

The Strategic Ascent of Global Payroll

Four key insights to accelerate the transformation from back-office processor to strategic powerhouse



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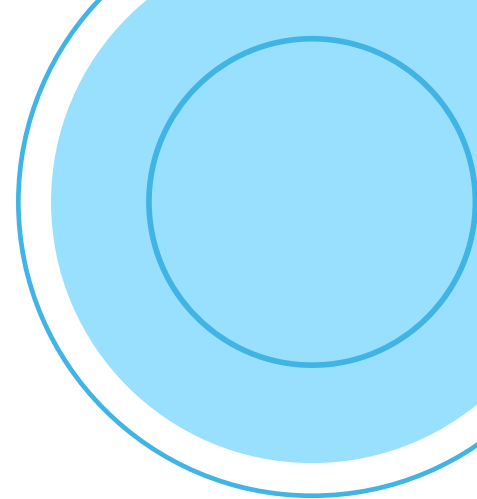
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Time for change

As business evolves at an eye-popping pace, payroll has a major opportunity to step out of the back-office shadows and assume a more strategic stance. Think: elevating workforce planning, improving the employee experience and nimbly navigating shifts in geographic regulations and workforce models – without ever sacrificing accuracy.

But as research from a new Workday and Vanson Bourne global payroll survey shows, most organisations' payroll simply isn't at the level required to embrace its rightful role as strategic partner. Instead, responses from 1,300 global decision-makers suggest that many are tethered to clunky, complex payroll systems powered by fragmented data and manual processes.

Business leaders know that change is needed, and that need grows more acute as payroll complexity intensifies. By diving deeper into our research findings, business leaders can create an action plan to elevate their payroll functions – and harness the power of payroll data to drive informed decision-making and business outcomes. **Read on to learn more.**

A man with a beard and bald head, wearing a dark blue suit, white shirt, and grey tie, is looking upwards and to the right while holding a smartphone in his hands. He is standing in front of a large orange circle.

87%

of respondents
say the evolving
complexity of payroll
regulation is a big
challenge

39%

of respondents are
planning to invest
more into payroll over
the next year

Definitions

A fully integrated payroll system provides a single view into finance, HR, time, absence and payroll data for payroll practitioners and serves as a single point of entry to enable employees to view HR, time and payroll information on any device in a single experience. Modern, integrated payroll systems automate the impact of HR transactions on payroll, use sophisticated bidirectional APIs to exchange data needed for payroll processing across local payrolls, include flexible frameworks to adapt processes to new requirements and provide reliable and granular data and reporting for informed decision-making – enabling a strategic payroll organisation.

A strategic payroll organisation actively collaborates with business partners to develop a pay strategy aligned to business objectives and talent management philosophy, actively analysing and interpreting workforce, pay, tax and compliance data to inform workforce plans. A strategic payroll organisation ensures a consistent and engaging payroll experience that guides workers, provides visibility and supports unique and changing workforce and pay scenarios. Workers monitor the latest innovations, such as AI, and maintain a roadmap to continuously improve payroll processes and the employee experience.

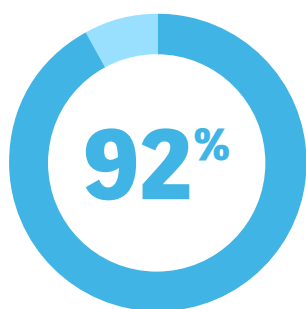
Human in the loop is an AI model enabling humans to have an interactive role and assist the model in making significant decisions. As organisations navigate this changing world of work, this approach embraces intelligent automation that provides supporting information and recommendations while keeping humans in control of all decisions.



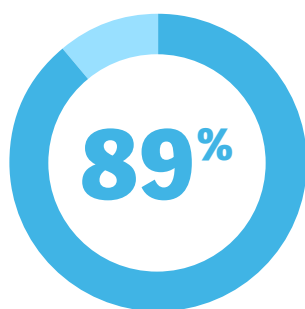
Insight: Global payroll faces a serious strategy gap

Findings at a glance

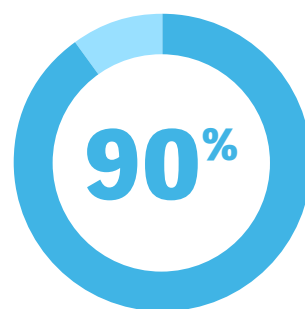
By and large, business leaders and payroll practitioners alike understand the need to transform payroll from tactical processor to strategic asset. Yet many payroll teams remain mired in manual tasks and complex data reconciliations with strategic insights largely out of reach. Among survey respondents:



recognise the strategic impact of payroll



say their current payroll solution could do more to uncover insights that inform the strategic direction of the business



