

Voiceover: 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. I'm your host, Nina Talley, and today we're speaking with Dan Regan, a veteran in the tax compliance and technology community. Dan is joining us to discuss human capital management with payroll and how to unravel its complexities.

With 25 years of experience in the payroll HCM space, Dan has a wealth of insights to share and I cannot wait to dive in. But before we get started, Dan, could you tell our listeners a little bit about your journey in the payroll industry and how you became an HCM expert?

Dan Regan: Sure, Nina, thank you. Before we start, I wanted to thank you and Christine and your audience for having me on today. My story is I'm from a family of academics and joining a tax compliance company was kind of a strange start. But when I got to Vertex, they had a bunch of different and still do have a bunch of different tax groups.

They have value-added tax and sales and news tax and telecommunication tax, and they had this group for payroll tax. I started to get interested in it. The sales tax, which is the dominant product from Vertex, our training was a little different in the late '90s, Nina. Somebody gave you a book and said, "Read this."

Nina Talley: Just a little different.

Dan Regan: Yeah, so that's what we did. There's complexity with sales tax. There's origination and destination states and lots of other things. I got interested in that. My first trade show, which is what Vertex did years ago, was I went to Nashville and went to the APA Show. Even at the time, I was not focused on payroll. I found the community just very supportive, even though I didn't know what I was doing for the most part. It was really cool. I came home and I started to... Because my family are academics, they were like, "Well, go figure out how they make this stuff."

Somebody told me where the research group was, and I walked over to that building. I walked down a couple of hallways and I saw a bunch of diplomas for master taxation, CPP certifications on the wall. I was like, this looks like a group of smarter people than me. I walked into this big room just filled with file cabinets and kept walking through this catacomb a little bit and ran into two of the researchers, two ladies. Actually, they're still at Vertex today, Elena and Cecilia. I was like, "What do you guys do here?"

They were like, "Well, go over on that wall there. There's four-inch binders." They were like, "Look through there and you'll get an idea." I started to look through, and there was compensation types and deductions and rules of reciprocity. I was just like, this is ridiculous how confusing it is. I said, "What is this?" One of them said, "That's everything you need to know in order to pay somebody who's working in the US or Canada." I was like, okay, that sounds like a problem. I really got into it then.

I started to read and learn more about how complex payroll is and went to another couple of APA shows. I was like, this is really an interesting community of people, and you learn about the pressure of getting things right with payroll.

Nina Talley: Oh my goodness, yes.

Dan Regan: And the zero toleration for missing things. I think the combination of those things really got me hooked.

Nina Talley: That sounds like a really interesting prospect to come upon in your life where you have this background of academics who are like, but find how to get the knowledge. And then when you got there, you found a problem that needed solving and you decided to act on that. I think that's such a wonderful place to begin your career in this space of really having a hunger to find a solution to this massive knowledge base problem.

Dan Regan: The immediacy of getting it right was an attraction to me too. That's not in all the tax disciplines. In payroll, I find it to be really... The people surrounding it and in it know it.

Nina Talley: Yes.

Dan Regan: They give you that look like, you know we can't get any of this wrong, no matter what tool or application they're using. I still try to find new things, and I do think there's a ton of vendors out there that they have really good tools for this process, but it is very complicated.

Nina Talley: And always evolving. I think that a lot of times when I have guests on and we talk about what brought them to payroll, a big draw is like this constant learning cycle, because you can learn everything there is about payroll globally. Let's say that you can do that. It's going to change in the next year. It's going to change the year after that. It's something that's constantly evolving, and I think it really draws people to it that are looking for some type of career that will push them into this continuous education space.

Dan Regan: Agreed.

Nina Talley: I would really love to start at the top. What is human capital management and what does the market for HCM in payroll look like?

Dan Regan: I have an idea, Nina, but in preparation, I actually looked this up. Human capital management is a comprehensive set of practices and tools used for recruiting, managing, and developing employees. I think that last little piece there, developing employees, just gives you the idea of how big this area has become. But when I started, there was an HR element and then a payroll element.

And then in the 2000s, it went to HRIS where it was like Human Resource Information System, and then it moved to workforce management, which I think a lot of your listeners remember that nomenclature. About six or seven years ago, HCM became really, I think, a great name for this space. Other people define it differently. For me, there's a nine-step process for payroll, where it starts with talent acquisition and moves to onboarding. Onboarding itself has become its own little industry.

