Mastering HR Management with SAP® ERP HCM

> Provides a completely updated and expanded second edition of this bestselling HR reference
> Explains how to meet and perform business requirements with SAP ERP HCM using sample processes
> Covers core areas of HR and key topics such as master data, time management, payroll, QA, and recruiting
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In this chapter, we will discuss the goal of this book, the scope of the content, who can benefit from the book, and what's new in this edition.

1 Goal of this Book

SAP ERP HCM is a very extensive topic, and many people are interested in it for different reasons. But, as we all know, “the jack-of-all-trades is a master of none,” so we distinguish our book by limiting the scope of this book and giving you useful tips for the areas we cover.

1.1 Scope of the Content

The book describes SAP ERP HCM based on Release ERP 6.0. But users of older releases as of 4.6C can utilize this book to a large extent. As was the case with R/3 Enterprise, SAP ERP will be continuously developed through small updates (support packages), new additional developments, and larger annual supplements, while at the same time ensuring the validity of the essential statements made in this book.

The processes discussed in this book are detailed in such a way that the functional scope and the basic properties of SAP ERP HCM are clearly identified for the respective process. Furthermore, Customizing—that is, the customer-specific system configuration—is exemplified at central points. In general, we have placed more emphasis on understanding the overall concept and relationships than on detailed descriptions of customizing tables.

For readers who haven’t used the system in their daily work, we have provided numerous screenshots from the system. These should help illustrate the information provided in this book and thus make it more tangible.

Even using abstract descriptions, without too many details, and avoiding a screenshot gallery that shows each and every potentially relevant screen, SAP ERP HCM is too voluminous a topic to treat entirely in one single book. For this reason, the
book focuses on the administrative processes and avoids dealing with matters related to the system basis or programming. Personnel planning and development is described in a separate book by the same authors, which was also published by SAP PRESS. In that book, we draw a line of separation between the parts that SAP formerly referred to as PA and PD. Although no longer officially used, there are still reasons for making this distinction. There is a difference in the technical implementation, which is also reflected in the system configuration. Further, in the administrative processes considered, the focus is on technology and processes, while the implementation of personnel planning and development is almost entirely decided on the process-definition side. Moreover, travel management is not considered at all.

While Chapters 9 and 10 (Payroll and Benefits administration) focus on the US in terms of legislation, readers from other countries can still benefit from both chapters as they explain the general setup of those processes in SAP HCM.

Another important element of the book is the visualization of process examples. These enable a much better understanding of the processes and their IT support than a purely textual description would. These process examples are available online in file format at http://www.iprocon.com/book-process — use the password innovation.

### 1.2 Release Names

Even though most people still use the term Human Resources (HR), within this book we use HCM or SAP ERP HCM, which is the official terminology of this SAP system.

With regard to the name of the first two ERP releases there was some confusion. Whereas the first versions were officially called mySAP ERP 2004 and mySAP ERP 2005, the new releases provided by SAP AG as of 2005 no longer include the prefix “my.” In the meantime, the year dates have been replaced as well so that you now should use “mySAP ERP 2004” and “SAP ERP 6.0.” Until now, however, “SAP ERP 5.0” has been used as a synonym of “mySAP ERP 2004,” and “SAP ERP 2005” as a synonym of “SAP ERP 6.0.” In the future, the new denomination should establish itself, and the next version will be officially called “SAP ERP 7.0.”
1.3 Target Groups

The following target audiences will find useful information in this book:

- **Decision makers in HR, Information Technology (IT), and organizational departments** will gain a critical overview of the SAP ERP HCM functionalities. They will also develop a feeling for the basic strengths and weaknesses and the cost drivers.

- **Project managers** are provided with the most important integration aspects and success factors that are critical for the implementation.

- **Members of implementation project teams, consultants, and those responsible for customizing** will find many tips for each process. In this context, basic functionalities are described in more detail so that employees who are just assuming these roles will receive appropriate guidelines for getting started. For advanced users, the book contains many recommendations that don’t go into too much detail. It is more important to understand the basic direction of each process or project.

- **Interested users** who would like to see beyond the borders of their specific activities, and key users who are also responsible for the continued development of the system, will get a good overview of the various interactions and develop a better understanding of how the system works.

