

# How Workday payroll is Effective and provide Best Payroll Experience to Organizations

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## Abstract

This article focusses on explaining the overview of Workday Payroll overview, and its payroll processing framework. It also provides information on the various steps involved in Workday payroll calculations and various sources of payroll inputs required for payroll calculations. Mostly this article will provide the Workday Payroll view based on US payroll rules. This article also explains the Workday payroll effectiveness which provides the best payroll experience topayroll users across different industry organizations.

**Keywords:** ERP, Workday Payroll, Earnings, Deductions, Taxes, Compliance, Retro Processing, Reporting, Integration System, US Payroll, Retro Calculation

## 1. Introduction

Organizations are required to process their employees' pay accurately and timely irrespective of the employee categories such as Salaried, Hourly Commission etc. The main challenge for the payroll processing team across the organization is all about managing the FLSA Rules, minimum wage policy, IRS regulations on the limit, Tax Compliance etc. Organization can choose various options to process the payroll like outsourcing the payroll to outside vendors, having in-house software for calculations or having Cloud ERP Solution to process their payroll. With the fast-evolving business landscape across the globe, having an in-house payroll solution is becoming challenging as the team needs to track all the compliance updates, IRS updates and FLSA Rules and the changes need to update in the system quickly. With the emergence of various Cloud ERP Products, now organizations can have seamless payroll processing solutions to obtain the best user experience, automatic compliance updates, No Infrastructure cost, effective security methods and not worry about technology updates. Workday Payroll is one of the leading Cloud ERP Payroll solutions which can automate and streamline payroll processing and provide the best payroll experience provides the best payroll experience for the Workday Payroll Users.

## 2. What is Workday Payroll?

Workday Payroll is a Cloud-Based payroll management solution which is designed to automate and streamline the payroll business process for organizations irrespective of sizes and categories of employees. It helps payroll businesses to effectively manage their employees' compensation, earnings and deductions configuration rules, tax deductions, tax compliance, payroll reporting and payroll analytics in a single software solution platform. Workday Payroll offers real-time calculations, managing FLSA rules, delivered connectors with major vendors like ADP, Fidelity, seamless integrations between HR and Finance Systems. Workday Payroll also comes in with best user self -service experience

interface, maintaining employee tax elections, direct deposit information and pre built audit controls which make payroll administrator to administer the payroll activities effectively.

### 3. Key Features of Workday Payroll

Workday Payroll Solution has got a lot of unique features and some of them is provided below:

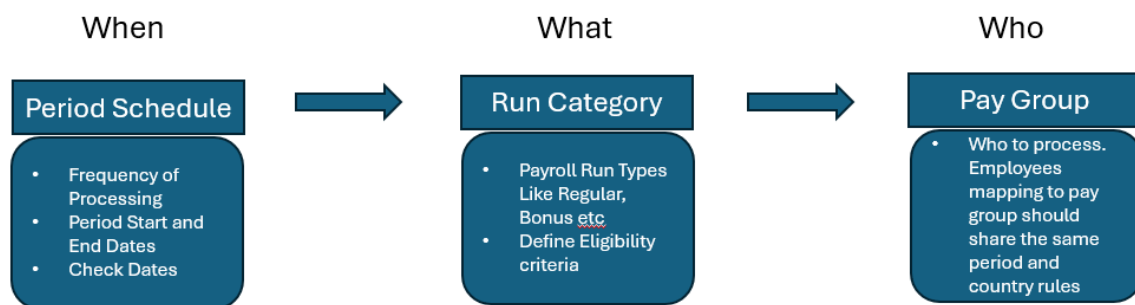
- Robust Configuration - All earnings, deductions, tax configuration etc., is configurable and organization can build their own set of earning and deduction rules.
- Automatic Payroll Processing – Manage and process gross-to-net calculations, tax compliance, payslip generation, year-end forms.
- Retro Processing – Manages to process the differences caused by any prior period changes for the completed payroll period.
- Unified Solution – Integrate seamlessly with Workday HR, Finance and Time Tracking
- Custom Payroll Rules – Allows organization to build their own business function customizable payroll rules.
- Real-Time Analytics – Comes up with many delivered payroll reports and dashboards.
- Payroll Command Center – Common area where all the payroll business activities can be sequentially ordered to process.

