

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. I'm your host, Nina Talley, and today we're exploring the intricacies of AI and payroll, looking at its real impact on careers and the day-to-day realities of workforce management using AI augmentation. Joining us today is Roberto Masiero, senior vice president of product development at ADP. Roberto has been hands on in the development of AI-enhanced payroll tools, so I'm really excited for him to share his valuable insights with us today. Roberto, could you just take a moment and tell our listeners a little bit about your experience in the payroll industry and why you've joined us today to talk about AI?

Roberto Masiero:

Sure, and thank you again for having me. It's a pleasure. Yeah, so a little bit about me. You will see by the accent, I came from Brazil about 20 years ago. Had my own company there by the way, a payroll company. We used to run payroll for all kinds of different industries and in the product sort of was working well. We needed to expand our company and look for partners. When I was there in Brazil, back in those days at least you didn't have a VC, people investing companies. We needed to find a partner and in that search for a good partner, we found ADP. ADP ended up acquiring the company that I had in Brazil and a couple years later, they moved me to US for a two-year assignment and here we are 20 years later. I ran a bunch of different groups within ADP, large development teams, taking care of a lot of the different products and modules at ADP.

About 10 years or so ago, I pitched to the CEO and CIO at the time to create an incubation lab by innovation lab at ADP, and they funded that. Over the last 10 years we pushed some of, I think some of, I would like to say cool applications that ADP has today. ADP Mobile for example, with millions of users, our ADP Marketplace, the way we run reports on ADP and then lately one that I'm really, really excited about, we have thousands of clients already using it in a role by ADP, which is a total different approach to payroll. You run your payroll by chatting with the system. It's a conversational UI where we use artificial intelligence to understand what you're trying to do and you basically check your payroll, which is quite novel. Really excited to see how our clients are leveraging that and as we are discussing making use of AI on payroll.

Nina Talley:

Well, thank you so much for joining us. I really am excited to dive in really deep with somebody who is sort of boots on the ground in creating the systems and understanding the type of environments that they have to work in. I want to start things at the top. Let's talk about how AI is reshaping the payroll industry on a fundamental level. If you could provide specific examples of where AI is really disrupting traditional payroll practices, I would love to hear about that.

Roberto Masiero:

Sure, and I think this is obviously something that is happening gradually, obviously accelerated over the last year or so with the advent of large language models becoming more popular, obviously open AI and the GPT sort of chat bot is something that made AI ubiquitous in terms of the number of people that

have access to it, that can experiment with this technology, which was something that before was kind of sitting behind the curtain, right? I mean, we've been using that for a couple of years, not specifically that model, but different types of models and algorithms and up until then already was transforming some of the practices on payroll.

One of the things that we had already for a while, even before the advent of GPT, OpenAI was machine learning based insights. We would have algorithms that will look at your payroll when you're running your payroll, or even when you are entering the input for your payroll and it would alert you of anomalies or at least things that don't look that follow the pattern that you used to have. For example, I never pay Nina any overtime and then all of a sudden this week, I decide to give Nina 10 hours of overtime.

Nina Talley:

I appreciate that.

Roberto Masiero:

It's fine. She works a lot, but it's not something that I'm used to see. The system would wake up, will say, "Hey, I see a deviation from the pattern here. I'm not saying it is wrong, but let me just let you know. Are you sure you want to pay Nina 10 hours of overtime?" There's nothing illegal or out of compliance. It's just that help, that validation, that confirmation that something you're doing, although, it doesn't look within a pattern is fine. I think our users really appreciate that. Sometimes you made a typo, right? You were typing one and you hit a zero after that or you thought you were typing regular hours and you type over time hours. That's one example of something that we were doing even before the advent of this more advanced models. I think with this more advanced models, we're seeing even better not only validation, but even prediction, right?

I mean, I think the fact that in some of the stuff that we're cooking in the labs is if the system automatically sees that you have a regular cadence and amounts on the payroll, you don't even need to run payroll anymore. The system will execute the payroll will let you know, "Hey, Nina, I ran the payroll, everything is fine. It's this much, it's submitted to pay on Friday. If you have any objections to that, you let me know," but if you don't say anything, payroll is done. I think it's changing the practices in the sense that not only we're validating and give you insights, but also, we're helping with the process. Why make you come to the system and if you always pay, let's say you're an owner of a small company, you and your brother or sister working and you always pay 40 hours a week, that's it.