- **Programmers** who work close to the application in the SAP ERP HCM environment will find the contents of this book very helpful in facilitating communication with the user departments and the review of technical concepts.

- **Students or other interested parties** who are just learning about personnel management will develop true insight into the practice of HR and its IT implementation with SAP ERP HCM. The book’s topics represent important functions of a personnel department and indicate where problems can occur. It is especially for this target group that the book provides business-related background information.

1.4 Working with this Book

You can read the individual chapters of this book in any sequence. For readers who are less familiar with SAP ERP HCM, however, we recommend that you read Chapter 4, “Personnel Administration,” before proceeding with the other chapters.
Goal of this Book

In addition, over time you should also get an overview of all processes, not simply the process or processes for which you are responsible or in which you work. A basic understanding of the additional context is absolutely beneficial for working in highly integrated processes.

The detailed descriptions of various customizing activities can be skipped according to your personal preferences.

Once again, we would like to remind you that the process models described in this book are also available online (see Invitation). These can be customized to individual requirements and are therefore suitable for internal presentations or training.

1.5 New in this Edition

Compared to the previous edition, this edition provides a lot of new and changed content, which is worth reading. These changes can be found in the chapter structure, the number of pages, and the enhanced team of authors.

You can expect the following innovations:

- All chapters took into account both new project experience and feedback from readers.
- For all chapters it was checked whether additions were necessary with regard to SAP ERP 6.0 or new solutions. Unfortunately, you cannot always make a clear distinction between different release statuses. Many innovations of SAP ERP 6.0 are provided as predeliveries or as HR support packages for older releases. SAP ERP itself is not as static as you are used to in previous releases; different components may have different release cycles. The newsletter of the enhanced team of authors (see Invitation) informs readers about changes.
- The restructuring particularly applies to Chapter 2, “Overview of SAP ERP HCM,” which now includes portal basics, whereas the content of the former Chapter 13, “Role-Based Portal Solution,” has been updated, enhanced, and distributed over the entire book. As a result, portal-based applications are no longer considered in an isolated manner, but are integrated with the respective processes.
- Chapter 4, “Personnel Administration,” now includes many enhancements for portal applications, including Employee Interaction Center (EIC).
New in this Edition

- Chapter 6, “E-Recruiting,” was completely revised and considerably enhanced. Because there are some customers who will still work with “traditional” recruitment, Chapter 7, “Traditional Recruitment,” was also revised; however, it now follows E-Recruiting.

- Chapter 8, “Time Management,” was supplemented with Web applications.

- Chapter 9, “Payroll,” was enhanced with some aspects of Customizing, particularly with regard to the remuneration statement with HR Forms.

- Chapter 11, “HR Reporting,” was abridged in favor of other topics, because SAP PRESS published *HR Reporting with SAP* to cover this topic thoroughly.

- Chapter 12, “QA/Internal Control System,” was enhanced with a stronger focus on internal control systems.
Payroll is based on the results of personnel administration, time management and — in some cases — the results of travel management and incentive wages. It is divided into the subprocesses of gross payroll, net payroll, and subsequent processing. The subsequent processing comprises legal and company-specific components.

9 Payroll

This chapter will convey the basic concepts and background of payroll. It is not a complete guide to setting up payroll, however, because of the complexity of the application and it would be beyond the scope of this book.

9.1 Business Principles

In our discussion we will try to avoid country and sector specifics, because legal restrictions do not leave much room for flexibility. These specifics are also frequently subject to legal amendments and are presumably only of interest to a small number of readers.

9.1.1 Basic Forms of Remuneration

In this section we will provide a description of the basic forms of remuneration, which include numerous possible hybrid forms based on the basic forms. These are supplemented by additional remuneration components, which we will cover in Section 9.1.3.

Incentive Wage

In the case of incentive wages, the employee is remunerated based on work results and not the time worked. It is generally assumed that this approach increases an employee’s motivation.
The individual piecework is the value of the individual employee's piece performance. For each completed piece, he is credited a standard time that is measured against the actual time required. This relationship between standard and required time is referred to as the performance efficiency rate.

