

The Effects of National Contexts on Personnel and Payroll Administration – A Comparative Study of France, Germany and the UK¹

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Abstract

The relentless pace of globalisation increases the competitive pressures that companies are subjected to. The search for competitive advantage leads organisations to search for international efficiency, local responsiveness and worldwide innovation. This article focuses on the administrative areas within personnel management and payroll across national borders – HR fields that are often overlooked. . Due to HR professionals spending two thirds of their time on administering staff personnel and payroll administration these areas present substantial opportunities for efficiency and quality gains.

Organisations use an increasing number of national and international shared service centres and outsourcing arrangements in the quest for efficiency improvements. A prime candidate for standardisation is the administrative activities in which organisations can take advantage of the rapidly evolving information technology. The administrative activities of the human resource and payroll functions are an important topic as most employees have predominantly transactional contact with these departments. Moreover, if the HR director fulfils the role of strategic business partner it is likely that in a time of increasing competition and economic difficulty the effectiveness and costs of administrative tasks become an area of attention, not least to create the space to adopt a more strategic focus.

This paper examines the effort spent by organisations on HR administration and payroll activities in France, Germany and the UK. Using case studies, the research addresses what the administrative and payroll activities are within the HR functions, determines the variations between the countries and explores the reasons for the differences.

Similarity does exist between the three countries in the range of detailed activities, such as the processes of HR administration, and payroll, although there are differences in time and costs spent in such areas as recruitment, induction, tracking time and attendance, enquiries, and surveys. Some of these differences can be traced to organisational structures and institutional factors. Due to the growing social legislation in the European Union (EU) labour principles (and many processes) are converging. However, our findings indicate that there is a continued divergence of practices and regulations between the three countries. This is especially reflected in the more coordinated market economies of Germany and France compared to the more liberal UK.

The detailed activities and costs outlined in payroll and personnel administration allow HR directors a more informed assessment of their processes and an improved evaluation of efficiency-raising options such as outsourcing or the use of shared service centres. On the forefront of this development are international business managers that are able to leverage both local and European knowledge in their strive to optimise processes and practices. Outsourcing providers that have in-depth understanding of the various national regulatory environments can provide expertise to organisations to enable economies of scale, learning and experience.

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The globalisation of HR policies and practices is strongly supported by the rapid progress in information technology. Using more sophisticated HR solutions is likely not only to increase the speed of work processes and the breadth of information available for decisions ⁽¹⁾ but also strongly impacts HR administration processes.

The area of HR *administration*, however, is relatively underrepresented in the literature. This is surprising since administrative activities can often be automated with the help of process redesigns and rapidly evolving technology ^(2; 3; 4). The increasing number of national and international in-company shared service centres and outsourcing arrangements shows that these new work options are being taken up by organisations ⁽⁵⁾. Organisations are obviously attempting to standardise processes in order to reap economies of scale while attempting to redesign processes in order to automate these. Administrative tasks are a prime candidate for automation and redesign as they are less subject to discretionary judgements and dynamics and, at the same time, they are more subject to management control. If organisations were able to redesign their administrative approaches on a cross-border basis these developments would mean that HR administration would show high international convergence. As a consequence, integrated processes and consolidated reporting would yield cost savings and enable management to have a better overview. This, in turn, would create the space for more informed decisions and deliver strategic benefits.

However, our knowledge about administrative costs, the tasks which are internationally centralised and what the influences of national institutions, regulations and business cultures are, is severely limited. This paper defines some of the administrative activities in HR and payroll and assesses the effort involved in three countries, France, Germany and the UK which have radically different institutions, regulations and cultures.

Diverging National Environments

There are a number of comparisons between the cultures ^(6; 7) and business environments of the three countries ^(8; 9; 10). A recent article summarised the differences as follows: the German business system is more long-termist and more developmental. Moreover, the various institutions – including the state, trade unions, employers and their associations – have a more cooperative interaction that is based on a higher degree of juridification and regulation than in the UK ⁽¹¹⁾.

