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

1. Accuracy and compliance
2. Global data and insights
3. Improved systems and service capabilities

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.
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.

- Manual process
- Automatically updated spreadsheets (via a SQL report or similar)
- With a third-party tool that receives the data and creates dashboards (i.e., Tablo, Power BI or RPA)
- We are looking for a solution

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

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.

Taking positive steps toward gender pay equality

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.

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.

Technology is driving digital experiences

How is your organization addressing gender pay gap issues?

- Standardizing wages (i.e., established pay brackets, pay scales, or salary ranges): 69%
- Promoting workplace flexibility and alternative work arrangements to increase retention of women: 60%
- Ensuring performance reviews and promotions are unbiased: 59%
- Using skills-based assessments and structured interviews when recruiting to reduce the risk of unfair bias: 42%
- Mentoring younger women to help their career advancement: 29%

Top three leading-edge payroll capabilities or trends

- Biometrics for time tracking and employee interface: 34%
- Digital worker-enabled contact centers (e.g., support from virtual agents with learned capabilities on a 24x7 basis to increase employee experience): 50%
- Mobile employee experience (e.g., employee access to pay and other information from anywhere at any time): 80%
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.

Remote working is here to stay

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?

| What benefits has your company implemented (or plans to implement) to retain and attract talent? |
| Promote workplace flexibility and alternative work arrangements | 79% | 21% |
| Increased pay | 55% | 45% |
| Increased health and wellness benefits (counselling, financial advice, fertility...) | 49% | 51% |
| Home office expense reimbursements | 23% | 77% |
| Unlimited paid time off | 14% | 86% |
| Earned wage access or on-demand pay | 14% | 86% |
| Dependent care (children, adult parents, pets, etc.) | 14% | 86% |
| Others | 3% | 94% |

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.

11% are requiring employees to return to the office. They do not anticipate any issues with nexus.

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.

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.

Contacts

Sheri Sullivan
EY Global Payroll Operate Leader
sherri.sullivan@ey.com
+1 716 843 5000

Eric Hachmer
EY Americas Payroll Operate Leader
eric.hachmer@ca.ey.com
+1 416 559 1704

Marjukka Maki-Hokkonen
EY Asia-Pacific Payroll Operate Leader
marjukka.maki-hokkonen@au.ey.com
+61 2 92484397

Michael van den Brand
EY Global Payroll Markets and EY EMEIA Payroll Operate Leader
michael.vandenbrand@es.ey.com
+34 93 366 3700
EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients.

Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2023 EYGM Limited.
All Rights Reserved.
EYG no. 004973-23Gb
ED None.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com