*Performance efficiency rate [%] = Standard time x piece number / required time*

If an employee exceeds a 100% performance efficiency rate, his hourly wage can be increased. On the other hand, a performance efficiency rate of less than 100% leads to a reduction, which, however, is limited in many pay scales. More complex, team-oriented production flows frequently do not allow any individual incentive wages. By introducing group incentive wages, an attempt is made to remunerate a team, such as a manufacturing center. In this case the performance efficiency rate is calculated similarly to the individual piecework, with the difference being that times and number of pieces of the entire group are included. The group performance efficiency rate is then applied to the individual hourly rate for the employees. While the piecework only remunerates target quantities, the premium wage incorporates other target figures, such as quality.

**Hourly Wage**

In the case of hourly wages, the employee is paid for the number of hours he is present at the workplace. He is remunerated a constant amount per hour. The hourly wage is particularly useful if the assignment of work results is difficult.

**Monthly or Weekly (Periodic) Wage**

Despite the fact that employees work the same number of hours per week, an employee who is paid an hourly wage each month receives a different pay amount, because some months have more days than others. So, the monthly (or any periodic) wage is an attempt to stabilize the basic wage of the employee by making sure that he receives a constant monthly amount. A semi-monthly or two-week calculation of the remuneration is also possible and is more common in the U.S.

In some remuneration models, absences of the employee (e.g., due to public holidays, vacation leave, sickness) are paid at the basic hourly wage plus an average value earned in the previous months. A performance variable is incorporated in this average (e.g., piecework) and a time variable as we will discuss next.
9.1.2 Influencing Variables of Gross Payroll

In addition to basic remuneration forms, other circumstances also affect the remuneration.

Overtime and Bonuses

If the work in question cannot be covered with the existing employee capacity, overtime is often utilized. Overtime is usually paid separately from regular salaries; in general, overtime bonuses accrue in addition to the basic hourly wage. However, employers frequently try to cushion short-term overtime through flexi-time regulations, because this means overtime bonuses can be saved. Overtime that accrues in one month is credited to a time account and can later be retrieved by the employee if there is less work to be done. Keep in mind, however, local labor laws will determine how overtime is paid and reconciled for bonus and additional pay purposes.

Times Subject to Bonuses

If the working time occurs during the night, the weekend (Sundays in the U.S.), or on a public holiday, additional bonuses (also known as shift premiums) may accrue and be paid to the employee, which obviously makes these shifts more expensive for the employer.

Expenses

When the employee is working for the employer, additional costs can occur (e.g., telephone, mileage, etc.) that may be reimbursed by the employer. Depending on the country of work, these expenses can be completely or partially exempt from taxation.

Nonrecurring Payments

Nonrecurring payments such as bonuses or vacation bonus are not part of monthly or periodic remuneration. Due to their lack of regularity, in many countries they are subject to special regulations with regard to taxation and such.
Absences
In terms of absences, there is a basic differentiation between paid and unpaid absences. Unpaid absences reduce the basic remuneration.

Performance-Dependent Remuneration Components
With the exception of incentive wages, basic forms of pay do not take employee work or performance results into account. For reasons of motivation and fair remuneration, these basic forms of pay in the U.S. for exempt or nonunion employees are frequently supplemented by a performance-dependent component of pay, which should preferably be oriented toward company goals.

Many companies derive the employee targets or goals that are relevant for remuneration from a company-wide balanced scorecard. This ensures alignment with company targets and goals.

9.1.3 Net Payroll
In net payroll, national legal regulations are taken into account, i.e., the taxes to be deducted and other government or legally mandated deductions.

However, U.S. Payroll in SAP EPR HCM does not include the full tax calculation scheme. You need an interface to an external BSI Tax Factory database. This sets the U.S. version apart from most other country-specific payroll solutions within SAP ERP HCM.

Special Processes
Within net payroll, a range of special processes is supported according to national laws. They considerably reduce the necessary process cycle times and therefore the effort involved in running a payroll cycle. In general, net payroll details depend on data stored in country-specific infotypes.