### 4. Basic Payroll Setup

Before you start processing the payroll in Workday, there are some basic steps which need to be completed. As a first step, we need to tell Workday when to pay, what to pay and who to pay which is the payroll processing framework. We also need to configure FLSA Configuration, Period Schedule, Earnings and deduction configuration, Payment Election rules, Worker to tax mapping, company taxation rules, Employee Payment Elections Rules mapping, Accounting setup, Withholding orders, integrations, banking and settlement, reporting, and auditing.

### 5. Payroll Processing Framework

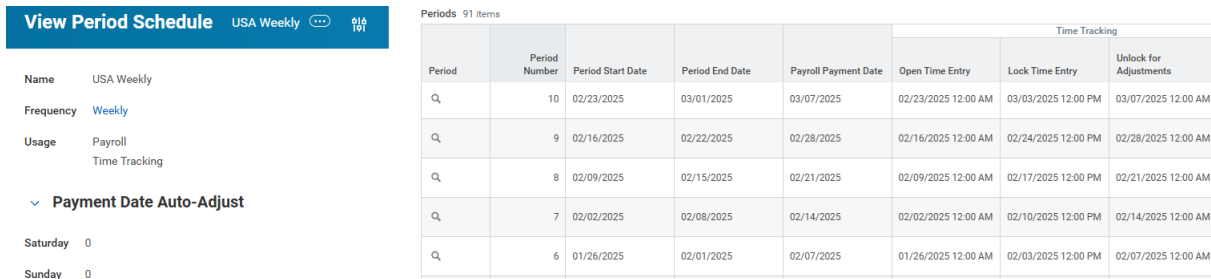
The Payroll processing Framework of Workday will determine when to pay, what to pay and who to pay. This association is accomplished by period schedules, run categories and pay groups



**Figure 1: Workday Payroll Processing Framework**

## Period Schedule

Period schedules determine and control whether an employee is paid weekly, bi-weekly monthly etc. They will always have a start date, end date and payment Date (Check Date). Period Schedule defines consecutive periods, such as weekly or monthly for payroll processing. In case, if your organization enables Workday Timekeeping, the period schedule can be shared only if the time period and pay period match.



View Period Schedule					Time Tracking		
Period	Period Number	Period Start Date	Period End Date	Payroll Payment Date	Open Time Entry	Lock Time Entry	Unlock for Adjustments
Q	10	02/23/2025	03/01/2025	03/07/2025	02/23/2025 12:00 AM	03/03/2025 12:00 PM	03/07/2025 12:00 AM
Q	9	02/16/2025	02/22/2025	02/28/2025	02/16/2025 12:00 AM	02/24/2025 12:00 PM	02/28/2025 12:00 AM
Q	8	02/09/2025	02/15/2025	02/21/2025	02/09/2025 12:00 AM	02/17/2025 12:00 PM	02/21/2025 12:00 AM
Q	7	02/02/2025	02/08/2025	02/14/2025	02/02/2025 12:00 AM	02/10/2025 12:00 PM	02/14/2025 12:00 AM
Q	6	01/26/2025	02/01/2025	02/07/2025	01/26/2025 12:00 AM	02/03/2025 12:00 PM	02/07/2025 12:00 AM

Figure 2: Period Schedule

## Run Categories

Run Categories determine who and what to process for the payroll period. It specifies:

- What workers to be processed based on status and selection criteria
- Net Pay Validation rule execution
- Pay Components to be processed.
- Pay Components to be processed automatically for terminated workers for Regular or On Demand Replacement
- Pay Components to be processed any On Demand Replacement Additional

## Run Category Types

There are two most commonly used run categories which are Regular and Non-Regular

- Regular category is mostly used to process the regular payrolls for the employees.
- Non-Regular category is considered as Bonus or Adjustment which will process only when required and this uses a different period schedule than the regular run category.

