Always Designing for People®

The potential of payroll: Global payroll survey 2022

With greater business ambitions come greater expectations – there's no such thing as 'business as usual' anymore. Our comprehensive research into global payroll shows how this historically overlooked function has the potential to be the next big flag bearer of strategic innovation.

Take a new look at pay

From back office to strategic asset

ADP's *The potential of payroll* is a study into the performance, resilience and strategic contribution of payroll in today's global business landscape, and how global payroll teams, systems and processes are evolving to meet the needs of modern organizations. In this report, we capture the perspectives of senior leaders (departmental managers or above with responsibility for payroll) in multinational organizations of more than 1,000 employees, headquartered around the world. Key topics span payroll accuracy, efficiency and strategic value, as well as the potential of payroll to expand its contribution to organizational effectiveness and success in the years to come.

In many ways, organizations have returned to 'business as usual' since last year's report when the pandemic still loomed large in the collective consciousness. But, while we may have put one challenging period behind us, there's no such thing as 'business as usual' anymore. Working practices continue to evolve and 2022 has brought its own share of challenges, in the form of economic and geopolitical shifts, as well as new opportunities.

Uncertainty cannot dampen business ambition for long, and we see organizations across sectors continuing to innovate and grow, with plans to expand their operations around the world. And with new ambitions come new demands and expectations for payroll teams to manage, as business leaders increasingly turn their focus towards global payroll transformation.

Recent volatility has increased the visibility of the payroll function and provided opportunities to step out of the back office to provide greater strategic value to the business. Yet there are some core issues that payroll teams must first overcome, with respondents naming the following as top of their technology 'wish list' to accelerate the potential and value of their entire payroll operation:

Over the next 2-3 years, what aspects of your worldwide payroll do you plan to improve upon? (tick all that apply)

Planned improvements	Global level	Regional level
Data security	44%	44%
Accuracy of employee pay	36%	35%
Reporting capabilities	32%	33%
Regulatory compliance	32%	30%
Timeliness of employee pay	31%	31%
Invest in new technology	31%	29%
Implement shared services	28%	27%
Increase integration with payroll and other business-critical systems	25%	26%

What, if anything, would you most like to gain from a transformation? (Tick up to 5)

Gains from a global payroll transformation	
More reliable technology	31%
Integration of payroll data with other business/HR systems	27%
Increased reporting speed	27%
Access to greater reporting and analytics capabilities	27%
Tighter data security protocols	25%
Streamlined payroll processes	25%
Standardized multicountry payroll processes	23%
Simplified payroll data collection methods	22%
Improved employee experience	22%
Timely regulatory compliance insights and system updates	22%
Remote access to payroll information	21%
Consolidated multicountry payroll reporting	19%

Respondents are clear what they're looking for from payroll technology, however these needs also feed into four broader themes and challenges that have emerged from this year's research findings.

1. Payroll under attack

Payroll is on the front line, with approximately six in 10 (**61%**) respondents reporting that their payroll operation had been impacted by a cybersecurity breach at least once in the last 24 months. This perhaps explains why **44%** say that data security is on their planned improvement list over the next few years.

Organizations are clearly focused on the issue with **98%** of respondents saying data security has become more important in the last 12 months. Yet, despite the high levels of concern, less than half report having a full contingency plan in place across their territories. By addressing these issues head-on now, organizations will ensure that their payroll infrastructure has the resilience to support their growth ambitions going forward.

2. Is payroll fit for the future?

More complex and variable working patterns mean payroll transparency, accuracy and efficiency are more important than ever, but employee queries and errors are still commonplace. Almost half of respondents (**45%**) report that since the pandemic they're seeing more payroll queries from employees, with a quarter (**26%**) of these relating to the basic question of whether their hours worked correspond accurately to their pay. Meanwhile, only one in three respondents (**33%**) say they average a **90%-or-above** payroll accuracy rate globally.

Many organizations have taken action, yet there is still substantial room for improvement, with only **36%** of respondents saying they plan to focus on payroll accuracy in the next two to three years. As staff shortages and inefficient working practices stretch staff to the limit, it's the ideal time for organizations to explore how innovative payroll systems and technology could help to ease the burden.

