

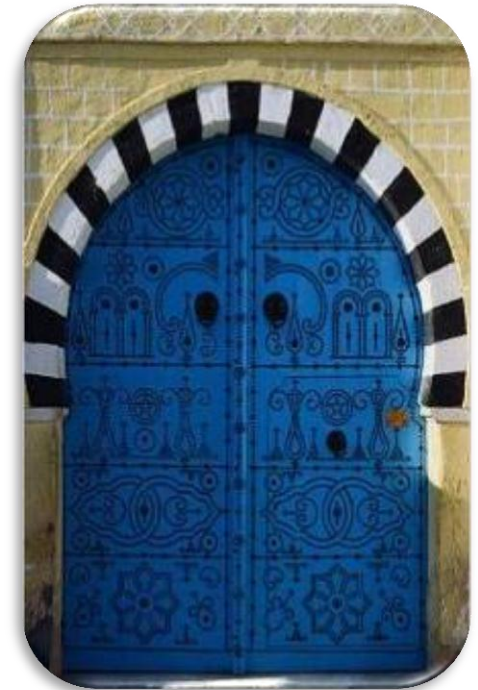


*Opening doors
around the world...*

HRIS and Global Compliance Framework

November 2011

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***...solutions for
global success!***

Agenda

Overview

- HRIS Vendor Globalization
- HRIS Global Compliance
- Recommendations



Overview

HR Software has been around for almost 50 years... (as well as the Ford Mustang)



1960/1970

Mainframe computer programs to process payroll and meet regulatory needs.



1980s

HRIS/HRMS becomes part of ERP systems and companies like SAP, Oracle and PeopleSoft provided users a holistic view of their workforce.



1990/2000

HRIS grows to include performance reviews, recruitment, compensation, learning, benefits and empower Employees and Managers with self-service features and workflow, and becomes known as HCM – Human Capital Mgmt.



Nowadays: HCM brings new technologies to Organizations, such as Software as a Service, Social Networks, Collaboration, Mobile Apps, etc...

Overview

We all know the HRIS vendors out there...



LAWSON



NorthgateArinso



ORACLE

sage
software

INFOR

Taleo

ACCERO



SuccessFactors
People Performance

workday

Ultimate Software
ULTIPRO

meta4!

And we know what they offer...

Manager Self Service

EE Self Service

Payroll

Benefits

Recruitment

Talent Management

EE Life Cycle

Absence

Compensation

Outsourcing

Learning

So what are the differences?



Technology: SaaS/On-Premise/Hosted, configurable, customizable, security, integration, reporting, usability, upgrades, etc.

**Global
Capabilities**



Pricing Model: User licenses, maintenance fees, subscription based, etc.

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HRIS Vendor Globalization

Many vendors say they're "global" and have deployed their product globally across any number of countries. This reminds me of what Gartner's Thomas Otter said on my panel at the 2010 HR Technology Conference in Chicago, about being global. He's never seen a "global" or an "EMEA". So what does one look like? Many people throw the word "global" around without having a clear definition of what it really means.

