

**Overcome the Five
Biggest Payroll Pitfalls
in Construction**



Introduction

Construction firms have complex payroll needs, with multiple employee contracts, subcontractors, and freelancers to pay every week and month. Add in complex overtime, tax, compliance and pensions, and it's a time-consuming and expensive task to complete accurately and on-time.

Our payroll guide investigates five different payroll pitfalls your industry faces and how to overcome them:

1. **Furlough pay, the newest pitfall**
2. **Drowning in paper timesheets**
3. **Calculating the finer details**
4. **Removing repetitive data entry**
5. **Compliance made easy**

No matter how complex your payroll needs, we're here to support you to ensure compliance and accuracy within your payroll; improving productivity, resilience and growth.

You're in good company, we support over 36 construction organisations.



1. Furlough pay, the newest pitfall

Covid-19 restrictions has slowed projects and reduced available work. According to HMRC, more than half (**89,500**) of eligible construction organisations have used the furlough scheme.

Working out furlough pay and flexible furlough isn't the simplest of tasks for payroll teams working with variable wages.

More complicated calculations are needed to establish accurate payroll for each individual employee, taking into account different pay scales, variable days/hours and a mix of full-time and furlough pay depending on the days worked.

All these changes increase the risk of manual mistakes, which are expensive and time-consuming to correct.

These complexities resulted in the CITB incorrectly paying their 400 furloughed employees



Solution

Run furlough calculations with ease with MHR's iTrent Software. The platform does all the hard work, leaving your payroll error free and simple to do.



2. Drowning in paper timesheets

One of the biggest pitfalls in the construction sector is the over reliance on paper timesheets.

According to McKinsey, employees spend just over an hour a day searching for documents costing companies **over £2,500** a year per employee.

Paper timesheets are often completed just in time for processing payroll, leaving workers struggling to remember and estimating the hours, days and overtime they worked.

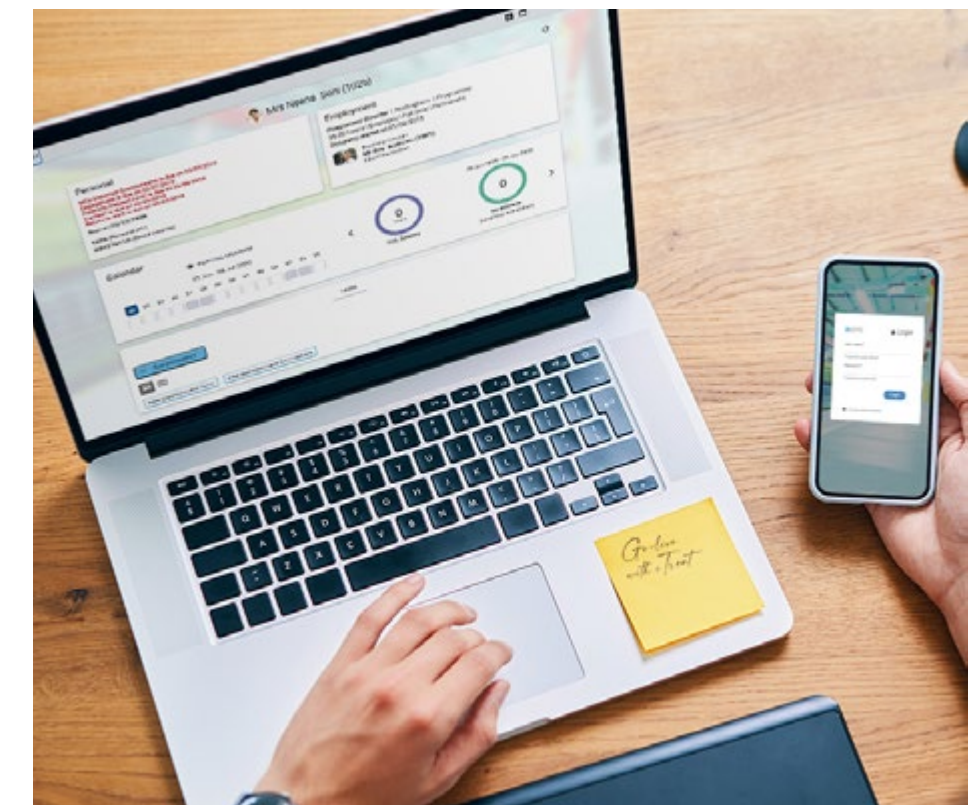
This increases your risk of time fraud and adds significantly to your wage bill. Plus, there's a high risk of inputting the wrong data leading to incorrect payroll and an additional cost to fix the problem.

A company can lose as much as 7% of its profits due to time theft



Solution

Introducing clocking in and out via mobile phones will not only help employees easily log their time and automatically record their location, it also minimises the risk of fraud and data errors. MHR's iTrent allows you to do all of this and more.



