72% 54% 96% 82%

Global Payroll Survey November 2016

An insight into multi-country payroll processing

Contents

Global Payroll Survey 2016

An insight into multi-country payroll processing Introduction

The aim of the survey was to gain a better understanding of the current challenges faced by payroll practitioners in an evolving industry and the methods they employ to achieve greater efficiencies, better organisational reporting and business insights.

The global payroll industry continues to develop at a fast pace. Organisations are transforming on an international scale to manage payroll more efficiently, through consolidation of suppliers to allow global reporting, and the use of data to analyse and aid strategic decisions.

Global Payroll Association (GPA) conducted a survey to gain a better level of understanding about industry developments. TMF Group, which sponsored the survey, is keen to keep developing services in line with industry growth and to offer solutions to their clients' challenges.
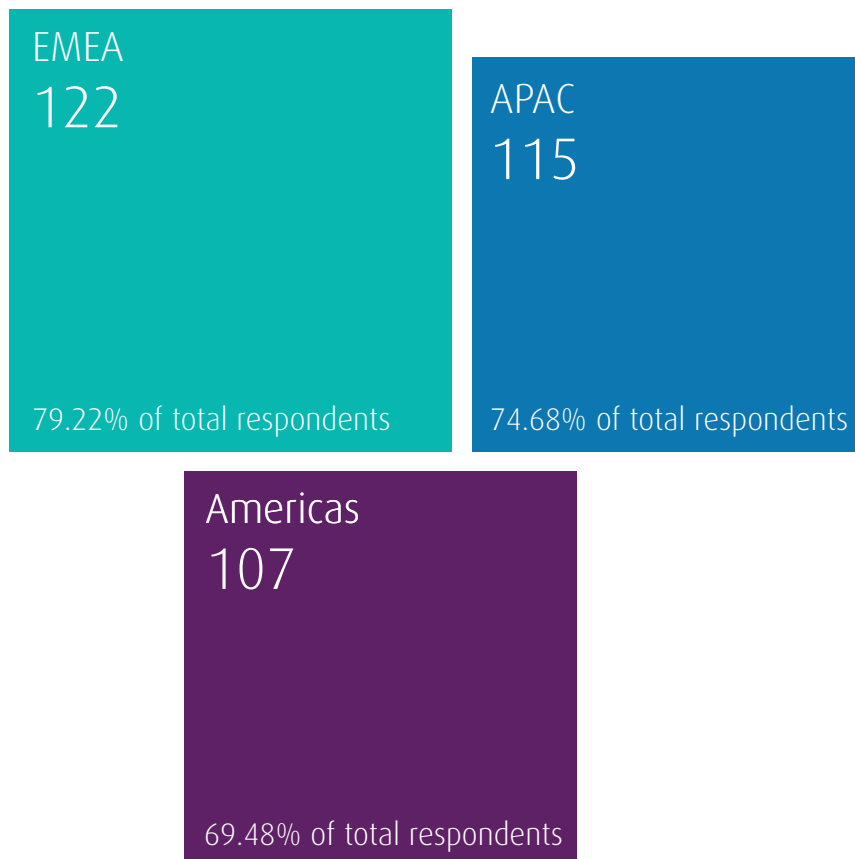
Survey results overview

Demographics

165 people from a broad spectrum of industries completed the survey. This included professionals at various levels, from operational staff to directors and senior vice presidents. 27% worked at a strategic level, 45% at a management/supervisory level and 23% at an operational level.

The remaining respondents were professionals from other functions with some ownership/interest in payroll, namely finance and HR. The outcome was a good cross-section of both the strategic level opinion and those responsible for payroll operationally.

Representatives from Europe, the Middle East and Africa (EMEA), Asia Pacific (APAC) and the Americas established region-specific trends, challenges and developments.

How many countries do you operate in?

EMEA
122

79.22% of total respondents

APAC
115

74.68% of total respondents

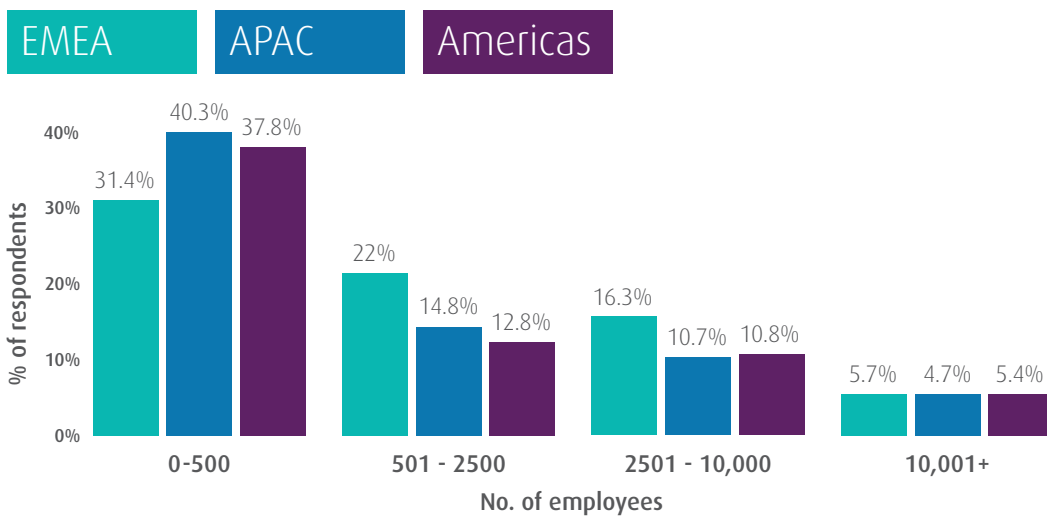Americas
107

69.48% of total respondents

Payroll employee volumes

Demographics

In all three regions, the most common answer to the question: 'how many employees are you responsible for paying?' was under 500 employees, with fewer respondents working on the larger payrolls for each region.