3. Payroll that can scale

Global organizations – and those with global ambitions – need payroll processes, technology and teams that can scale. Yet more than half of respondents (**56%**) said they don't have full visibility of payroll performance, accuracy and other data across all their international locations, and two in five (**40%**) say that each country has different methods of tracking compliance performance.

Increased international mobility and remote working are also causing headaches for payroll teams, with a quarter (**26%**) of respondents admitting they're not confident they know of all workers who have relocated since the pandemic. A more joined-up approach is urgently required if organizations are to achieve the global efficiencies, benchmarking and central leadership required when expanding into new markets.

4. Driving strategy through unlocking payroll data

Payroll data is influencing strategy at the top level, with nearly half of respondents (**45%**) reporting that senior managers are increasingly requesting it. A significant number are also using it to inform cost management, growth, and diversity, equity and inclusion (DEI) strategies. However, companies could gain a fuller advantage with greater access to the right tools and big data, such as a global dashboard, and advanced, real-time analytics, which only **40%** and **29%** of respondents respectively say they use at present.

Meanwhile, stronger integration across business systems would ensure that business leaders extract the full value from payroll data, transforming the function from an operational to a strategic discipline.

Data and methodology

We interviewed **1,486 senior individuals**, in **16 countries**, who were heavily involved or had in-depth knowledge of payroll in their organization. All respondents work in multinational organizations of over 1,000 employees globally and all are departmental managers or above.

The regional breakdown was as follows:

- 465 in Asia Pacific (Australia, China, Singapore, India)
- 303 in Europe (France, Germany, UK)
- 215 in Latin America (Brazil, Chile)
- 101 in the Nordics (Denmark, Finland, Norway, Sweden)
- 302 in North America (USA and Canada)
- 100 in South Africa

The research for ADP was carried out by Opinion Matters. All research conducted adheres to ICC/ESOMAR World Research Guidelines. Opinion Matters is registered with the Information Commissioner's Office and is fully compliant with the General Data Protection Regulation (GDPR) and the Data Protection Act (2018). All interviews were conducted online in the local language between 10 June and 28 June 2022.

1. Payroll under attack

Data is a double-edged sword. On the one hand, it can bring huge value to organizations in understanding their operations, employees, and drivers for growth. On the other, it can be an area of vulnerability, if it isn't protected and secured effectively.

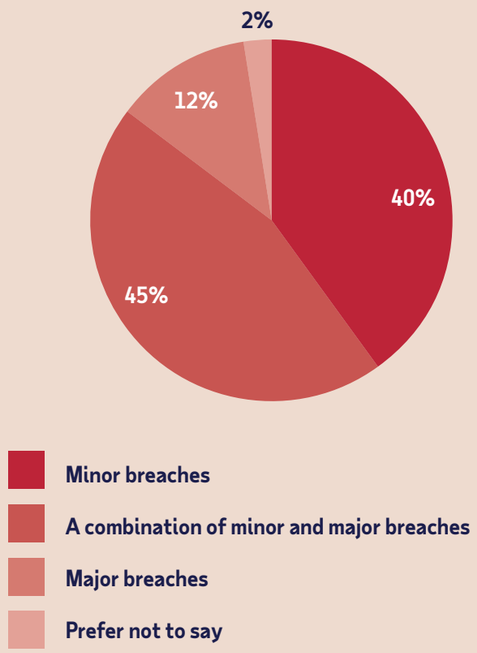
Payroll on the front line

As operations had become increasingly digitalized and connected, cybercrime has become one of the biggest – if not the biggest – risk to business continuity.

- Almost two-thirds of respondents (**61%**) revealed their payroll operation had been impacted by a cybersecurity breach at least once in the last 24 months
- Nearly one in four (**24%**) reported that their payroll operations had been impacted by three or more such breaches in that time
- Of those who had been impacted by at least one cyber-attack, more than half (**58%**) described them as major (**12%**), or a combination of major and minor (**45%**)

So significant is the threat of cyber-attacks that, for many organizations, it's causing them to postpone their plans to standardize and integrate their payroll operations at a global level. Two in five respondents (**40%**) admit that data security concerns are the biggest barrier to implementing a global payroll model across their geographies – more than any other factor.