And then benefits, time and attendance, pre-tax information like garnishments and costing, like where your employees are working and what they're doing. And then the payroll tax calculation, which is what we do, which really relies on information from all these steps. And then there's reporting, remittance, and filing. There's forms that need to be filled out along the way. Certainly your audience would define probably the payroll process or the ATM process differently, but that's the way I look at it.

Nina Talley: With the market for human capital management making this shift over the last five years or so, what does an HCM partnership selection process look like? It seems like it's something that has emerged more recently and especially the fact that the world took two years off there a little bit. I'm sure that things have really drastically shifted. I know that our listeners are probably interested. What are the red flags when selecting an HCM partner and then what are the green flags? What lets you know that this is somebody that you really should choose to move forward with?

Dan Regan: That's a great question. I'll look at it from both ways, from a buyer and the vendor if that would help. We get requests for any process. If you're creating an HCM application, you have to get an engine first, and there's only a few out there to choose from and you're not going to pick two. Vertex, we partner with about 28 different HCM applications in the industry. We used to get an RFI or an RFP, and basically you answer the questions and you get in the pool, and then you need to differentiate yourself or what you do best, but it's changed.

Even before COVID, like you alluded to, Nina, partners come to us and ask, "Is your company a good citizen? Do you treat your own employees well? Are you green? Are you doing the right things as a company?" And then there's even further definitions. Regionally, we partner with quite a few companies in California. They will not do business until you go out there. You need to meet them face to face. Particularly the HCM providers themselves, this is all they do is pay people for a living. You're a part of their processes and there's got to be a deeper... Everybody's got to be on the same page.

Nina Talley: As we all know, the payroll regulation landscape is constantly evolving and can be difficult to monitor. Plus, compliance errors can be costly. Stay compliant with Payroll Pro. Payroll Pro from VX3 by Vertex leverages decades of experience in payroll taxes and automates labor-intensive search processes to help companies just like yours collect and monitor updated payroll regulations. Trust a pro to take the headache out of having to reference an overwhelmingly large 1,400 page book on payroll taxes.

Instead, easily search updated payroll regulations from one easy to use platform. Right now, VX3 is offering our listeners a free trial. That's right, a free full access trial. Take advantage of this opportunity today by reaching out to our guest and payroll professional Dan Regan at vx3@vertexinc.com. Again, that is V-X-3@V-E-R-T-E-X-I-N-C.com. Relationship management is so important in all aspects of payroll. I love how often it comes up and that how do you manage that relationship with your HCM partner? That's a wonderful look into that sphere.

Dan Regan: The other thing I've learned, because I've messed it up before, is don't force it. If there isn't a match, it's not worth it. These are all long-term relationships. It just doesn't work. It's too critical to the business. I think this is a product of being in the APA community a long time. If there's a vendor I know that's better than us, and it happens because we're dealing with people in the micro market and people in the enterprise market, people that are paying one to five employees or 130,000 employees, you need to do the right thing in the end. I know other vendors that do this too.

This process is so complicated, because the APA community will find out anyway in the end. They do. They're too savvy. They will find out the best tool. It's cool when you do match and you're like, you know what? This is the right tool for you. We're going to both grow together and pay a lot of people. That's really rewarding, but there are situations... We don't do anything. We don't do the whole process, the whole nine step process. We have to rely on other vendors we regularly refer to to create the entire platform.

Nina Talley: I completely agree with that. It really seems like the amount of force to seal the deal is probably both your red flag and your green flag. If they're pushing you to seal a deal, even though it doesn't feel like a good fit, that is a red flag. If they're leaving room for you to select another vendor that could possibly serve you better, that's your green flag right there.

Dan Regan: Exactly. Because payroll people, the fees and the licensing and everything, you get to there pretty quickly, whether that's an alignment too. I think during the process nowadays, to go back to your earlier question, COVID has made it more difficult, but people are getting in airplanes again and they're starting to come to the conferences again. It's picking back up and the face-to-face really is the best way to do it.

Nina Talley: Yes, I agree. Even if you are working remotely, a distributed team, sometimes that face-to-face interaction is really what you need to make clear communication lines. Something I wanted to touch on is how can a payroll professional even begin to understand who to make the selection with? How do you begin to research different HCM providers without opening yourself up to the dinner bell, where suddenly vendors are approaching you and you feel that you showed your hand? How do we do this in a savvy way?

