December 18, 2023

Amandeep Singh Gill
Under-Secretary-General, Tech Envoy
Office of the Secretary-General's Envoy on Technology
United Nations
405 E 45th Street
New York, NY 10017

Re: Comments to the United Nations High-Level Advisory Body on Artificial Intelligence

Dear Under-Secretary-General Amendeep Singh Gill:

PayrollOrg (PAYO) offers the United Nations (UN) comments on artificial intelligence (AI) as used and potentially used for the management of payroll (wages, salaries, earnings, compensation, legal withholding, and information reporting).

PayrollOrg encourages the UN High-Level Advisory Body on AI to develop guidelines to help payroll management software developers and users identify biases, especially for hidden disparities. These considerations may be different among nations depending on cultural attitudes, levels of education, resources, and other capabilities.

ABOUT PAYROLLORG

PAYO is the payroll industry leader in education, publications, and networking, helping its constituents grow their leadership practices and stay on the cutting edge of payroll industry standards. Each year, PAYO enrolls more than 100,000 participants in its training programs and has subscribers from more than 100 countries. PAYO also provides publications, newsletters, and resources to help payroll professionals maintain compliance.

One of PAYO's core missions is providing a voice for more than 32,000 payroll professionals. This is done primarily through PayrollOrg's Government Relations Task Force and Global Initiative in which members educate government and community leaders about the payroll industry and the best practices associated with paying workers.

PURPOSE OF COMMENTS

When forming the High-Level Advisory Body on AI, the UN Secretary General, speaking at the United Kingdom's Safety Summit in November, raised three critical concerns:

1. Today's threats—release of powerful AI models with little consideration for the safety and security of users.

2. Long-term negative consequences—disruption to job markets and economies, and the loss of cultural diversity that could result from algorithms that perpetuate biases and stereotypes.

3. Potential inequalities—without immediate action, AI will exacerbate the enormous inequalities that already plague our world.

PayrollOrg's comments are focused on the use of AI for managing workers' pay, including the benefits of AI and potential negative consequences. We are not addressing disparities among nations for AI capabilities as this is not the role of payroll professionals.

AI FOR PAYROLL MANAGEMENT

The following are some AI applications that may be used in payroll processes:

Automated notification process. Any changes in ancillary services, like human resources information systems or time and attendance processes, can leverage AI technology to reduce the time and cost of payroll processes. For example, AI could be used to create a communication flow between human resource and payroll departments with the result of reduced errors in identifying workers. When a human resource professional enters a newly hired worker's information into an electronic system, AI can notify the necessary stakeholders, update the data in the payroll management system, and then validate the change flow through to all the necessary applications. In the event of a process failure or data error, AI can send a notification to all stakeholders. The system can anticipate when changes should occur and communicate completion or send a notice if additional steps need to be taken.

Proper calculations. Generally, wages are determined through calculating a worker's regular rate of pay and overtime hours (e.g., in the United States, usually more than 40 hours in a workweek), and then withholding for taxes, healthcare insurance, retirement plan contributions, child support, and any other legal requirements. Other nations have different requirements for determining a worker's pay. AI technology is an excellent tool of

analyzing data and performing these complex calculations. This technology can also adapt when new data is inputted with changes to a worker's situation or when new laws are enacted. This can prevent errors when the inputted data is pushed through to all applicable employer systems.

For example, if an employee is promoted and hourly wages are increased, this data can be entered into the worker's setup in the payroll system, and AI can recalculate the worker's pay, taxes, social insurance, etc. If government bodies change the method of calculating pay, add requirements for legal minimum pay rates, or other changes, an AI system could be used to identify the impacted workers and correctly calculate workers' pay and legal withholding.

Validation testing. With a library of process rules and exceptions, AI can efficiently and quickly perform validation testing to meet customer and business needs, including ensuring that changes are correctly incorporated.

Real-time reconciliation and error notification. AI could be used to analyze the payroll database and perform real-time reconciliations. While most payroll professionals will tell you they reconcile every time workers are paid, data shows that there is a large percentage of organizations that wait until they are required to file employment tax returns to make sure that payroll records are accurate.

Currently, many payroll professionals use Microsoft Excel spreadsheets to reconcile payroll records. The user maintains the formulas, but this process is subject to a high percentage of errors and omissions. Payroll systems, in which users set custom income, allowance, and deduction configurations, have an even higher percentage of errors. When AI is used to validate the configuration ahead of processing payroll, the percentage of errors can be greatly reduced.

Authorized access. By using AI in the background to analyze patterns, transactions, and historical data, employers can identify suspicious behavior or unauthorized access, helping to prevent payroll fraud and enhance data security.