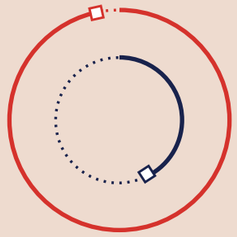
Of the cyber-attack security breaches impacting payroll since the pandemic, how would you describe them?



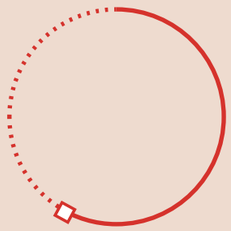
Turning strategy to action

Security and resilience are paramount for payroll operations. Being hit by a cyber breach could mean not only the loss of hugely sensitive employee and financial data, as well as noncompliance penalties, but also payroll infrastructure being compromised, and disruption to the payroll process itself.

In extreme cases, that could leave businesses unable to pay their employees, causing massive reputational, regulatory and employee engagement challenges. Payroll systems and teams must be built and prepared to prevent and withstand these attacks through the right technology, processes and training.



98% agree that data security in their payroll strategy had become more important over the last 12 months, with **43%** saying it had become critically important



59% now have data security skills within their payroll organization

Yet, in many cases, we see that this investment isn't translating into real action to ensure that payroll operations are safe. Only **46%** of respondents have developed a playbook and contingency plan across all their businesses to protect their payroll operations worldwide, although **39%** do have these in place for some of their countries. Meanwhile, **15%** have no plan at all in place, leaving them wide open to attack.

What contingency measures do you have in place to protect your payroll operations worldwide?

46%	39%	12%	2%
We have developed a playbook and contingency plan across all our countries	We have developed playbooks and plans for some of our countries	We have considered building a plan, but have none in place at the moment	We have not considered building such plans

* Numbers may not add to 100% due to rounding

Pushing payroll security up the business agenda

It's impossible to ignore the imperative for data security in payroll, and this looks set to be an important area of investment in the coming years.

- Nearly half (**44%**) of respondents plan to improve the data security of their payroll operation in the next two to three years
- A third (**30%**) do not currently have data security skills in the payroll team but say that this is something they would like to address
- A quarter said that if they were to upgrade their payroll system, one of their objectives would be to gain tighter data security protocols

The threat of cyber-attacks is always evolving, so should be a constant focus at the top of the payroll and business agenda. Employees and customers might forgive an attack the first time, but any subsequent problems are unlikely to be met with the same leniency. Pre-emptive action is therefore key and payroll is perfectly positioned to take the lead in ensuring employee and pay data is safeguarded.

2. Is payroll fit for the future?

Accurate and transparent payroll is vital to the efficient running of any business, and even more so during uncertain and unpredictable times. Payroll is critical to employee engagement, productivity and wellbeing, ensuring people are rewarded for their hard work and contribution to the success of their employer. Without payroll, the vital agreement that keeps people showing up, and working hard, will ultimately break down.

It's concerning that, in many organizations, we see that payroll teams are struggling to meet the rising demands and complexities. As employees demand greater flexibility over working patterns and locations, these new employee expectations have brought inefficiencies in payroll to the surface, accelerating the need for digitalization projects to optimise and future-proof payroll processes and systems.

Accuracy still falling short

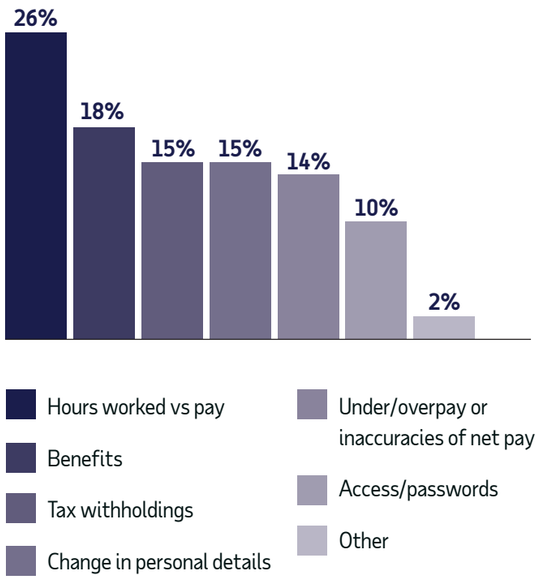
Last year's study revealed that payroll accuracy had fallen, and a worrying number of organizations are still struggling to achieve consistent, accurate payroll. Furthermore, a high number of respondents don't have clear visibility of when or where mistakes are happening, making it difficult for them to rectify issues and address the root cause.