In the U.S., some commonly used and supported special processes include:
- Loans
- Garnishments
- Benefits (see Chapter 10, “Benefits Administration”)
- FLSA
9.2 Payroll Concepts in SAP ERP HCM

As with any software, making it as flexible as possible to meet a wide range of customer requirements means that the software has to have a sophisticated design. This is particularly true with payroll in SAP ERP HCM. Using the standard customizing option, extensive variation in payroll requirements can be accommodated. The payroll runs can utilize customer-specific schemas and rules, and even complex regulations from collective bargaining agreements and company agreements can be implemented. Standard processing can also be enhanced via numerous customer exits and Business Add-Ins (BAdIs). There are even tools to modify the coding in SAP, which can simplify maintenance and make modification a more attractive option. However, core code modifications should be considered carefully, because customer changes to standard SAP code will not be supported.

9.2.1 Structures for Remuneration Calculation

For the calculation of payroll, the selected settings of Infotype 0001 (Organizational Assignment) are of great importance.

The enterprise structure is mapped through the personnel area and the personnel subarea. In SAP ERP HCM, the personnel area is linked to the company code (which is generally a legally independent accounting unit) and therefore determines where wages and salaries are posted and where they are paid from. The personnel sub-area is a further breakdown of the personnel area, and can provide more detailed groupings of locations or functional areas. Pay structure information and a variety of other data elements and national indicators (e.g., region and district, employer ID and industry code, tax company\textsuperscript{1} and Equal Employment Opportunity (EEO) data) are derived from the enterprise structure.

The personnel structure consisting of employee group and employee subgroup also determines essential aspects of the payroll. On this basis it is decided whether an employee is a salaried employee or a wage worker, and if he is paid monthly,

\textsuperscript{1} The legal entity for tax reporting purposes. In SAP U.S. HR it should have a one-to-one relationship with the Employer Identification Number (EIN).
semi-monthly, weekly, etc. The employee group and employee subgroup can identify employees for further groupings that are specific for payroll processing. Many payroll-related settings are defined based on the personnel structure and the enterprise structure.

All employees of an enterprise who are included in payroll on a specific key date are combined in a payroll area. The payroll area also controls the locking concept for the payroll, (i.e., if the employees of a payroll area are processed) the master data of these employees is locked for maintenance (excluding data that is relevant to the future). In addition, the payroll area is a component of the logical databases PNP and PNPCE and is therefore available as a selection criterion in almost all evaluations.

In this context, a payroll area can easily combine employees of different companies (personnel areas), as long as they are included in payroll on the same key date.

The cost center specifies the target account assignment for the personnel costs to be posted in SAP ERP Financial Controlling (CO). The cost center is also used for the travel-costs component for assigning travel costs as long as an override component is specified. If the Organizational Management component is not active with integration to personnel administration, the cost center is maintained for every employee in Infotype 0001. If PA-OM integration is active, the cost center information can be automatically defaulted from organizational master data to the employee master data.

Once these structures are in use, it is difficult to adjust them later on — especially because the personnel area/subarea and employee group/subgroup elements in Customizing are not provided with start and end dates, and therefore cannot be easily limited if they are no longer required. For this reason, it is advisable to check the enterprise, personnel, and organizational structures to be used precisely in terms of their suitability from all viewpoints (master data, authorization concept, time management, payroll, and reporting).

### 9.2.2 Payroll Principles

In this section we will discuss the various principles involved with payroll, beginning with the wage-type concept.
The Wage-Type Concept

Wage types are the central processing instruments of payroll. Entries are made using wage types in the provided payroll-relevant infotypes, e.g., as basic salary or overtime. The entire additional processing is carried out using wage types as well. Specific wage types are mapped in the net payroll, for example, for taxes and other deductions (such as benefit plan contributions) to be paid. The result of the payroll — the payroll account — contains the wage types used and calculated in the employee’s payroll.

The wage types thus form the basis of payroll. They are dependent on the country, i.e., the same wage type can have a different meaning in a German payroll than in a payroll in the U.S. They also have a validity period within which they can be used. This also means that one wage type can exist at different times with different properties. This becomes necessary if the characteristics of a wage type change at a particular time, an example being an anniversary bonus that is subject to tax from January 1.

A wage type is identified by a four-digit key composed of figures, letters, and special characters. The related text is language dependent:

- Different texts can be displayed for the same wage type for a German and for an English transactional user who each log on in their native language.
- A German-speaking employee can have German texts printed on the remuneration statement, and an English-speaking employee can have them printed in English.