Dan Regan: There's a ton of ways to do it, Nina, and I feel like most of the people listening know it. The people that come to our booth and stuff have already been well self-educated, but my recommendation would be APA, SHRM, HRTech, IPPA, Napeo. There's so many different verticals for payroll where you have PEO, ASO providers. Any of these communities, whether you go to the shows or not, are great resources if you can get to one of these conferences, if you have an idea of what you might need in the nine step process.

Go with a friend or go with somebody and poke around aside from doing research over the web before you get there. The other thing is get to know your employees well first. There are some newer people, but you got to understand what your own needs are before you go out. We have clients with hugely diverse... You're paying nurses that are moving five times during a pay period or doctors or people in the entertainment industry where you have union fees. If you can get to know what your needs are, what the gaps are before you get in front of one of these vendors.

And then talk to the people at the show before you go up to the... If you really want to be well-educated, particularly at APA, there's nobody that won't share their life experiences that I found before you get in front of somebody that you can't help yourself. You know what I mean?

Nina Talley: Yes. I think it's a really good point that the research needs to start at home. You need to really understand the unique problems that you're facing with your workforce and looking into hiring trends in the past and how that might reflect in the future and your future needs before making this type of selection. I think that it's also always good to just have that touch point and have a strong understanding of the people who you're paying and what the specific needs around their various locations are.

Dan Regan: It's true, location makes a difference too. If you're in the State of Pennsylvania, which is a nightmare for compliance, you're going to have much different perspective than somebody in Texas or Florida. I think the HCM umbrella, being as big as it is, is getting the payroll people to the decision table when companies are making the decision to go to Workday to Oracle HCM to NetSuite to SAP. I think gone are the days, I hope, gone are the days where, hey, we're going to NetSuite in January of 2024.

It's like, oh, great. I think the HCM umbrella, as big as it is, gives the payroll professionals a seat where they can say, "This isn't going to work for us because it has no local content and we want to pay our people." I'm hoping that that's a change because the Payroll Pro needs to be in the room for those decisions.

Nina Talley: Yes, that is, I think, one of the biggest things that this podcast really focuses on is if you can harness the data of your payroll and tie it to the human stories that are existing within your business and make data-driven improvements, and then you can show the bosses or whoever it is that you report to a data-driven decision, a decision that shows that you're thinking forward, that you're thinking about the people, that you're thinking with empathy while using numbers.

And that is such a good strategy to make sure that you're respected, you're heard, you have that seat at the table. It's so important. I love that we go back to it and that we continue to touch base with that because payroll is such an important part of a business's life force. It can often be pushed aside because it's not as important. But when you tie it in with HCM and I think that there really is a great opportunity to highlight the continued need for payroll to have a voice in business changes.

Dan Regan: The good companies that we run into, the HR and payroll people are a part of the process, most healthy.

Nina Talley: The healthy ones are. Yes. I think that's probably a great way to measure it is just by business health. We're talking a lot about human capital management, but your human capital management ties directly in with your business health.

Dan Regan: Agreed. It's the biggest expense is to pay your own people, so human capital. Capital usually gets the attention of the C-suite.

Nina Talley: And that probably had something to do with this rebrand is figuring out how to get that attention. And that's a great point. Having seen this transformation that we've been discussing, how do you feel the shift from traditional HR and payroll to now this more encompassing HCM has influenced the overarching goals of businesses? Have we seen any changes come about from payroll using HCM to get that seat at the table?

Dan Regan: That's a good question. Again, the healthier businesses... First of all, the HCM, the payroll professional years ago would find a good product or a service and not be able to purchase it. They would run through... And that still happens today. Sometimes people need to go through the HR area to purchase something or a CFO or CEO or something in the smaller companies. But if the HCM group includes the payroll professional and the HR manager, then the buy cycle becomes much quicker.

All of these applications that we're talking about, the ERP applications in particular, even the providers that we work with and we work with quite a few,

all have gaps in their applications, whether it be the trouble of onboarding an employee and not being able to consider all the tax information with Dan, where he lives and where he works. All those decisions. I think what's going to start happening here is there's going to be more smaller tools that fill these gaps. I think purchasing a cloud product five years ago was trouble for some people.

