Mepco HR and payroll system evaluation

The payroll process at Company X

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Bachelor’s Thesis

Business Administration

2023

Degree Thesis

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Arcada University of Applied Sciences: Business Administration, 2023.

Identification number:

8875

Commissioned by:

Company X

Abstract:

The thesis evaluates the Mepco payroll system and how it is utilized in the payroll process of accounting firm Company X to provide a payroll service. The labour market in Finland is complex due to a large number of different collective agreements and requirements set by its governing authorities. Exploring scientific sources relevant to payroll systems and the Finnish labour market establishes context to the value of payroll systems for Company X. The study is conducted using a qualitative interview with Mepco root users from Company X and is limited to the extent of which it is relevant to the Company X payroll team, their customers and the payroll service they provide. The results of the qualitative interview are used to evaluate the Mepco payroll system's effect on Company X's payroll process through the theoretical framework established by the William H. DeLone and Ephraim R. Mclean model for information system success, among others. In short, the results show that the functionalities of Mepco improve the adaptability of Company X's payroll process in the face of a diverse client list, but can fall short in terms of automation and simplicity.

Keywords:

Mepco, Payroll System, Payroll Process, Evaluation

Contents

1 Introduction

The payroll process is a central part of any company. Effective use of personnel management and acquisition strategies save time and capital. Utilizing a payroll system is one of the best ways to improve this process. A payroll system provides a wide range of features and accurate reporting while also making the process more effective and fluid. The reporting capabilities can be utilized for several different stakeholders and purposes and is in many cases required by law.

The purpose of this thesis is to evaluate the Mepco HRM-system and its effect on the payroll process of Company X. As a provider of payroll services, it is essential for the payroll team of Company X to understand the underlying payroll process in Finland and to utilize the best tools accessible to complete it. Exploring the payroll process gives context to the utility of Mepco and provides a base for exploring its capabilities.

As a payroll specialist for Company X I use Mepco in my daily work assignments. When evaluating the Mepco system and its effects on the payroll process I will make use of my own expertise, scientific sources relevant to the subject and information collected from interviews with Mepco root users. The interviews also serve to establish Mepco's most important functionalities, its strengths and weaknesses and how it is utilized in the payroll process.

1.1 Problem statement

The payroll process in Finland is complicated. Between collective agreements, changing reporting periods and the attributes of individual employees, how pay is calculated can vary greatly. In addition, legislation regarding employee social costs change yearly and inaccurate or false reporting can lead to hefty fines. There is considerable risk involved for an accounting firm with the responsibility to provide accurate payroll for a large and diverse clientele.

A payroll system like Mepco provides much support in the payroll process by organizing clients, generating reports and automating a large part of the calculating involved. However, learning and operating a software like Mepco also requires some effort, especially for new employees. One would also require comprehensive knowledge of the payroll process in its entirety in order to successfully calculate the payroll of a client. This is why an evaluation of Mepco's capabilities within the payroll process is useful.

1.2 Aim of the study

The aim of the study is to evaluate the Mepco payroll system's utility for the company, which serves to establish points of significance in its usage within the payroll process. Studying the payroll process of Company X's employees gives context to the payroll system's capabilities and the work assignments it is used for. The thesis also aims to examine the legislative aspect of the payroll process in addition to the relevant authorities that regulate it and their reporting standards.

1.3 Demarcation

This thesis focuses on the payroll process from the perspective of Company X. As such, it will only include knowledge relevant to their payroll team, customers and the payroll service that Company X provides. Legislation, relevant authorities and reporting standards are covered to the extent of which they are essential to the payroll process.

The Mepco evaluation touches on functions and capabilities that are necessary for the payroll process to be completed accurately and effectively. It is meant to establish how the functionalities of the system affect the payroll process specifically in the context of Company X. The thesis is relevant for the employees of Company X and will also be restricted as such.

2 Payroll processes in Finland – Regulations and systems

The Finnish labour market has many governing rules and regulations. These regulations together with collective agreements establish core concepts like minimum wage, working hours, overtime and holidays. An employer must be informed and keep up to date about changes to these regulations in order to stay legitimate. The same applies when calculating payroll.

Payroll calculation is a part of payroll administration and involves the calculation and payment of employee salary, as well as the reporting of that salary to the Finnish Incomes Register. In addition, it involves managing internal tasks relating to human resources. Carrying out administrative tasks is made more effective by utilizing a payroll system which can produce essential reports relating to payroll calculation, sick leave, employee turnover, etc.

Salary is paid for work carried out when an employer and employee have signed an employment contract. Benefits like meal, telephone or car benefit that may be provided by employers are included as a part of the salary. Social costs regarding employment consist of employer contributions and deductions made directly to employee salary. Employer obligations regarding employment include calculating and deducting tax withholding, health insurance, pension insurance and unemployment insurance from the salary of employees. The employer is also obligated to pay these deductions to their respective authorities, in addition to their own share of social contributions.

