

Intelligence MEMOS



From: Rodney Dobson

To: Diane Lebouthillier, Minister of National Revenue

Date: May 27, 2020

Re: **HOW TO GET GOVERNMENTS REAL-TIME PAY INFORMATION**

Payroll information has never been more important, or fluid, than during the current pandemic.

Managing the Canada Emergency Response Benefit (CERB) and the new wage subsidy program have underlined for Ottawa that it needs new ways to move information from business to government, especially real-time payroll data.

The flow of this information from business to government is vital for the operation of a wide range of programs including tax withholding at source and Employment Insurance, and now for income replacement. It matters a lot to all Canadians and it must work smoothly. Great care needs to be taken to avoid further complicating a process that is already difficult for both employers and employees.

In Canada, a successful Human Capital Management (HCM) industry operates in the space between business and government. Engaging with the wide variety of software providers and business services that manage payroll processes in our complex federal system would be a good way to begin a constructive dialogue.

Much of the opportunity lies in the fact that there is digital payroll data for the bulk of Canadian workers, including the half of all private-sector employees who are paid through such business services today. Ottawa could get pay information now if protocols were put in place to retrieve it securely when required to service a request for benefits.

Investment would be required to support new processes, but far less than any attempt to build a new data repository from scratch, which seems to be an option under consideration for federal access to real-time pay information (the “e-payroll” initiative).

Building on the current HCM industry, a truly effective distributed solution would enable access to the relevant information for all workers, which government could access when needed. Standards could easily be set for a simple central repository that identifies where information is located and manages security. Pay information would be retrieved only when a benefit is requested.

Historically, governments have outsourced much of the administrative tasks for key programs to business. In the case of Employment Insurance, for example, employers are required to pre-process an employee’s pay history and present it within prescribed times and in certain formats and coding. This has frequently been the source of a great deal of work and error for both business and government, and delay for the worker seeking benefits. Allowing business to simply provide raw pay history in a digitized format, to which a government could apply its rules to administer various programs, would result in a much-improved administrative environment for all parties.

Information could be managed online or gathered electronically when requested. HCM service providers could provide this function, and software vendors could develop their own compliant systems. The impact on small employers would need special consideration to avoid adding further complexity to a group with limited administrative resources. Self-employed persons could provide information directly when they present a claim.

Importantly, business would continue to have competitive options and service level commitments from a choice of vendors.

The suggested approach would avoid significant issues with an alternative approach using a central data repository of all pay data.

First, it would be significantly simpler and faster to implement. Data would be maintained in only a single location which already exists (the employer’s pay history database), and the massive continuing effort to report and synchronize pay history with an external centralized database (yet to be created) would be avoided completely.

Second, it would avoid the significant new data privacy issues that arise from any consolidated government database with detailed employee pay history. Employers are already required to maintain this information securely, and government already has authority to use it when required for program administration.

Third, it would respect the fact that business works to deadlines, and records are not necessarily updated until required. Employers could be given the opportunity to review information before processing, eliminating a potential source of error and delay.

The [Liberal platform](#) last year promised “lower costs, less red tape” for business as part of its plan to introduce an e-payroll system. There is an opportunity here to significantly move in this direction by re-thinking the business/government interface in our digital world.

Rodney Dobson was president of the Canadian human capital management industry leader and held executive roles with global organizations in Europe and Asia.

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