

Implementation of The Online Platform on Registering of Human Resources: A Case Study of The Small Company

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ABSTRACT

The registration and the control of the human resources is a complex task. Requires filling multiple tabs and delivering them on different channels to comply with the legal contract. To rationalize the amount of paperwork, the government created an online platform unifying the delivery of 15 labor area obligations. The system is the initiative of the joint efforts of leading agencies and is designed to modernize several processes involving fiscal obligations, reducing the bureaucracy that limits Brazilian companies. The use of the online platform *eSocial* will be compulsory for companies, including SMEs and the self-employees that hire collaborators. The purpose of this paper is to describe the implementation of an online platform in a small business that specializes in wholesale metal products. After experiencing several setbacks of delay over the planned schedule, adopting an online platform estimates the significant saving allocated for the human resources' registration and control tasks.

Keywords: Employees' registration; online platform; quick response; legal obligations

INTRODUCTION

In the mid-2010s, the Brazilian Internal Revenue Office (BIRO) devised a new system to replace the system of companies' collection of the long service guarantee fund (LSGF) and information for social security (ISS). They are the generators of the collection guide of the LSGF and ISS, together with the Declaration of Federal Tax Debts and Credits (DFTDC). The vision in this first moment was computerizing tax collection, causing the collection slip generation to be done safely by the tax authorities and no more by the taxpayer. The future vision is that the companies start to provide information on the payroll.

In the same year, it has observed an opportunity to integrate other public administration bodies to participate in the project, such as the Ministry of Labor (ML), presently called the Ministry of Labor and Employment (MLE), the National Institute of Social Insurance (NISI), which is the federal agency linked to the Ministry of Social Security (MSS), and the Federal Saving Bank (FSB). The FSB started in the middle of 2012, with the project already on-going.

With bodies as sponsors, the project of creating a shared system is starting to reach a plateau much bigger than previously idealized. The collection of taxes is starting to think of a new ideal to obtain a clear and secure form of all labor events, not limited only to the payroll. Providing security to labor rights, contributing to the State's ability to better manage the benefits granted to workers.

The labor and social security audit has a feature that distinguishes it from the other audit aspects: the examination in this area deals directly with procedures and any problems with employees, that is, with people, which puts us in a less orthodox, more sensitive posture and requires us, as professionals in the field, to adopt a more human, less mechanical posture (Goncalves, 2021).

2 BORN THE ESOCIAL

Originally, the MLE had an Electronic Worker Registration System intended to unify data relevant to an employment relationship. This registration system becomes the kickoff for the project, initially called Social Digital Tax Accounting or DTA-Social, transformed later into eSocial. Each company used its own system to get the necessary information for its activities. It is necessary for professionals to have diverse knowledge of each tax or obligation. For companies, the operational costs of keeping all this administration, with the occurrence of redundancy of information, were expensive. As an example, the same notes described in the registration form were filled in on the Work and Social Security Card (WSSC). Following that, it was sent to the Annual Social Information List (ASIL) and the General Register of Employees and Unemployed (GREU).

But the challenge was that, regardless of what was deployed from then on, it couldn't be something that put the activities even more plastered, expensive, and complex. The eSocial will be the model of information provider to guarantee workers' rights in a simple form and at a low cost for companies, generating efficient information for the State (Araujo and Maia, 2018).

The model of information provider should be by file transmission, for sending and receiving data through eSocial should be sent and received properly with receipts and protocols, relying on validation rules by the layouts that meet the format created by eSocial. Rely on the national storage environment for data in chronological order to ensure information traceability and the security of the deployed system.

That's how eSocial was born on December 11, 2014 by Decree 8373, establishing the Digital Bookkeeping System for Tax Obligations, Social Security, and Labor-eSocial (Brazil, 2014). The first version for the implementation had 48 events and 29 tables, according to version 2.5.01 (approved by the Resolution CG of the eSocial n°. 21, published in the Official Diary of the Union on January 17, 2019 (Brazil, 2019).

Presently, with the simplified version of eSocial, there are 41 events and 28 tables, including the events of Safety and Occupational Health (SOH) and public agency events, according to the version S-1.0 (consolidated until the No S-1.0 – 08.2021) approved by the Joint Ordinance SSWSS/IRS no. 82, published in the Official Diary of the Union on 11/11/2020 (consolidated on 09/01/2021) (Brazil, 2021).

Due to the complexity of the eSocial, information was divided into two: the Developer Orientation Guide, with the rules of system development, and the Social Orientation Guide, with the description of basic rules for each event. Due to its complexity, tables and validation rules were presented through layouts in the Annex to the eSocial Orientation Guide (Brazil, 2021).

The tables in A-eSocial layouts v. S-1.0 – Annex I – Tables (consolidated until NT 03/2021) will be used in the event registers.

