WHITE PAPER

The hidden payroll

Every organization pays for its systems twice: once in licenses, and again in the staff hours spent re-keying, reconciling, chasing and fixing what those systems do not do. The second bill never arrives, so nobody budgets for it. How to count it honestly, and how to put it in front of a board.

01 Where the hidden payroll comes from

02 Four kinds of quiet work

03 How to count it honestly

04 The staff-time worksheet

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For
Anyone who wants to know what their systems really cost

Time to read
About 25 minutes

Use it
Before any budget or systems conversation

A NOTE BEFORE YOU START

The most expensive system you run may be the one nobody has costed.

Ask a membership team how long renewals take and you will hear about the software. Ask what they were doing last Tuesday afternoon and you will hear about two exports, a spreadsheet, and a list of members to call because the payment did not match.

That second answer is where the cost sits. It is time spent making systems agree with each other. It is real work, done by capable people, and it is almost never written down. It does not appear in the budget. It appears as a team that always seems stretched, a report that is always late, and a renewal season that everyone dreads.

I call it the hidden payroll. Not as an accusation. The people doing this work are usually the reason the organization still runs. But a board cannot weigh a cost it cannot see, and an executive cannot defend a systems decision with "the team is busy".

This paper is about counting it honestly. Not inflating it to win an argument, and not ignoring it to avoid one. A number your finance lead would put their name to, and a way of presenting it that a board will trust.

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The short version

- Count tasks, not people.
- Ask the people who do the work, and believe them.
- Times a year, times minutes, times people.
- Separate what would go from what would stay.
- Lead with hours and capacity. Dollars come second.
- Never promise a staff cut you will not make.

What it takes

Two weeks, one shared sheet, and a 45 minute conversation with each team. Most of what you need is already known. It has just never been added up.

Worth remembering. Time returned is not money saved. It is capacity: hours your team can give back to members, donors and programs. Presented that way, it is the most persuasive number in a board paper. Presented as a saving, it is the first one a board will challenge.

01 · WHERE THE HIDDEN PAYROLL COMES FROM

It lives in the gaps between systems, not in the systems themselves.

Most associations and nonprofits did not choose their systems all at once. They added them, one sensible decision at a time, over ten or fifteen years.

A membership database came first. Then an event platform, because the database could not take registrations. Then an online payment tool, a learning system for continuing education credits, an email platform, and an accounting package that finance chose for good reasons of its own. On the nonprofit side the list looks similar: a donor database, an online giving form, a grants tracker, a volunteer sign-up tool, and the accounting system again.

Each of those systems does its own job reasonably well. The trouble is the space between them. Nobody owns it, nobody bought it, and nobody budgeted for it. So people fill it. A registration in one system becomes a record in another because someone types it in. A payment in the processor becomes a dues payment in the database because someone matches it by hand. The board report exists because someone spends three days building it from four exports.

That is the hidden payroll: the paid staff time that exists only because systems do not agree with each other. It is not inefficiency in the usual sense. The people doing it are often the most careful in the building. It is a structural cost, and it stays hidden for four reasons.

It arrives in small pieces

Twenty minutes here, an hour there, spread across six people. No single piece looks worth fixing. Added up over a year, it often is.

It looks like competence

The person who always knows which spreadsheet is right is valued, and should be. But their skill is also covering a gap that nobody sees.

It is seasonal

Renewal season, the annual conference, year-end giving, the audit. The peaks are remembered as "a hard month", not as a recurring cost.

It sits in no budget line

Licenses are a line. Salaries are a line. The share of salaries spent on making systems agree is not, so it never gets discussed.

The point of counting it is not to prove that staff are wasting time. It is to make a cost visible that the organization is already paying, so the organization can decide, with the board, whether to keep paying it.

02 · FOUR KINDS OF QUIET WORK

Name the work before you count it

Almost all of the hidden payroll falls into four kinds. Naming them helps teams recognize their own week in the list, and it tells you later what kind of change would remove each one.

01 Re-keying

Typing information into one system that already exists in another. It is the easiest kind to see and the easiest to count, because it happens on a rhythm: every registration, every payment, every new member or new donor. It also creates errors, which feed the fourth kind of work.

IN AN ASSOCIATION

- Event registrations copied into the member record
- Online renewals entered again in accounting
- CE credits typed in from the learning system

IN A NONPROFIT

- Online gifts entered again in the donor database
- Volunteer sign-ups copied into contact records
- Grant payments keyed into two places

02 Reconciling

Making two systems agree after the fact. It is usually monthly, usually done by someone in finance working with someone in membership or development, and it takes longer than anyone admits because every mismatch has to be traced back by hand.

IN AN ASSOCIATION

- Dues in the processor against dues in the database
- Event revenue against registrations
- Chapter rebates against chapter rosters

IN A NONPROFIT

- Gifts in the donor database against the bank
- Restricted funds against grant budgets
- Pledges against payments received

A useful test. If a task would disappear the day two systems shared the same record, it belongs in the hidden payroll. If it would still need doing with perfect systems, it is simply the job.

