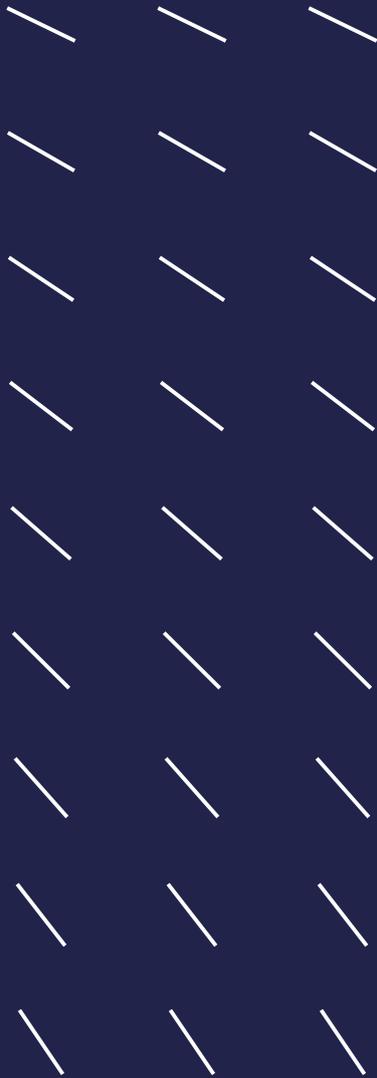


Take a new
look at pay



The potential of payroll:

Global payroll survey 2021

Our comprehensive survey into global payroll shows how an often overlooked service has the potential to be a driver of future growth initiatives.



Always Designing
for People®

Bridging the gap or widening the gulf?

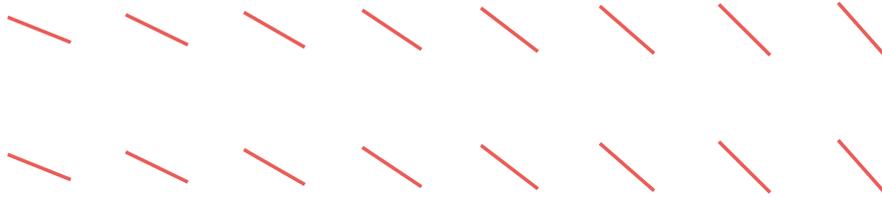
ADP's payroll survey is a study into the resiliency and competence of payroll around the world. The in-depth study explores payroll from the perspective of finance, HR and payroll leaders and looks at how well multinational organizations met, and continue to meet, the challenges created by the pandemic.

The sudden impact of the global disaster has shown that payroll processes and systems are not as efficient and effective as they could be. So, companies have to decide whether to embrace change to improve payroll and bridge the gap, or carry on as before and widen the gulf between what they want their payroll operation to deliver and what it is currently capable of achieving.

For the vast majority of companies (82%) the pandemic proved challenging — especially in the areas of reliability and accessibility of payroll systems, as well as accuracy and timeliness of employee pay.

Above all, the survey highlighted the need for change in order to build resilience, optimize operations and reduce risk in the future, and to do this companies are clear about what they want to see from any global payroll transformation.

- Access to greater reporting analytics — to inform company strategy and planning
- Increased reporting speed — to provide information as and when needed
- Tighter data security — to improve compliance
- Streamlined payroll processes — to reduce errors, lower costs and increase employee satisfaction



To get there involves significant change in three key areas:

Optimization

The majority of respondents (**74%**) are still running multiple systems across multiple geographies. As a result, most (**61%**) reported that their payroll staff received too many payroll queries. They were also likely to be asked for more data more frequently by senior management as data given was often inconsistent and difficult to interpret. Those (**14%**) with a global payroll strategy, fully integrated with HR and finance systems, report less complexity and radically optimized cost.