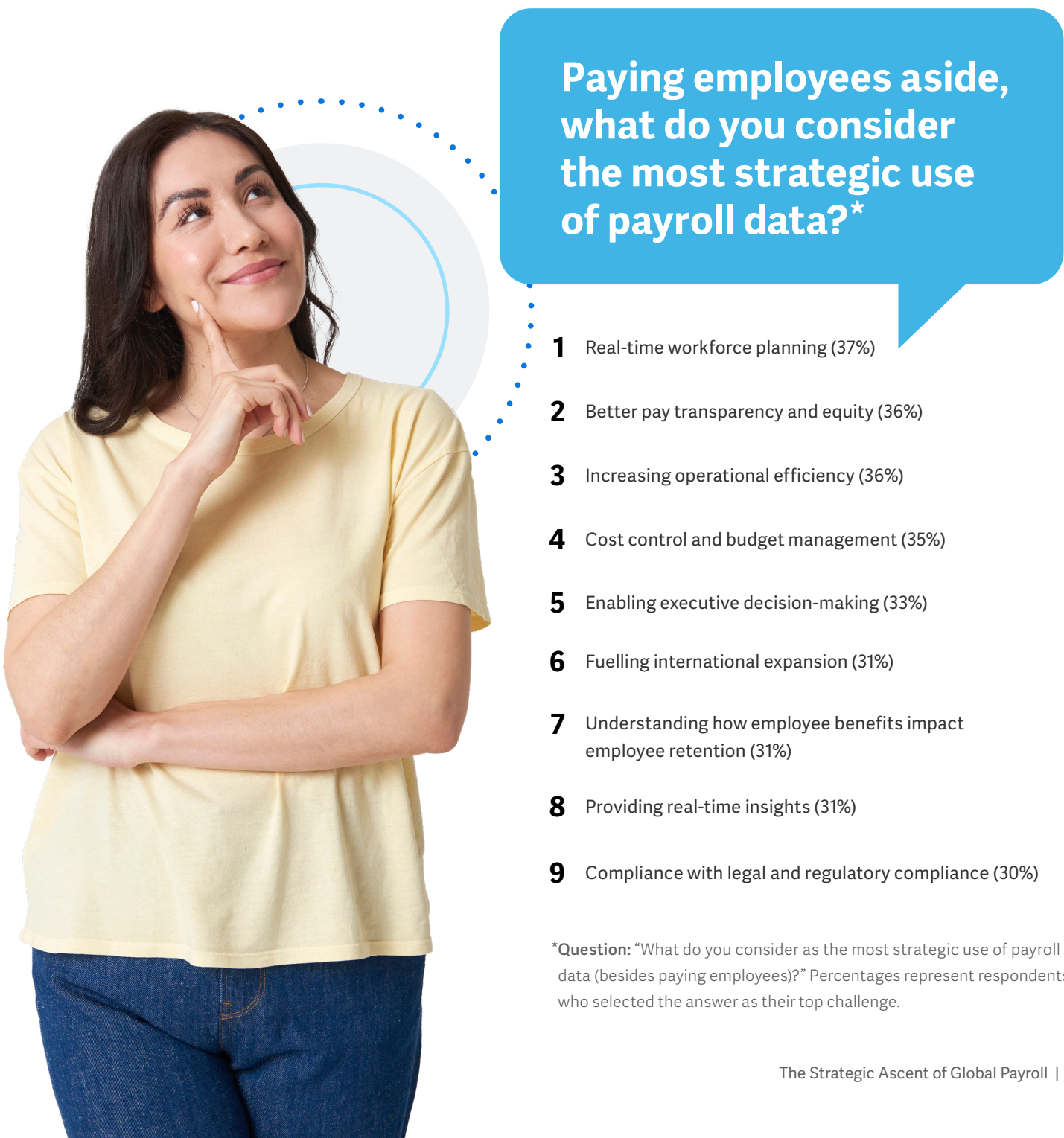
agree that leadership could be more involved in elevating payroll's value and impact; interestingly, even 93% of board and C-suite respondents agree that leadership should be more invested in elevating payroll



The deeper dive

Within most organisations, payroll holds some of the richest datasets that can be used to inform strategic decision-making, optimise operations and drive business outcomes. Think: labour costs and tax liabilities that help determine where to locate expanded operations. Overtime costs and attrition trends that may signal the need to fund additional staffing or reassess talent management approaches. Workforce expenditure forecasts that directly inform the balance of employees and contingent workers in a particular geography.

When survey respondents were asked about the most important business outcomes of strategic payroll, no singular stand-out emerged. Instead, respondents pointed to a multitude of ways that organisations are leveraging payroll to drive strategy and performance.



Paying employees aside, what do you consider the most strategic use of payroll data?*

- 1 Real-time workforce planning (37%)
- 2 Better pay transparency and equity (36%)
- 3 Increasing operational efficiency (36%)
- 4 Cost control and budget management (35%)
- 5 Enabling executive decision-making (33%)
- 6 Fuelling international expansion (31%)
- 7 Understanding how employee benefits impact employee retention (31%)
- 8 Providing real-time insights (31%)
- 9 Compliance with legal and regulatory compliance (30%)

*Question: "What do you consider as the most strategic use of payroll data (besides paying employees)?" Percentages represent respondents who selected the answer as their top challenge.

Six strategic questions payroll data can help answer

As business leaders look to nimbly navigate a business and talent environment marked by dynamic disruption, they're asking more questions of payroll teams.

Is our workforce strategy financially sound?

At a time when many companies are looking to reduce labour spend, granular insights are key to assessing your organisational structure and maximising workforce deployment.

Do we have pay gaps within our organisation?

Pay discrepancies across gender, racial or other lines can be hard to pinpoint – and address – without reliable, comprehensive payroll data that's easy to slice and dice across multiple dimensions.

How does our per-employee productivity compare to industry benchmarks?

Payroll data offers real-time insights into workforce trends, including productivity levels, that leaders need in order to make better decisions.

When does contract labour make more sense than overtime?

To answer this question, executives need to see what they're spending on workers across locations, categories and pay periods, while also easily pulling pay-calculation reports and double-clicking into tracked overtime to determine root causes and forecast future costs.

Are we paying our top talent enough?

Turnover trends on their own don't reveal much but, when combined with payroll and performance data, businesses are better able to assess compensation strategies and ensure they're retaining top performers.