03 Chasing

Emailing, calling and reminding people for information a system should already hold. Chasing is the hardest kind to count, because it is broken into many small messages, and the hardest to remove completely, because some of it is genuine relationship work. Count the part that exists because the information has no home.

IN AN ASSOCIATION

- Chapters asked for rosters every month
- Members asked to resend CE certificates
- Staff asking each other "is this member current?"

IN A NONPROFIT

- Program staff asked for outcome numbers
- Finance asked which fund a gift belongs to
- Volunteers asked to confirm hours already logged

04 Fixing reports and records

Cleaning duplicates, correcting addresses, and rebuilding reports because the numbers do not match. The board report is the classic case: built by hand each quarter from several exports, checked by a second person, and still questioned in the meeting because last quarter's figure was calculated a slightly different way.

IN AN ASSOCIATION

- Merging duplicate member records
- Cleaning the renewal list before each mailing
- Building the quarterly board report by hand

IN A NONPROFIT

- Merging duplicate donors before an appeal
- Rebuilding the funder report from scratch
- Correcting gift codes before year end

Signs the hidden payroll is large

Someone keeps a personal spreadsheet that the organization depends on.

The answer to "how many members do we have?" depends on who you ask.

Renewal season or year-end needs temporary help or unpaid overtime.

A report takes days to build and minutes to read.

03 · HOW TO COUNT IT HONESTLY

Seven rules for a number you can defend

The aim is not the biggest figure. It is a figure that survives the first hard question from the treasurer.

1 **Count tasks, not people**
List the task first, then everyone who touches it. Starting with people turns the exercise into a review of their jobs, and they will rightly be wary of it.

2 **Ask the people who do the work, and believe them**
Their estimate is better than a manager's guess. Where estimates differ, ask two or three people to keep a simple log for two ordinary weeks.

3 **Count ordinary weeks, then name the peaks**
Renewal season, the conference, year-end giving and the audit are real and recurring. Give each peak its own line rather than averaging it away.

4 **Keep the arithmetic plain**
Times a year, multiplied by minutes each time, multiplied by the number of people involved, divided by 60. Anyone on the board should be able to check it with a phone.

5 **Round down when unsure**
A modest number you can defend does more work than a large one you cannot. If one line is doubtful, leave it out and say so.

6 **Leave out the real work**
Talking to members, judging a scholarship application, thanking a donor. The hidden payroll is the time spent making systems agree, not the time spent serving people.

7 **Write down where each number came from**
Who estimated it, and whether it was an estimate or a log. When the board asks, you will have the answer on the page.

Running it in two weeks

Week one. A 45 minute conversation with each team: walk through a normal month and list every task that moves information between systems. **Week two.** Fill in the numbers with the people who do the work, keep logs where estimates differ, then review the whole sheet with your finance lead before anyone else sees it.

04 · THE TOOL

The staff-time worksheet

One line per task. Hours a year = times a year × minutes each time × people ÷ 60. Copy it into a shared sheet and fill it in with the people who do the work.

TASK	KIND	TIMES A YEAR	MINUTES EACH	PEOPLE	HOURS A YEAR	GO, PART, STAY
Total						

KIND
Re-key, reconcile, chase or fix. It tells you what sort of change would remove the task.

GO, PART, STAY
Go: disappears if the systems shared one record. **Part:** shrinks but does not vanish. **Stay:** human work that remains.

SOURCE
Add a column in your sheet for who estimated each line, and whether it came from a log.

Before you total it. Read every line aloud with the team. If anyone winces at a number, ask why. The wince is usually a line that is too high, and the conversation is usually where the missing lines turn up.

05 · A WORKED EXAMPLE

Lakeview Association

> **This is an example, not a client.** Lakeview Association is an example organization, and its figures are illustrative, chosen to show the method. Take an association with 2,400 members, eight staff and four main systems: a membership database, an event platform, an online payment tool and accounting software, with chapter rosters and CE credits kept in spreadsheets.

TASK	KIND	TIMES A YEAR	MINUTES EACH	PEOPLE	HOURS A YEAR
Event registrations typed into member records (weekly)	Re-key	48	90	1	72
Online renewals entered again in accounting (weekly)	Re-key	48	120	1	96
Monthly dues reconciliation, processor to database to ledger	Reconcile	12	480	2	192
Chasing chapters for monthly rosters	Chase	12	180	1	36
Chasing and logging CE certificates (monthly)	Chase	12	240	1	48
"Is this member current?" checks across two systems (weekly)	Chase	48	150	1	120
Merging duplicate member records (weekly)	Fix	48	60	1	48
Cleaning the renewal list before each of three mailings	Fix	3	960	2	96
Building the quarterly board report by hand	Fix	4	1,200	2	160
Total					**868**

868
hours a year spent making Lakeview's systems agree with each other

0.48
of a full-time role, at 1,800 working hours a year (868 ÷ 1,800)

48
working weeks used for weekly tasks, after holidays and leave

How to read a line: the weekly registration task is 48 times a year × 90 minutes × 1 person = 4,320 minutes, which is 72 hours. The board report is 4 × 1,200 minutes × 2 people = 9,600 minutes, or 160 hours. The 1,800 hour working year is an assumption for this example; use your own figure.