The following conventions exist when creating four-digit wage type keys in SAP ERP HCM:

- Wage types that begin with a slash (/) are called technical wage types. Most of the processing work is carried out using these technical wage types. They represent the rules for the payroll. For U.S. payroll there are about 900 of these wage types.2

---

2 The number of technical wage types can be a first indicator for the complexity of a payroll solution within SAP. German payroll has about twice as many technical wage types as U.S. payroll, while the UK solution has only about 500. A low number of technical wage types can indicate either that payroll in the respective country is quite simple or that the SAP-based solution does not cover the whole range of legal requirements.
Wage types that begin with a number from 0 to 9 are freely available to the customer. This area is always empty in a newly supplied system.

Wage types that begin with an M are SAP model wage types. To provide a guide to customer configuration work, these model wage types can be used as templates for each wage type that the customer requires for his company.

If the rules for payroll are controlled by wage types, it is useful to keep these up-to-date with SAP. This is the reason for the customer namespace for wage types. All other wage types can be and are overwritten by SAP when importing updates (support packages) and this way are constantly adjusted to the newest conditions. This is also the case with model wage types. For this reason, they should not be used in a production environment. A payroll with model wage types would be unstable, especially if these were customized.

The wage types used by customers always begin with a digit and are generally created by copying them from a model wage type.

Customizing Wage Types

The wage type copier was especially developed by SAP for this reason (Transaction PU30). It copies and deletes all properties of a wage type, regardless of whether it is a model wage type or another already-existing wage type that is to be copied (see Figure 9.1).

To process wage types more simply, they are summarized into wage-type groups. For example, for each infotype that contains wage types there is a specific wage-type group. This ensures that the maintenance interface for wage types remains manageable. Wage types can also be contained in several wage-type groups.

The characteristics of wage types are determined by an amount field, a quantity field, and an amount-per-unit field. This means wage types are capable of saving any values. Whether and how a wage type is processed depends on Customizing.

Each wage type contains the following control information:

- **Valuation**
  If a pay amount is not directly provided along with a wage type, payroll must carry out this task and determine the relevant pay amount. However, the amount can only be determined if the wage type contains a quantity. For example, for overtime accrued, overtime wage types are recorded in terms of hours.
These wage types must then contain the information that their evaluation basis is the personal hourly wage of the employee (if necessary, in connection with a percentage rate that reflects an overtime bonus).

**Cumulation**

Pools are formed using accumulation. These pools represent the interface for the net payroll, i.e., the accumulation must be completed at the end of the gross payroll. By accumulating a wage type in certain pools, specific characteristics are defined in the wage type. For example, a wage type that is subject to tax is accumulated in the “gross tax amount” pool. These pools are integrated in SAP ERP HCM as technical wage types. They begin with “/1.”

![Copy Wage Types](image)

**Figure 9.1** The Wage Types Copier (Transaction PU30)
Processing classes
Processing classes group wage types according to their characteristics. The characteristics of the processing classes of a wage type, rather than the wage type itself, are read from the payroll, and then the necessary processing steps are carried out. Abstracting a wage type itself offers more flexibility. The payroll does not have to have knowledge of every existing wage type. The characteristics of wage types can be easily changed. Processing Class 10, for example, controls whether and how a wage type is reduced in connection with unpaid absences (see Section 9.2.5). The accumulation of a wage type can be controlled by various additional processing classes. There, the time in the payroll at which the wage type is calculated determines the processing class to be used for accumulation. To avoid burdening payroll with unnecessary wage types, a wage type should be accumulated and shut down, i.e., transferred to the payroll account, as soon as a calculation is completed.

Evaluation classes
Characteristics of the wage types are determined in the evaluation classes for printing in the remuneration statement or in other statements.

Account assignment
Each wage type contains information on whether the wage type is to be posted to accounts and which accounts they are to be posted to.

You can analyze which wage types should have which characteristics using report RPDLGA20. Here, you can see that wage type 1212 is evaluated using the pay-scale group from the pay-scale table (see Figure 9.2).

We will now use an example to describe the valuation of wage types: Assuming an employee has done three hours overtime, which are to be paid out, regulations provide that he also receives an overtime bonus of 25%.

