The Payroll Operations Survey summary of results
Deloitte LLP is pleased to present the summary of the results from the 2014 Payroll Operations Survey. As the second survey of its type conducted by Deloitte, this year’s survey continued to evolve the questions associated with U.S., Canadian, and Global organizations’ payroll in the following areas:

- Payroll operations
- Technology
- Workforce management
- Outsourcing
- Compliance and taxation
- Quality and continuous improvement

The survey was completed by experienced professionals in a wide range of industries who are directly involved with the payroll function at their respective organizations. Fifty-eight companies participated in the survey representing both global and domestic organizations. The companies ranged in size from fewer than 200 active employees to over 300,000.

The approach taken with the payroll survey was to dive deeper into the systems and service delivery models within each of the global regions: North America (NA), Asia and Pacific (APAC), Europe, Middle East, and Africa (EMEA), and Latin America (LA), providing insights into the similarities and differences among them. One of the observations included the fact that some global organizations do not have full transparency into their global payroll operations.

Many of the results were analyzed by the number of employees within an organization, which revealed several trends associated with shared service centers, outsourcing, and payroll technology.

Some of the findings and trends identified from the survey responses include:

- The majority of organizations centralized payroll into a shared service center located in North America
- 90% of organizations utilize online payroll self-service
- There is growing interest in cloud-based applications, but global payroll solutions are limited at this time
- Time and attendance systems are the prevalent workforce management technology with 84% of the respondents utilizing
- 74% of organizations have fully documented pay policies, but 68% feel that they are beginning or still developing their workforce management strategy
- Full payroll outsourcing is more common outside of North America; however, satisfaction with the payroll outsourcing arrangement is higher in North America
- Organizations with business travelers continue to be challenged to track and manage mobility for U.S. state and global taxation reporting
- Payroll departments are utilizing a variety of tools and techniques to monitor internal and outsource vendor service quality

We hope you find the results of this year’s survey useful. If you have any questions regarding the survey or specific payroll operations or tax challenges, please do not hesitate to contact the payroll and employment tax specialists listed at the end of the report, or me directly.

With best regards,

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Survey highlights

Section 1: Company demographics
• Payroll generally reports to Finance in organizations with less than 10,000 employees and to HR or Shared Services in organizations with over 10,000 employees

Section 2: Payroll operations
• 60% of respondents have a Payroll Shared Service Center with 91% having one located in North America
• 33% of respondents manage responsibility for global payroll processing regionally while 27% manage by country
• 88% of employees are paid via direct deposit, 6% receive live checks, and 5% receive pay cards

Section 3: Technology
• In North America, PeopleSoft, SAP, ADP, and Ceridian are the most common payroll solutions in use
• 26% of respondents are considering cloud-based technology to support payroll functions, while 14% are already using cloud-based services

Section 4: Workforce management
• Time and attendance, labor scheduling, and budgeting are the most common systems in place as part of a workforce management strategy
• 75% of respondents feel their organization’s work and pay policies/procedures are fully documented
• 68% of respondents are beginning or still developing their strategy for workforce management

Section 5: Outsourcing
• North America continues to outpace other global regions in terms of scope of payroll services outsourced
• Organizations that outsource payroll services outside of North America tend to be less satisfied with their current outsourcing arrangement
• The majority of respondents are not considering changing their scope or services or geographic scope of payroll service outsourcing

Section 6: Compliance and taxation
• 33% of respondents utilize travel and expense data to track U.S. domestic business travelers, but 40% do not track or were not sure how or if they track their U.S. domestic travelers
• 21% of respondents utilize travel and expense data to track global short-term business travelers, but 43% do not track or were not sure how or if they track their international travelers
• Year-end processing, defining withholding responsibilities, and reporting income locally were the greatest challenges or risks facing organizations with a mobile global workforce
• 50% of respondents outsource tax reporting to help mitigate the risks associated with global mobility payroll processing