Visibility

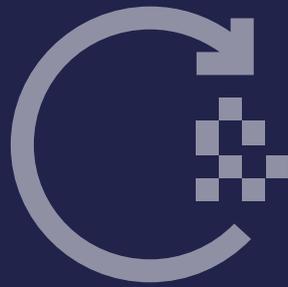
The many challenges reported of running multiple systems, with little integration, result in a very limited view of payroll. Without clear visibility, globally, **73%** of respondents did not have the payroll data to inform the strategic direction of the company and **51%** had limited confidence in their payroll compliance. On the other hand, a unified platform provided a clear view of global costs and enabled accurate modelling, forecasting and reporting.

Agility

Change is of course a constant, yet the pandemic brought a sudden need to adapt at speed — an experience never felt globally before, and companies' responses varied. Some **61%** of respondents found they were not able to adapt their payroll to meet many of the needs of their company during the pandemic. Similarly, a third (**33%**) said they didn't have a payroll system to support expansion plans. But companies with a unified global payroll platform reported that they had the agility to analyze data quickly and scale to support company growth.

Overall, responses showed an efficient global payroll strategy was critical to meeting the challenges of the pandemic and for delivering on the most wished-for attributes from any transformation: namely greater reporting and analytics plus integration of payroll data with other business systems.

Only then does payroll provide the information to help drive strategic decision-making and value throughout the business.

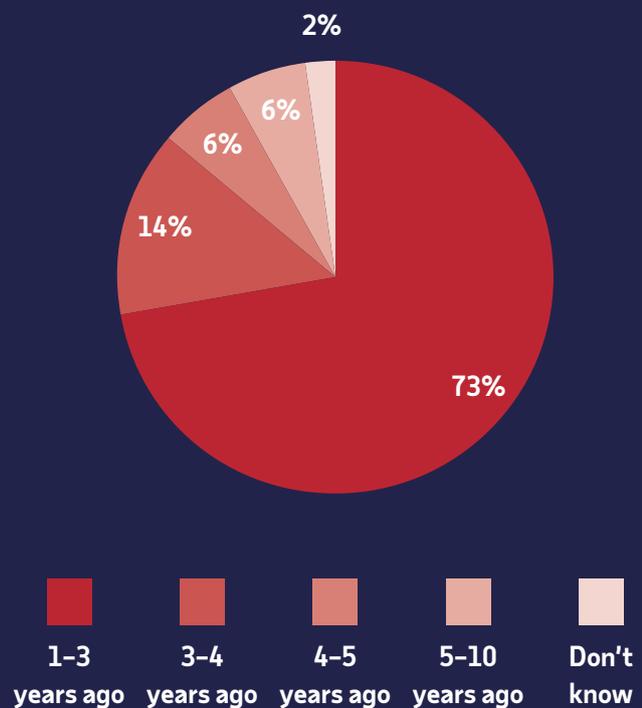


Survival by luck or design?

The importance of payroll is often overlooked. It is absolutely essential to the smooth operation of a business but once in place it is ignored and starved of attention, until of course things go wrong.

Our survey shows that less than half of multinationals have reviewed their payroll systems in the last two years, with 28% not having formally looked at how their operations are performing against objectives for three years or more.