I mean, why make me even visit the system? I think that's what a lot of what AI can do is, as I call it, make the system invisible, right? I mean, payroll is very important but usually is not my business. It is the business of ADP, but it's not your business. Your business is to be the landscaping company, is to have your little retail store, is to be a doctor or work on a large corporation. Doesn't matter. The more we can make the system work for you, augment you, as you said on your opening question, I think the better we all are. I think these tools will continue to progress on that, on this scale of trying to get the stuff that is not strategic or that require human traits like empathy and all that up until now, who knows, are not replaced by AI and make them help you with that.

Take those burdens out of your hair. Let me run payroll for you. Let me take care for example, if one employee send on mobile that, "Hey, I'm not feeling well, I will not be able to come to work tomorrow morning." I mean, once that message comes in because they go to mobile and they start that form or that conversation that say that, the system can react if it's using AI to say, "Hey, now there is a shift open. Let me look at the workforce. Let me look who has the skills and it's open at that time, and who is

the best person in terms of have the least hours and I don't risk paying over time?" I obviously don't want to pay overtime if I'm the owner. You see what I'm saying? The system could already make that decision. That's what we want AI to help. That's what we're doing in terms of designing these new systems is to make this agents, this assistance that can help you in sometimes more mundane, more operational tasks and sometimes, even one help you with things that are more complex as we have some examples. Hopefully that answered your question.

Nina Talley:

Yes. I love the example that you gave of the system running and then it pinging you as the payroll manager and saying, "Hey, do you have any objections?" Because that intervention right there shows how important the human element of it is having eyes on having somebody who understands it and can give that approval and can catch junk data or something that might be off. The system, I don't believe, will ever have the human insight needed to maybe catch something weird because the system at its core is trained off of numbers and so it's only as good as the numbers you give it. If there's a human error, your system may not be able to account for that. I think that what it means by taking out some of the more manual work that comes with payroll is that it allows the payroll professional to become a much more strategic individual.

Roberto Masiero:

Exactly.

Nina Talley:

It gives you the time to figure out ways to optimize your own processes, optimize within your department, maybe start a new initiative and you're beginning to integrate these AI tools to do the sort of, again, the little bit more tedious aspects of it and it frees you up to explore the creativity that can exist within payroll and the strategy that can exist there.

Roberto Masiero:

Exactly. Be that on the payroll itself, and again, it permeates depends on talent, on how do we retain this, but what compensation should I have exactly to be able to have or equity and all the aspects that come with it that as you said, I mean, you need a human, you need to understand, have the rationale, the empathy, the understanding to create those strategies. Not that the AI will not start helping with that as well. Maybe bring to your attention things that are relevant and important. One insight that we also provide is, for example, if you give a raise to someone or hire someone and we see that there is a drop or some difference on equity between groups, genders or the system will wake up and we'll tell you, "Hey, it looks like with this promotion you're creating an imbalance between how much you're paying different groups at the company." I think that maybe you, obviously, it's not on purpose, but just that awareness that if we can have the systems be this literally like this assistant to you that brings these things to your attention, I think it would become a better professional. Again, the decision, the action item is on you, but the fact that that information was brought to you, I think, is super valuable.

Nina Talley:

I love the idea of the application of AI to build a more equitable future because I think that so many of the conversations around AI are a little fearful about AI taking something from us, but I think there is a lot of hope and beauty for what AI can give to us in those types of use cases.

Roberto Masiero:

I think it will elevate us all as professionals. I'm not a doomsday type of person in this particular aspect. I think just like we used to have to do all math on paper and then there were calculators and that just made us elevate our work and not spend hours doing math, but now do better things and more important things. I think the same thing with AI will continue to be a tool that augment our capacity, elevate our thinking and makes us, I like to think in a certain aspect, superhuman and the fact that I have this immediate access in an easy way to a wealth of information. I can ask questions, I can ask to create. We have, for example, ask the computer to create a good job description for a new truck driver in New Jersey and it will put a beautiful draft in my hand. I can ask to change the tone or this and that. By the way, if you're designing a good AI, the AI will learn about these things and will the next time already kind of use the tone of voice that you like on that job description, but is still your judgment, your final approval. Again, it's a great helper and I think we'll see that more and more in payroll and many other domains.

Nina Talley:

That's something I really want to touch on is these natural language processing models or these large language processing models. How is that impacting into the streamlining and automating payroll queries and how is it maybe changing the dynamic between payroll staff and employees?