Section 7: Quality and continuous improvement
• 63% of respondents reported having governance policies covering the Payroll function
• 81% of respondents conduct periodic reviews of their payroll process
• 82% of respondents have Service Level Agreements (SLAs) established and track and monitor them

Throughout the report, the following abbreviations are used for the four global regions:
• APAC: Asia and Pacific
• EMEA: Europe, Middle East, and Africa
• LA: Latin America
• NA: North America
Section 1: Company demographics

This year’s survey captured responses from a wide variety of organizations spanning eight different industries, ranging in employee size from a few hundred to several hundred-thousand. This section sets the foundation for the types of organizations that participated and how they are structured and staffed.

What is your company’s primary industry?

How many active employees are on your payroll?

Respondents with U.S. operations reported employees in an average of 29 U.S. states and territories. Those with Canadian operations reported employees in an average of 5.7 provinces and territories.

Average number of Full Time Employees (FTEs) responsible for running any part of the payroll cycle

Average number of active employees supported by each FTE supporting the payroll cycle

The average ratio of the number of FTEs responsible for processing payroll to the number of employees supported within the organization is directly correlated with the company size: the larger the organization, the greater the number of active employees that are supported by each FTE.

Smaller organizations tended to have a lower ratio due to the requirement for a minimum number of FTEs to support the Payroll function.

In contrast, larger organizations had much higher ratios implying a degree of scale and efficiency achieved.
Compared to 2011, respondents in 2014 reported an 8% shift away from Payroll reporting to Finance. This does not necessarily indicate a trend in reporting hierarchy, but rather an indication of the size and types of organizations responding to this year’s survey.

Organizations with fewer than 10,000 employees tended to have Payroll report to Finance.

Organizations with more than 10,000 employees showed a greater emergence of Payroll being part of a shared services model, reporting to HR, or a combination.
Payroll continues to evolve to provide services to its customers with more efficiency and less cost by centralizing Payroll, forming or joining existing shared service centers, offering online self-service functionality, and increasing the use of electronic payment methods to employees.

Respondents in the manufacturing industry were the most regionally diverse with a presence in an average of nearly 3 global regions. Consumer and industrial products and life sciences and healthcare were the least regionally diverse with fewer than 20% of respondents operating outside of North America.

The average respondent had shared service centers in approximately 1.5 global regions.

Most organizations have centralized their shared service centers into a single location or may have additional locations in different global regions to service that area or allow 24-hour, “follow the sun,” coverage and support.
Locations of payroll shared service centers by company size

Number of global regions with payroll shared service centers

Number of employees

> 100k
50k-99.9k
20k-49.9k
10k-19.9k
5k-9.9k
1k-4.9k
< 1k

0% 20% 40% 60% 80% 100%

Locations of payroll shared service centers by company size

Number of employees

> 100k
50k-99.9k
20k-49.9k
10k-19.9k
5k-9.9k
1k-4.9k
< 1k

0% 20% 40% 60% 80% 100%

Number of global regions with payroll shared service centers

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20k-49.9k
10k-19.9k
5k-9.9k
1k-4.9k
< 1k

0% 20% 40% 60% 80% 100%

How do you manage responsibility for global payroll processing?

ありの場合は、新規に開設したい場所を図に示します。これにより、組織がどの地域や国を新たな支店として選択するかが明確になります。
Direct deposit was still the dominant method for paying employees. Its usage has remained virtually unchanged compared to the 2011 survey’s results.

Live checks saw a small decrease; however, they will continue to be utilized by many organizations until direct deposit or other electronic payment methods are permitted to be mandatory in all geographies.

Pay cards showed a modest increase in popularity as an alternative to checks, although they were most prevalent in manufacturing and retail industries.

90% of respondents offer some type of online payroll self-service functionality. 83% of the respondents that do not offer online payroll self-service have fewer than 1,000 employees.
Scheduled off-cycles are those which the Payroll department plans in advance and are used to process missed payments and perform corrections. Nearly one-third of respondents schedule their off-cycle payrolls and on average process one cycle each business day of the month.