3. Calculating the finer details

Overtime

Overtime is a great way for your company to adapt to meet project deadlines, and reduce agency or contractor costs but it can easily lead to payroll mistakes, with different pay rates for weekdays, Saturdays and higher rates for Sundays, as well as the time of day.

The consequences of getting this wrong is the waste of time and money spent re-running payroll to fix these mistakes.

Sick pay

With the manual nature of construction work, the risk of accidents and injury is high. Some workers take advantage of this and claim they are sick when they aren't.

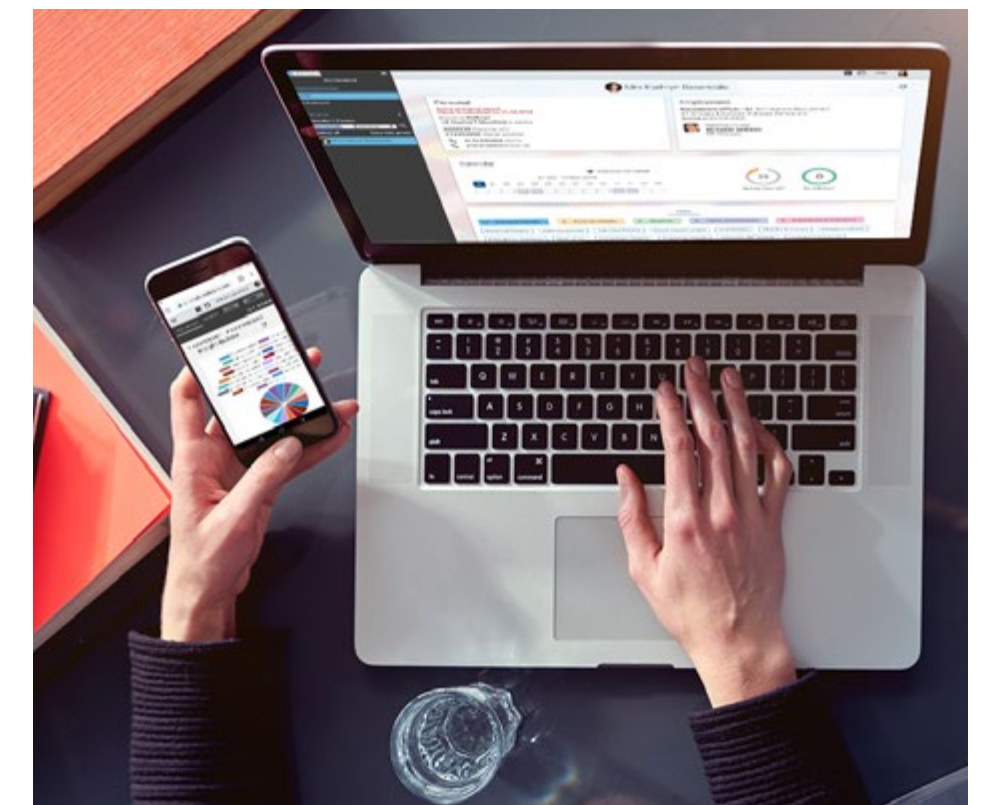
When an employee is off work for a longer period of time, their pay has to be changed each payroll, a tedious manual task that risks over payments. If a HR member is off, it could mean no one changes the sick employee's pay, resulting in another costly fix to put right.

The construction industry sees 392K sick days in 3 years



Solution

Automated processes reduce the risk of overpayment for sick employee's, with iTrent you can transform your processes to maximise your organisations' efficiency, accuracy and reduce admin.



4. Remove repetitive data entry

47.6% of organisation suffer a minimum of 6% errors each month. Just over 14% suffer over 10% errors each month.

Inputting repetitive data into multiple systems can result in a lack of attention, fatigue, boredom and can make team members more susceptible to distraction, losing their focus and decreasing their productivity.

This can lead to multiple mistakes across multiple systems. If data is entered into one of the systems incorrectly, it can take a lot of time locating which system to correct.

It can also mean contacting employees to notify them of the incorrect data entry, and frequent occurrences risk morale, which could lead to an increase in turnover rates.

