

What does a future-proof payroll operation look like in today's transformative age?

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Compliant, accurate and timely payroll is vital

The global EY organization, in conjunction with Global Payroll Management Institute (GPMI), conducted pulse surveys with HR, payroll and finance professionals in July 2022, September 2022, November 2022 and January 2023.

The findings reveal how organizations are adapting in this complex environment and provide a better understanding of key payroll disruptors and leading trends.



Enhancing the performance and accuracy of payroll processes, while ensuring compliance, is critical for multi-country payroll buyers. Majority of the respondents (75%) say that accuracy and compliance are their top priorities for the next three years.

Top three priorities for the next three years



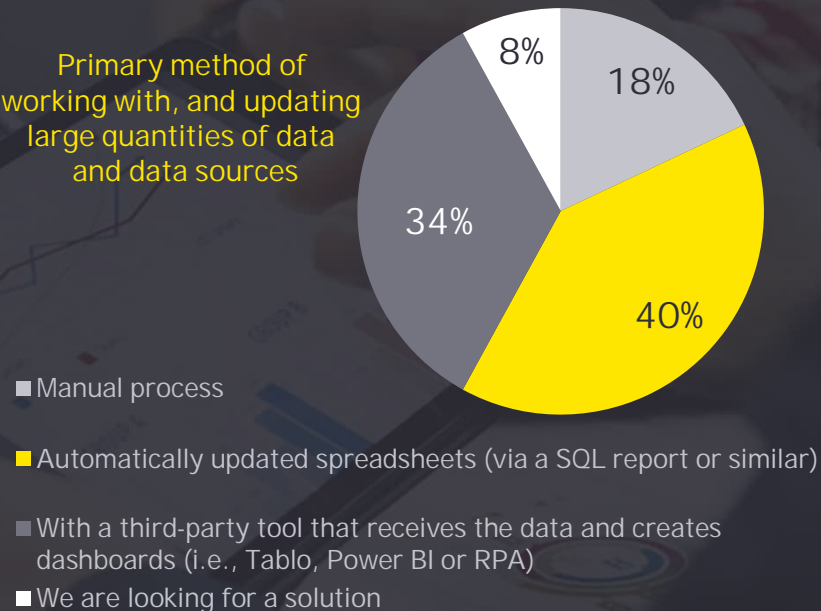
Although accuracy and compliance are considered table stakes, most respondents view them as the most significant obstacles in achieving the desired payroll experience for both employees and internal stakeholders.

Reporting
Accuracy
Data Compliance
System Costs

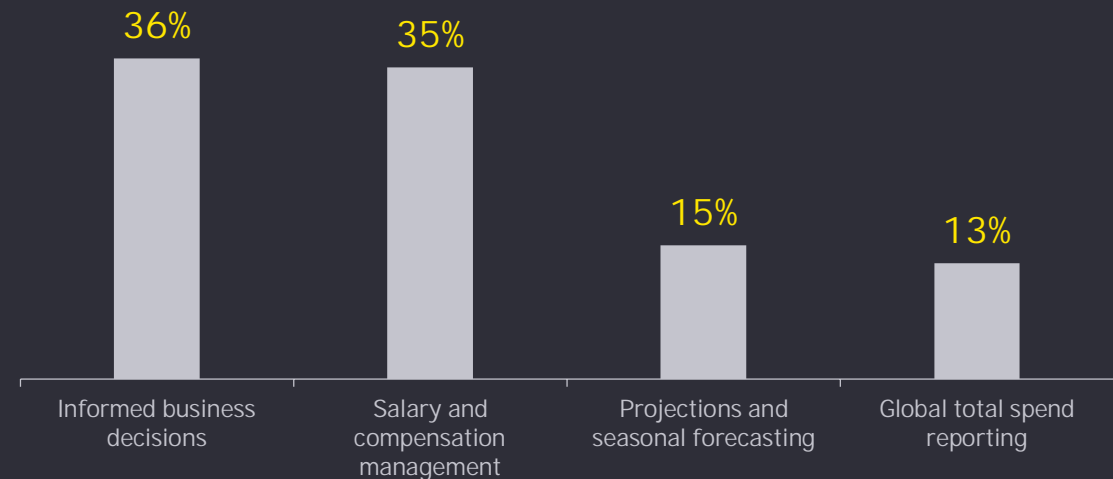
Payroll data – a key source of information to fuel strategic insight into businesses