Wage type MM10 is entered manually or transferred from time management and its number field is filled with three hours. In the field valuation basis of wage type MM10 “01” is entered. All technical wage types that begin with “/0” are evaluation bases in SAP ERP HCM. This means that the relevant hourly wage can be found in wage type /001 (“/0” + “01”). Wage type /001 in SAP ERP HCM standard delivery always contains the currently valid hourly wage for the employee.
Now we must calculate the overtime bonus, which is 25% of the whole amount. To have a better basis for later evaluations, you should use two wage types here: one for the normal hourly wage (100%) and one for the overtime bonus (25%). Here we require derived wage types. The basic pay is mapped by wage type MM10. This wage type is supplemented by the percentage rate 100. A new wage type is entered for the overtime bonus, which is similarly valuated with the hourly wage of the employee (i.e. 01). However, you must change the percentage rate to 25%, which is the overtime bonus to be paid.

Through the derivation process, a wage type can generate up to two other wage types. However, this only works once; a derived wage type cannot create other derived wage types (see Figure 9.3).
Other fixed evaluation principles can be used in addition to the technical wage types /0**. For example, you can establish that an employee receives an hourly bonus of $1 U.S. for hazardous or unpleasant work. As shown in the previous example, the constant amount can be found on a cross-employee basis or in connection with pay-scale information in Infotype 0008 (Basic Pay) for the employee. Table 9.1 provides an overview of the possible valuation base of wage types.

<table>
<thead>
<tr>
<th>Valuation base</th>
<th>The amount-per-unit field is transferred from:</th>
</tr>
</thead>
<tbody>
<tr>
<td>nn</td>
<td>The amount-per-unit field of the wage type /0nn</td>
</tr>
<tr>
<td>K</td>
<td>Table T510J (constant value), employee independent</td>
</tr>
<tr>
<td>TS</td>
<td>Pay-scale table T510, which uses keys to search for pay-scale type, pay-scale area, pay-scale group, pay-scale level, and wage type (all from Infotype 0008 (Basic Pay), except for the wage type)</td>
</tr>
<tr>
<td>TG</td>
<td>Pay-scale table T510 is accessed just as TS, with the difference being that: pay-scale level = not filled</td>
</tr>
<tr>
<td>T</td>
<td>Pay-scale table T510 is accessed just as TG, with the difference being that: pay-scale group = not filled</td>
</tr>
</tbody>
</table>

Table 9.1 Possible Valuation Bases of a Wage Type
If a wage type is recorded in an infotype, it is referred to as a dialog wage type. For these types, additional information must be maintained (see Figure 9.4):

- Entries are permitted based on the enterprise and personnel structures
- Minimum and maximum values for the number and amount fields
- Several entries are permitted per month (time constraint)
- Indirect evaluation conducted by pay-scale tables

![Figure 9.4 Dialog Characteristics of a Wage Type (T511)](image_url)

**Indirect Valuation**

There is one basic issue to be dealt with in dialog wage types, i.e., whether or not these are to be valued by entering a value manually, or if the valuation should occur indirectly by using a pay-scale table.

If a dialog wage type is indirectly valuated, this needs to be set in the dialog properties (see Figure 9.4). Here you work with modules and module variants. The combination describes the process according to which the relevant amount is transferred. Most processes work with the pay-scale table (see Figure 9.5). This is, however, not absolutely necessary.
If the amount of a wage type is automatically transferred to employee master data (Basic Pay) by an indirect valuation, other settings are required to make this powerful instrument suitable for actual practice. You must deal with the issue of what will happen if the employee works less or more than 100%.

How should this impact an employee's remuneration? A range of reduction methods is available, including rounding rules. The most useful reduction method provides the reduction by using the employment level from Infotype 0008 (Basic Pay).

For indirectly valuated wage types no amount is saved in the database. This value is usually recalculated by accessing infotypes, payroll, or reports. The disadvantage of the relatively complicated access to the concrete values is compensated for through simplifications during compilation and pay-scale increases. At the time of a pay-scale increase only the pay-scale table must be adjusted. The master data
of all affected employees is automatically updated, because they have saved no values and instead have calculated these during runtime from the amended pay-scale table.