Are we doing all that we can to mitigate errors and compliance risk?

Identifying root causes of errors and non-compliance is critical to realising a strategic payroll vision. Automation can identify errors before they happen to save time down the line.

If the value of payroll's strategic ascent isn't in question, why haven't more organisations successfully made the move? Our research found that the barriers to strategic payroll can be nearly as varied as the potential value of a successful transformation. One pervasive problem: misalignment or miscommunication over who manages each part of the payroll process.


What challenges prevent payroll from becoming more strategic?*

- 1 Belief that payroll is solely a transaction business function (44%)
- 2 Limited technology budgets (42%)
- 3 Limited executive support (39%)
- 4 Minimal influence due to reporting structure (37%)
- 5 Disconnected data and business systems (36%)
- 6 Inadequate performance metrics (36%)
- 7 Lack of time to dedicate to strategy (34%)
- 8 Change resistance (34%)

*Question: "What are the current barriers/challenges preventing payroll from becoming more strategic within your organisation?" Respondents selected all answers that apply. Percentages represent respondents who selected the answer as their top challenge.

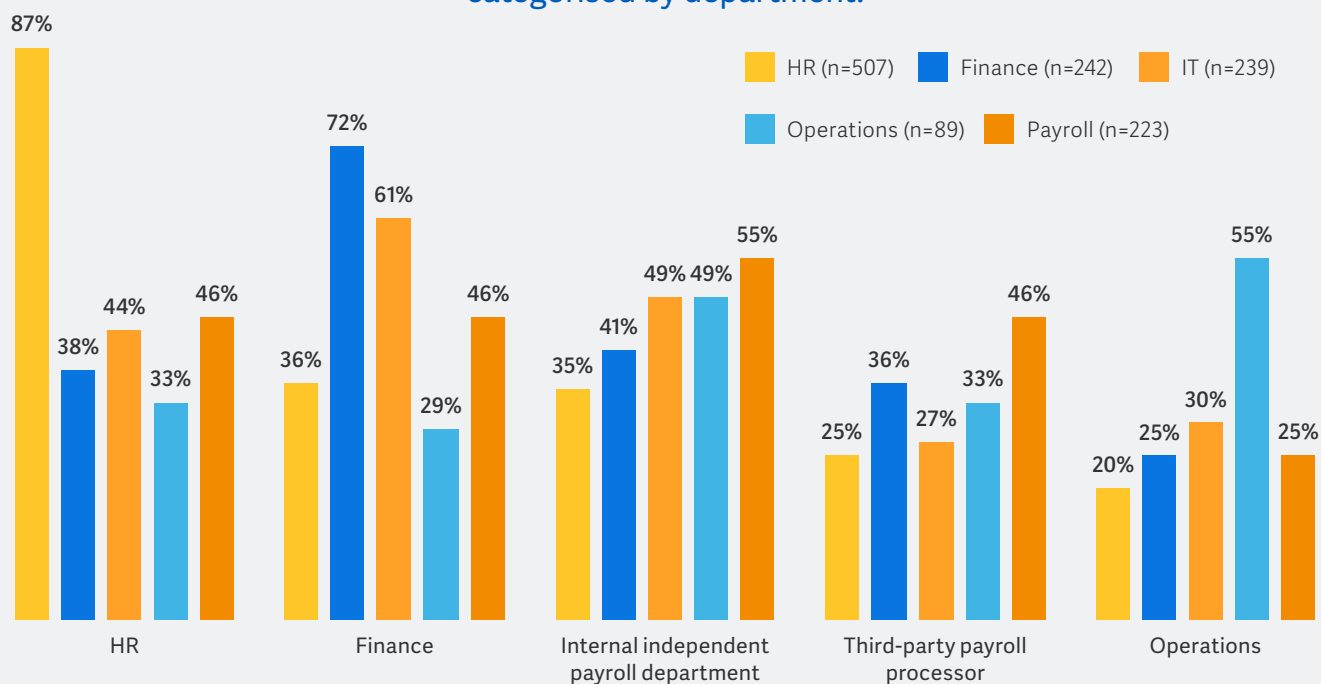
Where should payroll reside within an organisation?

Traditionally, there hasn't been a clear answer, with organisations fairly evenly split on whether payroll reports to finance or HR. But as Deloitte notes in its latest [Global Payroll Benchmarking Survey](#), more companies are moving payroll to HR. Our research supports that trend, with **87% of HR respondents** saying their function is now responsible for payroll. But that's not a uniform view held by all functions: 72% of finance respondents say payroll is their responsibility, and 55% of operations respondents say the same about their function.



Which department is responsible for processing payroll within your organisation?*

Which department is responsible for processing payroll in your organisation, categorised by department.



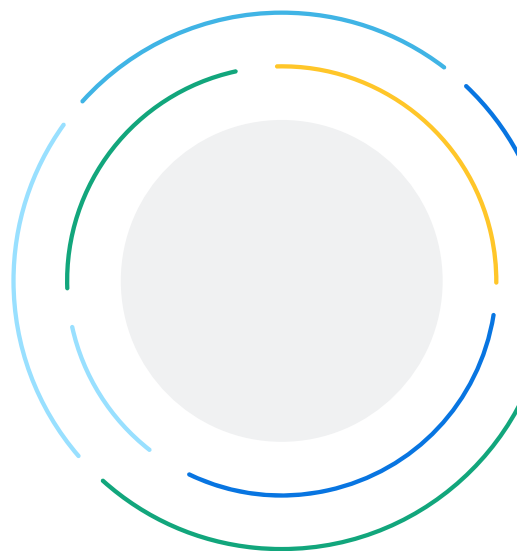
*Question: "Which department(s) is (are) responsible for processing payroll, including taxes, within your organisation?"
Respondents selected all that apply.