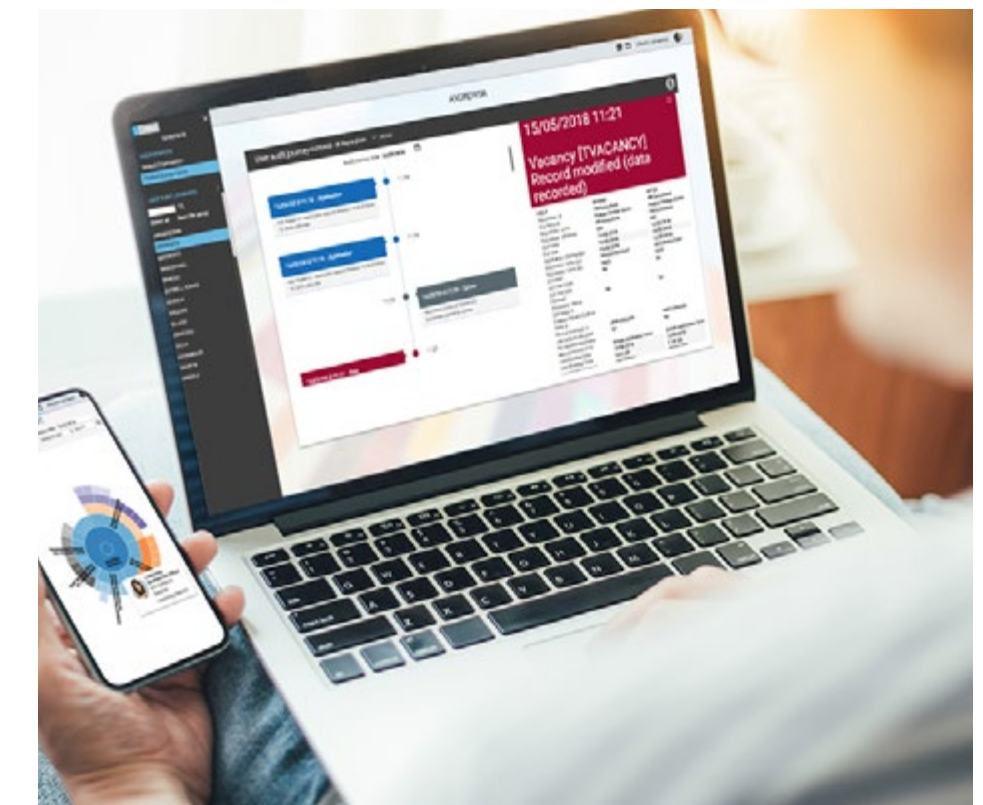
*£26,000 divided by
6% error rate = £1,560
of pay affected each
year per employee
that has to be fixed

*Times that by the number of employees you have and the amount of affected pay is huge!



Solution

Remove the necessity to input data multiple times and avoid costly data entry mistakes, with MHR's integrated HR and payroll platform.



5. Compliance made easy

National minimum wage

Making sure you pay workers the national minimum wage is crucial to keep on top of to **avoid penalties of up to £20,000 per employee.**

For apprenticeships alone there are 3 different pay scales and with 22,000 apprenticeships being created every year over the next five years, it's important to make sure you're getting these right to avoid being publicly named by the government, damaging your reputation, leading to talented candidates looking elsewhere for a job.

National insurance and tax

National insurance and tax isn't only a task for your PAYE employees, but also with any subcontractors that are hired by your organisation for specialist jobs.

With various tax codes, it can sometimes go wrong, leading to payroll errors and deductions causing under or over payments. HMRC contact employees directly to collect any underpaid tax rather than going to the employer, this can reduce an employee's productivity.

Subcontractors

Subcontractors national insurance and tax can be even more complex, with a deduction rate of **20% for registered CIS and 30% for non-registered or unverified subcontractors.**

Subcontractors can also apply for gross payment status, affecting when they pay their tax and insurance. Finding all this information and making sure you deduct the correct amount for PAYE employees and subcontractors is a complex and time-consuming process, almost impossible to manage manually and any incorrect deductions can lead to fines.



Solution

With iTrent you will always remain on top of the latest HR and payroll legislation changes, ensuring compliance throughout the year. We work with legal bodies so you can easily process all of your legal requirements.

Compliance



Standards



Payroll your way

Your employees are likely to be your greatest asset, but also a large part of the cost of running your business, so it's crucial that your payroll is accurate and runs on time.

You can choose to use our software in-house for your team to manage, outsource it to our team of payroll experts, or you can choose a combination of the two – it's up to you.

Software

With our market-leading payroll software, iTrent, you can transform your processes to maximise your organisation's efficiency.

Our comprehensive and configurable payroll software is capable of running multiple payroll runs at once, making it easier to run weekly or monthly payroll alongside overtime, sick pay and expenses.

Part-managed

Utilising the latest in automation technology, we offer a speedy and responsive service that allows you to stay in control of your data, while we take care of the admin and processing activity, saving you £30,000 a year.

Fully-managed

Our experts will look after your entire payroll process, ensuring you're always in line with the latest legislation changes. Partnering with our payroll team allows you to reduce your admin, get streamlined processes and reduce your cash flow risks, while raising employee satisfaction by eliminating payroll errors.

Pensions

We can also make your pensions easier, with expertise in both our software and services to meet your provider's requirements.

Why choose MHR?

- Part or fully managed
- Hosted or on-premise
- Software or service

The choice is yours.



99.999%
payroll accuracy



MHR International Group is a global software and consultancy company specialising in HR, payroll, employee engagement, learning and analytics and artificial intelligence services. Our product portfolio includes iTrent, People First and MHR Analytics. More than 1,000 companies from SMEs to large multi-national corporates, across public and private sectors, with us to help them maximise employee engagement, generate better insights from their data and improve efficiencies.

0115 945 6000
info@mhrglobal.com
mhrglobal.com



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