ID	Month
			Apr08+May08

Provide the correct and unique E-mail ID.

**Separation Process** Separation Types : 1.Resignation 2. Abandonment 3.Termination 4.Retirement

**Resignation: Guidelines**

- Resignation should be submitted to the supervisor in writing.
- Date of Submission of Resignation becomes the effective date of resignation for Notice period calculation.
- Any employee's resignation should reach HR within 24 hours of the resignation being submitted.

<b>Resignation (Voluntary / Involuntary)</b>
- Handover to the Supervisor
- Letter + Full and Final Form + Exit Interview Form
- Handover to HR SPOC
- HR SPOC : Records Updation

- The notice period for employees stands as under :

<b>For Executives / Sr. Executives - Operations</b>
<b>1st Two Months in the Company – No Notice Period</b>
<b>3rd to 6th Month in the Company - 7 days</b>
<b>After Confirmation i.e. 6th Month onwards – 30 days</b>

- All other employees - One Month
- If an employee wishes to resign, giving less than the notice period, the employee must pay the company an amount equal to his gross salary pertaining to the notice period, on pro-rate basis. However, the Management

reserves the right to accept or reject such requests to adjust salary against notice period. Management may require the separating employee to actually work during the notice period.

- The company reserves the right to relieve an employee with immediate effect on resignation from services

**Entitlements :**

1. Encashment of EL's
2. Unclaimed Medical entitlements
3. Unclaimed benefits of the Company
4. Gratuity as per Gratuity Entitlement
5. Proceeds to Employees PF Contribution

**Dues :**

Separating employee shall handover following to the company:

1. Returnable company asset
2. ID Card
3. Company Documents
4. Policy Manuals

Employee will have to get **Full and final settlement Form** cleared from respective functions (Process Owner/ Functional Head, Administration, IT) and submit it to HR

HR to conduct **Exit Interview** with departing employee

Subject to positive clearance of all dues to the Organization – HR will handover the relieving letter after 50 Days

Full and Final DD's / Cheque are released upon producing the **F & F receipt** to HR along with a photo identity proof only.

- Full and Final Form is available with all the process Owners
- Exit Interview Form
- Full and Final receipt Format

**Abandonment of Services:-**

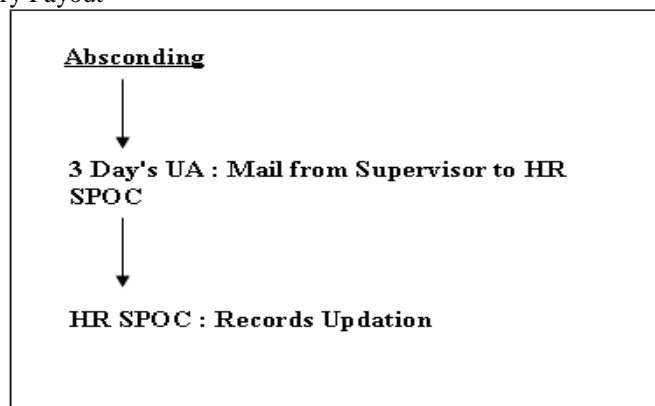
- If an employee remains absent for 3 consecutive days (without any information/approval). A notice against such absence is issued by HR seeking explanation for such unauthorized absence and the employee will have to report to work immediately. Such unauthorized absence will be treated as Loss of Pay and no salary will be paid for the days of absence.
- If an employee is absent from work without authorization or reasonable explanation, for more than seven consecutive days, it will be presumed that the employee is no longer interested in working for the Company and has abandoned its services. In this case, an employee is not entitled to any statutory compensation.

Unauthorized Absence = Loss of Pay

3rd UA = Show cause Notice

7th UA = Termination Letter

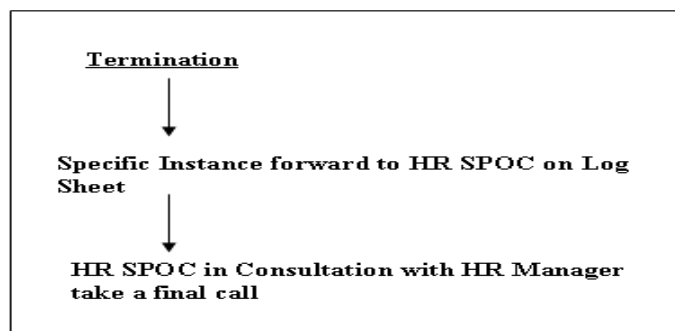
Abandonment = No Salary Payout



**Termination:-**

- The employee commits any breach of his/her duties and responsibilities under the contract of services.
- The employee found guilty of any gross default or misconduct, which contravenes the expressed or implied terms and conditions of employment.

- If the employee fails to comply with the Non-Disclosure policies of the company.



**Full and Final Processing : Guidelines**

SN	Separation Cases for a month	Payroll Status	Full and Final Input to be sent	Salary to be released
1	Resignation Paper Received	Lock	Yes	Yes
2	Resignation Paper Not Received	Lock	Yes	No
3	Absconding - Attendance Received	Lock	Yes	No
4	Absconding - Attendance Not Received	Lock	Yes	No
5	Termination (Disciplinary, Performance Grounds)	Lock	Yes	Yes

**V. CONCLUSION**

After the analyses of this paper I concluded that a computer program can maintain accurate and consistent database, hence resulting in improve the performance and the accuracy of payroll system from SAP HR module which we cannot maintain by manual working process. Therefore the SAP HR Module is helpful for all the companies and organisations where no of employees or workers numerous. My research paper on working process of payroll on SAP HR Module benefits for the reader to understand the general aspect of payroll on SAP HR Module. SAP Payroll offers an efficient and reliable payroll solution. Its innovative design and high-performance payroll functions minimise the time needed to prepare and execute regular payroll runs for employees.

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