Roberto Masiero:

Great question. I mean, these models are really good with language as the name says, right? I mean, large language models, they learn from our wealth of information. Most of them are trained with billions and billions of words and texts and everything that there is out there on the internet, including the regulations and this and that. I think what is changing is the fact that in a lot of cases, you can delegate to those models now to respond to questions, be that coming from the practitioner or the employee. If the model is well-trained, is well-grounded so that it doesn't hallucinate, it does have a good set of data, be that off the company data mixed with public data, that it can start to respond to questions. Why is my social security so much less this month? Why the benefit, my medical is so high?

Explain a pay statement for me in natural language, let's say. Those are things that will help an employee and we see on this sort of sandbox on this product that we have, we see employees asking that why my W2 have this number on box 12? Those are things that this model can respond to if they're well-trained. The same thing for the practitioner. I mean, we are testing some things like training the model and really kind of specializing it on compliance information, so that you will be able to ask questions, what kind of taxes will I be subject if I hire someone in Pennsylvania? It should be able to just distill that for you. I think we'll see more and more of these large language models married with having a strong training of specific data on our domain of payroll compliance, and even the company-specific data that you will be able to just ask questions in natural language and get good answers back that are grounded to the data that you gave it.

Nina Talley:

That's such an excellent point. I think what it's doing, it's just further fostering a sense of trust within your payroll department because previously, those types of requests would take a little bit of time. You would have to dig through the data, you would have to figure it out and then you would have to figure out, "How do I frame this to my employee?" And all of that is just time back for the payroll professional, and because it's a more immediate sort of experience, it's building trust with your team members.

Roberto Masiero:

Yes, yes. I think it shows the level of service that a lot of us come to expect, right? Back to what we said before instead of, and I'm not saying that will ever disappear, that more profound question or that specific use case that needs to have the attention of the payroll practitioner. I think on the generic questions, how this was calculated or why this was this much this month, I think we can unload, again, a lot of that and let the payroll practitioner work on more knowable strategic things. I think as I said, it will make everybody happier, less long in terms of doing support for the employees and have time then to deal with the special cases. We know that those happen every now and then, that there is whatever type of compensation that we need to deal with, or there is that payroll that it has a special case, an off cycle bonus, a garnishment that has some adjustment that it's needed. All of those are complicated things that you need time for. If we can offload some of the conversations that we have to have today, that'll be wonderful.

Nina Talley:

Stay up-to-date on the latest federal and state laws and regulations within the payroll industry by becoming a member of Payroll Org. With the Payroll Org membership, you'll be able to increase your skill level through knowledge and a supportive community of peers, offering top rated payroll conferences and seminars and a complete library of resource techs and industry-recognized certifications. Connect with over 30,000 payroll peers worldwide and receive great discounts on Payroll Org's, leading payroll education. Join today at [payroll.org/signup](https://payroll.org/signup). Again, that's [payroll.org/signup](https://payroll.org/signup).

We touched on it a little bit earlier, but I would really like to talk about the ethical considerations like bias and transparency when it comes to AI and how AI is helping address some of those issues. I'd also love to hear a little bit about how data security and privacy in payroll and the ethical concerns with that need to be taken into consideration when you're using these types of models.

Roberto Masiero:

Great questions. I think that is one of the things that we're very, very keen on. We pay a lot of attention. We consult with our legal team and we consult with our security team at ADP. I think every company, every vendor should do the same. The data that we deal with is as sensitive as it can be. I mean, maybe other than health data, this is as good as it gets or as bad as it gets, depends on how you want to frame it. We are very, very sensitive to that. One of the things that we do, just to give you an idea, for example, when we are training those models, we never provide the final data. For example, the name Nina will never be there. We tokenize Nina to say employee 1, 2, 3, 4, and that is what we send to the model to learn. If you look, even if that data was to somehow all the vendors of this large language models today, they guarantee that they don't use the data that you provide as training data.

Nina Talley:

Right. Okay, so dummy data is used for training.

Roberto Masiero:

Well, I mean, even if you send real data, they say, "We're not going to use this to train our general model that everybody has access," but on top of that, we believe our vendors is all good, but on top of that, we said, "Why do we need to send the name Nina with her salary or whatever her title?" What we do is that we tokenize, we send this data anonymized to the model, we train it, and then when you ask a question, "How much Nina makes, if I'm your manager or the owner of the company you work on is how

much Nina makes?" I asked that question, it will reply back to me when I send the question, "I'll replace Nina with employee 1, 2, 3, 4." It will respond and then I'll give you the data. We created this abstraction in the middle that basically replaces your name or any other identifier with a known token, a known key. When the response comes back, we do the opposite. You'll see Nina makes this much, although, the model itself never received that information, it goes anonymized to them. Even if that information would leak would be ingested to the general model. I don't know who makes 100,000 or 50,000, someone does, but I don't know who because we never send that PII, that private information to the model. Does that make sense?