Insight: Payroll integration still has a long way to go

Findings at a glance

Executives recognise the need for the seamless, streamlined integration of global payroll data, processes and systems across functions and globally. Most even believe they're making strides. Yet our research illuminates the current reality that, beneath the veneer of payroll integration, most organisations are juggling a complex web of systems and vendors.

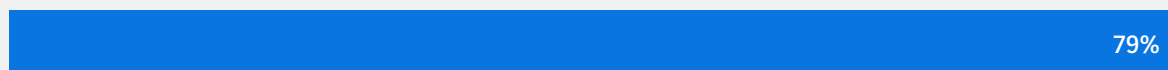
- **71% say their organisation has an integrated payroll solution**, but fewer than half of HR and payroll data sources are integrated, on average.
- **5 different payroll systems, 5 integrations and 5 vendors** are the norm for managing global payroll at the average organisation, and 15% of respondents say their organisation uses 8 or 9 vendors.
- **47% of payroll processes require some level of manual intervention**, on average, and 52% of respondents say they're not confident that their workforce costs and metrics are always accurate.



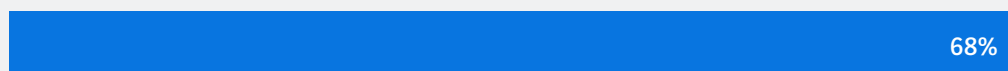
The deeper dive

Executives are far more likely to consider their payroll system integrated than those in mid-level management or junior management, who more likely have a front-row view of the manual effort required to power their global payroll.

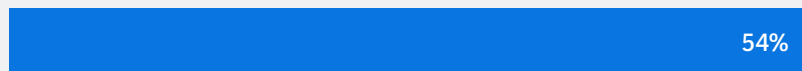
Executives



Mid-Level Management



Junior Management



*Question: "Does your organisation use one platform for HR and payroll?" Respondents selected one option.

Which of the following payroll data components are stored in separate systems within your organisation?*



36%

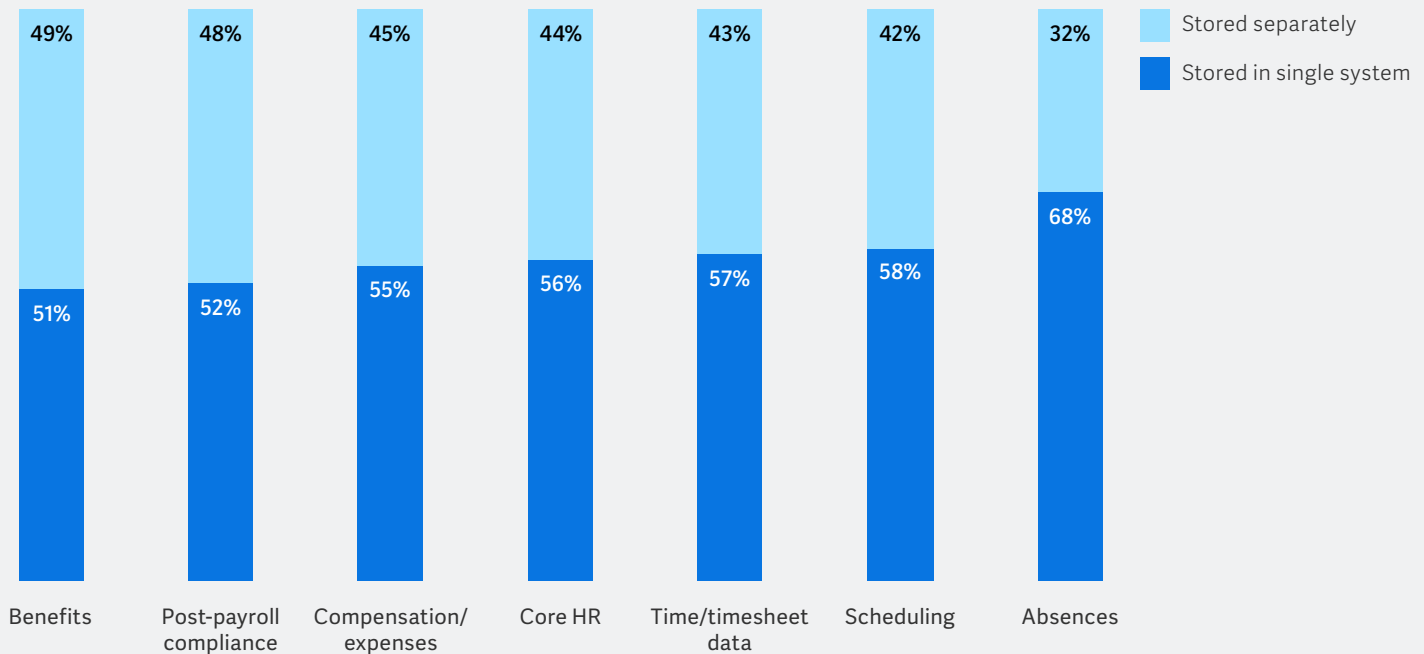
of leaders say disconnected data and business systems hamper payroll's efforts to be more strategic

Organisations that use 6 or more payroll providers

are more than 2x as likely to cite difficulties in management and global reporting, an [EY global survey](#) found

99%

say their organisation undertakes retroactive payroll processing – and report, on average, **345 off-cycle payments due to errors** within the past 12 months



*Question: "Which of the following payroll data components are stored in separate systems within your organisation?" Respondents selected all options that apply.

