



Challenges of Traditional HR and Payroll Management in Post-COVID Era

More than ever, management, HR departments, administrators, and employees can be liberated from redundant HR and payroll procedures, by having processes optimized via technology so that their time can be refocused on higher value areas. Changes in staff locations, remote or mobile workflows, and the ability to manage compliance changes are inherent capabilities of quality apps, resulting in smooth online processes that better meet the challenges that companies face this year. Many companies have yet to make this change, however.

Many foreign subsidiaries in China still manage their human resources in the same, semi-manual ways that were the norm decades ago. In doing so, they likely face a range of efficiency and compliance limitations besides other challenges. The HR teams, staff, and managers of such firms spend considerable time on processes that are inefficient and error prone, resulting in less time spent on better human capital management (HCM) policies or staying ahead of the ever-changing legislative and business environment in China. This is an increasingly costly way of managing and operating human resources.

In this part one of a two-part article series, we spotlight some of the challenges associated with traditional processes of human resource management in China, in the context of a post-pandemic world.

The challenges of traditional HR and payroll processing in the new normal

Generally, HR departments must manage a range of tasks with their time, handling employee data, answering queries, preparing reports, and processing payroll in short turnaround – often all at the same time. Managing this across countries, and in countries like China, can be especially burdensome.

China's HR and payroll legislation is very complex, compared with some countries. It is also highly localized and subject to frequent changes. HR departments are commonly swamped by essential efforts to maintain compliance under updated regulations, treatments, calculation factors, and other forms of policy and compliance, rather than innovatively optimizing their HCM processes. Sometimes they are even caught unaware by recent changes that have already occurred.

This year, HR teams face high internal demands to manage difficult and changing employment policies, and at the same time, function more quickly, remotely, and efficiently than before. In effect, they must do far more, in more difficult circumstances, with the same or fewer resources than before.

Below, we list some core HR administration and payroll processing areas where limitations and pain points may be experienced by companies using traditional methods.

The need for higher flexibility

Beyond policy and case management, some companies face considerable changes resulting from COVID-19, which demand more flexibility. For example, a company with factory workers may have downsized or changed their work shifts and need to make significant and frequent changes to workers'



schedules, affecting leave, payroll, and other processes in order to coordinate and calculate overtime and other payments. Other firms may have been forced to innovate entire product lines to meet changing market demands, resulting in large changes in organizational reporting lines, which must be reflected in approval processes and throughout employee administration. Many firms have also been required to address remote work and need to coordinate schedules and remote payments, across locations and time zones, to consider potential changes in tax residency or social benefits on a regular basis, for staff working from different locations.

Under the traditional processing model, where a considerable part of the HR and payroll work is still performed manually or using low tech, there are no easy ways to mitigate the challenges and complexities mentioned above.

Limitations with managing attendance, leave, and claims

Under the traditional model, employee attendance is usually tracked and time-stamped by card swipe, finger-print punch in/out, or even by 'signing in' one's name on a paper sheet. That 'data' must then be copied, imported or exported, and transferred among teams manually, before being approved, in order to calculate the salary and other benefits. In some cases, corrections and approvals are required by managers. This basic daily process involves a lot of time-consuming effort, and errors and miscommunications easily arise because of the amount of paperwork and people involved.

Limitations in handling remote work

With so many employees working remotely from home or even from abroad amid COVID-19, it is almost impossible to administer HR and payroll following the traditional way.

Attendance management cannot be done by way of card readers, and sign in sheets. Leave and claims can no longer managed by hard copy, while email processing may cause chaos because of all the submissions, manager approvals, verifications, and coordination required. Moreover, the traditional onboarding and offboarding process that involves a lot of paperwork and face-to-face interactions are no longer manageable with the pandemic hovering around.

In such times, a system that can streamline remote attendance, leave applications, performance assessment, training, as well as other HR and payroll processes, is needed more than ever.

Limitations in payroll calculation

Some small and medium sized enterprises (SMEs) in China today, still use Excel sheets to track and calculate all information relevant to payroll, resulting in a number of frequent issues:

- Data entry errors and the misapplication of rules resulting in incorrect payments;
- Data being siloed or scattered in ways that make HR and tax audits hard to navigate;
- Payroll records being hard to manage, and faults in accessing records can occur;
- Information being filed is difficult for approving managers to understand; and
- Difficulties in compiling statistics and generating reports for senior management as a reference.

Even companies that do use software to process their payroll today, may be using older types of



software that are inefficient because they lack capabilities that are important for improving efficiency. The following are some of the pain points of older generation software applications:

- Not customized to fit the processes, policies, and needs of the company;
- Not integrated with other HR information and tools, such as attendance, leave, claims, employee benefits, etc.; and
- Does not automatically update to the frequency of local levels of statutory changes.

Gaps in local compliance

Regarding the last point mentioned above, it is problematic because once the relevant laws and regulations change, all relevant HR and payroll processes must be updated to maintain compliance. This is very onerous and time-consuming.

For example, China revised its Individual Income Tax Law in 2019. It re-categorized the types of income, stipulated more deductions before paying the employee on a monthly basis, and more importantly, came up with a new calculation method called the Comprehensive Cumulative Withholding Method, which is far more complex than that in the past. The net-to-gross tax calculation becomes rather difficult, and needs HR to collect more data to generate accurate reports. In other examples, some cities in China have changed their social benefits rules since COVID-19, requiring companies to adapt policies and treatment to these changes more quickly than perhaps their local administrators may have expected in the past.

When such changes occur, which they tend to do frequently in China, companies that calculate payroll in Excel or via traditional or overseas software, are faced with sudden, large amounts of new data inputs and change reviews that they must process in order to adapt to the new requirements.

In the next article article, part two, we shall discuss key solutions for technology-powered human capital management in China.

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