They were like, "Well, I'm not going to be able to get to it when I need it most." I think that fear has dissipated. Also, the payroll professionals for a time I think we're like, if we automate this, I might lose my job. The size of the HCM umbrella is at a point where I think parts have to be automated. There's no way not to. And like the fear of being replaced, there's always something to do in those nine steps. It's just too big at this point. I see smaller cloud tools coming to help along the process where these ERPs and providers have real gaps in the process.

Payroll people have to double check everything. Let's face it. Nobody's going to take one look and go, "Okay, that looks good to me," as much as these ERPs. They are great. They do a lot of the process. They just don't cover it all I see that being the marketplace change,

Nina Talley: I'd agree with that. I think that turning to niche tools to fill those gaps is really what you need. I think that going in with an open mind and recognizing that no tool can fill everything and that you might need to be dynamic to the business needs is an important thing to keep in mind and to not throw the baby out with the bathwater, as we say here in America.

Dan Regan: No, you don't want to do that. I would even acknowledge, some of these ERPs and providers, they have great applications and some HR and payroll people are using antiquated, older tools because they work and because they're very comfortable with them, and they are maintaining the data that they created over years. I've talked to some payroll professionals, they're like, "You're not touching my data. This is the way I do it."

Okay, but if we don't touch data, what if we, like you said, this niche product over here would just double check and make sure that your data is right. You can access it through URL, and it's a non-invasive. Nobody has to write an integration to it. You can just go onto your laptop and punch it, and then you can compare your data to what a similar situation would be. I think that's where this is going to go.

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For only \$298 a year, you can become a member. Join today at payroll.org/signup and use code PayTalk35 to waive the \$35 enrollment fee. Again, that's payroll.org/signup. We've talked about how big the HCM umbrella has gotten, and I think that maybe some of our listeners are working at maybe smaller companies who are trying to bring in some HCM operations. With everything being covered from talent acquisitions to payroll tax calculations, how can you prioritize which tools and technologies you need to invest in first?

Dan Regan: I would go back to the know your employees first, like we discussed already, and your industry. And then look and see what's changing here. This goes to show how job security, again, with payroll professionals. Everybody's working from home. What does that do? I have partners that specialize in paying in cryptocurrency. Are you paying your employees monthly, weekly, daily? Are there pay cards involved? The new thing now is to get paid before payday. What does that do?

If you can get your head up, and I think that's what some of these tools do for the payroll person is they're so buried that to do this proactively is a huge gift where you can actually get your head up and say, "Okay, the company's going to want to introduce this next year. What do I need to do that?" Most people that I talk to are in a very reactive mode where they're just trying to get through it. In using some of these tools that fill the gaps, you get your head up a little bit and you can start planning a little bit.

As this tent expands with HCM, I think the fear of cloud products has dissipated. Really if you can get on your feet, it'll make a difference in planning going forward when these changes come because they're layered too. Just going to a monthly or weekly or doing something daily pay, that affects everything, right? Because you're already doing all this other stuff and now this just one change can disrupt everything.

Nina Talley: I completely agree with that. It seems so silly. I'm a little surprised by how human-centered human capital management is. That at the base, it really is about knowing the humans that you're paying and that you work with. And that's really the only way to get an HCM to work for your business. What a silly thing it is to say. I'm very surprised about how centered upon humans human capital management is.

Dan Regan: In fact, Nina, I like the name of your show too just because of it, because it puts the human... This is a human creation, right?

Nina Talley: Yes.

Dan Regan: To handle human beings. It's imperfect, it's a mess, and it's incredibly complicated. It all makes sense.

Nina Talley: Well, with the sticky mess of humanity in mind, how do you see the future of human capital management ahead of us? We have so many different emerging technologies. You touched on cryptocurrency and making sure that that's included. What do you see changing and evolving with workforce dynamics?

Dan Regan: I think the definition of blue collar and white collar are antiquated now. There's just too many people doing too many things that want to get paid differently. We touched upon some of this already. Just the adjustments that the payroll people need to make for group working. You want to put 10 people in a warehouse to work for the day and they want to get paid later in the day, we have one partner on the West Coast that specializes in daily pay. That is incredibly complicated.

