

White Paper

The legal drivers for going paperless

Introduction

The benefits of a paper-free working environment are numerous. It makes sense that storing a document electronically is more cost effective and efficient than printing it and filing it away. We are also reminded about the environmental benefits of going paperless every time we receive an email with the obligatory 'Consider the environment – don't print this email' affixed to the bottom. But what about the legislative benefits of going paperless? How many of us would consider affixing 'Consider the legal implications – don't print and file this document' to the next email we send to our HR or payroll colleagues? This may seem a little extreme, however it's an interesting thought and one that this article will explore.

Going paperless

HR and payroll departments produce, receive and store huge numbers of documents every week from contracts, payslips and pension information through to 'fit notes' and health and safety records. With so much information being circulated and retained both as a legal requirement and for the benefit of the business, have you ever considered the implications of this information going missing or falling into the wrong hands? It would be a HR and payroll professional's worst nightmare and yet many businesses still permit the paper-based circulation and filing of business critical HR and payroll information.

There are a number of cost-effective and reputable IT software systems on the market that enable the paperless and secure creation, circulation, storage and retrieval of documents and data and so there really is little excuse to print, post and file away important paper documents. Technologies such as electronic document management, workflow and self-service solutions, which integrate into the organisation's core HCM system, provide a paperless working environment.

With these solutions in place, documents are electronically stored and linked to the relevant employee records. Documents and information can be automatically delivered, circulated for PC-based authorisation (if needed), and accessed as and when required. Authorised people from across the organisation can even access their own personal records safely and securely, directly from their PCs. With these technologies in place, paper records in the HR and payroll department can become virtually eliminated.

Key legal drivers

There are two key legislative factors that should be considered when deciding whether to move to a paperless HR and payroll department (or not). These include the legal requirements around the retention of staff records and secondly, the Data Protection Act 1998.

The legislative requirements around the retention of staff records

Businesses are legally required to gather and securely retain a number of up-to-date staff records such as the following:

- Hours worked, and workers who have agreed to work more than 48 hours (to meet the requirements of the law on working time) - To be retained for a minimum of two years from the date on which they were made.

White Paper

- Pay rates - to meet the statutory requirement to issue workers with pay statements and to ensure that the employer is paying its workers at least the national minimum wage – To be retained three years after the end of the pay reference period.
- Payroll (for HM Revenue & Customs) – to be retained at least three years after the end of the tax year they relate to.
- Sickness of more than four days and how much statutory sick pay you have paid – to be retained three years after the end of the tax year they relate to.
- Accidents, injuries and dangerous occurrences (to meet health and safety requirements) - Reports to be retained three years after date of last entry.
- Retirement benefits scheme (notifiable events such as relating to incapacity) – Records to be kept six years from the end of the scheme year in which the event took place.
- Maternity, adoption and paternity pay records – To be retained three years after the end of the tax year they relate to.

Be aware that although the law dictates the time frames in which to keep certain documents, it is advisable to keep all records for at least six years (five years in Scotland). This covers the time limit for bringing any civil legal action against the employer, including national minimum wage claims and contractual claims.

Although not legally necessary, it is also advisable to keep a number of other documents in support of the business (such as in the event of a dispute). These include employment histories, personal details (name, address, phone numbers etc.), appraisals, absence records, terms and conditions of employment, disciplinary actions and redundancy agreements.

With so many confidential documents requiring circulation and retention, the distribution and filing of these documents in paper format seems wholly inadequate. Paper documents can get lost, damaged, destroyed (due to fire or flood) and can fall into the wrong hands. It can also become a sizeable administration task to locate and retrieve a single document from a room full of filing cabinets. This task becomes even more time-consuming and costly if documents are stored in an offsite archive.

Compliance with the Data Protection Act 1998

The Data Protection Act 1998 also supports the use of a paperless archive for all staff records. This Act covers any personal information held on paper or in computerised format and stipulates that personal data must be accurate, up to date, processed only for specified purposes, and kept for no longer than is necessary. Businesses also need to take appropriate measures to ensure personal data is not lost, stolen or misused.

The introduction of extra powers to fine businesses (or more specifically, data controllers) that are found to have breached the data protection principles is a further incentive to ensure all staff records are kept safe and secure and when appropriate, are effectively wiped. These extra powers, which came into effect 6 April 2010, have introduced (up to) a £500,000 fine for each serious data breach which causes damage or distress, whether deliberate or negligent.

White Paper

With paper records at risk of being lost, damaged, destroyed and misused (especially if not filed in a locked cabinet), any organisation that relies upon paper records, is leaving itself wide open to a potential data breach. The electronic storage of documents not only ensures that staff records do not get lost or damaged, but the system can be configured so that all documents that are older than six years, for example, can be identified and subsequently wiped in accordance with the Data Protection Act.