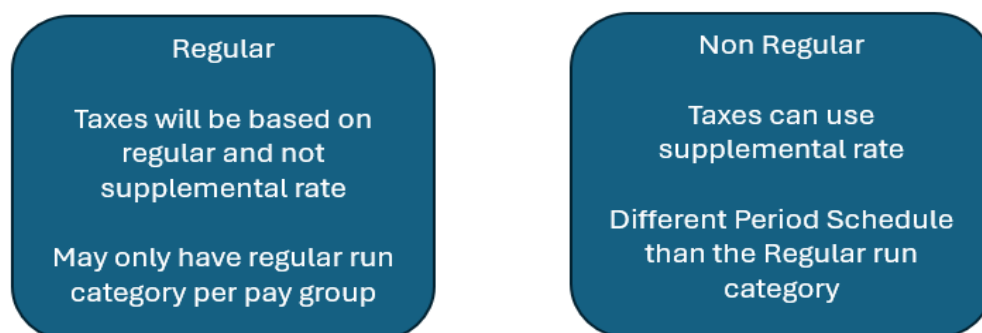
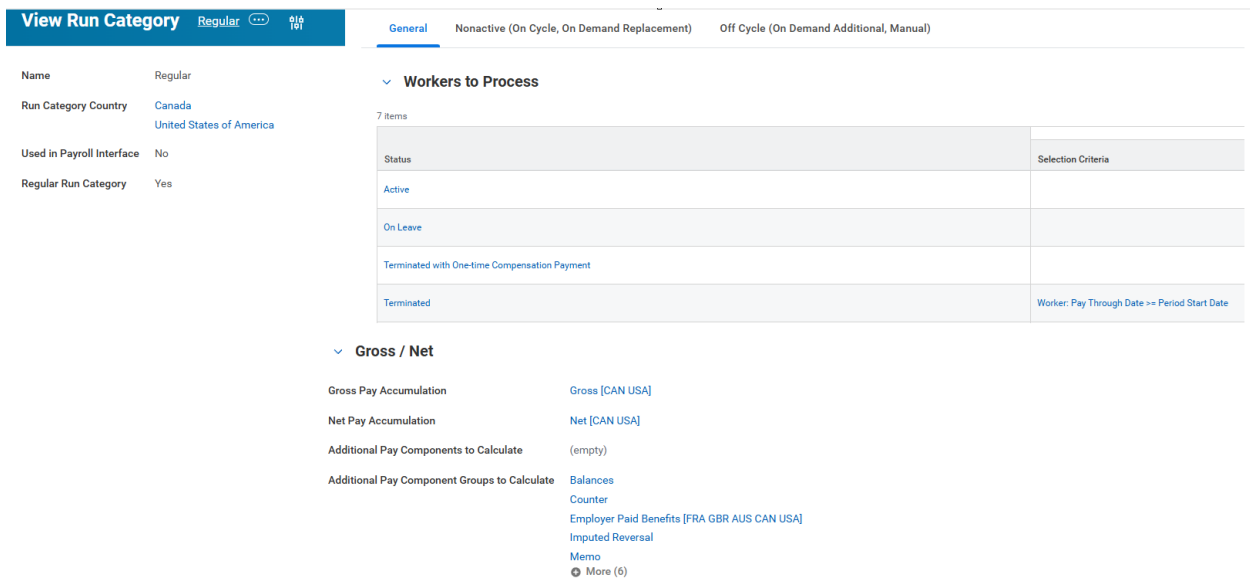


Figure 3: Types of Run Category



**View Run Category** Regular ⓘ 91/101

General Nonactive (On Cycle, On Demand Replacement) Off Cycle (On Demand Additional, Manual)