We have the actuarial tables embedded within our product to do that. I would say, if you see something coming, lean on the vendors that you're working with today. It's not a terrible ask to say, "Look, we're already doing business with you. Could you guys add this to the product? If you can't, tell me that because we need to accommodate for this." And then if you can't, I would go back to what I said earlier.

I think you're going to find less invasive tools coming out to handle these situations that are cloud-based, that the payroll professional can go to the HR or wherever they have to go to purchase something. Many have their own purchase power as long as it's under a certain amount and go buy something. Go through the vendor process that we talked about earlier. Make sure it's the right group and they have the right product at the right time. And to do that, sometimes you have to go to a show and talk to the people that are using it already, or go to the vendor's user conference if you can.

You don't have to be announced for that. There's a way you can do a regular floor pass and walk the floor for the day and find out if it's the right group for you. As things get more diverse and more come under the hood here for HCM, there's going to be more tools. The payroll people are going to have to continue... Because they're all learners. The people that I know are researchers and they're willing to learn more typically. You need to use that to go and find some of this stuff that will help automate what your company may have bought thinking it was automated and it's not now.

Nina Talley: That's a great point. Well, now is the time in our podcast for something that we like to call payroll nightmares. Dan, do you have any payroll nightmares that you would like to share with our listeners?

Dan Regan: Nina, I have three, but I have to be honest, I had to pull the people in my research area for them because they've all been payroll tax managers in

previous lives. The three that I got was one person had paid someone an incorrect salary, 500,000 instead of 5,000, and getting insufficient funds message back was one thing.

Another person paying a terminated employee by direct deposit and trying to get that money back. And then also another had garnishments. Paying a garnishment, populating the wrong case number in the clearing house and the wrong deposit goes to the wrong case. Those are the three that I got from the group.

Nina Talley: I love that. Do you have any advice for our listeners on how to maybe prevent or circumvent those types of issues and maybe how an HCM can help you

Dan Regan: Not to mitigate these particular items. I didn't get solutions for those. I had some advice about... I was looking back at what I've done in the partnership area. This may miss the point, Nina, but when I started out, I... When you start to learn about this business a little bit, I think everybody goes through a process where you want to tell people about it. I think if I regret anything, it's there were three or four years where I was talking more than I was listening. This is something I work on actively every day is you got to listen to people to understand what they need.

Active listening is a skill. As much as everybody wants to talk and be heard and tell people what they know, which is very comforting sometimes, it doesn't solve anything. You can't understand the problem unless you actually listen to the person who's in front of you to describe what they're going through and seeing if you can fix it or help fix it. That was my only advice.

Nina Talley: That's very true. Yeah, no, that's great advice. I think that even in those instances that you gave, I'm sure that taking that time to listen would have probably helped in some way, shape, or form.

Dan Regan: I'm not sure getting the money back is very easy in any of those situations.

Nina Talley: Do you want to hear how our expert guests would've handled a payroll nightmare that you're familiar with? Send an email to podcast@payroll.org or leave us a comment on the PayrollOrg's Facebook page to get involved in the conversation. Dan, we just touched a bit on your advice and how active listening is a skill that we should all be working on and applying, and that we all need to take a little bit more time to listen. Do you have any other advice that you would like to offer our guests?

Dan Regan: I don't think so, Nina. I mean, other than just continue to try to learn about the industry and lean on each other and one another. I'm a visual learner. If you can figure out the best way for you to learn, there's a lot to learn in this space. There's a lot of good vendors out there, a lot of good people backing up good products. Go out and find them. Go out with a friend or go out with somebody

in your space, in your same vertical and find what tools they're using and solve the problems so you can start to free up time.

Nina Talley: Yes. Yes. I think that's my main takeaway from this conversation is that a properly utilized HCM is going to make it so that you're a proactive payroll team instead of a reactive payroll team and will give you a little bit more heads up time so that you're not constantly buried in the day to day. Well, Dan, thank you so much for taking some time to share those insights with our listeners.

HCM complexities are manageable with the right partner. The benefits for not just a business, but for a payroll professional and a payroll team might just be what our listeners need to take their payroll operations to the next level.

Dan Regan: Goodbye, Nina. Once again, thank you. Thank Christine, your team, and a special thanks to your listeners. I appreciate it.

Nina Talley: I also want to take a moment to thank our loyal listeners. Without you, PayTalk would not be possible. Make sure that 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.

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