The payroll calculation must be exact and adhere to the rights of the employees as established in the appropriate collective agreement and legislation. The reporting of salary to the relevant authority must also be in accordance with the law, most notably the timetables set by the Tax Administration and the Incomes Register. The payroll calculation schedule is often determined by these authorities and the requirements set by them. A company offering payroll services needs to be pay increased attention to these requirements at the behest of their clients.

2.1 Collective agreement

Collective agreements lay the foundation for the Finnish labour market. There are several collective agreements in Finland which set specific regulations for their respective speciality fields. The content of each collective agreement is negotiated between the employee- and employer organisations and concern the conditions of employment in the industry.

Universally binding collective agreements are collective agreements that are binding in their industry even if an employer within that industry does not belong to an employer organisation. These agreements are confirmed by the Board for the Ratification of Validity of Collective Agreements and overrule any contradicting clauses in employment contracts. (Tyosuojelu, 2021a)

Collective agreements are central to the payroll process. When calculating pay, attention must be given to which collective agreement should be applied in addition to the clauses it contains. They often include specifics on holiday bonus, working time and overtime, for example. Collective agreements may wary between employees within the same organisation based on their operative position.

2.2 Employment contract

Employment contracts in Finland are regulated by the Employment Contracts Act, Working Hours Act and the Annual Holidays Act. Minimum terms and conditions of an employment contract is further specified in the applicable universally binding collective agreement. (Tyosuojelu, 2021b)

The Employment Contracts Act applies to all contracts entered by an employee or a group of employees that indicate the execution of work in exchange for pay or some other kind of remuneration. It is also applied in the absence of an agreement on remuneration if it is determined that the work performed was not intended to be done without remuneration. It outlines for example the form and duration of employment contracts, the employee trial period and obligations of both employer and employee. (Ministry of Economic Affairs and Employment, 2019)

An employment contract can be agreed upon verbally, electronically or in writing and it may be in effect indefinitely or for a fixed term. A justification is required for an employment contract with fixed term. The justification must be included either in the clauses of the employment contract or in the statement of principal terms and conditions of employment. The statement must be provided to the employee within the first salary period if the length of the employment relationship lasts longer than a month. The statement must include essential information regarding the employment relationship like business locations of both employer and employee, the start date, term, and duties, among other things. (Tyosuojelu, 2021b)

The employer and employee can agree upon a trial period starting at the beginning of the employment relationship which may extend for a maximum of six months. In a fixed term employment contract, the trial period may last up to half of the contract length with the six month maximum still applying. The trial period may be extended by one month for every 30 calendar days that the employee is unable to work due to incapacity or family leave. While the trial period is in effect both parties can terminate the employment contract, barring discriminatory or otherwise improper reasons in the context of the employment relationship. (Ministry of Economic Affairs and Employment, 2019)

General obligations for the employer include promoting the relations between and among employees and the employer. The employer must do their best to ensure that the employees have a chance to do their work within a changing work environment and to develop their professional skills. The employment contract act refers to the Non-Discrimination Act and the Occupational Safety and Health Act when it comes to equal treatment and safety in the workplace. It also sets exceptional paydays, meaning that salary payment dates that fall on Sundays, religious holidays or certain other special days like Midsummer Eve are moved to the preceding working day. (Ministry of Economic Affairs and Employment, 2019)

2.3 The payroll cycle and process

The payroll cycle includes all processes relating to the acquisition, management and termination or retiring of employees (Wood et al., 2013, Chapter 8). In Finland these processes consist largely of the same stages regardless of the collective agreement or employment contract of the employee. The rules and regulations in the labour market apply a burden of compliance to these processes, even when the payroll process is outsourced (Wood et al., 2013, Chapter 8).

The general payroll process starts by setting up basic employment information in the payroll software. As new employees are hired, they provide personal information important for calculating payroll like address and date of birth, which must be added (Bragg, 2015). Details in their employment contract, in addition to changes to old employees like hourly salary increases, tax cards or retirement information, are also submitted (Laine, 2021).

Employee working hours are tracked and interpreted by using a specific system established by the employer. The system can involve using timecards, time sheets or time clocks that the employer provides (Bragg, 2015). The working hours are submitted to the payroll department or supplier for verification and added to the process for that reporting period.

In the case of hourly workers, the timecard data is combined with the employment information to summarize the hours and the hourly salary (Bragg, 2015). Depending on the applicable collective agreement of the employee, overtime and other bonuses are added. In the case of employees with a fixed monthly salary, the timecard only provides statistical information for the calculation of annual holidays, for example. Any accrued benefits or annual holidays at the end of an employment relationship are also added, and holiday bonus is included for employees is entitled to it.