This can be challenging when seeking a single supplier, as many larger aggregators struggle commercially to deliver small volume payrolls in multiple countries.

How many employees are you responsible for paying in the EMEA region?

EMEA   APAC   Americas

% of respondents

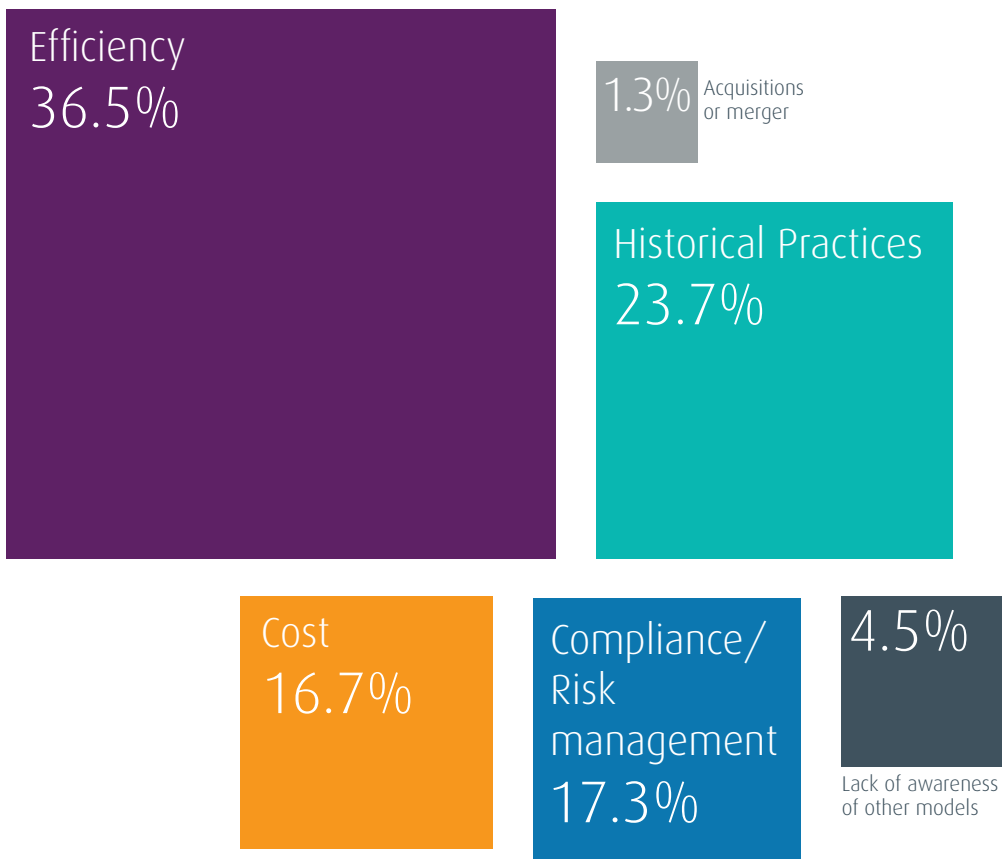| No. of employees	EMEA	APAC	Americas
0-500	31.4%	40.3%	37.8%
501 - 2500	22%	14.8%	12.8%
2501 - 10,000	16.3%	10.7%	10.8%
10,001+	5.7%	4.7%	5.4%

Choice of payroll operating model

Efficiency ranked as the most popular reason for choosing a particular payroll operating model, at more than 36%. Significantly, cost ranked fourth with respondents, behind historical practices and compliance/risk management.

It was notable that efficiency was seen as more important than price in many global instances. This is often not the case on a domestic market level when choosing a particular payroll operating model.

When a high level of standardisation across payroll processes is not achievable, cost over efficiency can lead to an increased risk of non-compliance, both to processes and legislation.

Historical practices are cited at a higher percentage than cost or compliance at almost 24%. This is concerning as it suggests that the range and scope of organisations' payroll delivery capability is potentially limited and they are yet to awake to the benefits of change.

What is the main reason for your current payroll operating model?

Efficiency
36.5%

1.3% Acquisitions or merger

Historical Practices
23.7%

Cost
16.7%

Compliance/ Risk management
17.3%

4.5%
Lack of awareness of other models

Challenges

During times of acquisition and mergers, the most significant challenge, cited by close to half of respondents (49%), was lack of knowledge of a country or its legislation. Therefore opting to work with a local or regional supplier with expertise and understanding of the market could bring a significant uplift in confidence.

Interestingly, language was barely acknowledged, garnering 0.65% of the vote. This was a surprise due to the difficulty that can result when researching specific country legislation and requirements. Many countries have very limited information available in multiple languages, and the data that is available tends to be aimed at investors rather than those operating payrolls. This is compounded by the fact that user guides are usually only issued in the native language.

Furthermore, local payroll associations are still relatively uncommon. There are payroll associations in the USA, South Africa, Canada and Sweden, and more are in the process of being established. To date, training is generally only available via government bodies, in the local language and delivered in-country. GPA was established to help this market by providing in-country payroll services and training.