Aggregating and reconciling disparate payroll data across a complex tech stack not only takes time but also increases the risk of error and reduces the confidence in and timeliness of data used for analysis.

The net effect can be high financial and regulatory risk for organisations, and a frustrating employee experience for payroll practitioners and the workforce at large.

Why does retroactive payroll need to be undertaken at your organisation?*

- 1** HR transactions not in sync with payroll run times (42%)
(42% of respondents say this is one of the top 3 root causes of retroactive payroll at their organisation.)
- 2** Human error (38%)
- 3** Overtime data not incorporated correctly (38%)
- 4** Shortfall in pay calculated (38%)
- 5** Late timesheets (37%)
- 6** Contractual changes (36%)
- 7** Stale data / lack of real-time data (35%)
- 8** Inaccurate data (34%)

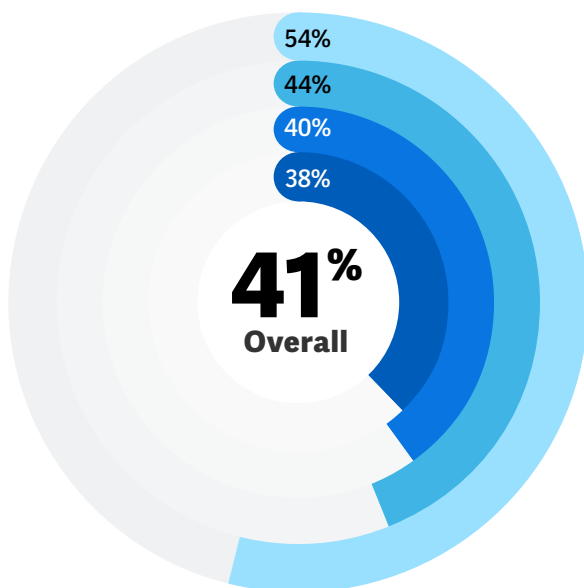
*Question: "Why does retroactive payroll need to be undertaken in your organisation?" Respondents ranked responses first, second and third.

Even as the rallying cry for full integration becomes louder and more urgent, the complex, fragmented state of global payroll inside many organisations is impeding progress

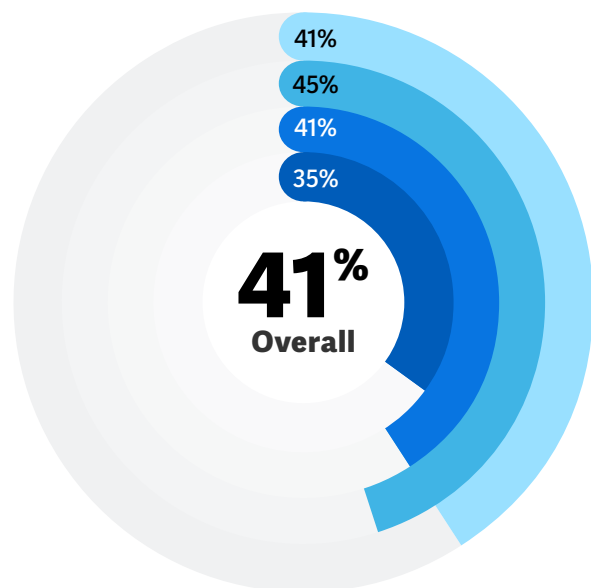


What barriers/challenges have been / would be faced by your organisation when implementing an integrated payroll solution?*

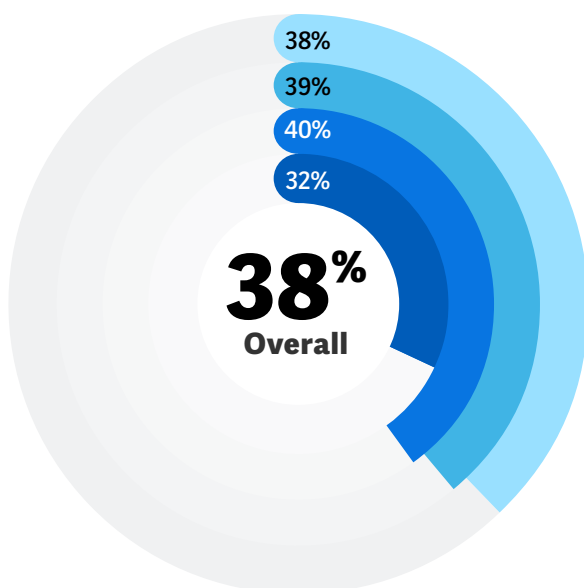
■ Board Member or C-Level ■ Senior Management ■ Mid-level Management ■ Junior Management



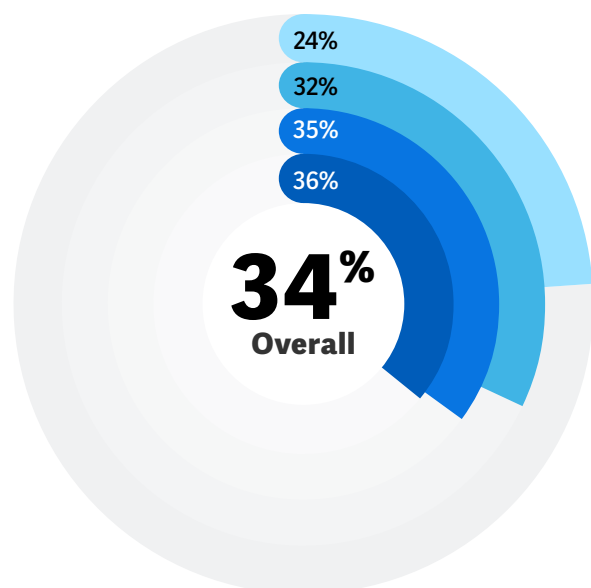
Data compatibility with third-party providers



Differing regulations or tax codes across global business units



Reliance on legacy systems



Too many payroll systems

*Percentages reflect respondents choosing all that apply.