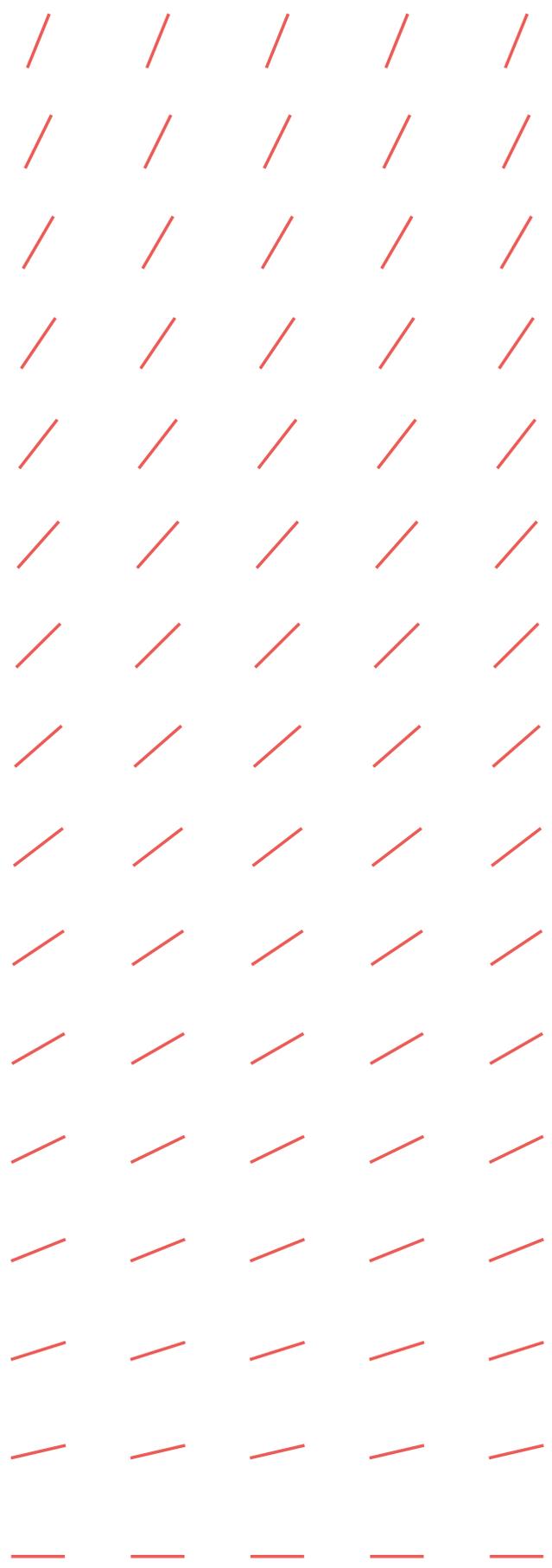
When were your payroll systems last reviewed?



In any case, reviewing payroll doesn't necessarily mean changing processes or providers, unless of course major inefficiencies are identified or the current model will thwart future strategic plans. Even where it's evident that payroll could offer greater value and work more efficiently, the pain of making the change is seen as greater than the consequences of leaving everything as it is. The pandemic has shown the dangers of such an approach. It was the ultimate stress test for payroll and few have come through it as well as they expected.

What were the initial challenges to your payroll processes from the COVID-19 pandemic?

Reliability of payroll system(s)	41%
Accuracy of employee pay	39%
Timeliness of employee pay	38%
Accessibility of payroll system(s)	35%
Continuity of data security protocols	34%
Reporting capabilities	29%
Meeting regulatory compliance	28%
Vendor technology support	28%
Access to internal IT support	28%
No challenges	6%





Redefining the new normal

The advent of COVID-19 exposed payroll weaknesses that prevented companies responding effectively. While many of these problems existed already, the pandemic magnified the inefficiencies and added greater complexities.

Suddenly furloughs, previously largely unheard of, became a payroll focus. New processes and regulatory changes needed to be implemented quickly to deal with these unprecedented times. All of this coincided with the introduction of different working practices for a largely work-from-home workforce, which included payroll teams.

Not surprising, then, that **82%** of those surveyed found the consequences of the global pandemic “very or somewhat challenging”.

- **75%** of businesses said they were unable to manage payroll 100% effectively
- Nearly half (**47%**) were unable to answer most of the payroll-related questions asked of them in order to support strategic decision-making

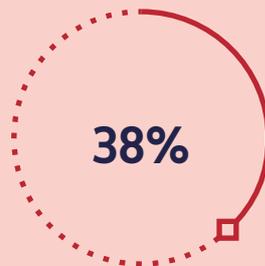
Chief concerns included:



Reliability of payroll system(s)



Accuracy of employee pay



Timeliness of employee pay



Accessibility of payroll system(s)



In fact, payroll accuracy was one of the first casualties of the pandemic.

- Pre-COVID-19, **52%** of companies reported it to be greater than 90%
- Post-COVID-19 (first six months) the number fell to just **27%**

Number of companies with payroll accuracy > 90%



There is a realization that things have got to change, particularly among those that still run most of their payroll services in-house.