Lack of planning and notice scored low as considered challenges, with percentages of 6% and 9% respectively. This suggests that organisations are likely to have someone responsible for the payroll function at an early enough stage within acquisition or divestiture, to make the transition smooth, efficient and accurate.

Where businesses already operate within a country their existing processes can help with acquisitions. However, where companies enter new jurisdictions compatibility with, and the suitability of, existing processes can be a major issue. The more remote the country, the greater the challenge can become, and using a single global provider can be an attractive solution.

When acquiring or divesting payrolls, what do you consider to be your biggest challenges?
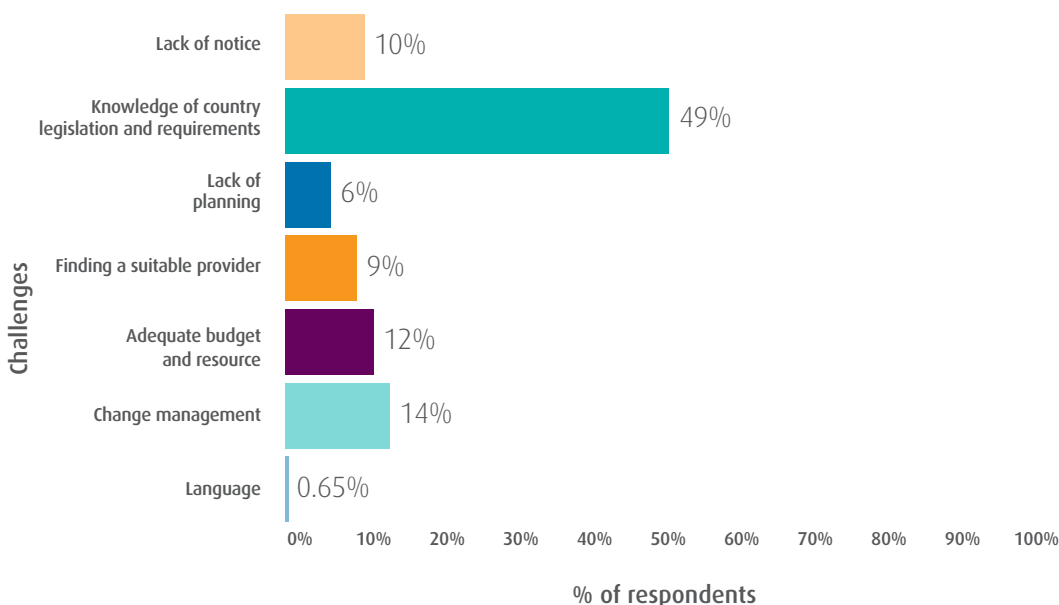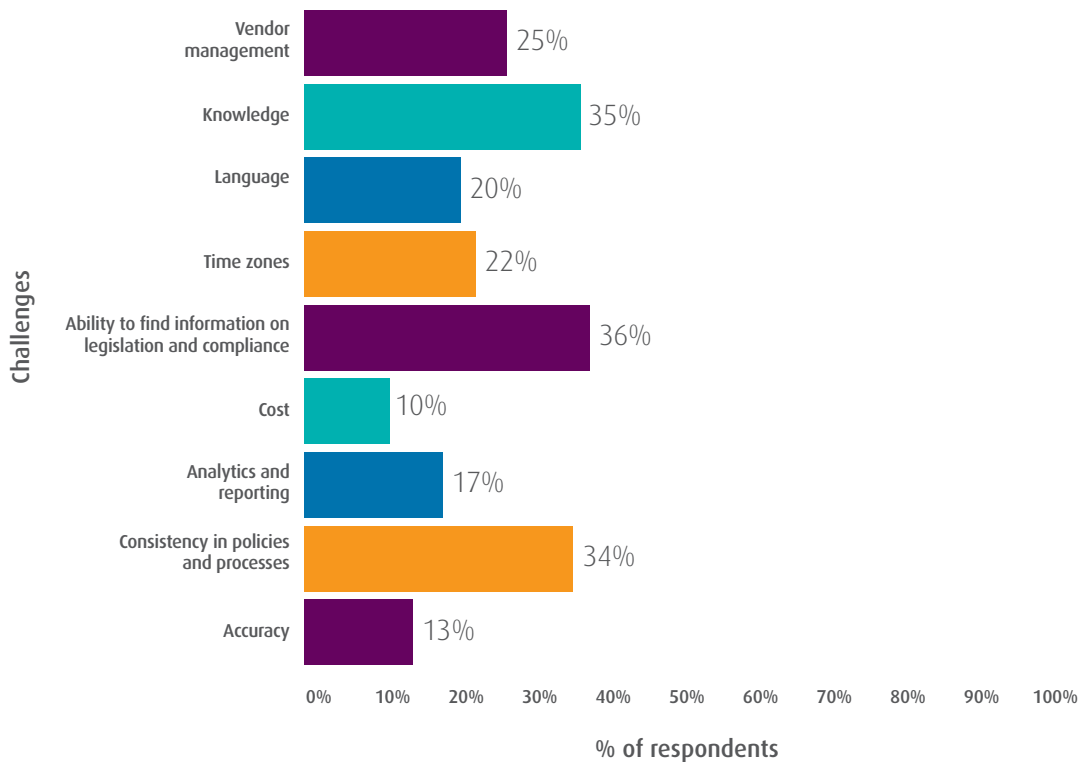
Operational challenges

Knowledge and the ability to find information on legislation and compliance are the top two operational challenges for global payroll, making up more than 70% of answers. This was closely followed by consistency in policies and processes. Consequently, it's easy to see why companies may seek to work with a sole supplier who can meet these challenges of consistency while also fulfilling the need for local expertise.