Insight: Adaptability is a modern payroll imperative

Findings at a glance

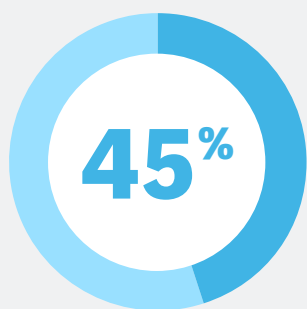
From entering new geographic markets, to supporting new workforce models around remote and contingent workers, to staying aligned with C-suite priorities around pay equity, labour costs and talent retention, global payroll is anything but static. But even as agility has become the lifeblood of modern business, our research shows that many multinational organisations struggle with payroll processes and systems that lack the flexibility and adaptability they need.

- **Nearly all (99.7%)** of respondents say their payroll vendor could do more to support the international growth of their business.
- **It requires 5 hours**, on average, to change an existing business process or workflow with an organisation's current payroll solution.
- **68%** of leaders say their employees have difficulty viewing their HR, time and payroll information.

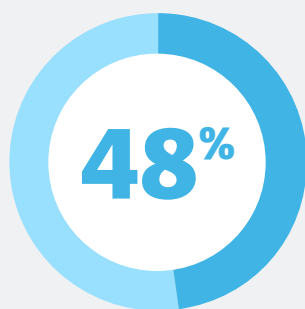


The deeper dive

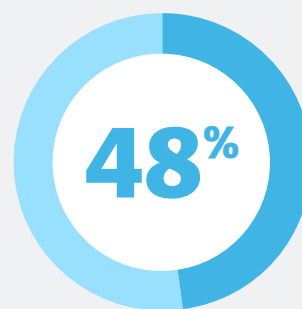
Payroll vendors may seem like an obvious asset when it comes to delivering on shifting strategic goals, but our research suggests only mixed reviews in this arena.



say their payroll vendor could do better in meeting country-specific tax regulations and compliance



say their payroll vendor could do better in delivering real-time data across their regions of operations



say their payroll vendor could do better in supporting analytics to make informed decisions about workforce distribution across various regions

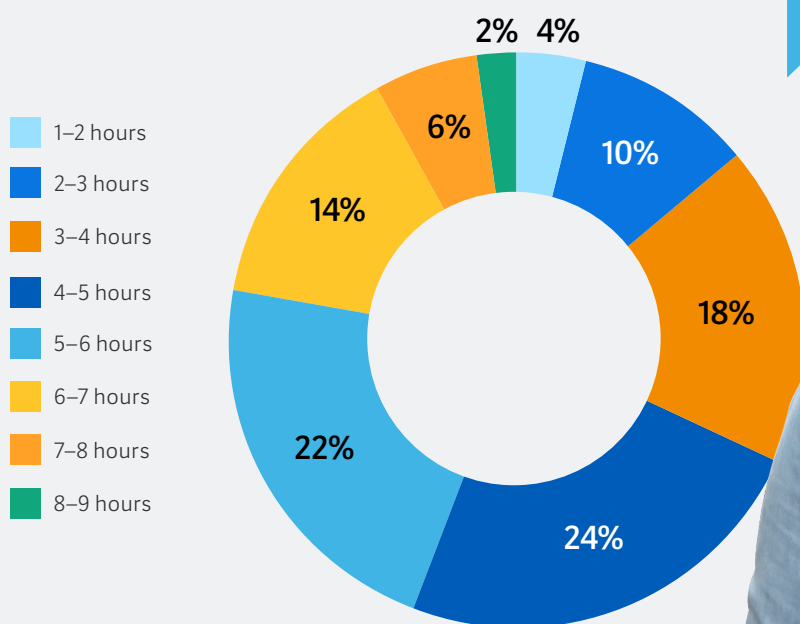
Our research indicates that more than 24 people at the average global organisation help to process or manage payroll. And each department – and employee! – handling payroll has different needs, priorities and preferences.

Consider, for instance, that HR respondents say the most important feature in a new payroll solution is the ability to implement new API integrations (35%). Finance, meanwhile, is most interested in payroll's ability to create customised reports (36%) and survey respondents within operations point to integrations that span systems and departments as their top priority (40%).

Likewise, meeting employee expectations around payroll is hardly a one-size-fits-all, set-it-and-forget-it endeavour. For instance, there's growing demand for flexible pay options, such as early earned wage access and pay advances, as well as greater pay transparency and novel pay programmes for distributed workers. Keeping pace with evolving employee wants can give organisations an edge in a tight talent market. But it first requires the ability to swiftly introduce payroll changes to relevant workforce segments.

**More than
60%**
agree that it can be
difficult for employees
to view their payroll
information

How long does it take to change an existing business process or workflow with your organisation's current payroll solution?*



***Question:** "Approximately how long does it take to change an existing business process or workflow (e.g. an employee's pay rate, issuing a bonus, benefits changes, etc.) with your organisation's current payroll solution, on average?" Respondents chose one answer option.