- **75%** are ready to consider outsourcing all or most of their payroll processes

More worryingly, despite the experience of the pandemic more than **70%** of businesses still feel unprepared for future disruption or major regulatory change.

They realize current systems are not fit for purpose and outsourcing can be the answer. A study by Forrester¹, shows that there are significant payroll efficiency gains with fully managed services, which can reduce payroll effort by **30-75%**.

Many who believed their systems were robust were proved wrong. For example, the number of companies reporting high payroll accuracy (above **90%**), so vital for ensuring compliance and maintaining employee satisfaction, fell by nearly a half in the first six months after the pandemic started. So, it suggests that for some, the perceived strength of their payroll systems has been more by good luck than judgment.

Payroll is such a big amount of company spend — on average up to **60%**² — that any changes can have a massive effect. It is no surprise therefore that **97%** of those surveyed see payroll information as a major consideration in cost management strategies and **87%** see it as a fundamental part of their commercial and growth strategies.



But whether considering outsourcing or changing existing in-house payroll processes, respondents felt there is a clear view of the benefits that any payroll transformation could help them deliver, including:

- **32%** — Access to greater reporting analytics, for reliable, insight that can truly inform company strategy and planning
- **27%** — Increased reporting speed, so information is available as and when needed
- **27%** — Tighter data security protocols to ensure compliance with increasingly rigorous regulation
- **27%** — Streamlined payroll processes, achieved through automation and self-service to reduce errors, lower costs and increase employee satisfaction

What would you most like to gain from payroll transformation (average of first, second and third ranked responses)?

Access to greater reporting and analytics capabilities	27%
Integration of payroll data with other business/HR systems	26%
Simplified payroll data collection methods	24%
Streamlined payroll processes	24%
Increased reporting speed	23%
Tighter data security protocols	22%
Improved employee experience	22%
More reliable technology	21%
Standardized multi-country payroll processes	21%
Timely regulatory compliance insights and system updates	20%
Consolidated multi-country payroll reporting	29%
Remote access to payroll information	19%
Industry-leading payroll support	18%



Whether COVID-19 proved to be a near-miss or early warning for your business, it is time to take a new look at pay and establish how to build resilience, optimize operations and reduce risk.

Barriers or springboard?

Given the importance attached to payroll, why is it not top of the business agenda? To create the new frontier for payroll efficiency involves overcoming the barriers to change.

1. Complying with regulations

There are so many legal and regulatory obligations to meet, which vary from country to country. They are also constantly changing, as exemplified by the pandemic. From our own experience, we saw a **380%** increase in legal communications to process in just two months — March-April 2020. That included an additional 900 pieces of legislation on top of existing regulations.³

2. Getting it wrong is too costly

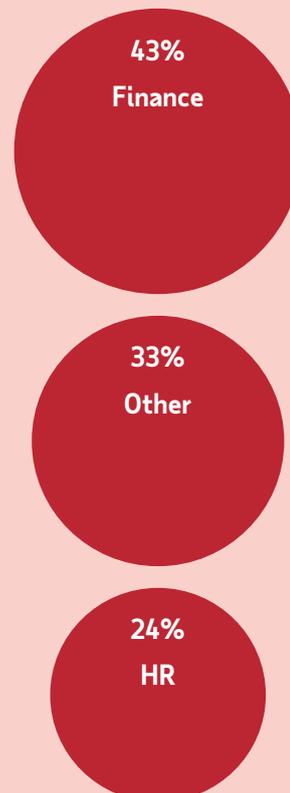
Everyone is impacted by payroll so it's high stakes to make changes. Given the complexity of major change programs, it is difficult to get all stakeholders to agree priorities.

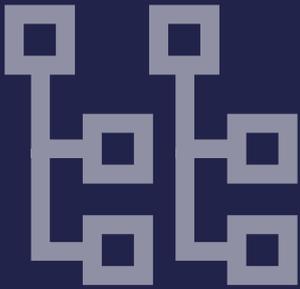
3. Who is in charge?