- Only one in three respondents (**33%**) report having an average of 90%-or-above payroll accuracy across all the countries they operate in, compared with **52%** before 2020
- Three in 10 (**30%**) admit that errors only come to light when a payroll audit is run, while a quarter (**26%**) say they are only alerted by employee complaints, and around one in five (**22%**) only realize when they're contacted by local authorities

Perhaps as a result, employees are also questioning their pay more frequently, further increasing the pressure on payroll teams. This was a serious issue in last year's report, with **61%** admitting that they were receiving too many queries, and **24%** saying the amount was too difficult to deal with. This year, the issue persists, with almost half of respondents (**45%**) reporting that they are still seeing more payroll queries than pre-2020.

By better communicating and streamlining payroll information, companies could not only save employees and payroll staff time, but also enable greater capacity to respond and adapt as working practices continue to evolve.

What best describes the nature of the majority of payroll queries?



Are companies doing enough to improve accuracy and efficiency?

Respondents clearly understand that this is a serious issue, and many have acted to better keep track of and reduce errors. It is encouraging that almost seven in 10 (**69%**) say that they've introduced more internal audit checks in the last three years, while **61%** have brought in employee surveys.

Yet most firms still aren't prioritizing payroll accuracy, with only a third (**36%**) of respondents saying they plan to focus on the problem over the next two to three years – raising concerns that payroll errors will continue to go unchecked.

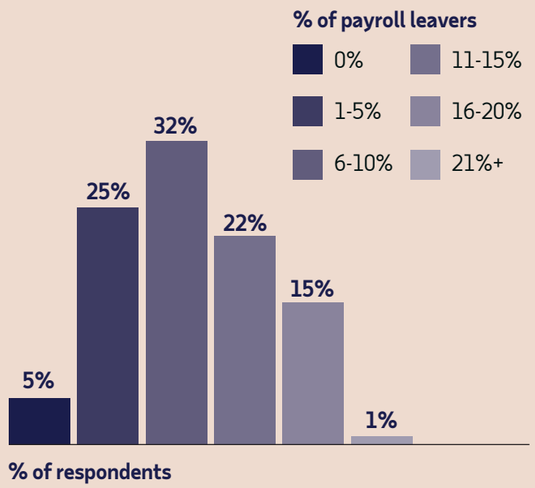
Staff shortages and lack of skills

While technology and systems are critical to a well-running payroll, it's important not to overlook the people involved, who are vital for problem-solving, answering queries from staff and management, and ensuring that payroll is delivering maximum value for the business. As payroll becomes more complex, companies need qualified talent spanning payroll processing, data analytics, data security and beyond. Yet, we see that in many cases, payroll teams are operating below capacity, effectively leaving fewer staff trying to cope with higher workload and complexity.

More than half (**53%**) of respondents say their payroll service has been affected by a shortage of payroll staff

Over a third (**37%**) have seen more than **10%** of their payroll professionals leave the business over the last couple of years

Since the pandemic, how many of your payroll professionals have left the business?



Does payroll have an image problem?

When it comes to recruitment, the findings indicate that more needs to be done to attract people into the payroll profession, as almost half of respondents (**48%**) say they have difficulty finding payroll skills from outside the business. As a consequence, we see that they're opting to train existing nonpayroll staff (**64%**), upskill existing payroll staff (**72%**) or review how they do payroll with fewer people (**57%**).