Analytic reporting. As more government bodies demand reporting through automated processes, at least in developed countries, AI can be a useful tool. Based on the user's criteria, an AI system will know what data employers must report to government bodies and can automatically perform the process. For example, a well-designed AI system can determine the pay equality data that must be reported. This can help target government and community resources to help citizens and residents.

Updating tax withholding formulas. Nations with taxation agencies can collaborate with employers and payroll software developers to utilize application program interfaces for a faster response time to updating withholding procedures. Today, withholding processes have a high overhead due to the numerous manual steps involved that can result in input errors. Using AI to accept government formulas and place them directly into the code is valuable, especially when incorporating end-to-end testing to assure the accuracy of data.

Analyzing data. AI can analyze data to identify the workers in an organization with the skills to perform certain job tasks and those who deserve a promotion. If performed without prejudice, this can help employer decision-making.

Reduction in operational costs. Using AI for worker self-service and year-end payroll processing are just two areas where employers have already seen significant results. AI allows for a worker self-service portal to automate reminders for updating information, such as entering hours worked and name and address changes. These systems can require workers to check a confirmation box that their information is correct. This empowers workers to take responsibility for keeping their data accurate. An employer's benefits database can then communicate with the worker portal to expand accuracy.

For example, if a worker enters a request to add a spouse or dependents to their healthcare insurance benefits, the AI system can ask if the worker needs to review their tax withholding based on the increase in their insurance. Employers can also incorporate "what-if" algorithms for employees who want to see the impact of a change to their benefits or taxes before they make decisions. In addition, AI can assist in providing pay slips to employees in a timely fashion in line with regulatory requirements about transparency while keeping data and privacy protections intact.

Addressing a shortage in hiring. Improving the performance of self-service components increases the level of customer service without adding additional overhead to the human resources and payroll teams. Payroll professionals are instrumental in creating a knowledge base containing a set of rules or facts about payroll. An inference engine uses these rules to reason and draw conclusions related to user questions or specific problems employees encounter.

This does not mean that payroll professionals will not be needed, only that their job tasks will change in the direction of data analytics, resulting in more strategic day to day payroll operations.

CONCERNS ABOUT DISPARITIES AND DISCRIMINATION

AI systems are dependent on data input to identify patterns. If historical data is inaccurate or includes discriminatory information, the AI system could carry that information forward and emphasize bad data through machine learning.

If biases are built into an AI system, the system could miscalculate the pay of certain workers or fail to correctly apply new worker situations and law changes to all covered workers. For example, if historical data includes inequitable pay between men and women or white and people of color, using this data in an AI system to determine fair pay for new hires is not appropriate. If a time and attendance system is unable to correctly identify workers of color, the number of hours workers may be incorrect, denying a worker's full pay. If managers use an algorithm to determine which workers should receive bonuses or pay increases, and the AI system is biased, workers will not be treated fairly and equally.

Disparities also can arise if payroll data is not carefully managed. While nations have different laws and regulations on data privacy, personal information about workers should not be made publicly available or shared with any entity not partnered with or authorized by the employer. For example, if an employer outsources payroll management to a payroll service provider, that provider will need information about each worker. The provider is responsible for protecting the employer's and employees' interests by not sharing the data. Some government bodies may require reporting of workers' personal information, such as for taxation purposes. When AI systems are used to research employment or answer economic and growth questions, internally or externally to employers, workers' personal information should not be shared or sold.

POTENTIAL SOLUTIONS

If an AI system is trained to recognize disparities, we have an opportunity to eliminate discrimination going forward. Machine learning could be used to help us eradicate discriminatory practices.

The question is whether we can recognize biases to train the AI system. Some discriminatory practices are easily recognized. Other biases are more inadvertent, and we do not recognize them. Thus, development of AI systems must include diverse teams and consultants who are experts in identifying discrimination in coding processes. Before use, AI system testing should not only include system functionality for customer and business needs but also processes and procedures to prevent building disparities into the system.

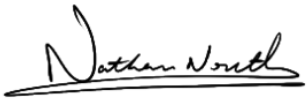
Developers, users, payroll professionals, and employers must add data use and sharing prevention measures into payroll management systems to prevent workers' personal information from leaking or from being used by unauthorized individuals.

CONCLUSION

PayrollOrg encourages the UN High-Level Advisory Body on AI to recognize the value of AI to prevent discrimination and encourage economic growth in the payroll management sector. Providing guidelines and a listing of other resources for developers and users to identify biases, especially for hidden disparities, would be helpful.

To discuss payroll management and AI further, contact PayrollOrg through Alice Jacobsohn at ajacobsohn@payroll.org or +1-202-669-4001.

Sincerely,



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