Karen Beaman
CEO and Founder
Jeitosa Group International

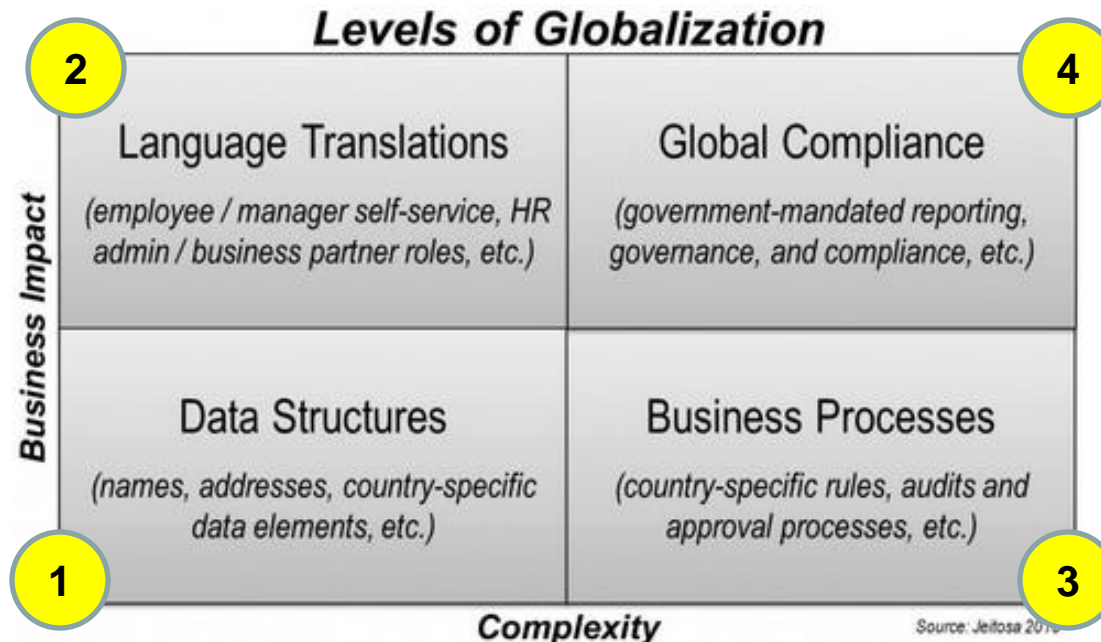


Levels of Globalization

At Jeitosa, we think of vendor globalization strategies along two axes and four levels:

Business Impact: the value that globalizing that function provides to the organization.

Complexity: refers to just how difficult it is to globalize that function.



Levels of Globalization

First level of vendor globalization: Data

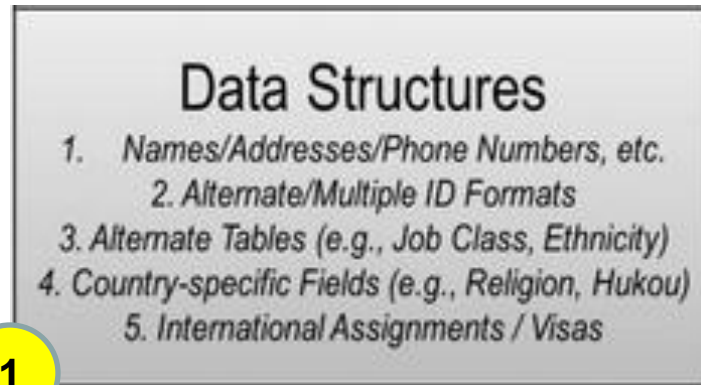
- Modified data structures to handle international name, address, and telephone number formats.
- Country-specific fields, like religion in Germany and Hukou in China.

This is a fairly simple level of globalization, which provides some, but not significant business value.

Examples of Globalization

Language Translations 1. Employee Self-Service Screens 2. Manager Self-Service Screens 3. HR Admin/Partner Screens 4. Table / Code Values 5. Free-from Text Translation	Global Compliance 1. Global Governance Model 2. Data Privacy & Protection 3. Full Audit Trail (who/what/when) 4. Formatted Legal Reports by Country 5. Data Capture for Legal Reporting
Data Structures 1. Names/Addresses/Phone Numbers, etc. 2. Alternate/Multiple ID Formats 3. Alternate Tables (e.g., Job Class, Ethnicity) 4. Country-specific Fields (e.g., Religion, Hukou) 5. International Assignments / Visas	Business Processes 1. Employment Types/Contracts 2. Compensation Plans/Allowances 3. Termination/Severance Agreements 4. Vacation/Accruals/Absence Management 5. Global Benefits/Pension Funds

Business Impact (vertical axis), Complexity (horizontal axis), Source: Jettosa 2010



Levels of Globalization

Second level of vendor globalization: Languages

- Has the vendor translated just the self-service screens or have they also translated those functions used by the HR partner and back-office administrators?
- Do they provide for translation of code and table values, as well as free-form text translations?

Clearly there is greater business benefit to the customer if more of the product has been translated.

Examples of Globalization

Business Impact	Language Translations 1. Employee Self-Service Screens 2. Manager Self-Service Screens 3. HR Admin/Partner Screens 4. Table / Code Values 5. Free-from Text Translation	Global Compliance 1. Global Governance Model 2. Data Omissions & Distortions 3. Full Audit Trail (who/what/when) 4. Formatted Legal Reports by Country 5. Data Capture for Legal Reporting
	Data Structures 1. Names/Addresses/Phone Numbers, etc. 2. Alternate/Multiple ID Formats 3. Alternate Tables (e.g., Job Class, Ethnicity) 4. Country-specific Fields (e.g., Religion, Hukou) 5. International Assignments / Visas	Business Processes 1. Employment Types/Contracts 2. Compensation Plans/Allowances 3. Termination/Severance Agreements 4. Vacation Accruals/Absence Management 5. Global Benefits/Pension Funds
	Complexity	
	<small>Source: Jettos 2010</small>	

2

Language Translations

1. Employee Self-Service Screens
2. Manager Self-Service Screens
3. HR Admin/Partner Screens
4. Table / Code Values
5. Free-from Text Translation

Levels of Globalization

Third level of vendor globalization: Business Processes

- Does the vendor allow for different business process by country and region? For example, can the product handle the complex employment and severance agreements in some countries, vacation accrual and time off policies, and global benefits and pension programs, such as superannuation in Australia?