**Split Indicators**

If Infotype 0008 (Basic Pay), or the tax data (and other deduction data for that matter) change during a payroll period, several partial periods are created, and these must be taken into consideration separately during payroll.

Let’s assume an employee who is paid monthly has a basic salary of $3,000 U.S. On 01/20/2008 he receives a salary increase so that his new salary is $3,500. Now there are two partial periods: one from 01/01/2008 to 01/19/2008 and the other from 01/20/2008 to 01/31/2008. The basic salary is mapped through wage type M003. The payroll creates two wage types M003, one for each partial period. To clearly assign the wage types to the corresponding partial periods, a split indicator is used. Payroll creates a table Work Place Basic Pay (WPBP) with the work center data according to Table 9.2.

<table>
<thead>
<tr>
<th>WPBP split</th>
<th>From</th>
<th>To</th>
<th>Calendar days</th>
<th>Further identifiers</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>01/01/2008</td>
<td>01/19/2008</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>02</td>
<td>01/20/2008</td>
<td>01/31/2008</td>
<td>10</td>
<td></td>
</tr>
</tbody>
</table>

**Table 9.2**  WPBP After a Salary Increase on 01/20/2008

The wage types are created from Infotype 0008 (Basic Pay) according to Table 9.3.

<table>
<thead>
<tr>
<th>Wage type</th>
<th>WPBP split</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>M003</td>
<td>01</td>
<td>$3,000</td>
</tr>
<tr>
<td>M003</td>
<td>02</td>
<td>$3,500</td>
</tr>
</tbody>
</table>

**Table 9.3**  WPBP Available Loan Types After a Salary Increase on 01/20/2008

Tables 9.2 and 9.3 are linked with each other via the split identifier. If the relevant calendar days are requested in the M003 wage type, they can be transferred using the WPBP split identifier from table WPBP (see Figure 9.6). To ensure that
the employee does not receive $6,500, the amounts are reduced in the payroll at a later time so that in the precise calculations approximately $3,193 emerges as a weighted average value throughout the entire month (see Section 9.2.5).

Split identifiers are a technical utility to "attach" additional information to wage types.

<table>
<thead>
<tr>
<th>Table WPBP</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
</tr>
<tr>
<td>01</td>
</tr>
<tr>
<td>02</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table IT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage type</td>
</tr>
<tr>
<td>2 M003 Pay Period 01</td>
</tr>
<tr>
<td>2 M003 Pay Period 02</td>
</tr>
</tbody>
</table>

**Figure 9.6  Wage Types with Split Identifiers**

**Retroactive Calculations**

Retroactive calculations are always necessary if facts become known after the payroll process that necessitates a change to the payroll data. The payroll must therefore be repeated as it is no longer correct. What is problematic about this situation, however, is that the employee has already received payment, and the remuneration statement and the personnel costs for financial accounting (FI) and CO have been transferred, and the taxes and other deduction amounts have already been paid. A correction is therefore no longer possible. The error can be corrected, at the earliest, during the subsequent payroll.

How can you deal with this relatively frequent situation? This is an instance where SAP ERP HCM displays one of its greatest strengths. It has a complete retroactive calculation function. You only have to correct the incorrect entry in the appropriate master data infotype. The rest happens automatically when the next payroll is run.

The system recognizes that data has been changed in a period for which the payroll has already run. It marks these periods for correction. In the next payroll run, the
Payroll will be repeated for this period. A retroactive calculation takes place. The resulting difference is transferred to the current period, as the relevant period is in the past and therefore nothing can be changed in that past period.

If the system is capable of repeating payrolls for previous periods, this means that the entire Customizing of the payroll must be time-dependent. Each adjustment to the payroll, because of legal, pay-scale, or business reasons, must be integrated in a way so that it becomes valid at a specific date. This is the only way of ensuring that in cases of a retroactive calculation the payroll logic did not change in the interim period and lead to misleading results. This is one of the reasons why the payroll component is so enormously complex.

For reasons of revision, the old result cannot just be changed. The retroactive calculation then creates an additional result for this period. So as to not lose the overview, we will work with the “for-period” and “in-period” concepts: In the case of an employee for whom retroactive calculation has been used, there are two payroll results for the same period, each of which has a different “in” period.