Unscheduled off-cycles serve the same purpose as scheduled off-cycle payrolls, but are run on an as needed basis. Companies that outsource gross-to-net payroll will typically rely on unscheduled off-cycles to perform corrections since each run of the payroll engine will carry a cost. Companies that run payroll in-house are more likely to schedule their off-cycles since the additional runs will usually not have a direct impact on the variable cost of payroll.

Special-purpose off-cycles are usually scheduled or at least planned in advance, but are used to perform mass adjustments and payments, such as quarterly incentive payments, company-wide bonus payments, and year-end imputed income adjustments. As a result, the average number of cycles per month is comparatively lower at five, but the average number of payments created is much higher exceeding 12,000.

Retiree pension payments are only processed by 16% of respondents’ Payroll departments. Typically these are processed monthly.

### Which types of off-cycle and special payroll processing does your organization perform?

<table>
<thead>
<tr>
<th>Payroll process cycle type</th>
<th>Percent of respondents processing cycle type</th>
<th>Average number of pay cycles per month</th>
<th>Average number of payments created per pay cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheduled off-cycles</td>
<td>31%</td>
<td>20</td>
<td>101</td>
</tr>
<tr>
<td>Unscheduled off-cycles</td>
<td>50%</td>
<td>18</td>
<td>63</td>
</tr>
<tr>
<td>Special-purpose off-cycles</td>
<td>38%</td>
<td>5</td>
<td>12,699</td>
</tr>
<tr>
<td>Retiree pension payments</td>
<td>16%</td>
<td>N/A</td>
<td>2,305</td>
</tr>
</tbody>
</table>
Section 3: Technology

The survey responses confirm that Payroll departments are shifting toward cloud-based solutions, also known as Software as a Service (SaaS); however, this is primarily focused on the North American markets. Enterprise resource planning (ERP) solutions continue to be prevalent in North America, especially in organizations greater than 20,000 employees.

In North America, 70% of respondents maintain their Payroll function in-house and 56% outsource their payroll technology hosting, maintenance, and support.

Combining the other global regions, on average 23% maintain their Payroll function in-house and on average 23% outsource the technology. It should be noted that on average 47% of respondents did not know the arrangement for their Payroll function outside of North America.

Respondents in North America with fewer than 10,000 employees tend to utilize a payroll outsourcing service, hosted or fully outsourced. The smaller company size and complexity may allow for a better fit with an outsourcing provider’s standardization expectations.

For respondents in the 10,000-20,000 employee range, operating and maintaining Payroll in-house may become a viable cost-effective option.

The largest organizations with over 50,000 employees have the size and staff to support hosting an in-house payroll system. The complexity and company size often do not present as many options for an outsourced solution.
Payroll technology in use in North America

Payroll systems in use in global regions outside of North America

In-house payroll systems in North America were far more common than those in other global regions, while outsourcing or hosted solutions were more common outside of North America. Outsource providers outside North America varied widely and often differed by country within the same organization.
While payroll ranks as one of the top SaaS modules being considered by respondents, global functionality is very limited within today's payroll SaaS offerings. Software vendors are primarily offering North American payroll functionality and partnering with payroll outsource vendors to provide payroll services in other countries.

It is expected that as interest in the SaaS market continues to grow, software vendors may expand the countries covered by their payroll solutions.
Section 4: Workforce management

For the first time, the Payroll Operations Survey included questions concentrating on workforce management systems and their use. It was noted that while 86% of respondents are using at least one type of technology to support workforce management and 75% have their pay policies well documented, only 32% of respondents have realized a mature or leading workforce management strategy. A focused strategy that includes integrated systems can improve margins and significantly reduce labor costs.

Survey respondents overwhelmingly noted time and attendance systems as the primary component of their workforce management strategy. Labor scheduling was a distant second followed by budgeting, forecasting and productivity systems. These responses suggest that many organizations recognize the value that time collection and labor scheduling systems provide to their workforce management strategy.