The French business system is characterised by a number of ‘anomalies’ ⁽¹²⁾. French industrial relations are characterised by industrial conflict ⁽¹³⁾. State intervention through social legislation is extensive ⁽¹⁴⁾. For instance, the government administers comprehensive insurance programmes for workers, minimum wages are established by government decrees and pay scales are often determined by institutionalised bargaining. Moreover, the working week is by law limited to 35 hours with overtime limited to 130 hours per year ⁽¹⁵⁾. This policy even makes unpaid overtime by senior management employees – in contrast to both Germany and the UK – a penal offence. While many executives continue to work as before, there is even for high ranking managers a risk associated with working very long hours. As an extreme example, in June 1999, a director of a well known defence company was fined. Like in Germany, there is a much higher degree of legislation and regulation than in the UK.

By contrast the UK is more individualistic in regard to employment contracts, and relies more on flexibility of time, task and contract. The formerly highly powerful trade unions lost some of their power during the Thatcher government which had instigated a number of laws and regulations. Amongst these, the termination of ‘closed shop’ arrangements (every worker in a specific occupation had to be member of the occupational trade union) and the regulation of voting procedures when a strike could be carried out were of key importance. Despite these government interventions the UK is still more voluntaristic than France or Germany which translates into more company and site-specific agreements. The UK has a variety of institutional, industry sector and different business unit level arrangements ^(16; 17). Characteristically in the UK, there are many small organisations and a strong service sector where most staff are employed. The impact of these differences on human resource management and, especially, on administrative activities are outlined below.

In Germany, one of the likely effects of the tight institutional framework ⁽¹⁸⁾ and the developmental and cooperative orientation, is a lesser focus on external recruitment and selection. The Saratoga report ⁽¹⁹⁾ supports this with German organisations having a median of 8.9% of external recruitment (as a percentage of total staff p.a.) with France and the UK performing significantly more hiring. In fact, the UK organisations display the highest percentage amongst EU countries with 14.9%¹. Hence, if administrative processes are not vastly more complex, there are fewer administrative activities associated with recruitment and selection amongst German companies.

¹ While these figures are moderated by the economic cycle and its effects on the labour market, the data was gathered before the downturn in Germany.

In respect to redundancies, a “normal” year, the higher regulative thresholds and costs for German and French organisations and their drive to functional flexibility leads to a lower termination rate compared to the UK. Again, Saratoga data ⁽²⁰⁾ indicates that organisations in the UK experience most termination (14.5%). Thus lesser *instances* of administrative processes linked to terminations occur in Germany and France.

The Literature on HR administration activities and costs

Whether it is consciously acknowledged or not, most of the work undertaken by HR functions is concerned with administering employment in organisations. Even in the famous formulations showing the strategic roles in HRM to be those of business partner and change agent, Ulrich ⁽²¹⁾ still acknowledges the administrative role.

Guest and Horwood ⁽²²⁾ demonstrated that in both the public and private sectors the majority of time was spent on recruitment and selection activities, (the majority of which were administrative – processing job applications, organising selection programmes, making offers of employment, taking up references) on industrial relations, and to a lesser extent on training and development work². Recent studies, such as those by PricewaterhouseCoopers ⁽²³⁾ and the American Bureau of National Affairs ⁽²⁴⁾ on HRM activities confirm the basic activities which have existed in the field for 75 years: Employment, Joint Consultation or Employee Relations, Wages, Training and Development and Health and Safety ⁽²⁵⁾. In addition there are the various administrative activities not only associated with these functional activities, but also as separate pieces of work, such as payroll, time and attendance tracking or absence management.

While the ratio of full-time equivalent HR staff to total organisational headcount was 1:111 in the US ⁽²⁶⁾, this was 1:99 in Germany, 1:84 in France and 1:127 in the UK ⁽²⁷⁾. In their 2003 survey, Saratoga depicts mean HR department cost per FTE as €1,739 in the UK, €3,381 in France and €1,502 in Germany³. The mean of organisations operating in 22 European countries was €1,683 with wide variations according to industry sector and size.