Information on employee annual holidays, absences, allowances, and benefits need to be accounted for in the process. They are often tracked in conjunction with the working hours. Absences like sick leave are often paired up with a corresponding medical certificate and unpaid leave cause deductions in salary.

Deductions to salary consist of withholding tax, pension insurance, and unemployment insurance for all employees. Some employees also have union membership fees and payment prohibitions deducted from their salary. The employer withholds tax on the salary they pay to employees according to the personal tax card each employee provides. The tax card determines the rate at which their salary is taxed and is renewed each year or at the behest of the employee. If the employee has not provided a tax card to the employer their salary is taxed at a rate of 60%. Some travel allowances, for example kilometre allowance, are tax exempt. (InfoFinland, 2022)

Once all relevant information is submitted and the deductions are made for the period, everything is summarized in a payroll register. Each employee's values are added to the same report, which can be used to make pay slips, bank lists and other important reports. The payroll register is automatically produced by the payroll system. Before submitting any reports or sending the pay slips, the salary and tax amounts are verified. (Bragg, 2015)

When the salary amounts are verified, payments are issued directly to the employee accounts through a bank connection (Bragg, 2015). The payslips are sent to the employees and the relevant employer's contributions are paid, for instance the pension insurance is paid to the pension provider (Työeläke, 2021).

Pension insurance contribution, earned income and benefit payments for each individual employee must be reported to the Incomes Register within five days of payment. The total amount of health insurance contribution will be reported once per month. (Tulorekisteri, 2021)

2.4 Payroll Systems

A payroll system requires extensive administrative effort from the payroll team. Setting up and implementing the system is often expensive in regards to staff time as well as money invested. The expenses remain throughout the lifetime of the system and it requires regular adjustment and maintenance. (Lambert, 2005)

There are simpler and cheaper software alternatives for organisations without the capital to invest in a more extensive platform. Small companies have the option to purchase uncomplicated software packages that include payroll administration functionalities which can run on regular home PCs (Lambert, 2005). Calculating pay in Excel is also a popular choice among smaller companies.

The integration capabilities of a payroll system are imperative. When choosing which system to use, it pays to keep in mind the system's ability to connect and interface with other systems and software providers. To ensure data integrity the systems for payroll and HR must be integrated since they often manage the same data at the same time. (Bussin, 2018)

The objectives of a payroll system remain the same regardless of its cost or scale. The system must be capable of calculating working time and take into account different variables, such as regulations(Lambert, 2005). This also includes specifics in working time, for example overtime, as defined by every applicable collective agreement in Finland.

In addition to working time and overtime, things like bonuses, commission and tips need to be calculated. Collectively these make up the gross salary, which the system needs to be able to calculate and tax for each employee and relevant tax category. The taxes are deducted based on percentages and formulas that are established in the system for each corresponding tax category. The system should be capable of calculating employer social contributions such as health insurance and adjust the formulas based on yearly changes. (Lambert, 2005)

As employees provide new personal tax cards, the payroll system must have the ability to update that information at any time. The same applies to garnishments and other fixed term alterations to salary regardless of calculation method or quantity. The system must be able to establish start and end dates based on new information, which can be in the form of a set date or a monetary limit. Similarly, a deduction can be a flat amount or a percentage. (Lambert, 2005)

A payroll system is required to produce pay slips and reports, as well as send them to their appropriate destination. The reports associated with payroll are extensive, some required by regulatory bodies which are essential, and some that enhance organisational operation, like employee turnover. Reports to the regulatory bodies, as in the tax administration and income register, must be produced on time, in specific formats and file types. (Lambert, 2005)

Names, addresses, phone numbers, birth dates and other employee information are stored by the payroll system in a master file. It also includes details about the employment such as hire date, social security number and identification number, which are added based on the employment contract of an employee. The personal tax card of all employees is also stored this way. (Lambert, 2005)

2.5 Information System Evaluation

In their model for information system success, William H. DeLone and Ephraim R. Mclean identify six dimensions which are used to determine the aspects of evaluation that provide a comprehensive grasp of a system. As seen in Figure 1, these dimensions consist of information quality, system quality, service quality, system use, user satisfaction and system net benefits. The relationships between these dimensions are also identified. (DeLone & McLean, 2003)