On average, respondents reported having two of these systems as part of their workforce management strategy.

Types of systems that are part of the WFM strategy by industry

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75% of respondents agreed or strongly agreed that their organization’s work and pay policies/procedures are fully documented, but 68% consider themselves “beginning” or “developing” in their workforce management strategy. Only 32% identified themselves as advanced or leading in their strategy.

The top two goals of implementing a workforce management strategy that were identified by more than 40% of respondents were to lower labor costs and increase workforce productivity, however, the majority of respondents are still developing their strategy. Many are trying to better understand and utilize the data that they are able to receive from their workforce management systems to achieve these goals.
Kronos and ADP’s workforce management solutions received the most responses for a specified vendor; however, nearly half the respondents reported using a variety of “other” systems.

94% of the “Other” responses consisted of a range of in-house and hosted workforce management point solutions, time and attendance modules associated with an ERP system, and custom developed in-house solutions. The remaining 6% either outsourced the function or utilized several different solutions within its organization.
Payroll outsourcing continues to be a topic of keen interest in many organizations. In the past, outsourcing was usually most appealing to organizations with fewer than 20,000 employees; however, companies of all sizes are reconsidering outsourcing all or part of their payroll operations as the vendor offerings become more capable to accommodate larger employee volumes and a wider range of complex business requirements.

Respondents with operations in North America utilized a full payroll BPO far less than operations in other global regions.

The majority of organizations using full payroll BPO were in the manufacturing, retail, and life sciences and healthcare industries.

Regardless of an organization’s payroll operating model, nearly all organizations outsource some portion of their payroll operations to help reduce cost, manage risk, exposure, skilled staffing concerns, and highly administrative/paper-driven tasks.

The most commonly outsourced functions in North American include: year-end tax form printing (87%), payroll tax preparation and filing (76%), year-end tax form distribution (63%), check printing (57%), and garnishment administration (52%).
Payroll services outsourced to an external vendor in North America by company size

- Time and attendance: 15% < 1k, 23% 1k-4.9k, 8% 5k-9.9k, 15% 10k-19.9k, 13% 20k-49.9k, 31% 50k-99.9k, 6% > 100k
- Payroll self-service: 19% < 1k, 12% 1k-4.9k, 19% 5k-9.9k, 25% 10k-19.9k, 19% 20k-49.9k, 19% 50k-99.9k, 6% > 100k
- Year-end tax form distribution: 14% < 1k, 17% 1k-4.9k, 3% 5k-9.9k, 28% 10k-19.9k, 21% 20k-49.9k, 14% 50k-99.9k, 3% > 100k
- Payroll tax preparation and filing: 13% < 1k, 18% 1k-4.9k, 9% 5k-9.9k, 22% 10k-19.9k, 18% 20k-49.9k, 13% 50k-99.9k, 7% > 100k
- Garnishment/tax levy administration: 13% < 1k, 25% 1k-4.9k, 16% 5k-9.9k, 16% 10k-19.9k, 13% 20k-49.9k, 13% 50k-99.9k, 4% > 100k
- Check distribution: 6% < 1k, 13% 1k-4.9k, 25% 5k-9.9k, 25% 10k-19.9k, 37% 20k-49.9k, 13% 50k-99.9k, 4% > 100k
- Check printing: 19% < 1k, 16% 1k-4.9k, 15% 5k-9.9k, 15% 10k-19.9k, 19% 20k-49.9k, 8% 50k-99.9k, 8% > 100k
- Gross to net calculation: 20% < 1k, 15% 1k-4.9k, 20% 5k-9.9k, 20% 10k-19.9k, 15% 20k-49.9k, 10% 50k-99.9k, 5% > 100k

Organizations with more than 50,000 employees tend to utilize fewer outsourced services due to a greater number of staff, increased economies of scale, and a greater number of unique or complex business requirements that hinders making a viable case for outsourcing; however, many of the largest organizations will still utilize outsourcing for the areas that pose the highest risk or require specialized knowledge and training.