Name Regular  
Run Category Country Canada United States of America  
Used in Payroll Interface No  
Regular Run Category Yes

**Workers to Process**  
7 Items

Status	Selection Criteria
Active	
On Leave	
Terminated with One-time Compensation Payment	
Terminated	Worker: Pay Through Date >= Period Start Date

**Gross / Net**

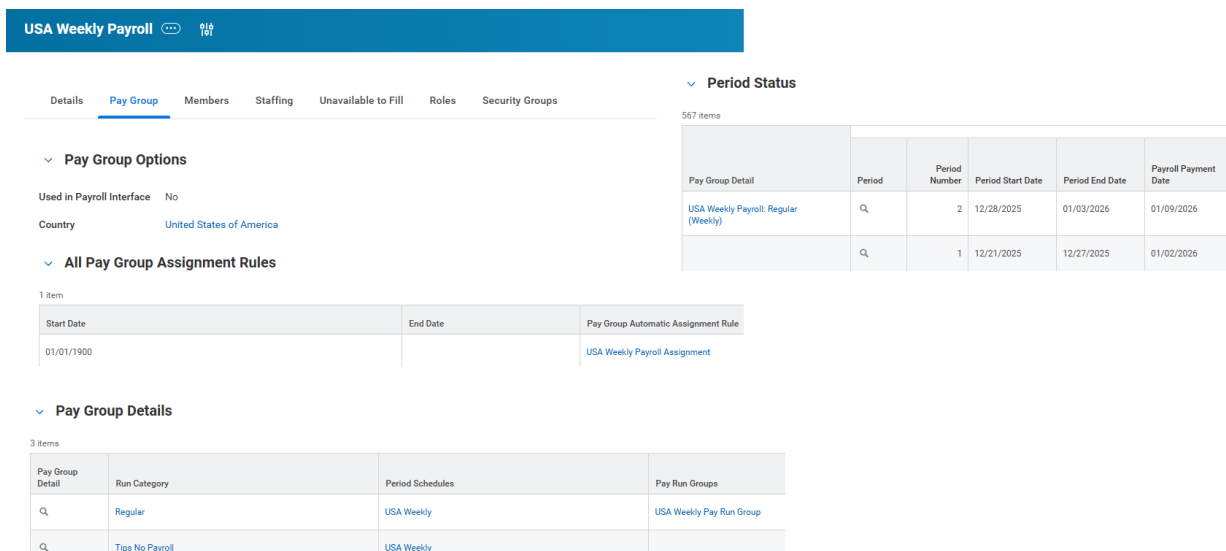
Gross Pay Accumulation Gross [CAN USA]  
Net Pay Accumulation Net [CAN USA]  
Additional Pay Components to Calculate (empty)  
Additional Pay Component Groups to Calculate Balances  
Counter  
Employer Paid Benefits [FRA GBR AUS CAN USA]  
Imputed Reversal  
Memo  
More (6)

Figure 4: Run Category

### Pay Groups

Pay groups are used to group the workers for the payroll processing. Every worker to be processed in a payroll should at least map to one pay group. It identifies the payroll processing frequency and determines what payments to process. You can define earnings and deductions available to workers in selected pay groups.

- Pay groups are an organization type that is specifically for payroll.
- Workers from various departments, companies, divisions, supervisory organizations can belong to one pay group.
- Workers in pay groups share the same period schedule and run categories as it is interlinked.
- Pay group can be secured to organization roles which can control the access security of who can set up and run the payroll process.