Insight: Global payroll is embracing AI – with humans in the loop

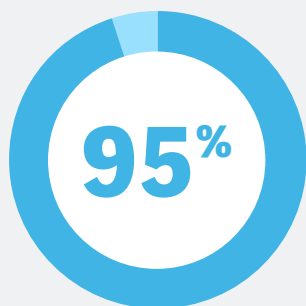
Multinational organisations need no convincing that AI and automation have transformative potential for global payroll. Our research shows they're wasting no time in putting this technology to use in vast and varied ways – and already reaping tangible benefits. Among respondents:

- **96% say automating payroll systems has freed (or would free) up time** to focus on innovation and building business activities within their organisation.
- **About half (53%) of payroll processes** are automated, on average, saving 2 working days per payroll cycle, respondents say – **a yearly saving of 96 days**.
- **43%** say their organisation plans to invest more in payroll automation over the next year.

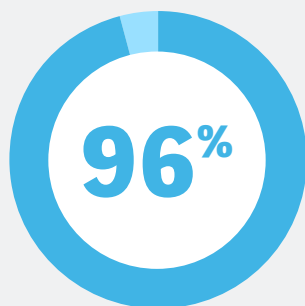


The deeper dive

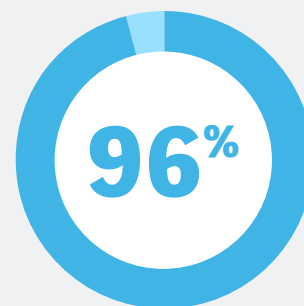
Our research reveals payroll automation's huge potential across multiple areas: improved accuracy, yes, but also increased agility, enhanced analytics and more time to focus on innovation. When respondents were asked to identify the value that automating payroll can create, they registered a strong – and broad – consensus.



say it can provide enhanced reporting and analytics



say it can create more timely and accurate payroll processing

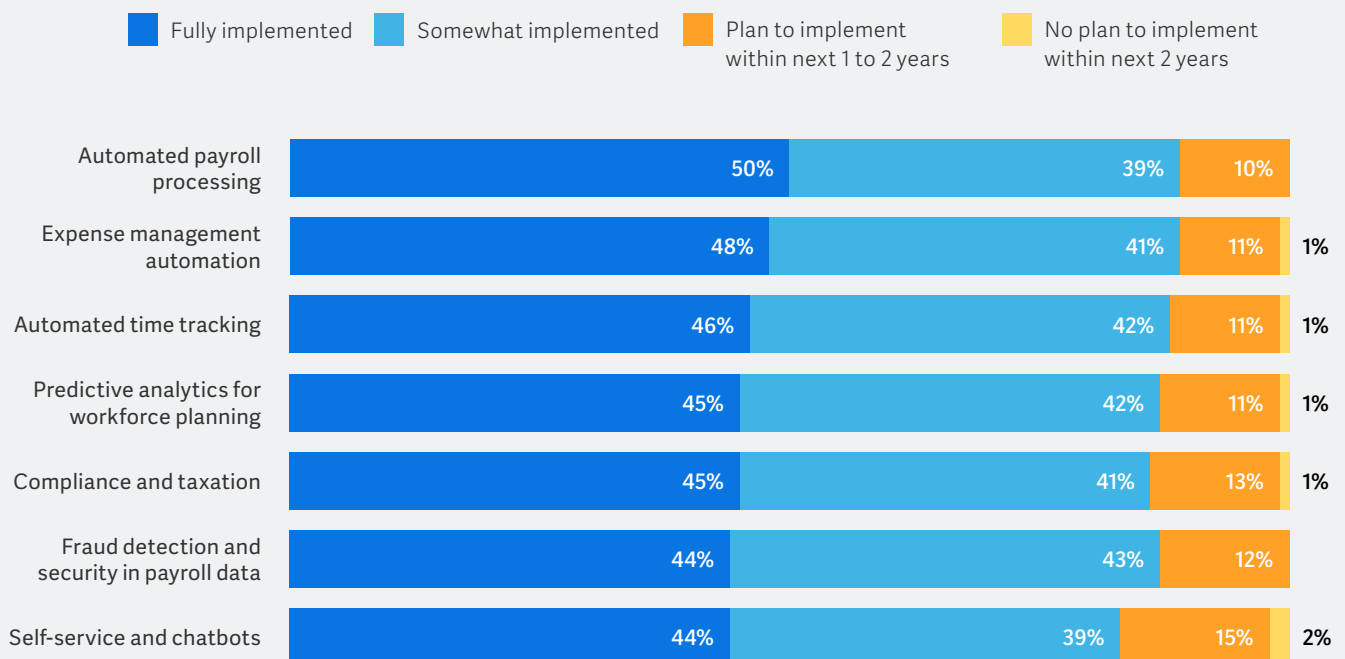


say it can help quickly adapt to changes within organisational structure, employee roles and headcount allocation

At the same time, respondents are evenly split across AI's leading capabilities.

- **39%** prioritise the ability to consolidate global payroll data
- **38%** prioritise reducing the time it takes to run payroll
- **40%** prioritise surfacing real-time insights to visualise data trends

To what extent has your organisation implemented AI and automation features across payroll?*



*Question: "To what extent has your organisation implemented the following automation, AI and machine-learning features for its payroll?" Respondents selected one option. Because of rounding, percentages might not equal 100.

Despite a consensus around automation's importance, our global survey results indicate that different departments involved in payroll have different AI priorities that reflect their functional needs.