Nina Talley:

Yes, it does. It does.

Roberto Masiero:

Awesome.

Nina Talley:

With everything that we've discussed, AI is clearly changing the skills landscape and payroll. I would love to hear some insights that you might have about how payroll professionals can adapt new skills to stay relevant? How do you see roles evolving with this increased integration of ai and how can they prepare for that?

Roberto Masiero:

I think the best attitude is to embrace. I think if we become fearful and we push back and we have this sort of like, "Oh, this is going to eliminate my job or jobs in my industry." I think this technology waves, they always have this aura of fear, but in the end, we find a way to accommodate and actually make everybody's life better by using this technology. I think the first thing is embrace it, don't push it back. If the vendor you use for payroll is already implementing some of these features, go look at them, investigate, research. I think the more you learn, the more informed you are, the better you are from a professional perspective to be prepared for this change, which I believe is inevitable.

Embrace it and if your provider is not using this techniques yet, go yourself there is free ... I mean, you can use chat GPT for example, sign up, start using it. I mean, don't put any company data there, I don't want [inaudible 00:24:32], but ask questions. Understand the potential and the flaws of this tools on your day-to-day. You can ask like, "Oh my God, okay, I got to research now we're thinking about opening a location in whatever city in the Midwest," or go ask ChatGPT. "What are your questions? Do they have any local taxes? What is the [inaudible 00:25:00] rate?" Whatever it is that you're curious, start to do this in parallel so that you understand, "Ph my God, this thing is so wrong. They don't know nothing yet about payroll. Or Oh my God, this is cool, this can help me. Or I need to write a email about this," draft the email using ChatGPT. Start to familiarize yourself with these tools. Because as I said, I think these things are, these technology waves are inevitable just like the internet and the mobile. Now we cannot live without them. I mean, we all carry our mobiles.

Nina Talley:

There's no going back.

Roberto Masiero:

There's no going back. I think the Pandora box is open, let's go. Let's embrace it. Let's see how can make the best use of it. Let's not be scared of it, rather, let me see if I can augment myself as a professional in this industry using the tools. I think that's what we can do to prepare while the providers, the systems continue to increase the use of this type of tools and techniques on their software.

Nina Talley:

I completely agree, and I think another aspect of this that I want to make sure that we touch on is what do you see coming up as far as regulatory changes around AI and payroll and how can we prepare for that?

Roberto Masiero:

I mean, that's a big question and a big question mark as well. I think there's a lot of debate if you follow even Davos, which is just happening now. There's a lot of debate about the level of regulation that the governments need to have on AI in terms of privacy, in terms of copyright. You've seen the cases of, I think it was New York Times sort of like suing OpenAI because they index or they train the model with material, previous articles, years of newspapers and articles of New York Times and New York Times saying, "No, that's our content. How can you ..." So I think this debate about copywriting, about protection of the creators, you see the cases of AI creating music, right? Drake songs that sound like Drake, and obviously the artist is like, "No, you cannot do that, right? I mean, you're appropriating my voice, my style," so I think there will be everything that it's new, there will be this back and forth.

I think the same will happen with regulatory and compliance and other aspects that there will be this back and forth and hopefully, we'll end up in a good place. Hopefully, there's no hard and fast rule that you cannot use this on any industry that will stop innovation. I think it would not be good for any government. There will be a government out there that will say, "No, go ahead, keep going," and then we will be behind. I think there needs to be some level of protection of individual rights and creative content, but I think hopefully the line gets drawn in a good place that it still allows this models and this technologies to continue to grow and become better. I think what we're seeing over the last year and a half is just a sample of what will be in another five years.

Nina Talley:

Thank you so much for all of those insights. I think that right now we're living in a little bit of uncharted waters for AI and payroll, and I know that regulations are going to be at the top of everyone's mind when it comes to implementing these in. I think at this time, you just need to keep your pulse on the industry, keep an eye out for what's going on with AI in the regulations because you want to get ahead, but you don't want to paint yourself into a corner. You don't want to get yourself into a situation where you have a headache on your hands, frankly.