Outside North America, organizations with more than 10,000 employees were more likely to outsource portions of the Payroll function, while smaller companies may not have a presence in certain global regions outside North America or simply decide to outsource the entire Payroll function (full payroll BPO).
What is the level of satisfaction with your outsourced payroll service arrangement?

In North America by company size

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Very satisfied</th>
<th>Satisfied</th>
<th>Unsatisfied</th>
<th>Very unsatisfied</th>
<th>Not sure</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 100k</td>
<td>66%</td>
<td>34%</td>
<td>5%</td>
<td>10%</td>
<td>3%</td>
</tr>
<tr>
<td>50k-99.9k</td>
<td>60%</td>
<td>40%</td>
<td>7%</td>
<td>13%</td>
<td>3%</td>
</tr>
<tr>
<td>20k-49.9k</td>
<td>58%</td>
<td>28%</td>
<td>17%</td>
<td>14%</td>
<td>3%</td>
</tr>
<tr>
<td>10k-19.9k</td>
<td>13%</td>
<td>62%</td>
<td>25%</td>
<td>75%</td>
<td>3%</td>
</tr>
<tr>
<td>5k-9.9k</td>
<td>25%</td>
<td>75%</td>
<td>20%</td>
<td>66%</td>
<td>3%</td>
</tr>
<tr>
<td>1k-4.9k</td>
<td>17%</td>
<td>66%</td>
<td>25%</td>
<td>17%</td>
<td>3%</td>
</tr>
<tr>
<td>&lt; 1k</td>
<td>17%</td>
<td>50%</td>
<td>10%</td>
<td>17%</td>
<td>3%</td>
</tr>
</tbody>
</table>

In APAC, EMEA, and LA by company size

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Very satisfied</th>
<th>Satisfied</th>
<th>Unsatisfied</th>
<th>Very unsatisfied</th>
<th>Not sure</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 100k</td>
<td>24%</td>
<td>46%</td>
<td>37%</td>
<td>19%</td>
<td>7%</td>
</tr>
<tr>
<td>50k-99.9k</td>
<td>24%</td>
<td>47%</td>
<td>25%</td>
<td>19%</td>
<td>7%</td>
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<tr>
<td>20k-49.9k</td>
<td>25%</td>
<td>47%</td>
<td>25%</td>
<td>19%</td>
<td>7%</td>
</tr>
<tr>
<td>10k-19.9k</td>
<td>25%</td>
<td>50%</td>
<td>25%</td>
<td>19%</td>
<td>7%</td>
</tr>
<tr>
<td>5k-9.9k</td>
<td>10%</td>
<td>57%</td>
<td>43%</td>
<td>24%</td>
<td>3%</td>
</tr>
<tr>
<td>1k-4.9k</td>
<td>10%</td>
<td>40%</td>
<td>50%</td>
<td>24%</td>
<td>3%</td>
</tr>
<tr>
<td>&lt; 1k</td>
<td>10%</td>
<td>60%</td>
<td>40%</td>
<td>24%</td>
<td>3%</td>
</tr>
</tbody>
</table>

In terms of payroll outsourcing, what are the top areas of focus or improvement relating to payroll vendor services?