To better understand this complicated concept, let’s look at another example: After a successful payroll for 01/2008, we find out that we forgot to pay an employee an allowance for special services of $100 for 01/2008. This is corrected, say, in Info-type 0015, and after the payroll run for 02/2008 the results can be found in the database (see Table 9.4, each row of the table represents a payroll result).

<table>
<thead>
<tr>
<th>For period</th>
<th>In period</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/2008</td>
<td>01/2008</td>
<td>Original payroll 01/2008 including the error, i.e., without the allowance for special services</td>
</tr>
<tr>
<td>01/2008</td>
<td>02/2008</td>
<td>Correction to the payroll for 01/2008 during the payroll run 02/2002 (with allowance for special services)</td>
</tr>
<tr>
<td>02/2008</td>
<td>02/2008</td>
<td>Original payroll 02/2008</td>
</tr>
</tbody>
</table>

Table 9.4  Payroll Results After Payroll 02/2008 with Retroactive Calculation for 01/2008

From a technical point of view, retroactive calculations can be carried out whenever necessary. It is a very powerful instrument for avoiding inconsistencies between the payroll and the parts of SAP ERP HCM that provide the required master data for payroll.
Payroll-Relevant Master Data

To ensure that master data changes trigger retroactive calculations for periods when a payroll already exists, a special check logic must be active. In Infotype 0003 (Payroll Status), the payroll saves the last date the employee has been accounted for (Accounted To field). In addition, it saves the latest date since the last payroll run on which a master data change to the payroll-relevant master data has been carried out (Earliest MD Change field). Using this field, the payroll determines the earliest period for which a retroactive calculation will be necessary. This field is always deleted by the productive payroll (see Figure 9.7).

The logic to fill the Earliest MD Change field is integrated in the processing logic of the infotypes. In the configuration of infotype characteristics, you only have to specify if the infotype is relevant for the payroll and must therefore trigger retroactive payroll calculation. In this context, either the entire infotype can be identified as completely relevant for payroll or just individual fields (see Figure 9.8). For example, the phone number of an employee is not payroll-relevant although his bank details would definitely be.

![Change Payroll Status](Figure 9.7 Infotype 0003 — (Payroll Status))
Results of Time Management

The results of the time evaluation (cluster B2) of the respective periods are read by payroll to receive the following data:

- The personal work schedule for the employee, including all attendances and absences. It contains, for example, the planned working time and paid and unpaid absences of the employee.
- A table with wage types, which generally contain time and shift bonuses, overtime, and time accounts paid out (and possibly deductions due to negative time accounts). The task of the payroll is to valuate these wage types that are provided in terms of hours.
Because the results of the time evaluation are read by payroll, the time evaluation directly influences the payroll in the same way as an entry in a payroll-relevant infotype. For this reason, retroactive calculation is triggered by the time evaluation for payroll if changes are implemented in the periods for which payroll has already been carried out.

**Results of the Travel Costs**

Similar to time management, payroll also reads the results of travel costs (cluster TE/TX), which were created in the respective periods of the payroll. The travel costs settlement transfers a table of wage types to payroll.

This integration of Travel Expense may not be active at your company. You only need it if the reimbursement of travel expenses takes place through payroll accounting or if payroll needs certain information, such as reimbursements that are considered taxable income.

To activate the integration between travel management and payroll, the subschema UREI (for the U.S.) has to be active in your payroll schema. Additionally, feature TRVPA must be maintained (refer to the online documentation of the feature):

- Entry “L+G” must have a value between 1 and 4
- Entry “PA3” should have the value 1

**9.2.3 Payroll Process**

**The Payroll Control Record**

Each payroll area has a payroll control record (Transaction PA03), which enables the task of performing lock administration. This lock administration ensures that all of the master data entries are considered in the payroll. To this end, you must work with the statuses Released for Payroll, Released for Correction, Exit Payroll, and Check Payroll Results. Apart from the status, a period counter is required to make it clear which period is being referred to. When you change the status from Exit Payroll to Released for Payroll (beginning of a new payroll run) the period

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3 Alternatively, it can take place through accounts payable in financial accounting, by a special DME (Data medium exchange) or by check.
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