² Guest and Horwood’s study does not assess payroll activities

³ The HR Department Costs per Full-Time Employee (€) have to be carefully interpreted. They vary substantially from the costs outlined just one year earlier by Saratoga (2002) as: UK: €1,378; Germany: €1,163 and France: €1,228. Especially in France the dramatic increase in measured HR department costs (per FTE) may relate to sampling issues. It is also important to note that the Saratoga figures do not include payroll, training and health and safety which are included in this article’s data

Unfortunately, while some information exists about general HR costs, there is a lack of research into the area of administrative activities within human resources and payroll. First, the literature does not give a clear understanding of what the key administrative activities within HR and payroll either in France, Germany or the UK. Second, no large-scale quantitative survey assesses the administrative effort in either of these countries in sufficient depth. As a consequence, we do not know what variations exist between administrative HR and payroll activities between these European countries and how they may be explained. Only by individually analysing the patterns of administrative tasks in each country can a picture start to emerge about the enduring influence of the national business context, the impact of new technology and how sophisticated new approaches that are tuned into the specific demands of national environments can help to optimise personnel and payroll administration.

Based on the above discussion this paper will address the following research questions concerning France, Germany and UK:

- What are the key administrative activities found within human resources and payroll functions
- What is the administrative effort within these functions?
- How can the differences in the administrative effort be explained?

Methodology

The existing literature on HR administration costs concentrates on large organisations. To fill the gap we decided to focus on organisations employing between 200 and 3,000 staff for the selection of the sample since these organisations are more numerous than large organisations. These organisations – with the exception of divisions or subsidiaries of bigger entities - are less likely to have access to the integrated systems and solutions available in larger companies that can reduce their administrative effort.

In order to choose the case companies, a selection pattern considering the dimensions *size*, *geography* and *industry* of the participants was applied. Based on this, detailed case studies in 71 companies were conducted in France, a sample size of 15 was chosen in Germany and in the UK, 20 organisations were selected. In all countries a letter was sent to the organisations, which was followed by telephoning those that expressed interest. The companies were offered a report based on the findings and a one-day seminar with participants during which the results were to be discussed.

Table 1: Company Overview by Size (FTEs)

FTE	France	Germany	United Kingdom
< 200	16	0	1
200 - 500	26	1	6
501 - 1000	22	6	6
1001 - 3000	7	4	7
> 3000	0	4	0

The characteristics of the case organisations can be inferred from Tables 1 and 2. Table 1 shows that the study concentrated on enterprises that had between 200 and 3000 employees with a few firms having more employees. The Saratoga benchmarking figures show that these companies spend significantly more on HR compared to organisations that have between 5,000 – 10,000 employees. In order for these firms to realise such gains it is, however, paramount that they understand their HR administration processes and costs. Table 2 shows the broad range of industries that were researched.

The study was completed in 2004. The contacts within the organisations were often the departmental heads of human resources, in many cases accompanied by other members of staff (mainly to clarify details). Since the interviewees had prior sight of the questionnaire most information was available at the interview, although with probing, certain items needed further analysis. It should be stressed that we dealt with a self-selected sample which may mean that there was a higher awareness and/or interest in the efficiency of HR administration processes. This, in turn, may have impacted on some of the answers given.

Table 2: Company Overview by Industry

Industry Sector	France	Germany	United Kingdom
Manufacturing	33	7	5
CTN, Distribution, Transport	6	3	2
Business Services	10	3	5
Financial Services	9	2	1
Other Services	13	0	7

The HR departments varied distinctly in their sizes, costs, functions, breadth and depth of work. In one UK organisation there was no personnel function with HR work being carried out by two part time staff. In the UK, the biggest HR department had 31 staff and the biggest payroll department 16. In Germany, the biggest personnel function had 101 employees and the biggest payroll function 25. The “HR span” – the number of employees served by one HR staff – was 100 in the UK, 56 in France and 94 in Germany. The lower HR span in France is a first indication that the HR function is more costly per full-time employee (FTE) in France than in the other countries. The reasons with reference to administrative efforts are explored below.

The Patterns of Personnel Administration

The method used to establish costs and proportion of activity was to assess with the interview partners how much time was spent on which administrative HR activity inside the HR function. This was then converted into monetary values using the labour costs of those persons who would conduct the activities. In order to facilitate a comparison the percentage share of each HR administrative activity of nine key processes is given. These are administrative activities associated with employee queries, work contract management, termination & leaving of employment, absence/vacation management, new hires, permanent data updates, attendance & activity tracking, expatriates & inpatriates and external enquiries & surveys from professional bodies.