<table>
<thead>
<tr>
<th>Area</th>
<th>Not sure</th>
<th>Very unsatisfied</th>
<th>Unsatisfied</th>
<th>Satisfied</th>
<th>Very satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance and controls</td>
<td>33%</td>
<td>37%</td>
<td>35%</td>
<td>33%</td>
<td>37%</td>
</tr>
<tr>
<td>Process and technology integration</td>
<td>19%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Cost savings and productivity improvements</td>
<td>18%</td>
<td>18%</td>
<td>18%</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>Payroll accuracy</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Upgrading/modernizing technology platforms</td>
<td>20%</td>
<td>14%</td>
<td>14%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Employee and manager self-service capabilities</td>
<td>20%</td>
<td>12%</td>
<td>12%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Standard and ad hoc reporting capabilities</td>
<td>18%</td>
<td>14%</td>
<td>14%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Payroll timeliness</td>
<td>12%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Payroll corrections and adjustments</td>
<td>10%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Consolidation and simplifications of solutions, vendors, and/or contracts</td>
<td>10%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>SLAs and quality measurement</td>
<td>10%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Government and customer service</td>
<td>10%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
</tr>
</tbody>
</table>

The survey results suggest that the level of satisfaction with current payroll services outsourcing arrangements is much higher in North America at 72% satisfied or very satisfied, as compared to 50% for the other global regions. The percentage of dissatisfied and very dissatisfied is nearly equal at 25% for North America and 26% for the other global regions.

Even the most satisfied organizations with their outsourcing arrangements seek opportunities to improve vendor relationships and services provided.

The most common focus areas include the vendors’ compliance with current processes and regulations and enhanced integration with other systems.
The future plans for outsourcing are decidedly limited with 60% of respondents indicating no change to the scope of services and 69% indicating no plans to change the geographic scope of outsourcing.

Those who responded “Other” were unsure of their future plans or only considering outsourcing in certain countries or regions.

**How many years has the current outsourcing contract been in place?**

In North America, outsourcing relationships with payroll service vendors are very mature with 76% of respondents having their contracts in place for at least four years. The average duration was nearly six years.

Outside North America, 60% of contracts have been in place for three or fewer years and the average outsourcing relationship was less than four years.
Section 6: Compliance and taxation

An increasing number of employers are focused on tax compliance associated with short-term business travelers and international assignees; however, many employers continue to struggle with tracking their workforce, collecting data, and processing global payrolls.

What is your level of state taxation awareness for U.S. domestic short-term business travelers?

How do you track U.S. domestic business travel?

Respondents’ methods for tracking business travelers varied widely. One-third relied on travel and expense data, while 40% did not track their employees’ movements despite having U.S. domestic business travelers or were not sure how or if they are tracked.

What resources of data are needed to support tax compliance for short-term business travelers?

The majority of respondents acknowledged a need for a compliment of resources to support compliance, including technical guidance, systems support, and the development of internal policies.
What is your level of global taxation awareness for international short-term business travelers?

- Not sure: 31%
- Issues identified, determined next steps: 16%
- Partial awareness for select populations/countries: 16%
- Developing process and systems to address: 9%
- Reporting in countries: 9%
- Exploring exposure and compliance requirements: 3%
- N/A — No international short-term business travelers: 3%

How do you track global short-term business travelers (e.g., non-expatriates)?

- We do not track: 24%
- Travel and expense data: 21%
- Not sure: 19%
- Internally developed procedures: 17%
- Employee self-reporting: 14%
- External vendor: 12%
- Visa/immigration data: 10%
- Other: 2%

Global taxation awareness is relatively low among the respondents with international short-term travelers with only 16% of respondents reporting these employees in host countries. 47% are aware and still exploring the issues, exposure, and solutions. 16% were unsure if they have such travelers and the potential issues.

Organizations are having challenges tracking their global short-term travelers. 43% of respondents did not track the employees or have an awareness of the current practice for tracking international business travel.
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Year-end processing, defining withholding responsibilities, and reporting income locally were the greatest challenges facing organizations with a mobile global workforce.

Strategies in place to mitigate challenges and risks associated with global mobility/expatriate payroll processing

Half of all respondents outsourced tax reporting to a vendor for their mobile global workforce, while only 21% outsourced local payroll processing.
49% of respondents had a **formal decision-making process** for classifying employees and independent contractors, while 39% had a less structured or centralized process and 12% were not sure.
Section 7: Quality and continuous improvement

Despite Payroll being a mature function within most organizations, it continues to present challenges and opportunities for improving service delivery. More often organizations are relying on formally established governance models and analytics to manage the processes and results produced by the Payroll function.