48%

We have difficulty finding payroll skills from outside the business

72%

We're upskilling existing payroll staff and changing how we work

64%

We're training existing nonpayroll staff to work in payroll

57%

We're reviewing how we do payroll with fewer people

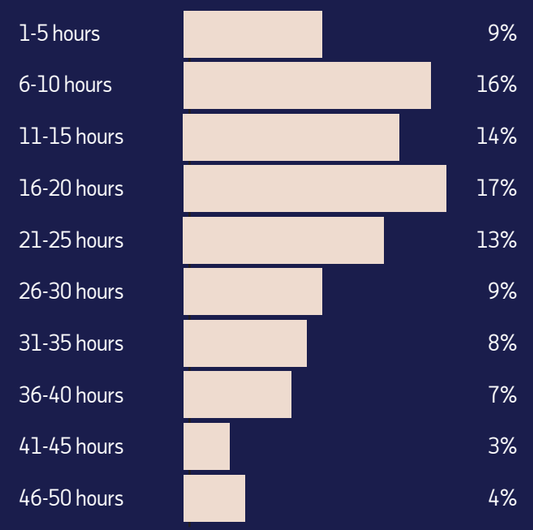
Drowning in low-level admin tasks

Not only are payroll teams short-staffed but there are indications that they're not spending their time most efficiently. Data collection (**38%**) and data entry (**26%**) are named as the payroll activities that take up most staff time, while more than one in five (**22%**) of respondents estimate that, on average, their global payroll teams are spending over 30 hours per week, per country, reconciling data between payroll and HR systems. To put this into perspective, that's equivalent to nearly four full days per week, or 15 days per month (based on a working day of eight hours).

There is a clear opportunity to automate data entry and reconciliation through technologies such as system integration and robotic process automation (RPA), which is becoming more sophisticated and cost-effective all the time. Yet for more than half of respondents (**53%**) RPA still makes up less than **30%** of their payroll processes, and only a quarter (**25%**) are looking to increase integration between payroll and other business-critical systems, leaving huge potential to do more. Speeding up adoption would greatly improve accuracy and efficiency, while freeing up employees to focus on more strategic, value-add activities.

How much time are your global payroll teams spending reconciling data between HR and payroll systems every week?

Time spent each week



3. PAYROLL THAT CAN SCALE

Ambitious, globally minded businesses need agile, scalable payroll that delivers accuracy and consistency across each of their markets. Yet too often we're seeing that payroll is hindering rather than helping organizations' growth ambitions. With staff juggling numerous systems, processes and providers, it makes responsiveness and agility seem like a distant dream.

Payroll is putting the brakes on expansion

Efficient and accurate payroll is vital to being able to hit the ground running in new markets, ensuring that local employees are engaged, productive and motivated from the outset. But for many businesses, inefficient payroll infrastructure is dashing their expansion plans before these can even get off the ground.

Last year's study found that nearly a third (**30%**) of finance and HR leaders were not confident that their payroll system could support their plans for growth or geographical expansion, and this challenge looks to be continuing for many in 2022.

- More than one in five (**22%**) respondents find paying employees one of their biggest challenges when moving into new geographies, alongside difficulties with tax payments (**25%**)
- A quarter (**25%**) said that delivering a positive employee experience was one of their biggest challenges, while **22%** said it was dealing with cultural differences. Both issues can be eased greatly by ensuring employees are paid correctly
- Recruitment of qualified payroll staff is also holding things up, with **22%** saying that finding payroll employees in local markets is one of their biggest challenges

Thinking about the last time your business moved into a new market, what did you consider were the top challenges to overcome? (tick up to 3)

Managing costs	30%
Tax payments	25%
Employee experience	25%
Cultural differences	22%
Understanding legislative regulations	22%
Designing the best operational model	22%
Finding local payroll talent	22%
Paying employees	22%
Moving funds	19%
Language barriers	18%
N/A I do not recall when we last moved into a new market	3%

Global gaps

It can be tempting to opt for the quickest solution when setting up payroll in new markets. But this can be a false economy. Implementing payrolls in multiple countries incorrectly and inconsistently can store up problems for the future, leaving organizations without the global perspective they need to make strategic decisions, drive efficiency and identify areas for improvement.

However, this is the reality for more than half (**56%**) of respondents, who admit that they don't have full visibility of all payrolls across all their locations from a central (HQ) perspective. And the one in 10 (**11%**) who only have visibility of payrolls in a few countries are effectively operating blind across huge areas of their operations.