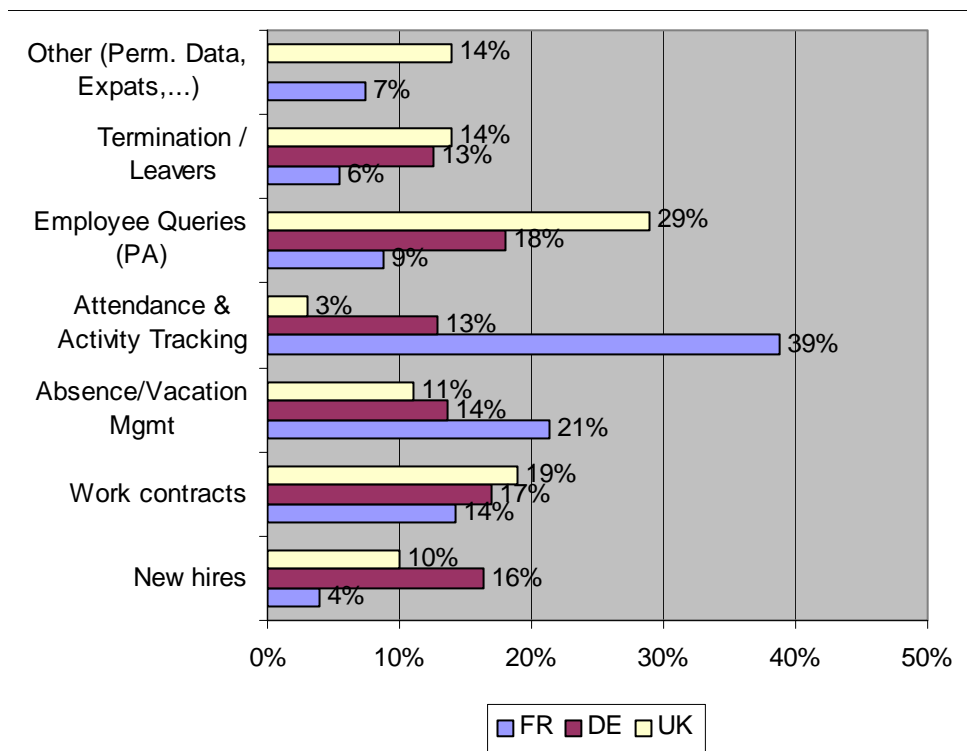
Table 3: The Cost of Personnel Administration (PA) Activities per Employee (€)

PA Activities	France / €	France / %	Ger / €	Ger / %	UK / €	UK / %
Employee queries	21	9%	14	18%	48	29%
Work contract management	35	14%	13	17%	32	19%
Termination / leavers	13	6%	10	13%	23	14%
Absence/vacation management	52	21%	10	14%	18	11%
Time & attendance tracking	95	39%	10	13%	5	3%
New hires	9	4%	12	16%	17	10%
Permanent data update	5	2%	na	na	13	8%
Expats / inpats	8	3%	2	2%	5	3%
Enquiries & surveys	6	2%	5	7%	5	3%
Total PA	244	100%	76	100%	167	100%

The first and most striking result is that the total personnel administration costs varied significantly between the three countries. Obviously, a high administrative personnel administration (PA) burden set by national governments would generally raise these costs. Mayrhofer and Brewster ⁽²⁸⁾ show that within Europe large differences exist between labour regulations. France is more regulated than the UK. This has strong effects on the subsequent administrative effort. Moreover, other bodies also have an influence on where the costs are being accrued. For instance, employee queries may be more often addressed to works councils in heavily unionised environments and, therefore, would not have been captured in the PA activities. Below, some of the main differences are explored.

The biggest differences relate to the high cost of **tracking time and attendance** in France (39%) compared to Germany (13%) and the UK (3%). The CRANET survey ⁽²⁹⁾ indicated that substantially more German and French manufacturing organisations use annualised hours and flexitime schemes. These can be highly administration intensive to run ^(c.f. 30) depending on the extent of staff covered, the range of time models and the IT programmes used among other things. Moreover, overtime has to be documented in German companies with works councils as it is subject to co-determination ⁽³¹⁾. Nevertheless, the large difference may not be explained completely by work organisation. One of the reasons may be found in the 35 hour week in France that necessitates higher efforts to track attendance as there is a statutory requirement to collect working time information and to make it accessible to employees.