Which of the following topics are defined by your organization’s governance policies?

- Payroll system security: 54%
- Payroll process, timing, and deadlines: 53%
- Payment requests and authorizations: 49%
- Payroll system configuration and maintenance: 42%
- Not sure: 19%
- N/A — No governance policies covering Payroll: 18%

63% of respondents reported having governance policies for at least one of the categories:
1. Payroll process, timing, and deadlines
2. Payment requests and authorizations
3. Payroll system configuration and maintenance
4. Payroll system security

58% of those with governance policies had them covering all four categories.

On average, organizations had policies representing three of the four categories.

Are service level agreements (SLAs) established with the Payroll department’s customers and third-party service providers?

- Not sure: 16%
- No SLAs with customers or vendors: 40%
- Yes, customers only: 18%
- Yes, vendors only: 2%
- Yes, both customers and vendors: 24%

SLAs are an important measure of performance; however, organizations greater than 10,000 employees have tended to place greater emphasis on them:
- 80% of respondents with no SLAs had fewer than 10,000 employees
- 100% of respondents who were not sure whether they had SLAs had fewer than 10,000 employees
- 87% of respondents with SLAs for both customers and vendors had more than 10,000 employees
82% of respondents who have SLAs established, also track and monitor them. 66% of these use at least two different tools and techniques to manage their SLAs.

**How are service level agreements (SLAs) monitored and tracked?**

- Periodic meetings: 38%
- Call center reports: 33%
- Case management system reports: 33%
- Vendor reports: 28%
- Periodic surveys: 23%
- Interviews with customers and vendors: 18%
- Analysis performed each pay period: 13%
- SLAs are not monitored or tracked: 13%
- Other methods: 10%
- N/A — No defined SLAs: 5%

**What are the key performance indicators (KPIs) that Payroll Operations regularly tracks and monitors?**

- Payment errors as a percent of total payroll payments: 43%
- Cycle time to process payroll: 33%
- Manual/voided payments/stop payments as a percent of total payroll payments: 29%
- Days to resolve payroll errors: 26%
- N/A — No defined KPIs: 22%
- KPIs are not monitored or tracked: 21%
- Timeliness in submission of statutory returns: 21%
- Percent of payroll payments that include payroll adjustments: 17%
- Average overall cost of producing a payslip: 16%
- Cost of payroll process as a percent of total payroll cost: 16%
- Percent of accurate statutory returns: 16%
- Untimely payroll payments as a percent of total payroll payments: 16%
- Cost of payroll systems as a percent of total payroll cost: 7%

55% of respondents have defined KPIs and actively monitor and track them. 81% of these indicated that they track at least three different KPIs.

Of the 22% of respondents who do not have any defined KPIs, 53% had fewer than 5,000 employees and 100% had fewer than 20,000 employees. Smaller organizations may not have the tools or staff to support tracking and monitoring payroll analytics.
As the only open-ended question on the survey, respondents were given the opportunity to describe their biggest payroll-related changes. The responses were analyzed and grouped into major categories. Manual processes topped the list with 23% of respondents reporting it as a challenge.
Deloitte Consulting LLP and Deloitte Tax LLP provide a broad range of human resources transformation and employment tax services. These services are designed to accommodate both large and small employers across an array of industries. Our services are tailored to our clients’ specific needs, utilizing established methodologies and strategies.

In addition, Deloitte is able to provide our services using a multidisciplinary coordinated approach with Human Capital including HR Transformation and Employee Benefits; Payroll Tax and Accounting; and Risk Management. This multifunctional approach allows us to provide a dynamic perspective to our clients’ payroll issues through technical experience, thought leadership, and innovation around core business issues: Financial Management, Risk Management and Compliance, Operational Excellence, and Transaction Effectiveness.

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