Priority	Total	HR	Finance	IT	Operations	Payroll
Surface real-time insights to visualise data trends	40%	39%	38%	41%	35%	43%
Consolidate global payroll data	39%	38%	40%	35%	44%	45%
Eliminate manual data entry	38%	42%	38%	38%	35%	30%
Schedule and automate audits	38%	42%	41%	34%	28%	34%
Reduce the time it takes to run payroll	38%	38%	35%	39%	45%	36%
Reduce errors and anomalies	36%	32%	38%	41%	34%	40%
Reduce the time it takes to run end-of-year closing	36%	35%	36%	36%	38%	38%
Lower risk of non-compliance	34%	34%	33%	34%	35%	35%

***Question:** "Which of the following automation, AI and machine-learning features do you consider most important when selecting a payroll solution?" Respondents ranked first, second and third answer options.

The bottom line: organisations are automating payroll for multiple reasons – and many are ramping up their automation investments. The average budget increase to support automation this year is 43%. Despite this strong push, virtually everyone – 99% of organisations – wants to keep humans in the loop on some level. That aligns with our earlier research, showing 70% of leaders and 66% of employees overall think AI should be developed and used in a way that easily allows for human review and intervention.

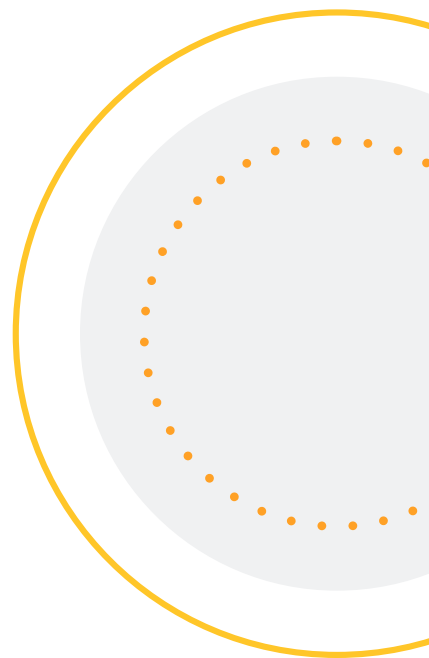


A new playbook for global payroll

Our research makes it clear: payroll's current state isn't tenable. To become a true strategic business partner, the function needs to replace its fragmented systems with a streamlined, fully integrated solution that provides complete data visibility across payroll, HR and finance. Leaders who unlock global payroll's full potential not only improve efficiency and accuracy but also enable their organisation to stay ahead in a dynamic marketplace.

The good news is that business leaders are well aware of payroll's strategic potential. But our survey shows that leaders are stuck in a holding pattern, unable to fulfil that potential as they struggle with the fundamental objectives of accuracy and timeliness.

That's why business leaders are looking to transform global payroll. Half of our respondents say their organisation plans to invest more into payroll over the next year, with a 43% average year-over-year increase. That's a positive sign. But how can business leaders leverage this investment to drive payroll's transformation? We have a few suggestions.



Three ways for payroll leaders to take immediate action



1. Get crystal clear on who owns each part of payroll transformation

Our survey reveals that payroll responsibilities are broadly misaligned, with some organisations folding certain duties into HR, some into finance and others into IT, operations or a standalone department. Still others outsource payroll duties entirely. To begin a functional transformation, organisations need to agree on which department owns which part of the overall payroll experience (including execution, technology, employee communications, and data integration and analysis) – and how these stakeholders work together to deliver a unified experience that boosts productivity, engagement and overall agility.



2. Align payroll goals across departments and stakeholders

Right now, different departments also expect payroll to meet different needs. To establish a modern solution that exceeds all stakeholder expectations, organisations need to understand each department's priorities. According to our survey, finance values a payroll system that can create customised reports, while HR wants one that can implement new API integrations. By assessing and aligning payroll goals, leaders can take a major step towards creating a successful payroll strategy and technology roadmap.



3. Embrace higher-level automation and AI

Automating payroll tasks such as calculating taxes, data entry and conducting audits can improve accuracy, maintain compliance and reduce risk – all while freeing professionals to focus on higher-level strategic work. But the value of automation should extend beyond efficient record-keeping and tax filings to enable forward-looking data analysis, too. To generate automated insights that go deeper (think: determining root causes and future forecasts related to overtime costs, for example), organisations need to integrate payroll data with other operational and HR data. A unified system can instantly connect the dots between each, generating valuable insights into employee performance, productivity and engagement.

Adopting a strategic payroll approach begins by recognising that change is needed. To explore how Workday can help unlock the power of your payroll data and provide a seamless experience for your workforce, please visit: workday.com/en-gb/products/payroll/overview.html

About the research

The data in this report, unless otherwise indicated, comes from a global survey commissioned by Workday and conducted by Vanson Bourne in April and May 2024. The survey of 1,300 decision-makers sought to understand the state of global payroll in today's organisations and how it is impacting payroll's ability to deliver strategic value to the organisation.

Respondents were based in North America, Europe and Africa (EMEA), and Asia Pacific and Japan (APJ) and worked across 11 unique industries, including retail, energy, financial services and manufacturing. Respondent titles spanned the C-suite level, senior management, mid-level management and junior management across HR, finance, IT, payroll and operations.

About Workday

Workday is a leading provider of enterprise cloud applications, delivering financial management, human resources, planning, spend management and analytics applications built with AI and machine learning at the core to help organisations embrace the future of work.

For more information about Workday, visit: workday.com/uk



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