**USA Weekly Payroll** ⓘ 91/101

Details Pay Group Members Staffing Unavailable to Fill Roles Security Groups

**Pay Group Options**

Used in Payroll Interface No  
Country United States of America

**All Pay Group Assignment Rules**  
1 Item

Start Date	End Date	Pay Group Automatic Assignment Rule
01/01/1900		USA Weekly Payroll Assignment

**Pay Group Details**  
3 Items

Pay Group Detail	Run Category	Period Schedules	Pay Run Groups
Q	Regular	USA Weekly	USA Weekly Pay Run Group
Q	Time No Payroll	USA Weekly	

**Period Status**  
567 Items

Pay Group Detail	Period	Period Number	Period Start Date	Period End Date	Payroll Payment Date
USA Weekly Payroll: Regular (Weekly)	Q	2	12/28/2025	01/03/2026	01/09/2026
	Q	1	12/21/2025	12/27/2025	01/02/2026

Figure 5: Pay Groups

## 6. Payroll Calculation Engine

Workday's calculation engine is the main building blocks / core system utility to define custom specific payroll calculations and business logic. This engine is used while configuring earnings and deductions and used in other Workday related functionalities.

- Calculations can be customer-owned or Workday-owned. Workday-Owned calculation is delivered by Workday as part of the product suite.
- Calculations can be built to refer to other calculations.
- Calculations are sequenced automatically by Workday.
- Calculations can be categorized as payroll, absence, or common.

### Categories of Calculations

Workday provides four basic categories of calculations in the calculation engine. These categories are categorized based on the return value.

- Calculations like Aggregate, Arithmetic, Conditional, constant etc. that return a numeric value.
- Calculations like Build Date, Arithmetic, Conditional, constant date, Date increment or decrement that returns a date value.
- Calculation like true or false that returns a Boolean value.
- Payroll Common Calculations

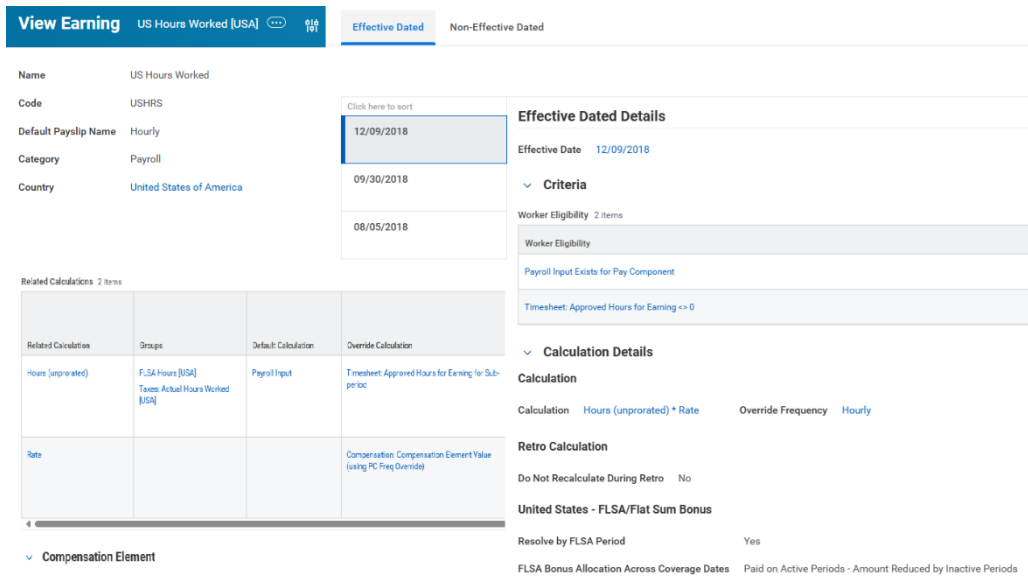
## 7. Earnings & Deduction

Earnings and deductions are the fundamental building blocks needed to make payroll calculations. These earnings and deductions are used by the calculation engine to process the business logic attached to the earnings and deductions. While defining Earnings and deductions there are three sections to complete:

- General Information like name, code, and payslip name etc.
- Effective Dated Tab like Worker eligibility, calculation proration etc.
- Non-Effective Dated where you specify Pay Component groups and segment security.