Graphic 1: Relative Differences in Personnel Administration Effort per Employee in the Three Countries



Dealing with **employee queries** was another administrative area that showed strong differences in the cost of administration. The UK had both absolute and relative the highest costs (29%). While German and French employees may well have a significant number of queries, many of these are addressed to the works council rather than the HR department. Brewster⁽³²⁾ shows that the trade union bargaining coverage in France (more than 90%) and in Germany (about two thirds) is dramatically higher than in the UK (about one third). Where many issues are determined on a national (France) or an industry (Germany) level there are fewer queries to the employer. In contrast, in the voluntaristic UK there are many more issues (including organisational benefits) determined individually in different firms and, therefore, there is a large variance that gives rise to more queries.

The high degree of regulations in France and Germany is also observable within **absence and vacation management** (21% France; 14% Germany; UK 11%). In particular documentation relating to maternity and long-term sickness (health insurance formulae pre and post six weeks) is adding to administration efforts in Germany. For the UK, numbers may be explained by the limited statutory reporting requirements. HR departments in France, however, again spend most effort proportionally on absence management. The reasons may be found in a range of employer obligations and employee rights. For example, the 35 hour week necessitates the observation of statutory holiday accruals. Moreover, subrogation allows the advance payments of salaries to employees who are ill, which has a strong administrative element since levels of reimbursements by Social Security have to be compared with advance payments and actual employee salaries. The higher reporting obligations in France have already be observed by Hofstede⁽³³⁾ who attests the French society a significant aversion for uncertainty and by Crozier⁽³⁴⁾ who shows that managers and workers protect themselves against uncertainty through formality and the existence of numerous written rules.

New hires accounted for 10 percent of PA activity in the UK and only 4 percent in France, in contrast to the German sample organisations where the figure was 16%. This was despite the differential labour turnover figures in the three countries⁽³⁵⁾ that point to more hiring activities in the UK. Given the difficult labour market in Germany and France in 2002 and 2003 our sample indicated an unusually low voluntary turnover. Thus, especially in Germany recruitment and selection involves more administration and would benefit from a higher degree of standardised approaches.

On average, the organisations in the three countries devoted an effort to **work contract management** that was percentage-wise in its teens. The UK had the highest administrative effort, possibly due to the new right to part-time employment introduced in 2001 which, when exercised, led to the changing of employee contracts. Moreover, in many instances German and French contracts are nationally or industry-wide structured while these are more often determined by the individual companies in the UK, adding to their administrative costs.

Although Germany has the lowest PA effort amongst the three countries, it spends most on administering **enquiries and surveys from professional bodies** (7% in Germany vs 3% in

UK vs 2% in France) in relative terms. The higher membership of employer federations, the compulsory membership in local chambers of industry and commerce and the higher number of health insurance providers in Germany may explain this difference ⁽³⁶⁾.

Another topic – **administering terminations / leavers** – reveals similar proportional efforts in Germany (13%) compared to the UK (14%). Given that the number of terminations tends to be higher in the UK ⁽³⁷⁾ it is little wonder why UK employers spend more on this area in absolute terms. It is important to bear in mind, however, that the administrative efforts depend very much on who initiates the leaving process and whether the organisation is unionised. For instance, in the case of redundancies, the works council – if it exists – has to be at least consulted in Germany ⁽³⁸⁾. The administration involved in this is substantial. Moreover, the “social selection” determining whom to lay off involves three criteria in relation to a group of “comparable staff”: length of service, marital status and age. Again, this involves a high administrative effort. Costs in France were surprisingly low (6%) given that in France the leaving process can be arduous. The reason is that when there is no conflict between employer and employee the leaving process is highly codified and the high degree of regulations results in lower costs.

Other administrative activities did not display significant differences between the countries. The relative effort spent on the administration of **expatriates and inpatriates** hardly differed – the sample companies had very few international assignees due to their medium size and their predominantly national operations.