With all the different legislation and regulations around the world, this level of globalization is much more complex for the vendor, and certainly represents significant business benefit for the customer.

Examples of Globalization

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Business Impact (vertical label on the left)
Complexity (horizontal label at the bottom)
Source: JHRIS 2010



3

Business Processes

1. Employment Types/Contracts
2. Compensation Plans/Allowances
3. Termination/Severance Agreements
4. Vacation Accruals/Absence Management
5. Global Benefits/Pension Funds

Levels of Globalization

Fourth level of vendor globalization: **Global Compliance**

- How well does the vendor support your ability to comply globally with legislation around the world (beyond simple data capture)?
- What does the vendor provide for global governance, compliance, and data privacy and protection?

This level of globalization provides the customer with the greatest business value, but it is also the most complex to achieve.

Examples of Globalization

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Business Impact (y-axis), Complexity (x-axis), Source: Jditos 2010



Global Compliance

1. Global Governance Model
2. Data Privacy & Protection
3. Full Audit Trail (who/what/when)
4. Formatted Legal Reports by Country
5. Data Capture for Legal Reporting



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HRIS Global Compliance

*According to a study conducted by CedarCrestone in 2008, organizations can achieve a **75 percent** reduction in legal or regulatory penalties when implementing integrated HR systems.*

THE VALUE OF HR TECHNOLOGIES:
Metrics and Stories, 2008
CedarCrestone / Oracle

Degree of Impact

At Jeitosa, we have developed a framework for organizing the most common functional areas of human resources management according to their degree of impact on country-specific regulatory and legislative compliance.



Degree of Impact

High Impact:

- Areas that bring the greatest risk of exposure to the organization and, therefore, need the most focused attention and expert localized support.

- May require a local technology solution to meet highly specialized, country-specific requirements or a global solution with highly developed localizations or “add-ons.”

- High impact areas:
 - **Payroll**
 - **Time and attendance**
 - **Health and safety**
 - **Benefits**

High Impact Areas

Payroll

- Driven by country/state labor and tax laws
- Only a few providers offer global payroll, and the implementation is always a challenging effort
- An alternative is to go with local payroll solutions/services and create interfaces between your HR core system and the local payroll provider
 - **Advantage:** necessary expertise is available in the local country to accurately pay employees and handle taxes
 - **Disadvantage:** inefficiencies and lack of negotiating power associated with managing many diverse relationships with different suppliers, as well as the maintenance costs in development and support of multiple interfaces for every local country payroll
- Examples:
 - **Brazil:** complex tax calculations, vacation payments and frequent labor law changes
 - **Germany:** unions have considerable power over the process with very tightly controlled data protection requirements
 - **France:** complex calculations for overtime and absence

High Impact Areas

Time and Attendance

- Directly tied to the payroll system, therefore highly impacted by local regulations
- Data collection rules are often similar
- The big differences lie in the data processing logic:
 - Time scales and weekly hours may vary by country (or state, or city, or industry type or collective agreements)
 - Complex rules for calculating breaks, overtime and time off
- Examples:
 - **Germany**: Flexible Retirement for Employees Act in Germany, which encourages companies to establish a part-time employment program for employees age 55 or older. If the weekly hours for an older employee are reduced by 50 percent, the employee receives his or her part-time income plus a 20 percent pay supplement (based on the part-time income).
 - **Brazil**: Employees working on night shifts are entitled to receive a pay supplement based on the number of hours worked between 10pm and 5am.

High Impact Areas

Benefits

- Define which benefits are required by law and which are commonly offered in the industry, as well as by the organization's local competitors.
- Some components and plans are considered as compensation in some countries, and benefits in other countries:
 - **Example:** company cars and meals can be considered as compensation allowances in some countries and as benefits in some others, and are taxed differently.
- Some countries have open enrollment process, and in many others, employees do not have a choice in their benefits, but are assigned a benefits package based on eligibility rules and legally mandated benefits.
- Examples of legally required and country-specific benefits:
 - **Australia's Superannuation:** Money is set aside over the worker's lifetime to provide for retirement.
 - **Mexico's INFONAVIT:** Employers contribute five percent of the worker's earnings to the Worker's Housing Fund.
 - **Brazil's Child Care Allowance:** In Brazil, workers with pre-school age children (up to 5 years old) are entitled to a child care allowance.