Earnings can be configured to retrieve the value from compensation, time tracking, benefits, and payroll input. While you configure the earnings the following specific information is provided:

- Country and paygroup eligibility.
- Whether it should add to gross or not
- Payslip attribute
- Worker eligibility
- Calculation method
- Proration logic
- Part of retro calculation or not
- Hours vs. Dollars



**View Earning** US Hours Worked [USA] Effective Dated Non-Effective Dated

Name: US Hours Worked  
Code: USHRS  
Default Payscale Name: Hourly  
Category: Payroll  
Country: United States of America

Effective Date: 12/09/2018

**Criteria**

- Worker Eligibility 2 items
  - Worker Eligibility
  - Payroll Input Exists for Pay Component
  - Timesheet: Approved Hours for Earning <=> 0

**Calculation Details**

Calculation: Hours (unprorated) \* Rate Override Frequency: Hourly

**Retro Calculation**

Do Not Recalculate During Retro: No

United States - FLSA/Flat Sum Bonus

Resolve by FLSA Period: Yes

FLSA Bonus Allocation Across Coverage Dates: Paid on Active Periods - Amount Reduced by Inactive Periods

Related Calculation	Groups	Default Calculation	Override Calculation
Hours (unprorated)	FLSA Hours [USA] Timesheet Actual Hours Worked [USA]	Payroll Input	Timesheet: Approved Hours for Earning for Sub-period
Rate			Compensation: Compensation Element Value (using FC Freq Override)

Compensation Element

**Figure 6: Earnings**

Deductions can be configured to retrieve the value from Benefits and payroll input. While you configure the deductions the following specific information is provided:

- Taxes to be withheld.
- One Time or Recurring
- Pre Tax Deduction or Post Tax Deductions
- Benefits Mapping

The Minimum Net Pay feature can be configured by payroll business to set a minimum net pay amount for employees. Workday payroll also allows payroll processors to set priority to deductions. Deduction priorities can be adjusted so that the arrears can be tracked and recouped.

View Deduction
Medical ⋮ 🔍

Name	Medical
Code	HDHPGON
Default Payslip Name	Medical
Category	Payroll

Effective Dated
Non-Effective Dated

Click here to sort

04/01/2017
01/01/2017
10/01/2016
01/01/2000

### Effective Dated Details

Effective Date 04/01/2017

Criteria

Run Category Eligibility Regular

Worker Eligibility 2 items

Worker Eligibility

Payroll Input Exists for Pay Component

Benefits: Employee Cost (pre-tax) Exists and <= 0

Calculation Details

**Calculation**

Calculation Benefits: Employee Cost (Pre-tax) ⋮ Input Amount Allowed? Yes

**Calculation Proration**

Prorate Using Calendar Days

Prorate Using Annual Working Days

**Retro Calculation**

Recalculate during Retro No

Effective Dated
Non-Effective Dated

Edits made to details in this tab are not effective dated and will always apply.

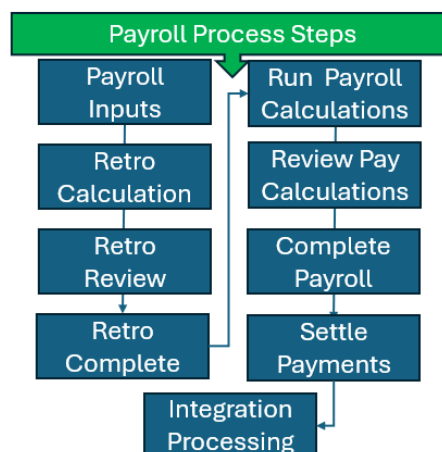
Groups

Groups Federal Taxable Reduction [USA]  
FICA Taxable Reduction [USA]  
FUI Taxable Reduction [USA]  
Local Withholding Taxable Reduction [USA]  
Local Withholding Taxable Reduction Employer [USA]  
+ More (4)

**Figure 7: Deduction**

## 8. Workday Payroll Processing Steps

Workday Payroll Processing consists of various steps to be performed by payroll users. These steps will vary based on the pay period and the way payroll is configured. Some steps can be skipped based on the transactions.