Payroll departments are an epicenter of organizational data for any company. Regardless of whether payroll is in finance or HR, all data roads lead to payroll. Payroll professionals need to understand the importance of data, comprehend how to interpret it, and effectively tell “the story” with the numbers. But the reality of payroll data and technology tells another story with nearly half (40%) of respondents participating in the EY-GPMI Payroll Pulse Survey indicating they are still using spreadsheets updated via an SQL report or similar processing, as their primary method of working with and updating large quantities of data and data sources.

Primary method of working with, and updating large quantities of data and data sources



Thirty-six percent respondents identified “informed business decisions” as the most important reason why organizations need reliable global payroll data to report with confidence. This is followed closely by “salary and compensation management” at 35%.

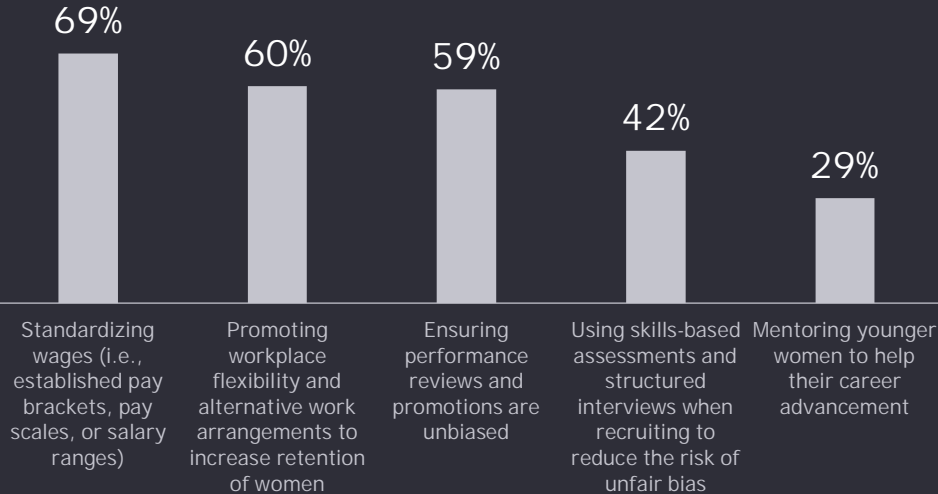


Increasing the use of technology can help to reduce manual effort to process payroll data and free up time for more strategic and higher-value work. By providing insights and recommendations that can support broader finance and HR priorities such as gender pay equity and environmental, social, and governance (ESG) initiatives, payroll professionals have the potential to elevate their role and make a significant impact.

Taking positive steps toward gender pay equality

Where gender pay gaps exist, many negative consequences can arise for individuals, companies, and the wider economy. With wide-ranging gender pay gap reporting obligations expected to pass into EU law as early as 2024, forward-thinking organizations should take preemptive measures, and expedite their assessment and remediation of any potential pay inequality concerns. Standardizing wages and promoting workplace flexibility and alternative work arrangements to increase retention of women are top approaches used by companies to address gender pay gap issues.

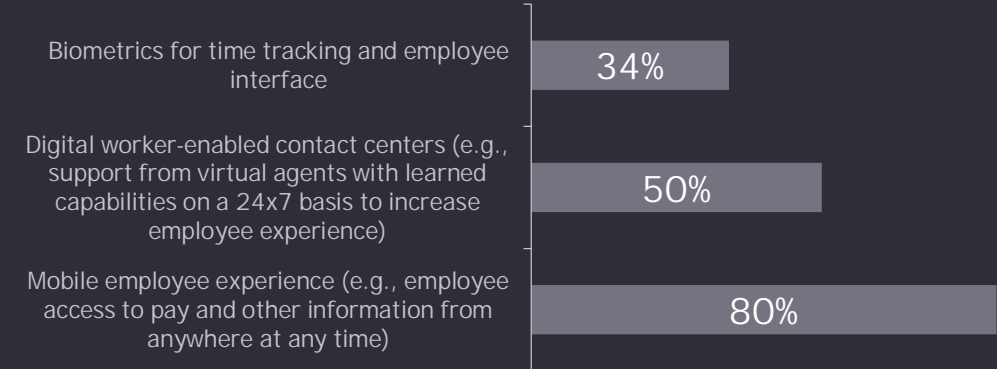
How is your organization addressing gender pay gap issues?