Degree of Impact

🌐 Medium Impact:

- These areas present a lower level of risk exposure to the organization; however, they are still complex and time-consuming in their requirements.
- Some systems can handle this through configurable business processes, automated workflows and localized reporting.
- We classify as medium impact areas:
 - **Staffing transactions: hires, promotions, demotions, transfers and terminations**
 - **Absence management**
 - **Compensation**

Medium Impact Areas

Staffing Transactions:

- The ones most impacted by country-specific legislation are **hires** and **terminations**:
 - Labor contract:
 - **Denmark:** the contract must be presented to the employee on the first day of work at the latest and must describe clearly the salary conditions, workplace, working hours, annual leave and notice period.
 - **Italy:** contract can be presented to the worker within 30 days of employment.
 - **Japan:** a labor contract is not required; instead, companies with 10 or more employees must create a set of work rules, which are then applied to every worker.
 - Notifications and Administrative Procedures:
 - **Spain:** new hires must be notified to Social Security before the employee starts to work.
 - **China:** the Hukou system requires a booklet to be issued on a family basis with information about the worker, family members, birth date, marital status, address and employer, etc.
 - **Belgium:** employers are required to use the language of the region in which they are located for all worker related documentation.
 - **Saudi Arabia:** employers must send an annual report to the local labor office with employee data, such as names, ID numbers, positions, nationality, age and compensation, as well as expected workforce increase or decrease for the following year.

Medium Impact Areas

Absence Management:

- Most impacted items: Holiday calendars, time off and vacation accrual, carryover rules, and absence types.
- Many time-off types are common across countries, such as maternity, sickness and jury duty.
- Others are less common but still used in some countries, such as paternity and childcare leave.
- Some country specific examples:
 - **South Korea:** Employees are entitled to three days of paternity leave upon the birth of a child and it must be taken within 30 days of the child's birth.
 - **Pakistan:** Muslim female employees are entitled a mourning period in the event of the husband's death.
 - **South Africa:** Employees must take annual leave no later than six months after the annual leave cycle.
 - **Israel:** The Jewish calendar year consists of 12 or 13 months of 29 or 30 days and varies in length of 353, 354, 355, 383, 384, or 385 days based on the lunar cycle.

Medium Impact Areas

Compensation:

- Bonuses and merit increases are similar across countries, and percentages, eligibilities, and targets can be configured in most global HR systems available on the market.
- Some countries have specific allowances and wage types. For example, in some countries, the law allows employers to pay workers in goods rather than in money (e.g. payment in food)
- Some countries consider benefits as compensation elements. E.g. Meal and transportation allowances can be considered compensation in some countries, while meal and transportation tickets can be a required benefits in some others.
- Collective agreements also impact compensation for certain unions and industry sectors.
- **In China:** compensation is typically divided into four elements: base pay, incentives, allowances and benefits. There is also an “inflationary supplement,” which is a percentage added to the base salary.
- **In Russia:** the law requires employers to pay the salary in two or more installments per month.
- **In Finland:** financial payments are not required by law; instead, workers can be compensated by “gaining of experience”.

Degree of Impact

Low Impact:

- These areas present minimum risk to the organization and have little legislative or regulatory controls that impact HR processes.
- Differences in terminology and definitions in customary business practices
- Some examples of low impact areas:
 - **Talent management: recruitment, performance reviews, training, career and succession planning.**
 - **positions / head count management / workforce planning**

Low Impact Areas

Talent Management:

- Any solid HR system should be able to accommodate global requirements for talent management.
- There are rarely any compliance-related particularities around performance management, learning management, and career and succession planning.
- In some countries, like France, companies are required to provide a minimum number of training hours per employee per year, and this information can easily be tracked through data extracts and reports with the relevant information.

Workforce Planning, Positions and Head Count Management:

- Some countries have the need to report changes to the workforce to their governments, but once the information is in the system, it's just a matter of extracting and formatting the data to be sent.
- This is mainly budget-driven and not an area impacted by legislative or regulatory compliance.
- Country-specific rules for severance pay can impact the scenario for a workforce reduction.

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Recommendations

- Take global compliance into account in your HRIS vendor selection;
- Take global compliance into account in your HRIS rollout plans;
- Take global compliance into account in your HRIS budget;
- Have someone local to evaluate and determine whether local requirements are met or not;
- Create a business case and calculate the cost/benefit of addressing local compliance issues (it will most likely be worth the investment);
- Have an experienced consulting partner to help you gather local requirements, define your current level of compliance and recommend you the path to follow;

Thank You



jeitosa — [zhay-taw-za] (Brazilian Portuguese) adj. agile, skillful, adroit, clever, innovative, solution-oriented.

Opening Doors Around the World... Solutions for Global Success

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international