**Figure 8: Payroll Process Steps**

Payroll Inputs	Payroll Inputs is the first step wherein the inputs will be provided at employee level from processing. The inputs can be loaded via or integration or manually
Retro Calculation	Retro calculation is a process in Workday which is used to process any changes that happened retroactively for a completed pay result. These changes can be from Core HR, Compensation, Benefits etc. Retro calculation will process for the changed period and provide the difference between the completed run and the current run
Retro Review	Retro Review is the process of reviewing the results from retro calculation
Retro Complete	Retro Complete is the process of completing the retro results. This process will provide you with an option to pay the retro calculation in the current open period regular calculation or pay as additional payments for the complete period
Run Payroll Calculations	This step is the actual payroll processing for the current open period. This process will calculate the payroll for the employees and put the results in In Progress, Requires for Recalculation, Error etc.
Review Pay Calculations	Review Payroll Calculations is the process of reviewing the results from the current pay calculations
Complete Payroll	Complete payroll is the process step to complete the current payroll calculation and close the period
Settle Payments	Settle Payments is the step to process all the accounting process and sends them to financial accounting
Integrations	Integration processing is the step which will trigger all the bank and other integration required after the payroll is completed

**Run Retro Pay Calculation**

**Calculation Criteria**

Pay Run Groups and/or Pay Group Details \*

Employees to Calculate \*  Smart Retro

Smart Retro by Events

Calculation Statuses

Workers

Comma Separated Employee IDs

**Run Retro Pay Complete**

**Retro Complete Criteria**

Pay Run Groups and/or Pay Group Details \*

**Important Notes**

This process will complete retroactive results for the Pay Groups selected. (empty)

OK to Proceed

**Figure 9: Retro Calculation**



### Run Pay Calculation

**Calculation Criteria**

Period \*

Pay Run Groups and/or Pay Group Details \*

Employees to Calculate \*

Smart Calculation

Smart Calculation Based on Events

Based on Result Status

Workers

### Run Pay Complete

**Complete Criteria**

Prior Period

Next Period

Period \*

Pay Run Groups and/or Pay Group Details \*

On-cycle/Off-cycle \*

Batch ID (empty)

**Important Notes**

This process will complete payroll results for the Period/Pay Groups selected. (empty)

Period Start Date (empty)

Period End Date (empty)

Payment Date (for Period) (empty)

OK to Proceed \*

**Figure 10: Run Payroll Calculation**

## Conclusion

Workday Payroll is revolutionizing payroll management by its unique process model with robust configuration capabilities. It provides the payroll business function to configure their own earnings, deduction, and calculation rules. Also, the pay group concept of Workday provides bigger organization to group and classify their associates in separate pay groups which enables payroll processing group to process different sets of employees separately. The biggest challenge of payroll teams to track the retro changes happening across various departments within the organization and calculating the retro pay is managed by Workday Payroll automatically which provided the best user experience for all payroll processing teams. The segregation of payroll business function as separate payroll steps thus enables the payroll processing team to process each step, review and complete the same ensures greater efficiency and accuracy. Also, Workday Payroll manages all the tax compliance, minimum wage requirements and IRS limits within the payroll helps the payroll team to be legally compliant. Workday Payroll also provides delivered Payroll Reports, Audit Reports and Dashboards, which helps payroll teams to audit the payroll and ensure greater accuracy. With all these features combined with easy to go payroll processing steps and the best Payroll Self Service User Experience provides the best payroll experience for the users across organizations.

## References

- [1] Workday Community Portal [Online]. <https://resourcecenter.workday.com/> (accessed Dec 18, 2024)
- [2] Payroll Fundamentals Course Manual Workday (Authored by Workday 2018)