Payroll does not sit neatly under one function. Among payroll staff in the survey, **43%** came under Finance with **24%** under HR. Consequently, there are several groups of stakeholders with responsibility for the strategic direction of the service — each with differing views of what needs changing.

Who is in charge?

Functional leads managing payroll.





A single truth or many?

A simplified global payroll process, fully integrated with HR and finance systems, does reduce complexity and radically optimize costs — as **14%** of those surveyed are finding out.

But far from having a global payroll that's streamlined, low-cost and predictable, most companies — some **74%** — are still running multiple systems. Often these are patchwork solutions, accumulated over time, with separate payroll systems running in different countries — each with a local focus.

How many payroll systems does your company currently use?

Companies operating in up to five countries
68% run 2-5 systems 23% run >6 systems
Companies operating in up to 10 countries
47% run 6-10 systems 12% run > 10 systems
Companies operating in 11 or more countries
68% have up to 10 systems

Multinationals, multi-systems

Those companies managing multiple systems across several platforms report a number of problems. Data security is compromised, causing compliance issues that can incur costly fines. Payments are late, data quality poor and service compromised, as payroll staff struggle to keep up with the volumes of queries.

Effortless or effortful compliance

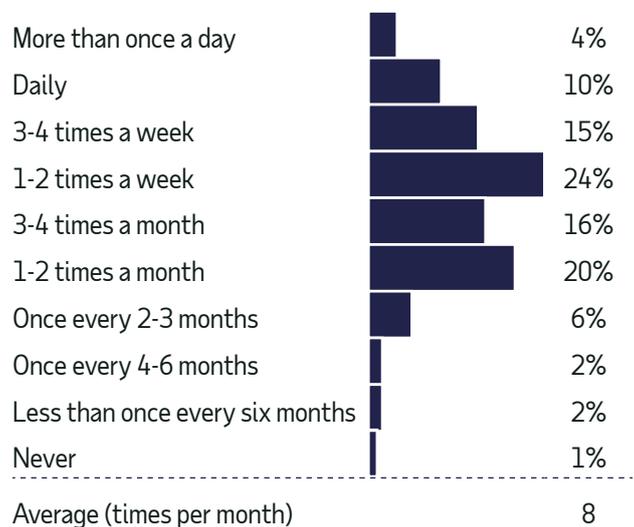
- **24%** of finance and HR leaders did not get the level of support from their payroll vendor that they needed to stay compliant.
- The pandemic introduced a previously unimaginable flurry of legislation and regulation that payroll systems had to suddenly adjust to. To manage that you need a vendor that has regulatory compliance specialists across the world monitoring changes on your behalf.
- Without it, as nearly a quarter of companies surveyed found, compliance is extremely difficult. The risk was especially great with those using in-house solutions (**19%**) compared to those using cloud-based technology, where only **2%** complained of difficulties.



Questions, questions everywhere

- More than **61%** received too many payroll queries.
- The more systems involved, the greater the potential for errors, and the more likely payroll staff were to find it unmanageable. As a result it is often only through employees that mistakes come to light.
- More than half (**52%**) of companies stated that complaints from employees were one of the ways payroll errors were identified.
- Our recent *People at Work 2021: A Global Workforce View* research found that **20%** of employees say they are always or often underpaid, **16%** are always or often overpaid and **41%** say they are always, often or sometimes paid late. This provides a very poor user experience and leads to increased dissatisfaction. Yet, companies report that unifying payroll and reducing operational complexities can reduce employee queries by up to half.
- The greater the number of systems the more frequently senior management asked for data, sometimes several times a day.
- More systems make it difficult to provide good-quality consolidated management reports — as the data that is held is often inconsistent across geographies and difficult to interpret.

How often do senior management ask for payroll data?





In view or out of sight?

A single unified payroll system provides one, consistent, accurate source of information. Companies report that it allows them to do far more than simply deliver a paycheck. Total visibility over payroll will provide a clearer picture for the strategic direction of your company. Integrating it with other management systems also enables global reporting for costs as well as accurate modelling, forecasting and reporting.