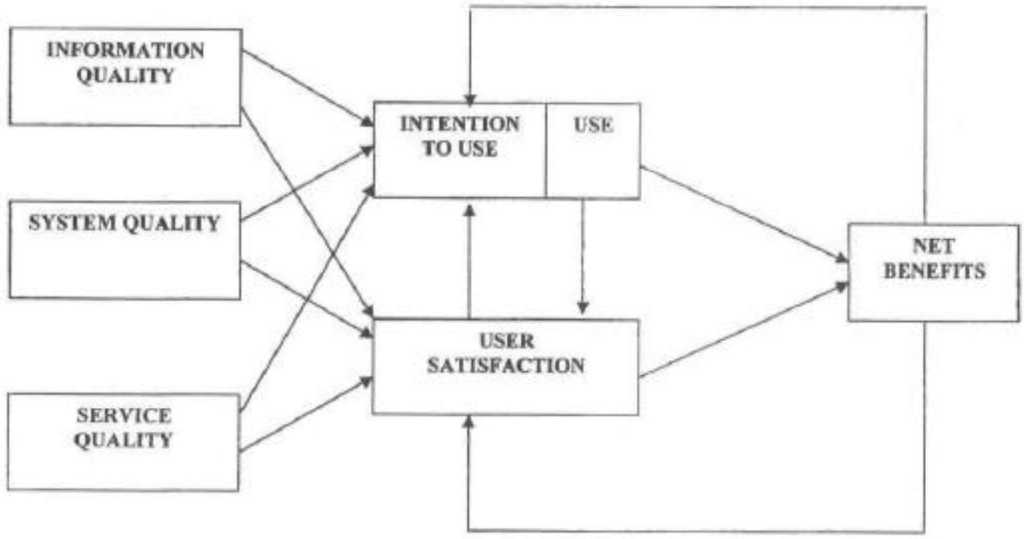

Figure 1: DeLone and McLean information system success model. (DeLone & McLean, 2003)

Within the information system success framework, information quality refers to the quality of information the system can handle and put out (Petter et al., 2008). Variables the model uses to evaluate this include accuracy, consistency and the usability of the information. In a similar manner, using the system quality dimension to evaluate a system consists of measuring the ease of use, reliability and flexibility of the system, among other variables (DeLone & McLean, 2003).

The service quality dimension of a system is determined by measuring aspects like tangibility, reliability, responsiveness and assurance. In their model extensions, DeLone and Mclean give examples on how these aspects might look like in practice. For example, if an information system is kept up-to-date (tangible), is dependable (reliability) and if users receive service quickly when needed (responsiveness). Consequently, this dimension can be characterized as how much support end users receive when operating the system. (DeLone & McLean, 2003)

The model evaluates system use as the frequency, time and extent of usage, and how the system's full capabilities are utilized by end users and service providers. According to (DeLone & McLean, 2003), a highly correlated dimension to system use is the user satisfaction, as positive experiences with system use increase user satisfaction and vice versa (DeLone & McLean, 2003). Simply put, the user satisfaction dimension evaluates how content the end users are with the system and its service.

The net benefits dimension evaluates how the system contributes to the overall success of the individual, group or organisation utilizing the system (Petter et al., 2008). Evaluating the net benefits dimension is contextual, as the real impact of a system depends on not only the system but also the purpose for which it is used (DeLone & McLean, 2003). The impact of a system can be measured through improvements in productivity, profits, efficiency and welfare, for example (Petter et al., 2008).

3 METHOD

This section covers which approach was chosen as the research method in the development of the thesis. This decision was based on the attributes and purpose of the thesis and is presented in the context of the theoretical section. It also details how the data is analysed, its reliability and ethical questions surrounding the method. Each step of the research process is laid out as to provide for the credibility for the evaluation and to ensure transparency throughout the process.

3.1 Choice of method

Evaluating a system's effect on a process requires intimate knowledge of the subject in question. Choosing the right method with which to research the subject is important in order to acquire knowledge and data that is deep enough. A widespread and shallow research method would not allow for the collection of in-depth knowledge and would restrict the data gathering process.

An evaluation is subjective to the context in which it is produced, meaning adaptability in the research method is essential. Quantitative approaches, including quantitative interviews, were not chosen because they are relatively standardized and aim to conduct objective research (Cassell, 2015). Furthermore, the research sample size would not have been large enough to carry out a quantitative approach, leaving a qualitative method as the better choice for this thesis.

3.2 Qualitative Interview

A qualitative research interview is a flexible research method. The interview process can be tailored to fit a specific research area in order to produce appropriate data for a research project. Potential participants in an interview are generally familiar with what to expect from the activity, which reduces the need for unnecessary guidance. However, a research interview differs from other interviews in that the answers are always used to progress research in some way, which should be disclosed to the participants. (Cassell, 2015)

The goal of the interview is to understand the payroll process and Mepco's capabilities in the context of Company X, which requires a so called "insider view" of the process. To develop this, qualitative data is necessary, and interviews are an especially good way to collect it (Cassell, 2015). In-depth discussions during qualitative interviews provide for different perspectives and values, which help to establish more extensive data regarding the payroll process and Mepco. This is reinforced by the adaptability of interviews, as an interesting or overlooked issue brought up by a respondent can be pursued further, and even with other participants (Cassell, 2015).