Time zone rated close to 22% as a challenge, and was selected by those operating across all three regions. Organisations use a variety of service models including centralised service centres, but these can still struggle to provide an effective solution for 24/7 availability. Others operate from a centralised control, where time zones are an ongoing challenge. A move towards local-to-local interaction eliminates the time zone issue.

Interestingly, cost was actually the lowest scorer in terms of multiple country operational challenges, at just 10% of responses. It suggests that efficiency and service are more important to organisations than price.

What are your biggest challenges in operating payroll across multiple countries?

Bar chart showing "% of respondents" (x-axis) against "Challenges" (y-axis):

- Vendor management: 25%
- Knowledge: 35%
- Language: 20%
- Time zones: 22%
- Ability to find information on legislation and compliance: 36%
- Cost: 10%
- Analytics and reporting: 17%
- Consistency in policies and processes: 34%
- Accuracy: 13%

Language

Language is also listed as a big challenge under multi-country payroll with a score of 20% (see page 8). This contradicts the graph on page 7, in reference to the biggest challenges when acquiring or divesting payrolls, which saw language as an insignificant barrier when taking on new payrolls or losing existing ones.

70% answered that having an in-country contact with knowledge of the local language is important to them. This would reinforce that language is seen as a barrier.

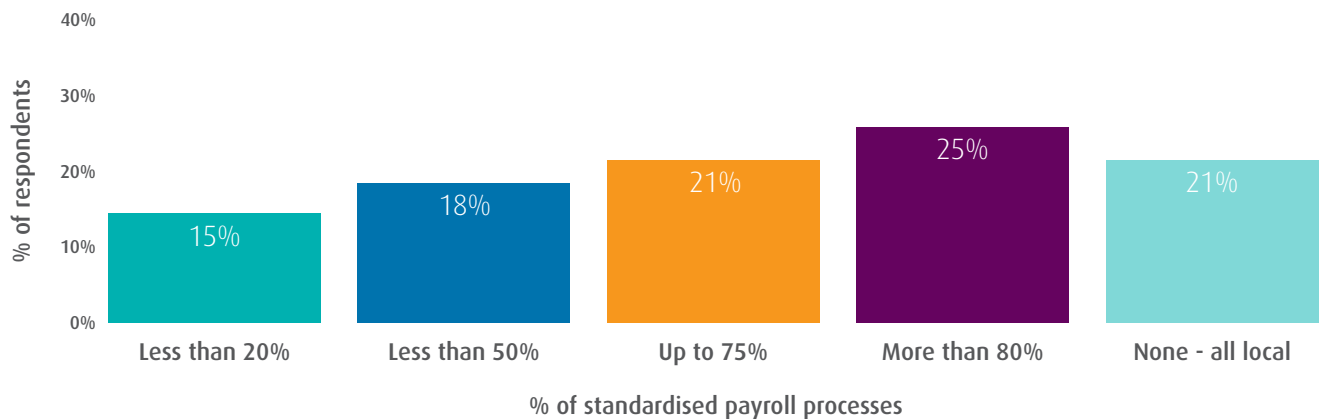## Is having contact in-country, in local language important to you?

Yes
70%

No
30%

Global processes across payroll

Less than 50% of payroll processes are standardised across the world for approximately one third of the companies involved in this survey.

As standardisation is recognised to be necessary for an efficient and cost-effective global model to work, more companies should be looking to make changes in this direction.

What percentage of your processes are global across all payrolls?

Bar chart. Y-axis: % of respondents (0% to 40%). X-axis: % of standardised payroll processes.

| Less than 20%	Less than 50%	Up to 75%	More than 80%	None - all local
15%	18%	21%	25%	21%

Best practice or best fit?

We also asked whether processes were best practice or best fit. It's commonly recognised that it's not always appropriate to instil best practice in organisations. Often the better approach is to learn from real life experience. Thus, the levels of best practice will very much depend on the choice of the organisation.

It's encouraging to see that 40% of respondents thought their processes were the best fit for their organisations, with almost 63% having successful and efficient processes. 37% felt their processes were average, or worse.

How would you rate your processes and practices in terms of effectiveness, overall?

% of respondents

|				
23%	40%	30%	4%	3%
Best practice	Best fit	Average	Poor	Not sure

Effectiveness of processes and practices
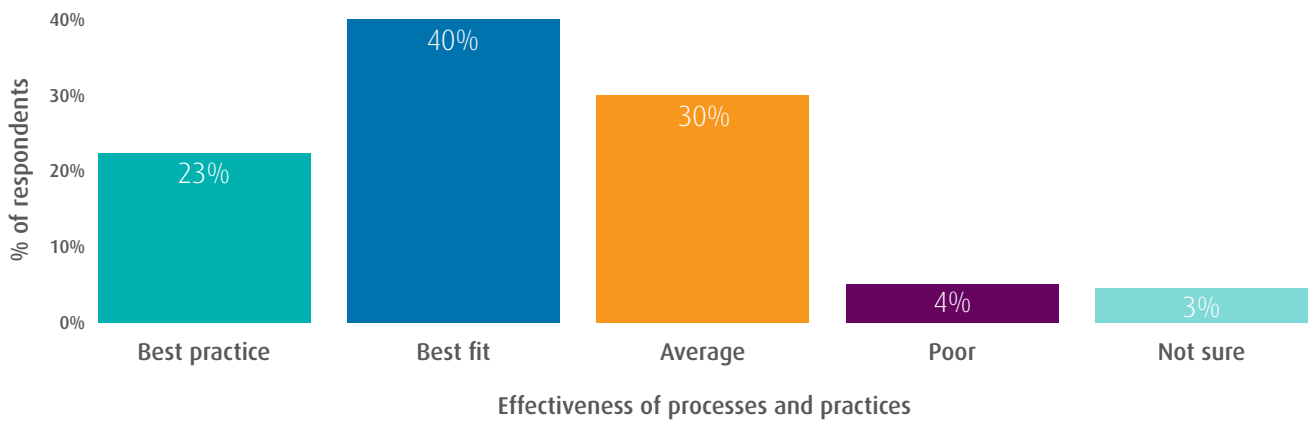
Payroll processes and approvals