05 · THE EXAMPLE, CONTINUED

What would go, and what would stay

868 hours is the cost Lakeview pays today. It is not the number to promise. The honest step is to sort every line by what a better setup could realistically remove.

GROUP	LINES IN THE LAKEVIEW EXAMPLE	HOURS	COUNTED AT	HOURS COUNTED
Go	Registrations re-keyed (72), renewals re-keyed (96), duplicate records (48)	216	Full	216
Part	Dues reconciliation (192), member status checks (120), renewal list clean-up (96), board report (160)	568	Half	284
Stay	Chasing chapter rosters (36), chasing CE certificates (48)	84	None	0
Total		**868**		**500**

Lakeview counts the "go" lines in full, because they exist only because two systems do not share a record. It counts the "part" lines at half, because reconciliation, status checks, list clean-up and the board report will still need a person, just for less time. It counts the "stay" lines at nothing. Chasing chapters and CE certificates is partly relationship work, and Lakeview would rather understate than argue.

The result is **500 hours a year**, a little over a quarter of a full-time role (500 ÷ 1,800 = 0.28). That is the number that goes in the board paper. The 868 goes beside it, as the cost of leaving things as they are.

If you add dollars

Ask your finance lead for a loaded hourly cost: salary plus benefits and overheads, divided by working hours. Suppose, for this example only, it is $40 an hour. The full cost is 868 × $40 = $34,720 a year. The honest figure is 500 × $40 = $20,000 a year. Show both, and say which is which.

Where the 500 hours would go

This is a leadership decision, and it belongs in the paper. In the example, Lakeview's director names two uses: personal calls to members in their first renewal year, and a quarterly check-in with each chapter. Both have been on the wish list for years.

Why halve rather than estimate each line? Because the board will trust a simple, visibly cautious rule more than nine separate judgment calls. If you have better evidence for a line, use it and say where it came from.

06 · TAKING IT TO THE BOARD

Present capacity, not savings

Boards are rightly suspicious of savings that never show up in the accounts. If you present 500 hours as $20,000 saved, the treasurer will look for $20,000 in next year's budget, and will not find it, because you are not cutting a role. You are giving capable people their time back. Say that plainly and the number becomes more credible, not less.

Lead with the hours and what they cost the mission today: the renewal calls that do not happen, the funder report that goes out late, the chapter that feels ignored. Then show the honest figure, the rule you used to get it, and what the time will be used for. Dollars come last, as context.

COPY THIS PARAGRAPH INTO THE BOARD PAPER

Our staff spend about **[868]** hours a year moving information between systems and making them agree, roughly **[half]** of a full-time role. We counted this with the people who do the work, task by task. We estimate that about **[500]** of those hours could be returned to the team. We are not proposing to reduce staff. We propose to use that time for **[personal renewal calls and chapter support]**, and we will report the hours again in **[twelve]** months.

The questions the board will ask

QUESTION	A GOOD ANSWER
How do you know these numbers?	We asked the people who do the work, kept logs where estimates differed, and finance reviewed the sheet. Each line shows its source.
Is this money we will save?	No. It is time returned to the team. Here is what it will be used for, and how we will check that it was.
What if we do nothing?	We keep paying the full figure every year, and it tends to grow as membership and programs grow.
Are you sure about the half?	No, and we have said so. It is a cautious rule. We will measure again after the change and report what actually moved.

One promise to keep. If you tell staff the exercise is about time, not jobs, it must stay about time. Nothing makes the next count harder than a count that was used for something else.

WHAT TO DO NEXT

Two steps, starting this month

You do not need a project or a budget to start. You need a list.

01 Book 45 minutes with each team

Membership, events, development, finance, programs. Walk through an ordinary month together and write down every task that moves information from one system to another. Do not estimate anything yet. Just get the list, in their words.

02 Fill the worksheet with them, and check it with finance

Use the worksheet on page 7. Sort each line into go, part and stay, apply a cautious rule, and review the result with your finance lead before it goes anywhere near the board. You will have a number you can defend, and very likely a clearer picture of where the next systems decision should start.

Something to notice along the way. The tasks on your list will cluster around two or three gaps between systems. Those clusters are where any change should begin, whatever platform you run. Fixing the largest gap first is usually worth more than replacing everything at once.

IF YOU WOULD LIKE A SECOND PAIR OF EYES

The Digital Readiness Blueprint

Counting the hidden payroll is part of how we map an organization's systems in the Blueprint: four to six weeks, vendor-neutral, ending in a plan in stages you can take to your board without us. If you would rather start on your own, the readiness scorecard on our site is a good first look.