A semi-structured interview method was chosen to allow the respondents a chance to bring up topics they want discussed. Additionally, some structure during the process is important in order to aid an untrained interviewer such as myself. This method allows respondents to discuss and add details that I may have missed, which is advantageous due to them being experienced payroll specialists with valuable input. According to (Galletta, 2013), semi-structured interviews rely on both the experiences of the participants as well as data based on theoretical frameworks, which is perfect for the purpose of this thesis.

3.3 Choice of respondents

The decision of which respondents to choose for the collection of empiric data was primarily based on their knowledge of the Mepco payroll system. The population consisted of Company X employees, but ultimately the sample decision came down to people in the payroll team. Of these, only a handful of payroll specialists were proficient enough with Mepco to produce results of high quality. In reality, the decision to use a qualitative interview as the research method was determined on account of the opportunity to interview knowledgeable respondents at work, as they were a rare and valuable source of information. Other factors like availability and participation interest were also considered when choosing respondents.

Ultimately a sample of three respondents were selected to participate in the interview. They were all part of the payroll team and used Mepco in their daily tasks. The three respondents possess comprehensive knowledge of the payroll system and through their answers provided enough data to evaluate Mepco and how it is utilized in the payroll process. This was known thanks to our daily interaction in the workplace, which also helped the interview process go more smoothly. According to (King et al., 2018), the power dynamics between the interviewer and interviewee can skew the discussion slightly, which was not the case here.

3.4 Interview guide

An interview should be formulated so that the questions guide the interaction between the interviewer and the respondent and connect to the purpose of the research (Galletta, 2013). Keeping this in mind, each question in my interview was anchored to the material in the theoretical section of this thesis and continuously progressed toward more in-depth topics regarding the payroll process and Mepco. My own knowledge about payroll was the source of information used to create the initial questions, while the discussion itself was adapted based on the answers given by the respondents.

The interview guide was established with two themes in mind in order to improve the flow of the interview. This would also help the interview progress naturally toward increasingly detailed questions. The first theme of the interview guide consists of questions relating to performing payroll assignments within company X. These questions were anchored to the payroll process and the Finnish legislation covered in the theoretical section with the intention to outline and explain the most important aspects of the payroll process. This part of the interview established the framework for the next theme, which consisted of payroll systems and Mepco specifically. The goal of the second theme was to evaluate the most important attributes of Mepco, its benefits and role within the payroll process.

3.5 Research approach

The interviews were carried out individually with each respondent. Individual interviews would allow the flow of the discussion to evolve naturally and be more in-depth, as opposed to a group interview, for example. This way, each respondent also had a better chance to elaborate on their answers without being pressured to stop by external factors. Each respondent was easier to accommodate in terms of their availability and the interview was simply easier to conduct with a one-on-one discussion.

The interviews were conducted through Teams. Each respondent was sent preliminary questions before the interview took place in order for them to have a chance to prepare and improve the quality of the discussion. The initial duration of the interview was set to one hour, which was adjusted when necessary. The interviews on Teams were recorded to ensure data validity and transcribed within a 48-hour period to maximise reliability. Additionally, important topics and thoughts were written down and underlined.

3.6 Analysis of the data

The analysis method of a qualitative interview should be determined in advance of the interview process, as noted by (Brinkmann & Kvale, 2018, para. 9). They describe six steps of analysis, of which the first four were implemented in this thesis. The first step involved analysing the feelings and experiences of respondents during the interview that related to specific topics. In the second step the respondents independently discovered new perspectives in their thinking based on their interview answers, producing additional value. The third step was the last method of analysis implemented during the interview process and involved counterquestioning. This meant interpreting and summarizing an answer given by a respondent and replying by “sending” back the meaning. The respondent then had a chance to elaborate, confirm or oppose the interpretation until it was fully exhausted. (Brinkmann & Kvale, 2018, para. 9)

The first portion of the analysis process was complemented by diligent notetaking, which also served to aid in the fourth step of analysis. This also involved analysing the recorded interview and the transcription. The goal was to understand the opinions of the respondents, the inherent meaning of their answers and producing own viewpoints (Brinkmann & Kvale, 2018, para. 9). The themes established in the interview guide gave structure to this part of the analysis process and were central to its progress.

3.7 Validity and reliability

Any bias due to the personal relationship between interviewer and interviewees was avoided by striving for complete objectiveness without risking the flow of the discussion. As stated in the research approach section, research validity was maintained throughout the process. Data errors were reduced by recording the interviews and transcribing them as soon as possible. In addition, excessive notes were taken during the interviews as to not miss any details, and confusing interview segments were clarified separately with the respondents.

The reliability of the data directly affects the quality of the evaluation. Three interview participants were chosen to provide different perspectives and to ensure the reliability of the data. The respondents were also very experienced Mepco users with valuable input, and any topics discussed were unrestricted. The questions were constructed in way that established a reliable base of information for the aim of the thesis.