When managing payroll processes, the overwhelming method seems to be a hybrid of manual and online solutions, with a score of 75%. This suggests that there is much work to be done to develop automated workflows to reduce the need for manual intervention and therefore, the increased risk of error and fraud. 7% of respondents operate on a completely manual basis.
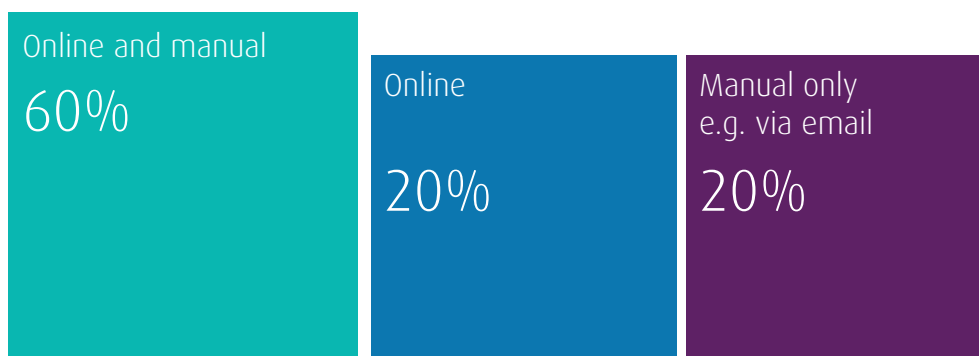
Payroll approvals are also mainly carried out in this way. Surprisingly 20% still manage payroll approvals manually. This is concerning as it is contrary to audit requirements. It's assumed this is due to an inability to approve centrally, rather than a desire to approve locally.

In the advent of middleware technology we anticipate a significant move in the market towards global providers offering central approval functionality.

## How do you manage your payroll processes and schedules?

Online and manual
75%

Online
18%

Manual only
e.g. via email
7%
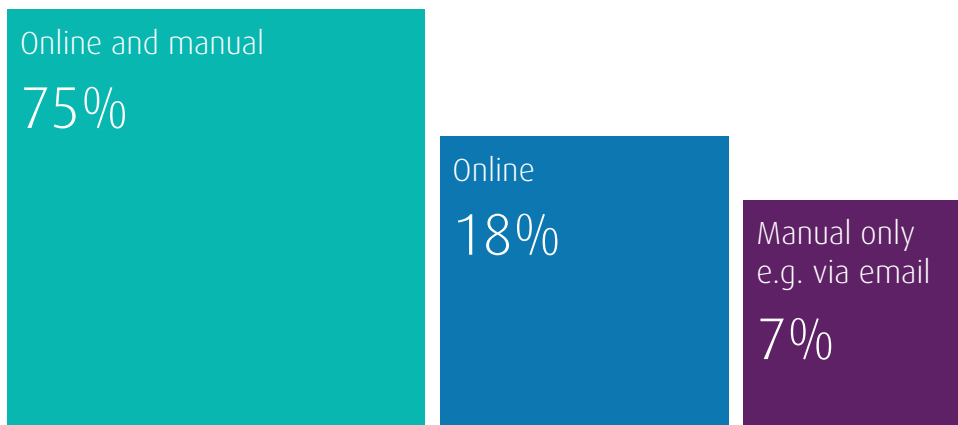
How do you manage payroll approvals?

Online and manual
60%

Online
20%

Manual only
e.g. via email
20%

Consolidated reporting

Given that one of the main reasons most organisations choose to run a global payroll is for efficiency, it's surprising that only 20% of respondents are able to report on a global basis, in the same format. 43% had no consolidated reporting at all.

Do you have system capability to consolidate global reporting in a single format?