Multiple systems, multiple challenges...

Trying to manage global payroll over multiple legacy systems is difficult. Organizations need the transparency offered by a single source to provide meaningful reports that drive strategic decision-making and add value¹. Without a single version of the truth from payroll it is more difficult to:

Find the right strategic direction

- **Only 27% of financial leaders consider payroll data when developing their commercial and growth strategies.**
- **Of the 73% who don't, only 12% believed that payroll could answer the majority of questions being asked of them during the pandemic crisis.**
Most financial leaders don't, or more likely can't, rely on their payroll data to support their strategies for growth. As you don't know what you don't know, it's only with a global view of payroll that companies say they can access all of their workforce data, including expenses, leaves and absences, to provide detailed analysis and reporting for leadership.

Accelerate system integration

- **26% with an in-house payroll system say it is not yet (or only partly) integrated with other systems.**
Once there's full integration between HR, payroll and ERP systems it is so much easier for everyone to see the big picture. Yet currently, much of that data is still separated across various spreadsheets. Companies reported that integrating payroll with other systems and processes was necessary to ensure compliance and allow the rapid scalability that is essential to support company growth.

Be compliant

- **51% of organizations with little or no payroll integration are not confident about being positively audited on payroll compliance.**
An integrated payroll that empowers people, processes and technology to work well together, is imperative for implementing rapid changes that are required for full compliance to new legislation and regulation. And it's needed. Even before the rush of regulation around COVID-19, Thomson Reuters Regulatory Intelligence captured **56,624** regulatory alerts from more than **1,000** regulatory bodies, averaging **217** updates a day⁴.

Change or be changed?

Change is inevitable. How you manage change is not. Yet recent events like the pandemic have left little time to prepare. There are multiple strategies to consider. Should you downsize, restructure or offshore or look at mergers and acquisitions? Whatever route you take, simplified access to accurate payroll data and the insights it can provide is essential for implementing your change initiatives more efficiently.

Stand still or stand out

- **Nearly a third (30%) of finance and HR leaders are not confident that their payroll system can support their plans for growth or geographical expansion.**

Payroll itself is changing. Companies say that with a modern system their staff are no longer processing payroll but act more like data analysts providing the insights to inform future strategies. For example, a global payroll can show differences in labor costs across territories, relative merits of temporary workers versus full-time employees, or the compensation and reward strategies that best suit the preferences of a changing workforce.

Questions or answers?