3.8 Ethical considerations

Informed consent for the interview was collected from all participants with a consent form. The form confirmed that the respondents had received enough information about the study beforehand, were willing to participate and were free to leave at any time.

How the questions in the interview are framed and established need ethical consideration (King et al., 2018). The questions needed to be clear and their impact within Company X taken into account, as they could be interpreted differently depending on the person. Any conjecture relating to the interview answers or results was avoided during the analysis process.

The research was conducted in accordance with the guidelines for the responsible conduct of research (RCR), published by the Finnish National Board on Research Integrity TENK. The guidelines include principles such as integrity and research accuracy regarding data acquisition, in addition to responsibility and transparency in the presentation of research. (TENK, 2012)

4 RESULTS

This chapter of the thesis will present the results of the qualitative interview. The material collected from the interviews have been summarized in this section in order to present an accurate overview. The structure follows the themes of the interview guide which were covered in the methodology section of the thesis in conjunction with the respondents. The results of the interview map the payroll process of each individual respondent and gradually move towards Mepco and its qualities, providing a means to evaluate Mepco’s effect on the payroll process of Company X.

4.1 The payroll process

The payroll process section of the interview consisted of questions related to the respondents' payroll related work tasks at the accounting firm. The objective was to establish important aspects and a view of their payroll process with which to move forward.

All respondents were of the opinion that accuracy during the payroll process is the most important thing to keep in mind when calculating pay. This was further elaborated by specifying that salary, deductions and other euro amounts need to be input without error, followed by accurate vacation and absence tracking. Respondent 3 also emphasized the importance of managing payroll material. As a payroll service provider, sensitive material such as salary, absences due to illness etc. need to arrive from the client securely and in accordance with regulations. Any material that is received must also be stored in a secure manner and so that it is accessible at any time. Punctuality regarding the payroll was also an important aspect of the payroll process according to all the respondents. Payments, pay slips and reporting need to be on time to clients and authorities.

In general, most aspects of the payroll process vary greatly between clients and, by extension, the collective agreements that are used. The approval cycle was brought up by all respondents, i.e., how a client approves the payroll. According to the results, some clients inform when salaries can be paid out, while others don't, which can lead to unnecessary errors. Other variables are the differences between hourly and monthly salaries. To this respondent 2 added that whether accounting and payments are done on the accounting firm's end or the client's end also vary, and often determine how complex performing the clients payroll is.

According to the respondents, legislation that affects their work the most is the Annual Holidays Act and the Working Time Act. These come up often when clients ask for consultation. Additionally, the life cycle of employment often includes some sort of information searching regarding legislation. New employees have employment contracts and collective agreements that need to be followed, and the same applies when a contract is terminated at the end of an employment relationship or during long employee absences. The turn of the year also comes with changes to social cost percentages, car and housing benefits and travel allowances, even when no major legislation changes come into effect. These variables need to be adjusted when necessary.

4.2 Payroll systems and Mepco

The Mepco section of the interview had respondents answer questions about payroll systems and their opinions on Mepco's functionalities. The objective of this section was to get a picture of how Mepco relates to their daily tasks, in addition its strengths and weaknesses.

All respondents thought that using a payroll system is vital, particularly for a payroll service provider. Anything more complicated than simple monthly salary calculations would become much more challenging without one. Tracking employee statistics for several hundred clients would be impossible. Most notably, the respondents thought that these days employer tax and social cost reporting is such a vital part of payroll that using a system like Mepco which provides an avenue for that is crucial.

According to the respondents, the best and most important feature of Mepco is its adaptability. If enough effort is put into building its automated functions and parameters it can be adapted almost limitlessly, which is perfect for a payroll service provider with a lot of clients. Additionally, respondent 3 added that it's a full-fledged payroll system without many other added or integrated features common in other payroll systems, for example inventory tracking and accounting, resulting in a streamlined system for payroll specifically.

The respondents pointed out that Mepco also comes with some flaws, however. Respondent 1 felt strongly that the automation of the system is lackluster compared to other similar systems with extensive capabilities in that area. Other systems like Fennoa automate several processes, like the creation of accounting journals, reports to the incomes register, tax reports etc. Mepco on the other hand requires several manual steps to achieve the same, according to them. Even though the streamlining of its payroll functions is a positive, Mepco's lack of accounting and payment capabilities is a weakness, according to respondent 3.

Respondent 2 also explained that Mepco is poor at managing clients with few employees, as it is so deeply based on sequences that can't be executed for individual employees and is rooted in payroll periods which can be difficult to separately adjust for employees within the same company. Additionally, an overview of the payroll status, i.e., whether salaries are already calculated, paid, or reported, does not exist in Mepco, while it is a prevalent feature in other systems, according to respondent 3.

