

HR & Training  
Marketing  
General Insurance  
Financial Services & Banking  
Manufacturing & Engineering  
Accountancy & Finance  
Call Centre  
Office Services  
Legal  
Procurement & Supply Chain

# Payroll Sector Briefing January 2016

Prepared by Eilidh Black

---

**[www.hrconsultancy.co.uk](http://www.hrconsultancy.co.uk)**

58 West Regent Street, Glasgow G2 2QZ  
Tel: 0141 353 1133 Fax: 0141 341 3348 Email: [jobs@hrconsultancy.co.uk](mailto:jobs@hrconsultancy.co.uk)



---

## Overview

2015 was an exciting and challenging year in the Payroll sector in the UK and further afield, and 2016 has started in a very similar way.

This is the first review for this year, and aims to cover both the most significant changes in 2015 with a flavour of what is coming up in 2016.

## Shared Parental Leave

The right for parents to share maternity and paternity leave came into effect in April of this year. Couples who in paid work can now decide themselves how this leave is split following the birth or adoption of a child.

Offering the same value of money as statutory maternity pay (except in the first six weeks).

Although generally well received, there has been some criticism of the scheme. Assessing entitlement can be complex, and the TUC says that 40% of fathers will not be eligible - primarily because their partner is not in paid employment.

## National Minimum Wage

In 2016, the National Minimum Wage will be replaced for the over 25's by the National Living Wage. National minimum wage will still apply to those aged 24 and under.

Views on this change are mixed. Many business leaders are concerned about the additional cost, with the CEO of Tesco calling it – combined with changes to business rates – a 'lethal cocktail' which will cost the under pressure retail giant £500m by the year 2020.

But Primark has taken a different view, admitting that it will take the hit on profits and "it will put money into the pockets of some of our customers".

## Auto Enrolment

2015 was another significant year in the world of pensions auto-enrolment.

- Employers with PAYE schemes for between 30 to 49 employees hit their staging dates in the Autumn with an October deadline for compliance.
- The staging date for those with PAYE schemes for less than 30 employees kicked off in June, with a deadline of April 2017.

This is a massive year – at least 1.272 million business registered in the UK employ less than 49 staff. The Pensions Regulator acted in October by creating an interactive web journey to support small & micro employers meet their obligations.

## Travel Time Is Working Time

Time spent by workers with no fixed place of employment travelling to appointments must be considered working time, the European Court of Justice has ruled.

In a recent case in Spain, brought against the security system company Tyco by their technicians, the court decided that travel time at the start and end of the day could not be considered rest.

## The Rise Of Global Payroll

Large employers are sending their Shared Services function back to the UK, and the international nature of these organisations is creating significant demand for global payroll knowledge according to Maria Start of Dow Jones (in an interview with Payroll World).

This is a challenging area because there are significant differences in legislation, not only country to country but also region to region.

“Spain, for instance, has different legislation between Madrid and Barcelona,” she says. “America’s the same – every state has different laws, and then federal law lies on top of that, and then there’s city law to consider.”

In Scotland, there is significant demand for global payroll knowledge. In particular, employers are looking experience of European & Asian markets. The Multi-Country Payroll Outsourcing Market is now thought to be worth over \$1.1 billion globally.

## Give And Take For The Self Employed in the 2015 Budget

For the self-employed, it was a case of ‘to me, to you’ in the 2015 Budget:

The Self Assessment process is getting easier. All tax returns are moving to a new online system that is similar to digital banking. This will affect all taxpayers by 2020.

Working Tax Credits are becoming harder to claim if you are self-employed. Effectively, the Government will require you to prove that you are working towards no longer requiring the top-up to your income as it believes some claimants are not genuine.

Self Employed Workers who make less than £7,956 profit per year no longer have to make National Insurance Contributions as Class 2 payments are being abolished.

## Increased Demand For Outsourcing

According to the arvato UK Quarterly Outsourcing Index, the use of external partners to handle HR Services (including Payroll) continues to grow.

---

---

Between January and September of 2015, deals worth £338 million were agreed - a 50% increase in spend, with a 193% year-on-year rise in value in quarter three between 2014 and 2015.

This is a quarter of all outsourcing agreements agreed in the UK in the same time period.

### Have The Flexible Working Changes Been A Success?

It has now been more than a year since the flexible working legislation went live. Could it be deemed a success?

Ipsos MORI and One Poll carried out a survey which found that:

- Uptake of flexible working options has been low despite high awareness of the new rights.
- Employers are not fully embracing the spirit of the moves, with a significant portion of employees still required to work core hours with their office and many unable to work remotely at all.
- This is despite 33% of respondents saying that fewer distractions would help them be more productive.
- Only 11% of employees have ever had their best work-related idea in the office.

This poll seems to indicate that there is still significant work to be done.

### Introduction Of The Scottish Rate Of Income Tax

From April 2016, the Scottish Parliament will have responsibility for setting the Scottish Rate of Income Tax.

This is a partially devolved responsibility. It means that:

- The rate of tax set by Westminster will be reduced by 10p in the pound across all bands
- Holyrood then have the power to replace that part of income tax with an amount that is either lower, the same, or higher than that 10p

This new arrangement will impact all Scottish Tax Payers – those who are resident in Scotland. What is important to note is that it is not the employers or tax payers responsibility to identify who is a Scottish Tax Payer – this remains with HMRC.

### The Increasing Important Of Quality Payrollers

There is ever increasing pressure on payroll to get wages right first time, every time, based on issues discussed in a number of recent articles:

- Almost one third of British workers live paycheck to paycheck according to a survey by CareerBuilder

- 
- In a recent study by PwC, Payroll mistakes cost the average FTSE 100 business between £10m and £30m per year
  - And Sage UK claim that a third of workers would look for another job if paid incorrectly by their employer even just once

Simply put, if payroll is not carried out to a high standard, then businesses will lose employees. This means recruiting high quality payroll experts needs to be a key part of any organisations retention strategy.

Briefing Prepared by:



Eilidh Black, Payroll Recruiter

0141 353 1133

eblack@hrconsultancy.co.uk