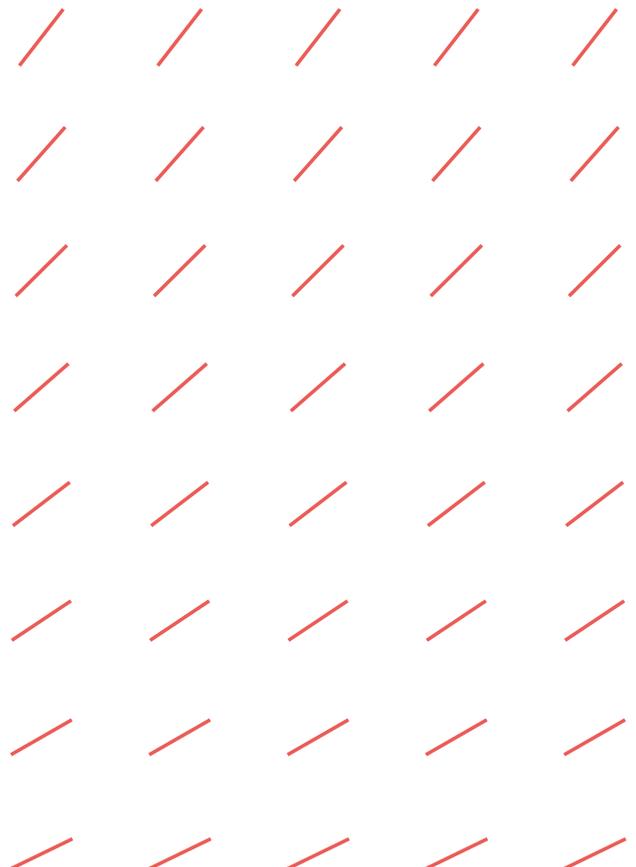
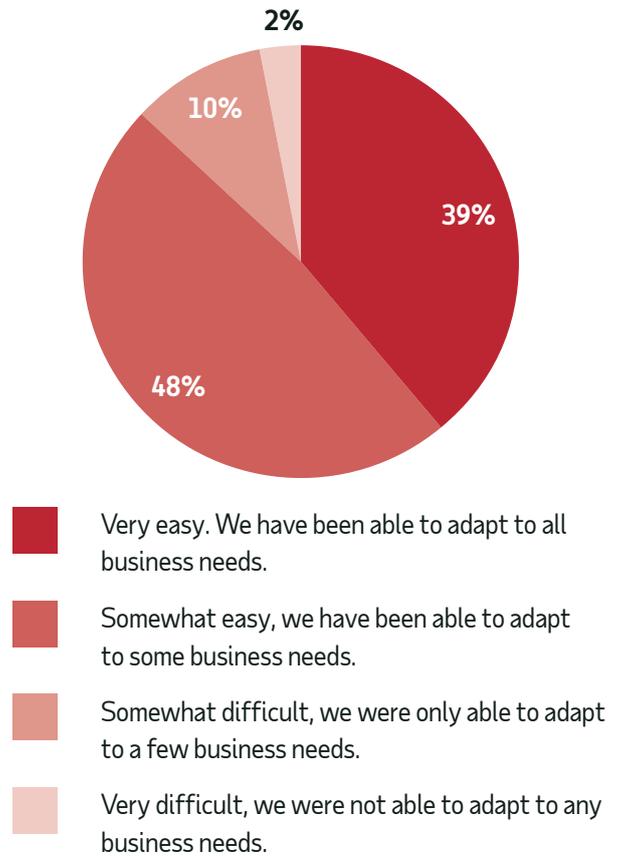
- **More than 61% of organizations were so busy dealing with a glut of payroll queries, as a result of poor data quality and multiple systems, that they could not focus on more strategic initiatives.**

Having the data is one thing. Making use of it is another. The majority of companies surveyed found that the complexities of running several systems across many countries didn't allow time or opportunity to fully analyze data. Constant firefighting meant that they did not have the strategic insights to help drive productivity and improve equality and diversity in the way that those with unified payroll data did.

Stress-tested or stressed?

- Companies with a single, unified system were **20%** more likely to answer questions in the requested timeframe than those using several systems.
- Most companies — **61%** — were only able to adapt their payroll operation/processes to some degree, or not at all, in order to meet the needs of their business during the pandemic.

How easily could you adapt payroll to meet business needs during the pandemic?



Managed by the past or future?

The COVID-19 crisis has put payroll systems to the test, as never before. It has revealed challenges that only reinforce the need for greater and faster change.

But how are businesses reacting? For some, managed by the past, the answer has been to add more of the same. Do what has always been done, add on another system, a further layer of complexity.