5 DISCUSSION

This chapter will analyse the data gathered from the qualitative interview within the theoretical frame of reference of the thesis. The main objective of the thesis is to evaluate Mepco as a payroll system within Company X's payroll process. The methodology and how effectively the qualitative interview worked as the research method to accomplish this objective will also be covered.

5.1 Discussion of results

The results are analysed in the context of the theory section in an attempt to anchor them in previous research presented earlier in thesis. This will increase the validity of the discussion and the quality of the evaluation. Similarities and differences in responses gathered from the respondents are weighed against each other to reach a consensus from which conclusions can be drawn. With the main objective in mind, the results from the qualitative interview are discussed in two different sections.

5.1.1 The payroll process at Company X

As stated in the theory section, the payroll process must be exact when it comes to calculating, adhering to regulations and the reporting of salary and social contributions. The interview results support this by identifying accuracy as the most important aspect of Company X's payroll calculation, mainly due to a burden of compliance applied by the rules and regulations surrounding the process, which was also brought up by Wood et al., (2013). The results pointed out salary deductions as stated on InfoFinland (2022) in the theory section as an example of this.

Before submitting any reports or sending pay slips, all salary and contributions must be verified, as expressed by Bragg (2015). This subject was also heavily focused on in the results, as respondents explained that the standard approval cycle between Company X's different clients varied to a great extent. In many instances, clients of Company X opted to leave payroll unverified before payments, conflicting with Bragg's (2015) statement and the wishes of the respondents. The interview results indicated a need for improvement in the approval cycle and mutual communication for certain clients during the payroll process of Company X.

The results regarding the payroll process finished with salary and employer contribution reporting, specified by Tulorekisteri (2021). All respective reports to authorities fall under the umbrella of the burden of compliance covered earlier. The results specified that the reports are an essential conclusion to Company X's payroll process and need to be correct in both precision and punctuality.

5.1.2 Qualities and evaluation of payroll systems and Mepco

The results of the interview showed the importance of payroll systems. Respondents pointed out that payroll systems in general are a great help in tracking employee statistics and automating deduction and social cost contribution calculations. Specifically reporting through a payroll system is much easier. This is in line with Lambert (2005) who explains that a payroll system takes into account many such variables and regulations.

Lambert (2005) expands on this by bringing up calculations essential in payroll, such as working time, overtime, bonuses and other salary additions. There are several underlying formulas in play that provide for these calculations within a payroll system. This also allows a system to update information such as yearly percentage changes in real time. The capabilities of payroll systems that Lambert (2005) brings up are also advantages of the Mepco system that the respondents utilize.

When asked about the best qualities of Mepco, respondents explained that it is very adaptable compared to other systems. According to the DeLone & McLean 2003 information system success model, flexibility is an important requirement when evaluating overall system quality in information systems. With a plethora of collective agreements and clients that Company X has to integrate, through enough development Mepco can be modified to meet those requirements, increasing its value as a payroll system for the company. What Mepco can offer in terms of computing power for the functions that Lambert (2005) brings up however, it lacks in automation according to the results of the interview.

According to the results, Mepco has poor automation and requires extensive functionality development compared to other payroll systems. Producing pay slips and reports and sending them to their appropriate destination takes more effort in Mepco than other systems, increasing the workload of Company X’s payroll team. Lambert (2005) also mentions these functions as requirements for a payroll system and while Mepco has these capabilities, it lacks simplicity like other systems.

The information system success model brings up the usability of information in a system in connection to information quality evaluation. To take this into context with the results of the interview, Mepco’s accrued vacations and absence tracking capabilities are one of the best and most unique features of the system. As an example of usable information, employee absence tracking is a powerful tool especially when extended to the practical work assignments of the payroll team that relate to employee statistics.

On the other hand, where Mepco lacks in the information quality dimension evaluation specifically, is payroll status. According to the results, information about current salary processes like payment, sending payslips and reporting is not easily accessible in the system. The absence of a payroll summary functionality is a burden for Mepco users in the Company X payroll process.

5.2 Discussion of method

The research for the thesis was conducted using a semi-structured qualitative interview. As explained in the methodology section, this decision was based on my circumstances and certain advantages of qualitative interviews, i.e., flexibility throughout the process, small but more accessible sample size in addition to the subjectiveness and depth of the topic.

The chosen method worked well in practice. The atmosphere was loose, and it felt like the respondents could freely speak their mind during the interview process. The interviews were shorter than expected, but as I preferred not to add to the workload of my coworkers unnecessarily, it was a welcome surprise. I had quite a clear picture of Mepco from the beginning, but in hindsight there could have been more questions about its specific use in the interview guide.