Our sample results seem to indicate that the differences in the institutional factors and the business customs account for a continued divergence between France, Germany and the UK even in administration-heavy activities. There is a need for sophisticated, in-depth understanding of diverse national regulations that is not easy for medium-sized organisations to generate in-house. However, this did not mean that the organisations were not working on increasing their administrative efficiency. Information technology was used in all three countries and in all organisations to aid and speed up administrative activities (e.g. time and attendance tracking). Some organisations were in the process of relocating administrative efforts to their employees. Moreover, practically all the sample firms had a strong intention to optimise their processes through integrated payroll and HR software that would, for example, avoid the duplication of effort in data entry. Overall, though, the focus of their HR administrative efforts and the content of these tasks differed substantially between France, Germany and the UK.

Given these variations between the three countries it is no surprise that many firms used external outsourcing service providers. For instance, almost all firms used some external help to define and administer some of their employee pensions and benefits. 40% of the UK firms employed outsourcing providers for broader services in order to buy in external knowledge, best practices and experience they could not source internally. Across borders, it allowed firms to gain access to a variety of tariff models, industry-negotiated contracts, different processes and substantive contents of administering terminations and to create an in-depth understanding of the diverse range of reporting obligations such as those relating to the 35 hour week or holidays. Dickmann and Tyson ⁽³⁹⁾ as well as the Financial Times ⁽⁴⁰⁾ describe a range of factors that should be taken into account when making an outsourcing decision. In

our sample it emerged that the overwhelming majority of firms had positive experiences with outsourcing providers.

Payroll Administration in the UK, France and Germany

The research defined payroll administration as consisting of 10 distinct processes (c.f. Appendix B). The interviews in each country confirmed that the respondents within the sample organisations verified that the processes described their key activities accurately. Six key payroll activities – collection and collation, data entry, checking and controls, processing, payroll accounting and filing and archiving – are initiated by payroll professionals who strive to optimise these. Four supplementary payroll activities – interpretation and manual calculation, dealing with employee queries, declarations and statutory audits and enquiries – are mostly initiated from outside the payroll department and are less under the control of the payroll professionals. Most payroll staff hoped to minimize the four supplementary activities in order to raise efficiency. The process steps and attitudes towards the different tasks (optimisation vs minimisation) were surprisingly similar in the three countries.

Employing the same approach as with the HR administration, we will discuss the differences in relative effort between payroll work in the French, German and the UK sample. Moreover, we assessed the cost per full-time employee of each of the ten payroll activities. We can tentatively compare these numbers as the definition and structure of the work was similar in the three countries and because the whole set of tasks were either conducted completely within the organisation or the cost of outsourcing was detailed. We subsequently added outsourcing costs per FTE to the relevant internal administrative costs of the specific activity.

Table 2: The Cost of Payroll Administration (PR) Activities per Employee (€)

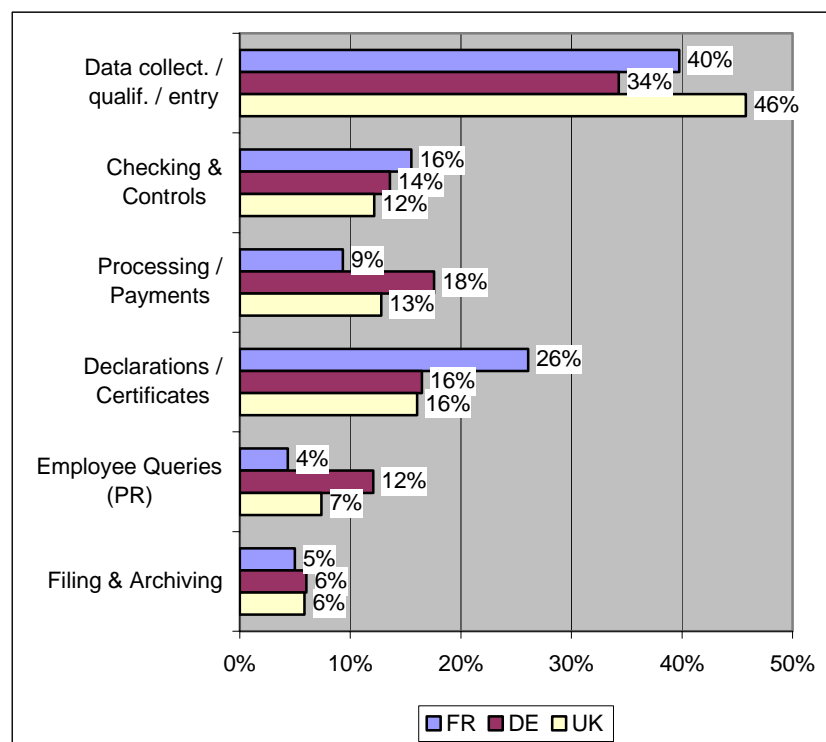
Payroll Processes	France /€	France /%	Ger / €	Ger / %	UK / €	UK / %
Collection & collation of payroll data	20	16%	12	13%	13	15%
Interpretation & manual calculations	13	10%	5	6%	11	12%
Data entry	18	14%	15	16%	17	19%
Checking & controls	20	16%	13	14%	11	12%
Processing	9	7%	10	10%	5	5%
Payroll accounting & payments	2	2%	7	7%	7	7%
Payroll queries	6	4%	11	12%	7	7%
Declarations	28	22%	9	9%	11	12%
Statutory audits & enquiries	5	4%	7	7%	3	4%
Filing & archiving	6	5%	6	6%	5	6%