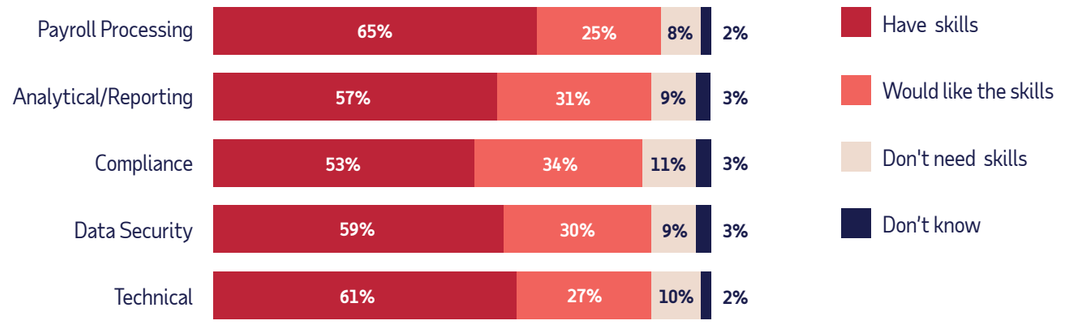
Added to this, **40%** of respondents are inconsistently tracking compliance performance around the world, which is likely to further hamper global payroll efficiency. And even among the **48%** who do use some standard metrics across their international markets, they admit that they struggle to relate this back to improving processes. This suggests there's either a lack of time or expertise available to make the best use of this information.

Streamlining compliance

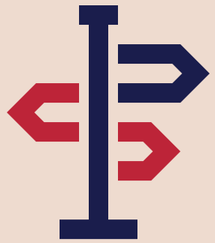
Given this combination of issues, global reporting and compliance are key areas where respondents have scope to optimize and streamline how they work, to improve overall organizational efficiency.

- A third (**32%**) say they plan to improve on regulatory compliance in the next two to three years, while the same percentage say they plan to improve their reporting capabilities
- A third (**34%**) say they would like to have compliance experts in their global payroll organisation, as this is something they're currently lacking

What dedicated resources/skills do you currently have, or would like to have in your global payroll organisation?



4. Driving strategy through unlocking payroll data



Employees on the move

Remote working has become commonplace for office-based roles, and some employees have seen this as an opportunity to work from far-flung shores or perhaps return to their home countries without having to leave their current employer. This is confirmed in the research, with nearly a third of respondents (**31%**) saying that many of their employees have relocated to other jurisdictions or countries since the pandemic.

We know that giving staff flexibility over where they work can have enormous benefits for employee engagement and productivity. However, it also brings challenges, in keeping track of remote workers and ensuring that the company is complying with tax and labour legislation.

- Currently, a quarter (**26%**) of respondents admit they're not confident they know of all workers who have relocated to another country or jurisdiction
- Over half (**56%**) say that ensuring these workers are taxed correctly has caused them some or many challenges

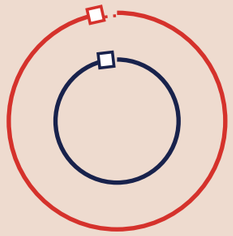
A more integrated approach, particularly through a global partner, removes many of the challenges of managing employee relocation, due to having the right skills and knowledge in numerous local markets, and consistent technology around the world.

Payroll data contains vital insights on, or related to, issues such as workforce costs, absenteeism, and diversity, equity and inclusion, however this value has often been overlooked by, or unavailable to senior leaders.

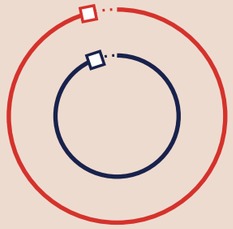
We saw in last year's report that **73%** of respondents did not have the payroll data to inform the strategic direction of the company, but there are signs that this is changing.

- Nearly half of respondents (**45%**) say they have seen an increase in the amount of payroll data requested from senior management
- And **43%** are seeing an increase in the number of payroll questions from management

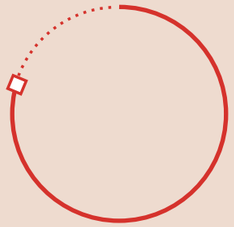
However, it is interesting to note that the proportion who are using payroll data to influence key areas of strategy has remained the same or fallen slightly since 2021, suggesting there is still some way to go.



98% say that payroll data is a consideration to inform cost management strategies, compared to **99%** last year.



97% say that payroll data is a consideration to inform commercial and/or growth strategies, compared to **96%** last year.