The B-eSocial layouts v. S-1.0 – Annex II – Rules (consolidated until NT 03/2021) is a table with more than 100 rules that aim to validate information provided by workers (Brazil, 2021).

The eSocial will be the third recent revolution in the labor and social security area (Carvalho, 2018). It will enable the participating agencies of the project to utilize such information for labor purposes, social security, tax, and for the calculation of taxes and contributions to LSGF. It requests the filling of identification data through events that are sent on different dates to the government through the eSocial platform.

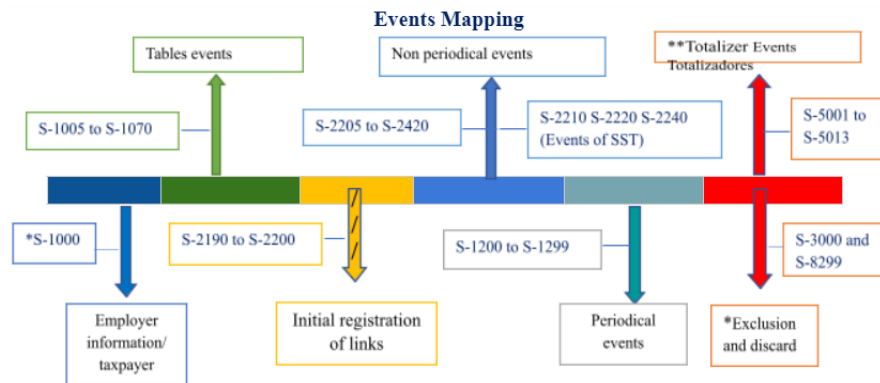


Figure 1. Event mapping. Source: Adapted from (Brazil, 2021)

*S-1000 altered its validation to fit only the public agency of direct administration of the Union's transmitting events with CNPJ at the time of its obligation set for July 11, 2022, according to Figure 1.

**Generated by the government from events sent by the taxpayer.

3 PHASES AND ESOCIAL GROUPS

On January 8, 2018, the use of information systems providing a declaratory basis became mandatory. Sending the information was divided into phases and deployment groups through a schedule of actions, which changed several times between 2018 and 2021. The groups were classified in four categories (Brazil, 2021):

Companies in Group 1 have an annual revenue of more than \$34.3 million.

*Group 2 – Businesses with up to \$34.3 million in revenue in 2006 who did not choose the National Simple.

*Group 3 – Employers who choose the National Simple: individual entity employers (except domestic); individual entity rural producers; and non-profit organizations (Brazil, 2021).

*Group 4 consists of government agencies and international organizations.

An updated version of the eSocial implementation schedule, according to the Joint Ordinance SERFB/SEPRT/ME no. 71 published on June, 29, 2021 (Brazil, 2021). Figure 2 shows the implementation schedule.

eSocial implementation schedule				
	1 st Phase – Table's events	2 nd Phase – Non-periodical events	3 rd Phase – Periodical events	4 th Phase – Events of SST
Group 1	2018 08 JAN	2018 01 MAR	2018 01 MAY	2021 13 OCT
Group 2	2018 16 JUL	2018 10 OCT	2019 10 JAN	2022 10 JAN
Group 3 Legal entities	2019 10 JAN	2019 10 APR	2021 10 MAY	2022 10 JAN
Group 3 Individual entity	2019 10 JAN	2019 10 APR	2021 19 JUL	2022 10 JAN
Group 4	2021 21 JUL	2021 22 NOV	2022 22 APR	2022 11 JUL

Figure 2. eSocial implementation. Source: Adapted from (Brazil, 2021)

4 CASE STUDY: AUDIT BEFORE SENDING INFORMATION TO ESOCIAL

The audit took place in 2020 at a company in the metal industry with a capacity of 40 workers, located in Diadema in the State of Sao Paulo. The company, founded in 1980, has been working in metal industry activities in the local and country-wide market. At the time of the audit, the company had a total of 20 workers with employment relationships and 14 outsourced workers.

The need for an external audit to be done at the outsourced company occurred due to the absence of internal administrative workers that could follow the outsourced work. This fact occurred due to the surge of the COVID-19 pandemic that manifested in Brazil in March and placed the company in a position to lay off its workers, putting them in the home office.

The contracting party requested the services of an external labor and social security audit to validate the work carried out by the outsourced company. The methodology carried out to perform the audit tasks was the direct application of new established rules. Investigated all the company's legal documents to fix the tax contribution collection guide properly. The flow of tasks performed is shown in Figure 3.