Technology is driving digital experiences

Machine learning, artificial intelligence and robotic process automation are becoming more common in the world of payroll. Majority of the respondents believe that a mobile employee experience (e.g., employee access to pay and other information from anywhere at any time) will help enhance their organization’s payroll function, employee experience and predictive analysis.

Top three leading-edge payroll capabilities or trends

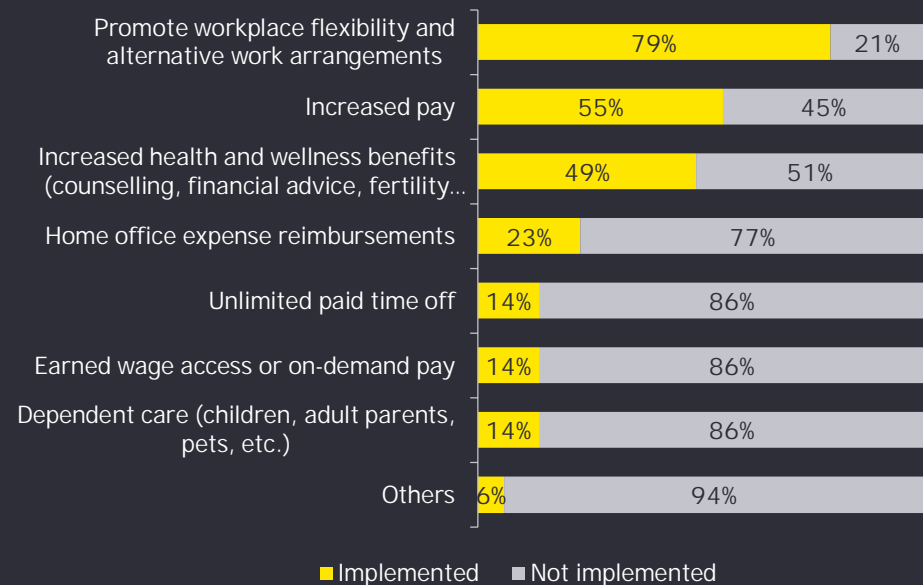


Payroll industry trends continue to focus on helping companies facilitate new and more complex compensation agreements. More than 60% of the respondents indicated that their organizations have already allocated budget toward adopting leading-edge capabilities or trends to improve their payroll function in 2023 or intend to do so in the coming year.

Remote working is here to stay

The pandemic has created a new dynamic in the working world. To address challenges posed by the "Great Resignation," many companies have implemented increased payroll measures and benefits such as workplace flexibility and alternative work arrangements, as means of retaining and attracting talent.

What benefits has your company implemented (or plans to implement) to retain and attract talent?



While remote working is now a strategic imperative for businesses looking to thrive in today's fast-paced and ever-changing landscape, mobility and nexus issues have also become a larger concern for employers with staff working from locations other than their home, including different countries. How are organizations and payroll teams addressing this issue?

41%

say they already have remote employees or are now looking to accommodate those who wish to remain remote.

27%

say they have developed a process for identifying their risk exposure due to nexus and are devising a plan.

17%

have decided to place the responsibility on the individual to handle tax reporting properly based on their housing situation. They will only pay taxes to the employee's original designation.

11%

are requiring employees to return to the office. They do not anticipate any issues with nexus.

4%

do not know what to do and would like guidance.

The ability to hire qualified talent from a broader geographic pool has also created new issues for funding payrolls in local currencies, however most companies have no plans to pay in cryptocurrency or other electronic currencies. The majority of respondents (83%) have no plans to pay in cryptocurrency or other electronic currencies.

The way ahead in the age of disruption

As the pace of change in business continues to accelerate, payroll leaders must innovate and future-proof their payroll functions like never before.

Transformation is necessary and no longer an option. By transforming payroll from a mere support function to a source of agility and insight, businesses can stay ahead of the curve.

EY Payroll Operate can help in your transformation journey and prepare you for the challenges of tomorrow.

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