None
43%

All countries
20%

Few countries
17%
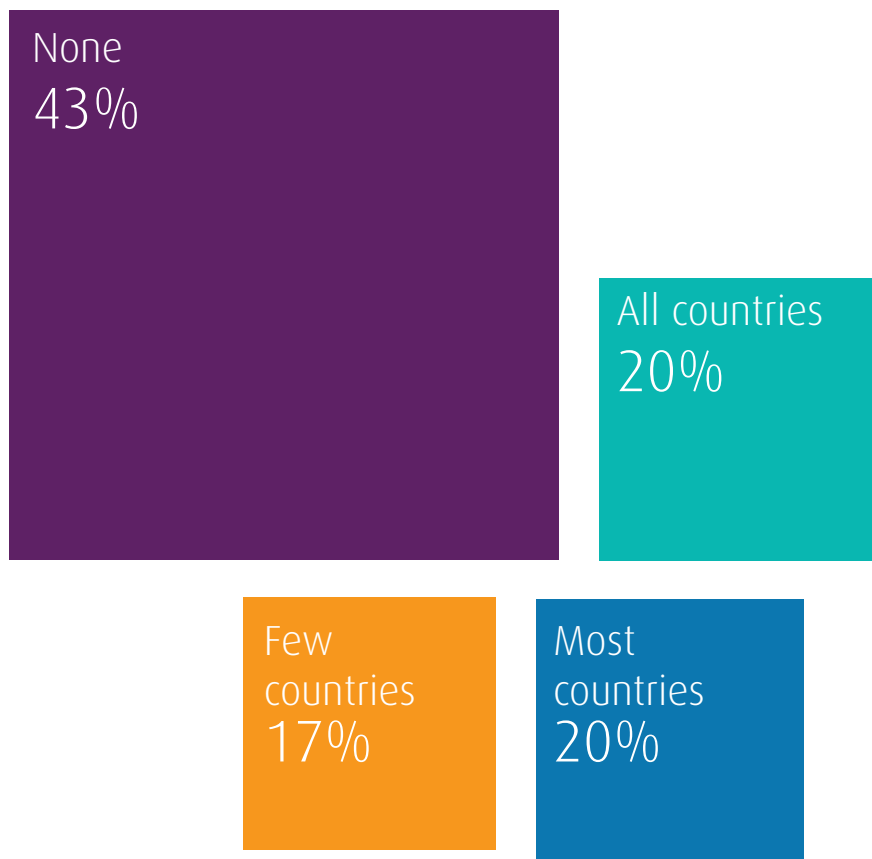
Most countries
20%

Customer data warehouse

61% of respondents have their own data warehouse, although it is possible that data from some countries are excluded from this warehouse.

There are issues with the provision of data from local country software. This data is often in different formats, different languages and in various currencies. Without very sophisticated tools, meaningful manipulation and use of this data can be very difficult. Thus, only very basic information can be extracted and used, such as names and addresses.

As a result there is often no efficient way of using the data available on a global basis to aid strategic decision-making. Any necessary manipulation of data results in delays and potential inaccuracies, as it is often attempted manually.

Viewing payroll status across all countries

Given these answers are in relation to automation and reporting, it is not surprising that 65% of respondents are unable to view their payroll status across all countries.

The payroll status is useful information for global controllers undertaking approvals and compliance as well as business continuity. The ability to track and report on KPIs is an important function when dealing with global payrolls, to monitor service levels, whether the service is internal or external.
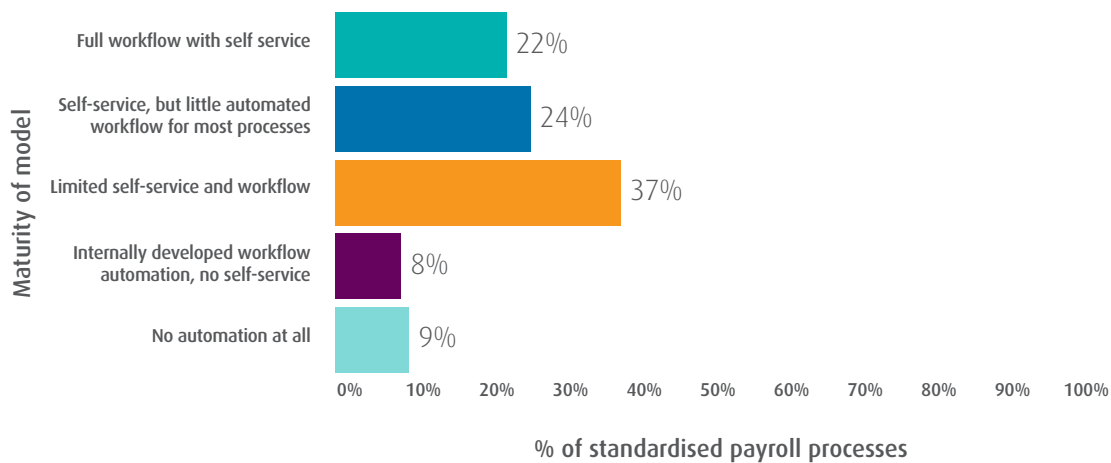
Can you view payroll processing status across all countries?

No
65%

Yes
35%
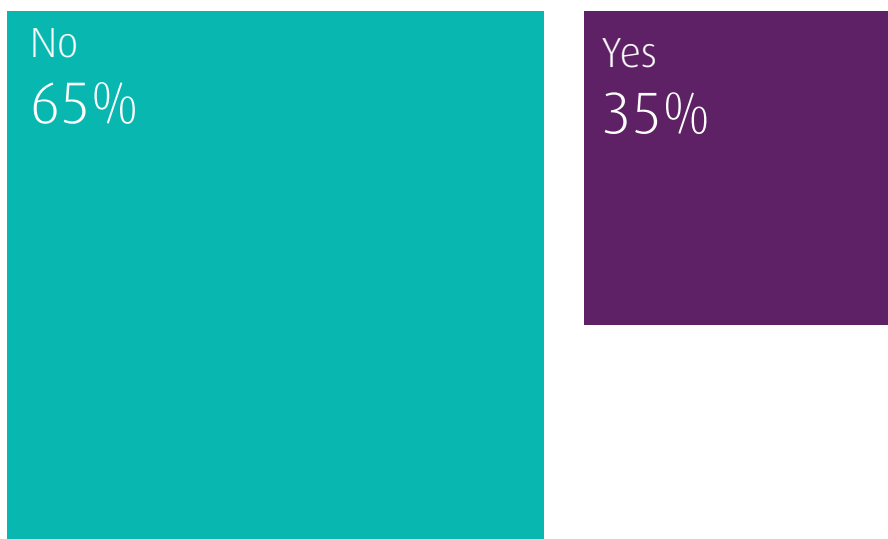
Automating payroll processes

When looking at automated processes, 22% of respondents indicated they have a fully automated workflow. Full automation may be seen as best practice and therefore not necessary in all cases. However, it is still interesting to note that the majority of respondents (37%) only have limited self-service or workflow available. There are solutions already available in the market to manage automation, so we expect a positive move in this direction in the coming years.