As the Act also provides employees with the right to access any information the employer holds about them, a self-service solution used in combination with an electronic document archive makes this possible without risking any data breaches. With these solutions, people across the organisation can quickly and easily log into their own staff records using a secure username and password. They can also be given authorisation to update their own personal information, ensuring that it is always accurate and up-to-date.

Other legal considerations

There are further laws, including future legislative changes, which directly or indirectly impact the storage, management and processing of HR and payroll information. A number of these are detailed below.

Training requests

As of 6 April 2010, employees have a legal right to make a request in relation to study or training, such as time off work to study. This creates even more paperwork for the HR department to process and manage as all training requests and subsequent correspondence between employee and employer need to be in writing and provided within stipulated timeframes.

The employee can bring a claim if the employer fails to follow the procedural requirements, highlighting the importance of effectively managing and processing all training requests. With an electronic document management system with integrated workflow, a HR professional can manage these requests effortlessly, ensuring that all correspondence received from the employee is electronically imaged and linked to the appropriate employee record. All documentation sent to the employee can also be electronically created, delivered and securely stored in the archive (with details of when the correspondence was received and opened automatically recorded). Any correspondence needing management's approval and input can be circulated electronically using the workflow solution (with reminders automatically generated if management does not feedback within a specified timeframe), ensuring that the entire training request process is efficiently and securely managed.

Compulsory online filing

Since 1 April 2010 all businesses with an annual turnover of £100,000 or more (excluding VAT) have been required to file and pay VAT online. Since May 2010, all employers, regardless of their number of staff, have been required to file their employer annual return online.

In addition, it is compulsory for businesses with less than 50 employees to file their P35 and P14 year-end tax and national insurance documents online. Employers with 50 or more employees must also file forms P45 and P46 documents online, and under government proposals this requirement will be extended to employers of all sizes from April 2011.

With the Government forcing a move to online filing, it's important for organisations to electronically store and manage all key documents and data. If financial, HR and payroll information is kept in paper format up until the point of online submission; this is not only inefficient but could result in data entry errors.

White Paper

Abolition of COMP

From 6 April 2012, contracting out of the Additional State Pension on a defined contribution (DC) basis and through contracted out money purchase (COMP) occupational pension schemes, will be abolished. From 6 April 2012 employees will automatically be brought back into the state system and will no longer be able to use a defined contribution occupational pension to contract out.

For both the employers and the employees affected, this will create a huge number of queries and additional work, including having to calculate the standard rate National Insurance contributions instead of the reduced rate. Being able to quickly and easily locate and access the relevant documentation for each affected employee directly from the HR team's PCs, will assist considerably, especially when seeking guidance from the Department of Work and Pensions and discussing the changes with affected parties such as pension advisors.

Childcare vouchers

The Government intends to restrict the tax relief on childcare provided by employers to basic rate tax only. The new rules will start from 6 April 2011 and will only apply to individuals who join a scheme on or after that date. This change means that employers will first have to make an estimate of the employee's 'basic employment earnings' for the tax year. This includes pay and taxable benefits but excludes potential bonus and overtime payments and the employer must do this when the employee joins the scheme or at the start of a new tax year. Determining this information will not be a straightforward process and will require access to various employee records, not just P60s. Having instant PC access to all types of HR and payroll records will aid this process considerably and avoid calculation errors.

Conclusion

We are often being told about the economic, environmental and efficiency benefits of moving from a paper-based working environment to a paperless office. However, what about the legislative benefits of implementing paperless office technologies? With existing and planned legislation having various implications for HR and payroll professionals as well as the wider business, it's vital to evaluate whether the processes and systems your organisation has in place are enabling or jeopardising legislative compliance.

The bottom line is that if you store, manage and process paper HR and payroll records, you are most likely leaving your business wide open to the reporting of inaccurate information as well as legislative breaches, fines and employee claims. Perhaps it's worth considering that new email footer after all!

About Business Solutions

Advanced Business Solutions, an Advanced Computer Software Group plc company, provides leading integrated business applications and services that enable public, private and third sector organisations to retain control, improve visibility and gain efficiencies whilst continually improving corporate performance. It's award-winning software systems comprise core financial management, procurement, human resource and payroll systems, integrated with a range of collaborative, document management and business intelligence solutions. It also provides managed and bureau service options.

Advanced Computer Software Group plc is the UK's leading supplier of software and IT services to the health, care and commercial sectors. It comprises 3 main divisions and has 7000 customers and 800 staff worldwide.

For more information

Advanced Business Solutions is a brand name of Advanced Business Software and Solutions Limited, registered in England, company number 03214465. Registered office: Munro House | Portsmouth Road | Cobham | Surrey | KT11 1TF.
t: +44 (0) 08451 606 162 f: +44 (0) 1932 584 001 e: marketing@advancedcomputersoftware.com www.advancedcomputersoftware.com/abs

Advanced Business Software and Solutions Limited recognises the trademarks of other companies and their respective products in this document.