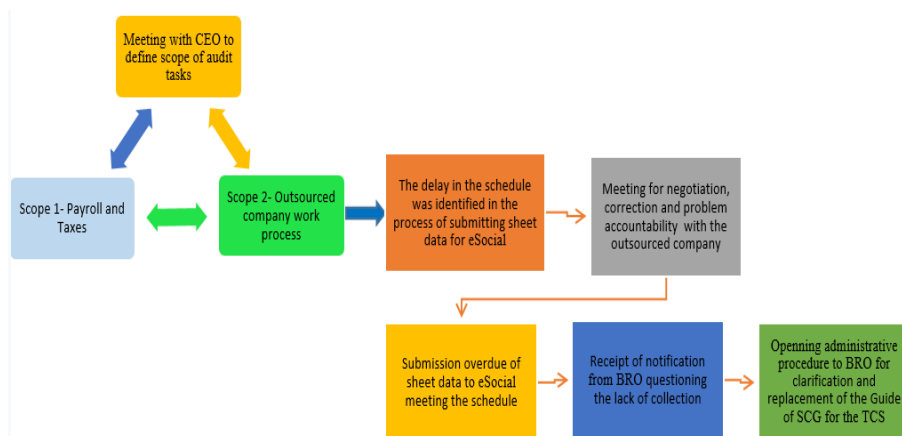


Figure 3. Audit tasks performing flow chart. Source: The authors

The main scope of the audit was payroll analysis and collected taxes in the last 12 months, and the analysis of the outsourced company's work process. The work started by auditing the payroll physical documents from October 2019 to September 2020. Irregularities were identified that would be incompatible with eSocial rules, disagreements in the table of items, and inconsistencies in the calculations of the payroll. It has completed the document audit phase and has started the compliance audit of the information in the payroll transmitted to eSocial.

Questioned, the outsourced company informed us that the contractor was framed in group 3 of eSocial. The eSocial portal audit search revealed that the company should be correctly framed in group 2. Failure in the analysis caused the shipping schedule of the company's log event to be delayed, causing this to be notified the absence of payment of social security contributions.

The reason for generating the notification was that the company was not framed correctly as it collected social security contributions under the Social Collection Guide (SCG). This model was replaced by the Tax Collection Statement (TCS), which made the system not recognize the amount collected, generating a payment charge for social security contributions already paid, but incorrectly using the SCG form.

The solution to the problem occurred through the administrative process with BRO, requesting month-by-month the substitution of the amount paid through SCG collected by the TCS, but not before shipments of all events of eSocial were not sent by the company according to the schedule, which occurred throughout the entire process until May 2021. In conclusion, the inspection took place electronically, automatically and effectively, thus proving the expected results of the eSocial project.

5 ANALYSIS AND DISCUSSION

The eSocial Project was born with considered positive effects, mainly regarding the replacement of information and obligations that should be sent to the tax authorities. Information is starting to be transmitted directly and systematically by eSocial.

Between the proposed scenario and the present scenario, around 80% of the obligations will be replaced by eSocial, as shown in Figure 4.



Figure 4. Accessory obligations replaced by eSocial. Source: The authors

6 INSPECTIONS OF INLAND REVENUE

In 2020, it was already accounted for by more than 1.1 million companies providing labor, social security, and tax information through eSocial (Brazil, 2021) (Annual report – Results of 2020 – Action Plan for 2021). The expectation for 2021 is that the Inland Revenue Inspection will continue prioritizing actions to combat tax fraud and evasion, as well as in the continued process of integrity checking and regularity checking of information provided through Declarations and Digital Bookkeeping, as shown in Figure 5.

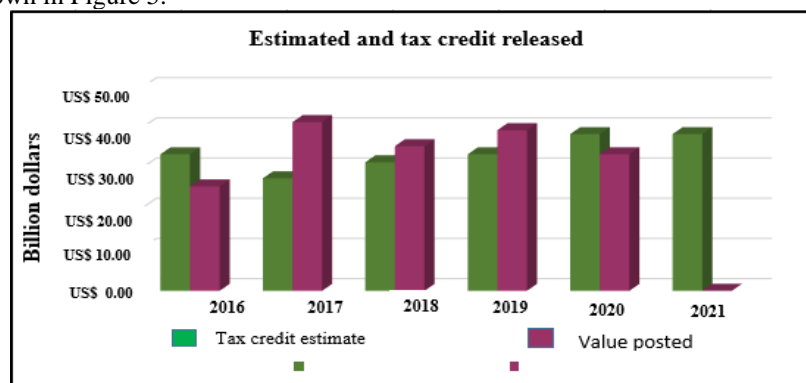


Figure 5. Results of 2020 (Action plan for 2021) – Special Secretary of IR

Source: Annual inspection report (Brazil, 2021)

7 CONCLUSIONS

The implementation methodology of eSocial is dynamic and is now in the final phases, which is the Worker Health and Safety (WHS) event and implementation for Group 4.

All public workers (federal, state, and county), workers under the general Social Security system, entrepreneurs, managers, self-employed professionals, interns, and rural workers are or will be with all their data on a given platform.

It concludes that from the case study and from the results shown in the Annual Report of the Special Secretary of the Inland Revenue 2020, it has become necessary to practice doing an internal or external audit before sending the information and data to eSocial.

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