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Filing & archiving	6	5%	6	6%	5	6%
Total Payroll	127	100%	93	100%	88	100%

Overall, the cost of the ten payroll activities was highest in France (€127 per FTE) compared to Germany (€93) and the UK (€88). The reasons can predominantly be linked to the complexity of payroll. Compared to the other countries there are more itemised contributions that result in more lines on the payslip (sometimes this leads to two pages of payslip), a higher number of declarations and more statutory reporting obligations which, in turn, all have to be balanced and checked.

Graphic 2: Relative Differences in Payroll Efforts per Employee in the Three Countries



Although the payroll processes are very similar in the three countries, the data indicates that the relative patterns within payroll activities are distinct. Despite the relative standardisation of the payroll workflow, the national business system seems to retain some influence. However, as the processes are similar and the disaggregation potential of payroll activities is often high it is possible to bundle payroll activities in international transaction centres such as shared service centres or outsourcing providers. However, the international disaggregation may not be without problems. This is why international payroll and personnel administration expertise is paramount when seeking to gain economies of scale, experience and learning at high quality levels.

Summary, Discussion and Conclusions

National business systems clearly influence the strategies, policies and practices of HR professionals. However, how the impact on administrative tasks of both, institutional and cultural factors that support national idiosyncrasies and advances in HR software that is contributing to standardised practices internationally, is less clear. Our objectives were to map out, to analyse and contrast the administrative efforts within the personnel and payroll functions in Germany, France and the UK. In order to do so we had to assess a large range of HR and payroll activities to identify administrative tasks. Given that two thirds of all HR staff costs are spent on administrative activities, this is clearly an area that managers and academics need to understand more fully.

The patterns of HR administration varied distinctively between France, the UK and Germany. A higher degree of regulations, an institutionally tight environment with many professional bodies and a stronger manufacturing base were amongst the factors that explained some of the divergence. The data emphasised the continued national divergence – even in administrative areas that at first glance lend themselves to automation and standardization.

The study identified a general cost of payroll activities of €88 per FTE in the UK, €93 in Germany and €127 in France. Importantly, the research provides a first indication of country-specific cost of single payroll activities. The significance of providing payroll data in detail is that it does not exist in the quantitative literature on the subject.

The study has indicated that the patterns and contents of administrative effort are different between the three countries resulting in a continued divergence of practices. However, the IT support and process rather than content standardisation – most prominently demonstrated by the payroll processes – show a tremendous pull towards standardisation. It is easily imaginable that internationally integrated IT platforms that are responsive to diverse national business systems requisites will dominate corporations in future. While our medium-sized organisations did not show many signs of this development, large organisations already practice international shared service centre approaches for their personnel administration.