How mature is your model in terms of automation?

Maturity of model

Full workflow with self service	22%
Self-service, but little automated workflow for most processes	24%
Limited self-service and workflow	37%
Internally developed workflow automation, no self-service	8%
No automation at all	9%

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

% of standardised payroll processes

Keeping track of KPIs

The majority of respondents keep track of their KPIs manually (38%). The next largest group use a hybrid of both manual and online tracking systems (33%). Only 10% actually track KPIs fully online, which means that the process of tracking how well the service is operating, is an inefficient process in itself.

19% of respondents do not track their service against KPIs at all. As global payroll is essentially a shared service or centralised function, tracking KPIs would normally be considered an important way of demonstrating how well the function, including all processes, is performing.

Audit functions need some form of measurement and stakeholders should certainly be keen to see how the service is performing. Add to this the fact that payroll is a function that is often only heard of when things go wrong. Measuring and publishing KPIs is a useful way of being able to shout about the successes, in order to balance out and put into context any negative news.

How do you keep track of KPIs?

Manual
38%

Online and manual
33%

Online
10%

None
19%
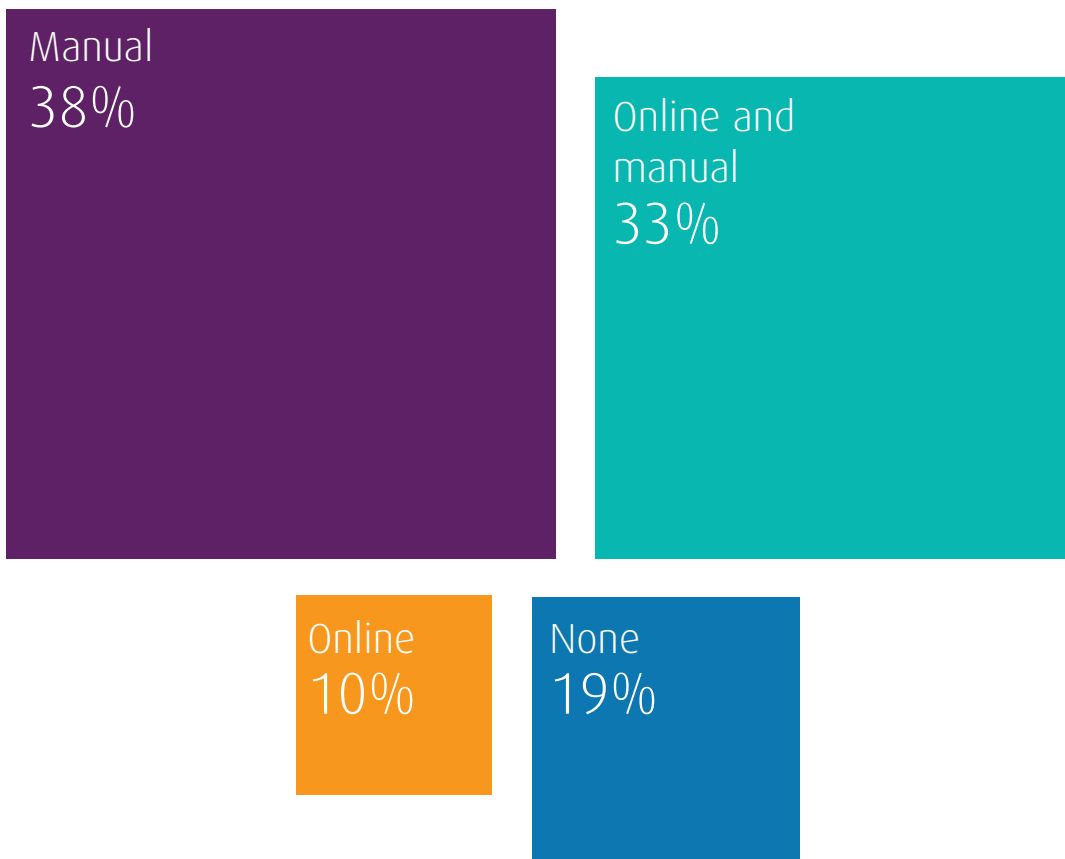
Errors in payroll

31% of respondents believe that lack of compliance with internal policies and processes is the most common error in payroll. Working on the assumption that not all payroll errors originate within payroll processing, it would seem that more is being done to establish the root cause of issues, prior to data transfer to payroll.

Lack of internal understanding of country legislation is the second most common cause of errors, and under or over payments is the third. This would not be limited to global payroll, as it is a frequent cause of errors in any organisation.

What is the most common error in payroll?