Some questions in the interview guide were too vaguely constructed and required some clarification on my part, but gathered appropriate data in the end. Ultimately, the decision to use a semi-structured qualitative interview worked out well, and the interview and transcription processes went smoothly and according to plan.

In my view, a qualitative interview was the only applicable research method for this thesis. Practical information about Mepco is scarce, which in theory could have been circumvented by e.g., contacting its developers with inquiries. However, any information gathered this way would not have been very relevant in the context of Company X, as the aim of thesis was still to evaluate Mepco's functionalities and its use within their payroll process specifically.

The chosen research method provided validity and reliability to the study naturally. As employees of Company X, the respondents were knowledgeable about both the internal payroll process and the Mepco system. The interviews were also transcribed immediately with the help of notes taken during the process. The personal relationship between myself and the respondents might have contributed to a less professional setting during the interviews, however their answers remained sincere and to the point.

6 CONCLUSIONS

The aim of this thesis was to evaluate Mepco as a payroll system within the payroll process of Company X. The study and its results were restricted to the extent of which they remained relevant to the payroll team and as such, the evaluation was to only cover functions necessary to provide a client of Company X with their payroll service.

Based on the results of the research, the payroll process at Company X varies a lot, which makes explicitly stating a process that is shared between all payroll specialists at Company X difficult. The theory section of this thesis established that the Finnish labour market has many governing rules and regulations due to its vast number of collective agreements and by extension, the clientele of Company X varies greatly. However, the results showed that some commonalities exist.

Payroll material such as salary, absences due to illness and personal information need to be managed and stored securely and in accordance with regulations. Accuracy when calculating salary, deductions and social contributions is vital. This also includes punctuality regarding payments, pay slips and reports. As stated in the theory section, there are many reports that an employer is required to provide for various authorities with their correct monetary amounts and on time. These reports often consist of contribution percentages that may change from year to year, which must also be taken into account. As a payroll service provider, Company X and the payroll team are subject to these requirements on behalf of their diverse clientele. Utilizing Mepco's adaptability and employee tracking capabilities in the payroll process helps meet these requirements in many aspects.

The Mepco payroll system can be challenging to use, but is essential in the daily tasks of the payroll team. As stated, it is an incredibly adaptable system and with enough effort it is capable of many functions other payroll systems can't provide. However, this also means that some important functions require many manual steps, and thus familiarity with the system.

6.1 Limitations of the study

Grasping the payroll process of the payroll team was more difficult than anticipated. While fairly consistent aspects of the process for Company X was established, the variations between different clients ultimately led to quite shallow results. With more dedication and time, various examples of clients and the payroll process concerning them could have been included in the research to establish benchmarks. This would have helped generate more accurate and meaningful conclusions. However, this would have required extensive knowledge of the specific payroll process of a client and possibly confidential information about them and Company X.

The research for the thesis could have used a more extensive interview process to more accurately establish actionable results. Only three respondents were chosen from the employees of Company X which may have contributed to the results being quite subjective. However, the respondents were diligently chosen based on several factors and collectively provided an extensive source of information.

6.2 Suggestions for further studies

Regarding Company X, the payroll process could be studied on client level. Every client is different and studying them separately and in depth could provide valuable direction for the payroll team. Which payroll system is used for calculating payroll for their clients also varies, and as this thesis focused solely on the Mepco system, it leaves other systems without a similar evaluation.

In more general terms, a quantitative study could be implemented on the use of payroll systems within the Finnish labour market. A large sample size from payroll providers in Finland could chart which systems are applied and when, i.e., which systems small and medium-sized enterprises (SMEs) in Finland most commonly use, generating possibilities for software development within different sectors.

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8 Appendices

Appendix 1: Interview guide – original language

Mepco käyttäjien haastattelu
Haastattelijan nimi: Mattias Viitanen
Haastateltavan nimi:

Palkanlaskentaprosessi:

1. Mitä asioita tulee palkanlaskentaprosessissa ottaa huomioon?
2. Kokemuksesi mukaan, kuinka paljon prosessi vaihtelee asiakkaan perusteella?
3. Onko palkanlaskentaa koskevaa lainsäädäntöä, jota usein sovellat ja miten se näkyy palkanlaskentaprosessissa?
4. Kuinka tärkeää palkanlaskentajärjestelmän käyttö on nykypäivän palkanlaskentaprosessissa ja miksi?

Mepco käsikirja:

1. Mitkä ovat mielestäsi Mepcon tärkeimmät ominaisuudet ja miksi?
2. Mitkä asiat ovat Mepcossa puutteellisia?
3. Mikä on Mepcon käytössä haastavaa?
4. Mitä asioita Mepco käsikirjan tulisi mielestäsi sisältää?
5. Onko aiheita, joita käsikirjan tulisi käsitellä erityisen tarkasti uusia palkanlaskijoita ajatellen?