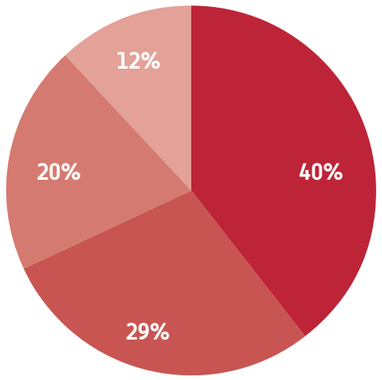
Meanwhile, **81%** are now consulting payroll data to inform diversity, equity and inclusion (DEI) strategies.

Accessibility of data to drive strategy

Organizations could still be doing more to maximise the strategic potential of their payroll data, through greater integration and by overhauling legacy systems.

With more than one in five (**22%**) payroll teams spending more than 30 hours every week reconciling payroll and HR data, many organizations are still not set up to deliver a real-time, holistic view of what's happening across their people management and reward strategies. The right systems could not only streamline data collection and analysis, but also ensure that these data and insights are available across the business on an ongoing basis.

- A global dashboard would enable senior managers to see what's happening at a glance, to feed into ongoing decision making. Yet currently, only two in five (**40%**) have a dashboard in place to help model and inform workforce strategies
- Big data can give organizations valuable HR benchmarking, forecasting and reporting capabilities, affording them complete visibility over spend, and where they can optimize their operations. Less than a third (**29%**) said their organization currently has these in place



- **Has a global dashboard with real-time access to insights that helps model and inform workforce strategies (e.g. recruitment , benefits and pay equity)**
- **Has advanced HR benchmarking, forecasting and reporting with complete visibility over spend**
- **Can access some data but it's not standardized across countries**
- **Is unable to access data for global reporting and existing data is unreliable**

It's time for payroll leaders to make the business case for investing in the technology and skills that will enable them to draw even more value from payroll data. One in four (**25%**) respondents is already planning to increase integration between payroll and other business-critical systems in the next two to three years and **31%** would like to have analytical and reporting resources in their payroll teams. For a significant number, this needs to move up the agenda.

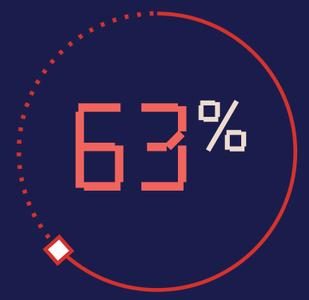
Foundations for the future

Payroll has the capacity to be a strategic force within the business, by enabling an agile, flexible and engaged workforce while facilitating global growth. Senior managers are already looking to payroll for more data-driven insights to influence important strategic decisions. But payroll can't progress from the fundamental aspects of paying staff, up to the next level of driving strategy, if employees can't rely on receiving accurate payslips, or if managers can't access the data and reports they need quickly and easily.

The research shows that the potential of payroll is still being held back by shaky foundations. Relying on manual processes and stretched payroll staff is resulting in too many errors and employee queries. A lack of integration and consistency means organizations have blind spots in their global workforce. Data is still locked up in disjointed systems and legacy technology. And data security concerns are stopping companies from implementing a global payroll model, as they struggle to keep up with cyber criminals and increasing legislation.

Yet, many organizations still seem comfortable with the status quo, with approximately one in three (**35%**) respondents saying they either don't have any plans to review their payroll, or if they do, this is at least 12 months away. Respondents also cite barriers to implementing a global payroll model, with data security concerns (**40%**), budget restrictions (**37%**) and complexity integrating with existing HR software (**35%**) listed as the top three.

Thinking about the payroll challenges and the after-effects of the pandemic, when, if ever, will your organization be looking to review the effectiveness of your current payroll systems?



Have either conducted a review in the last 12 months, are currently reviewing or plan to in the next year

By eliminating short-term concerns and thinking about payroll as a strategic asset, as well as a significant risk, organizations can build a payroll infrastructure that has the agility and scalability to grow with them, not just for the next five years, but for the next 20 years - and beyond. Payroll transformation is relentless, it is always evolving, and the longer organizations stand still or patch together their operations as they expand, the greater the risk.

Payroll has the potential to be a flag-bearer for innovation, efficiency, growth and compliance. But to do that, it needs a unified, global, secure and resilient payroll model that's integrated with the wider business, brings consistency across a company's in-country operations, and eliminates needless time consuming tasks.

Get the foundations right now, and the rest will follow.

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