At present we witness radical changes in employment relations, both on an individual and an organisational level. Reforms, such as ‘Hartz IV’ and the ‘Riester Rente’ (pension) in Germany, have a strong impact on administrative tasks and the role of the HR department. A proactive HR professional can act as a ‘scout’ within the web of administrative regulations and financial opportunities. For moderately sized organisations this constitutes a push factor towards shared service centres or outsourcing since their staff can contact specialists more readily. A range of innovative outsourcing solutions has emerged on the market consisting of a blend of modern web-based technologies, good practice capabilities, employee self service options and service intensities ranging from simple ASP through to full BPO of the payroll and personnel administration functions. Such solutions may be a way forward towards cost efficiency and higher quality. These new technology would allow the location of these services anywhere in the world – with the limitations of language and complex local

regulations.

Assessing whether an outside organisation can carry out cost intensive activities – such as permanent data updating, attendance & activity tracking or pre-processing payroll– is a process requiring a solid view of existing costs in order to measure potential savings. The research showed that the costs are significantly higher than organisations expect – and the more we explored the cost structures (such as non-HR costs which are not outlined in this article) the higher they grew! There is a strong business case for HR directors attempting to increase the efficiency and quality of their administrative processes – in insight that had led most of our sample organisations to look intensely to either optimise or radically rethink their HR service delivery. To find adequate and cost-optimising solutions, it needs a sophisticated understanding of the local regulatory environment, together with a rapid ability to react to dynamic changes. There are major service providers emerging which possess these abilities in an international market. Especially the medium-sized and moderately large organisation we analysed should be able to gain substantially from the efficiency gains these firms promise.

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Appendix A: A Sample Overview of HR Administrative Activities

Area	Examples of Activities
Recruitment and Selection	All administrative tasks within search, selection and processing candidate applications (external and internal), administration related to internal and external liaison, contracting with third
Induction	Operations and procedures to enrol a selected candidate as a new employee and prepare for the start in the organisation: internal notifications, HR data registration, payroll set up,
Termination	Administration of compulsory and voluntary leavers. E.g. establishing termination papers, final contract payments, compilation of pre-leaving files, communication with former
Employee Contracts	Work contract management: drafting, modifications, employee change notices, acknowledging terminations, monitoring fixed term expiry, career history recording etc.
Updating Employee Data	Modification of data records for permanent and temporary employees.
Managing Absence: Sickness	Recording absence start and end, monitoring rules & rights, management of the long term sick
Managing Absence: Parental	Maternity, paternity, adoption: Recording absence start and end, monitoring rules & rights.
Managing Absence: Holidays	Recording absence start and end, monitoring rules & rights.
Time and Attendance	Attendance & activity data tracking & checking (e.g. from time record systems), overtime and flexitime management, management of other time off work (e.g. bereavement etc.):
General Employee Queries	Responding to general enquiries from line managers and other employees (incl. mortgage enquiries,...). This includes one-to-one and other forms of queries. Excluded are specific queries
Expatriates & Inpatriates	Special administration related to expatriates, inpatriates and other detached staff (e.g. on projects in different locations)
Enquiries and Surveys	Responses to enquiries & surveys from professional bodies (statistical offices, industry associations, government, consultancies,...); Includes collective and anonymous data

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Appendix B: A Sample of Descriptions of Payroll Administration Activities

Area	Example of Activities
Collection and collation of payroll data	Receiving and collating raw data; including forms, facsimiles, electronic files.
Interpretation and manual calculations	Interpreting and checking raw data, conversion into payments and deductions, performing manual calculations; accuracy, applicability, signature, HR review, out of cycle pays, absence adjustments
Data entry	Input/capture data into system; validation and check of interfaced data (variable/permanent record changes)
Checking and controls	Running gross to net trials, checking calculations and accuracy of data input, authorisation of pay run.
Data processing	Monitor payroll process. Final pay run; printing management reports; transmit payment files, print, seal and distribute payslips, create Finance extract or report.
Payroll accounting	Payroll reconciliation: payment and disbursement reconciliation including distribution of third party payments via cheque or electronic media
Employee queries	Responding to enquiries connected with payslips i.e. calculations; payments, deductions, accruals, omissions.
Declarations	Control/completion of compulsory annual and periodic returns for Tax, Social Security (retirement, unemployment, sickness, health,...) Law Courts
Audits and enquiries	Placing and responding to statutory third party enquiries and inspections (Tax, Social Security, Law Courts etc).
Filing and archiving	Input and output documents, individual and collective (incl. declarations)

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