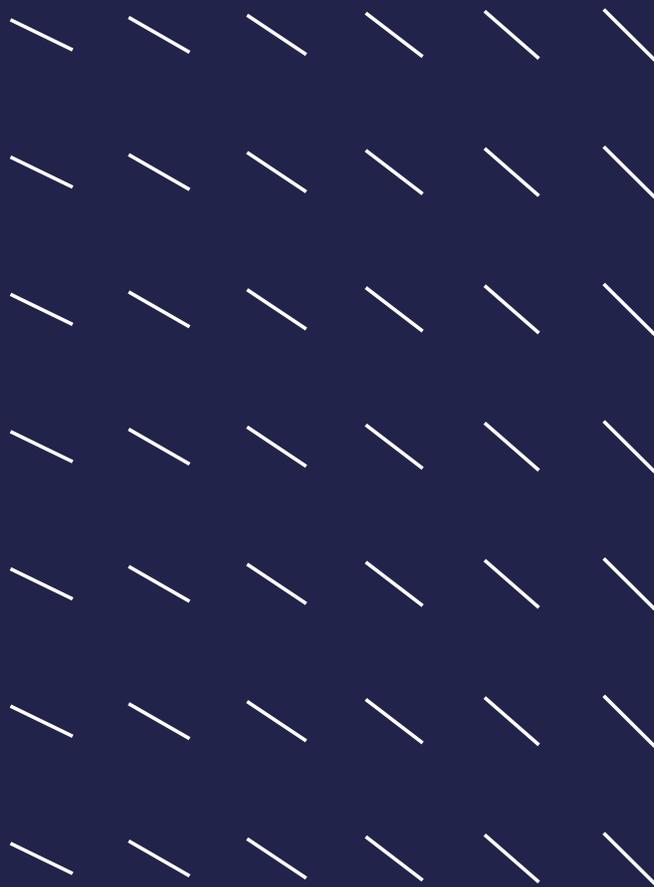


But as the survey shows, repeating the old ways only reinforces inefficiency. Using different payroll products and services in different countries only adds complexity. Payroll staff have to spend most of their time ensuring data is correct and up to date, dealing with errors, inefficiencies, delays, a poor employee experience and subsequently any fees and penalties associated with non-compliance.

A better future can be achieved by creating a global payroll system that's agile and flexible enough to deal with any challenges that companies face. Now more time can be spent on creating a strategic role for payroll that moves the business forward rather than simply keeping things going.

A global payroll system delivers what most current systems can't. It meets the ambitions of survey respondents who wanted greater access to reporting, simpler processes and an integrated payroll system that can support growth initiatives.

The rewards are clear. Multinationals who have optimized and simplified systems are quicker to react and more efficient than those who have to juggle several systems, so they can reduce the risk of non-compliance, cut costs and elevate the employee experience.



About the survey

This survey was carried out by independent research agency, Vanson Bourne. They interviewed **1100** senior individuals, in **10** countries, who were heavily involved or had in-depth knowledge of payroll in their organization.

- 300 from North America (US, Canada)
- 300 from EMEA (UK, France, Germany)
- 300 from APAC (Australia, China, Singapore)
- 200 from LATAM (Brazil, Argentina)

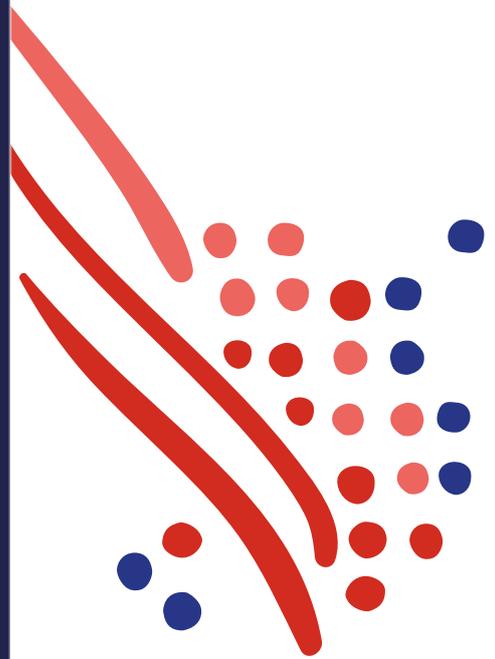
The interviews were carried out between 10th December 2020 and 22nd January 2021.

All respondents worked in organizations of over **1000** employees globally. All were departmental managers or above with over **80%** at SVP, board member or most senior organizational decision-maker-level.

The survey was conducted online in the local language. Overall results are weighted to represent the size of the working population for each country.

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1. Total Economic Impact™ of ADP Global Payroll study 2020, Forrester Consulting
2. Deloitte analysis 2017. Labor spending or overspending?
3. The Hackett Group 2020. Seven payroll weaknesses exposed by COVID-19 and how to fix them.
4. Cost of Compliance Report 2020 by Thomson Reuters Regulatory Intelligence



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