Roberto Masiero:

Yep. Yeah, I think that's what I say. Embrace it, understand the usage of this, understand how this can today be something that you do on the side in parallel to the way you do your things today, but how can that then inform, augment, help you draft anything that you have to do, come up with ideas even. Sometimes I have to do a presentation. I'll go into ChatGPT and say, "Hey, I have to prepare a PowerPoint for my boss or my executives about this, and can you give me some ideas for 10 slides?" You will be amazed with what kind of content comes back. I think that's the beauty of this. It's a creative tool. It's a tool that by nature is designed to be creative. That's why it hallucinates, right? Because I think creativity is almost like controlled hallucination.



Nina Talley:

I would agree with that.

Roberto Masiero:

I think it's something that really, if you start using, you will see how much it can help. I think eventually all of the systems will have this type of assistant on the side helping you. The sooner you get acquainted with it, the sooner you start to embrace this technology, I think the better you'll be prepared for what's coming.

Nina Talley:

Now is the time in our podcast for something that we like to call payroll nightmares, and this is where we share stories of payroll, payroll, and it just sort of serves as a helpful reminder to our listeners and yes, even myself that yes, these things do happen to all of us. Roberto, do you have an AI theme nightmare that you can share with us? I would love to hear it?

Roberto Masiero:

Again, I think without disclosing too much, I think when we were at the beginning of this journey, this is like maybe two, three years ago when we first started to implement insights on payroll based on machine learning models, it was very funny because we, as you know, taxes like social security, when you max out during the year, right, it goes down. I mean, you already max out your social security. Same thing with other taxes, and I think we train the model, but that seasonality of when did you max out? I think the model didn't learn. I think my nightmare is that we started sending insights to everybody, that they were not paying enough social security. We quickly turned it off, but I think that was my nightmare. It was like, "Okay, oh my God, are we sending insights that thank God it was insights. All payrolls were calculated correctly and taxes were paid correctly and everything else." Because if not, I would not be talking to you. I would have lost my job, but just that insight was a little bit of a major nightmare, let's say, that we were saying you're not paying enough taxes when people were actually paying absolutely the correct taxes. We quickly corrected, I think it took less than 24 hours and we shut that down and we fixed the code, trained the model better, and everything was fine.

Nina Talley:

That is ... My heart dropped in my chest. I'm glad it got resolved so quickly. 24 hours, I like a 24-hour turnaround time. That's nice.

Do you want to hear how our expert guests would've handled the payroll nightmare that you are familiar with? Send an email to [podcasts@payroll.org](mailto:podcasts@payroll.org) or leave us a comment on Payroll Org's Facebook page to get involved in the conversation. All of our listeners know that I don't really like to leave things on a negative note here at PayTalk. My last question is always a positive one, and it's what is the best piece of payroll advice that you have ever been given, or what is the piece of advice that you wish somebody had given you?

Roberto Masiero:

Sure. I also like to end on a positive note, and I mean for me, was that being someone responsible for running payroll, doing gross to net, running a development of payroll systems at ADP, understanding that payroll, although, what we see are the numbers, are the taxes, are the gross to net calculation, are all the things involved on it. Payroll is much more than that. It is how people have the means to support



themselves and their families. There is an enormous responsibility when we are calculating payroll, when we are supporting people that have to run payroll for their companies, for themselves. For me, that advice, that understanding, I'm an engineer, so look at things from a mathematical perspective, but understanding that this is much bigger. This is how people pay their rent, put food on the table. I think that, for me, was a great, but I think hearing that perspective from someone else as well, it was good. It makes you feel the responsibility, but also, the reward for doing that, right? That for me, was great.

Nina Talley:

Yes. I love that. That really is at the heart of what this podcast is about, is that payroll is often seen as analytical and numbers, but at the end of the day, you are a person helping a person who you may personally know, put groceries in their fridge.

Roberto Masiero:

Exactly.

Nina Talley:

Pay their light bill. It's a very personal, intimate relationship, and I think it deserves a lot of respect, and I appreciate you bringing that to us and helping us wrap up the podcast with such a wonderful touching insight.

Roberto Masiero:

I love it. I mean, this was phenomenal. You're so good, Nina. You made this hour just fly by, so really appreciate the opportunity.

Nina Talley:

Well, thank you so much, Roberto. I know that you gave all of our listeners some really powerful insights that they can take with them moving forward. This conversation is not done here. It's going to continue to happen and evolve, and I really hope that our listeners here take everything that Roberto said to heart. It's the future and it's coming. I also want to take a moment to thank our loyal listeners. Without you, PayTalk would not be possible. Don't forget to rate, review, and subscribe on your preferred podcast streaming service. That really is the best way that you can 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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