% of respondents
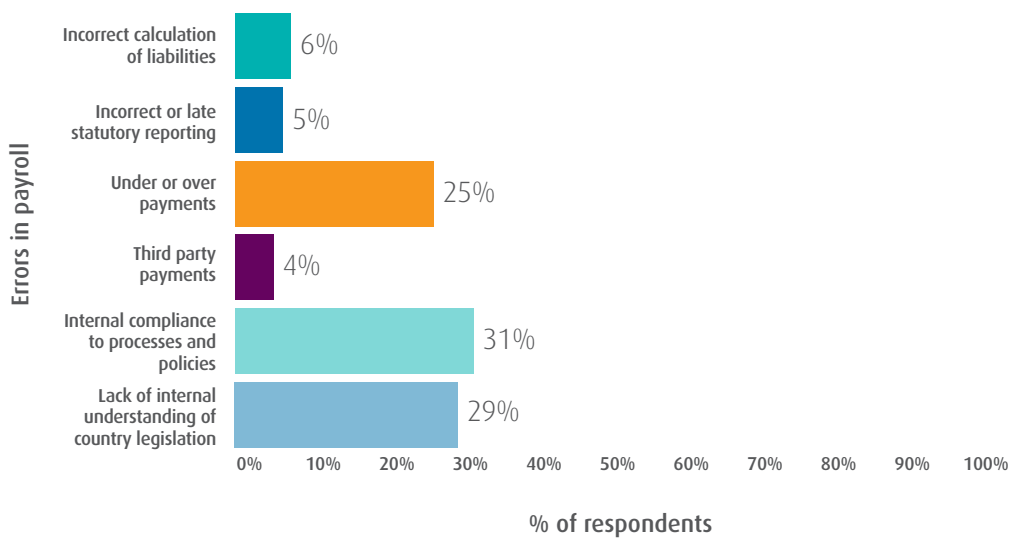
Conclusion

This survey has identified what needs to be developed to improve the global payroll industry and the services we offer, regardless of whether we operate within an organisation, as a consultant or as a service/software provider.

The industry has grown and developed quite significantly in a relatively short period of time. However, many of the challenges experienced by global payroll professionals remain comparatively unchanged.

Global payroll professionals have a knowledge of good practice and an ability to understand and control the processes of multi-country payroll, using best fit models to deliver a service that meets the requirements of their organisation. However it is apparent that companies are not maximising on efficiencies of standardisation of global practices and control. Companies should look to flexible solutions to support their businesses.

Legislation and the challenges of understanding the varied rules and regulations, or even obtaining the relevant information in the first instance, are still the highest risk areas. There is a continuous need to keep up to date with changes in local legislations.

The inability to report on a global scale does not seem to be of significant concern for many, as a consequence, this means that organisations are unable to access accurate data. This could result in strategic decision-making that is potentially flawed.

Although the industry has progressed, there is still much to be done in bringing it to full maturity. There are encouraging developments as the industry continues to grow and solutions are developed and/or extended.

The survey has clearly demonstrated that managing payrolls globally has a variety of challenges for organisations. Many companies may continue to operate manual processes, controls, approvals, and persist with a lack of multi-country reporting capabilities. By using technology and global service solutions, these organisations can maximise payroll efficiencies. It is probable that all challenges cannot be resolved in this manner and many of these challenges can be addressed in this way. It is therefore anticipated that many organisations will deploy middleware technology as single global service solutions in this regard, over the next three to five years.

Global Payroll Association and TMF Group would like to thank those who took the time to complete this survey to map the global payroll industry.

Contact us

If you are considering aligning your payroll function across your business on a global or multi-country scale, please do not hesitate to contact the Global Payroll Association.

- gpa-global.org
- info@gpa-global.org
- Tel: +44 (0)203 871 8870

TMF Group offers global specialists with expert knowledge to assist you in your HR and payroll journey, whether you require additional support in the early stages, or an external partner throughout your company's life cycle.

- tmf-group.com
- contact@tmf-group.com
- +44 (0)207 832 4900

About TMF Group

TMF Group is the global expert in local business. With a network of offices across over 80 countries, TMF Group has the in-country expertise and knowledge to help businesses (of all sizes) expand and operate both within and beyond their home markets.

TMF Group serves clients of all sizes and from all sectors; everyone from a small start-up to a large multi-national, working with 60% of the Forbes 100 and the FTSE 100.

TMF Group's global business services have been recognised in global market assessment reports from Everest Group and NelsonHall in reflection of its broad service delivery capabilities, global coverage and innovative technology solutions; all underpinned by a global governance model that provides clients with increased transparency and greater control of their own operations.

- A Major Contender in global payroll outsourcing and the strongest provider in Latin America (Multi-Country Payroll Peak Matrix Assessment 2015)
- A Major Contender in global finance and accounting outsourcing (Finance and Accounting Outsourcing PEAK Matrix Assessment 2016)
- Widest Geographic Coverage and Strong Language Capabilities (Multi-Country Payroll Platform Assessment 2016)
- 'A Leader' in multi-country payroll focus (NelsonHall's NEAT Evaluation for Payroll Services 2016).

About Global Payroll Association (GPA)

Global Payroll Association is the first international payroll association of its kind. It is a central hub for 'all-things payroll' and a one-stop-shop supplying comprehensive directories, interactive training and in-depth country resources. It is here to help payroll and HR professionals with their international payroll needs, no matter how complex, connecting them with the world's leading experts and offering a forum to network with other like-minded global professionals. Global Payroll Association welcomes international payroll, HR and financial professionals of all levels.