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POWER YOUR PERFORMANCE

# Global Payroll Benchmarking

Karen V. Beaman
Founder/Lead Researcher, Mercer Payroll Benchmarking Survey
Managing Director, Teilasa Global

March 23, 2015

ADP MEETING of the MINDS

# Global Payroll Benchmarking
## About the Presenter

**Karen Beaman**
**Strategic Global Advisor**
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- Founder/Lead Researcher for the Mercer Payroll Benchmarking Study
- Former Founder and CEO of Jeitosa, a global HR business and systems consultancy.
- Led the team that built the global strategy for Workday's new Human Capital Management offering.
- Previously responsible for ADP's professional services across the Americas, Europe, and Asia/Pacific.
- Co-founder and Editor-in-Chief of the *IHRIM Journal* and Program Chair for IHRIM's Global Technology Forum.
- Published extensively in fields of Linguistics, Humanities, Human Resources, and Information Technology
- Recipient of IHRIM's Summit Award in 2002, honoring her lifetime achievements in the field of HR and HRIT.
- B.A. from Old Dominion and an M.S. from Georgetown University; Ph.D. candidate in Sociolinguistics.
- Fluent in English, German, and French; conversational Spanish and Portuguese.


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# Global Payroll Benchmarking
## Contents for this Session

- Global Payroll Benchmarking Survey
  - Background & Objectives
  - Benchmarking Research Process
- Leading Practices in Global Payroll
  - Efficiency-Innovation Model
  - Financial Performance Model
  - Industry Sector Analysis
  - Global Compliance Maturity
- Country Payroll Operations Framework
- The Value of Participation

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# Global Payroll Benchmarking

## Background & Objectives

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# Global Payroll Benchmarking
## Background

- Originally conceived, sponsored and funded by ADP Research Institute, demonstrating their thought-leadership in the field
- Study design, research process, data collection, analysis and model development by Jeitosa
- Purchased by Mercer and now integrated with other Mercer Information Services research offerings
- Now sponsored by APA and GPMI (Global Payroll Management Institute) as flagship benchmarking process


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# Global Payroll Benchmarking
## Objectives

- THE premier global benchmarking database in the industry on the structure, process, technology, quality, and costs of delivering payroll services globally
- Three parts for differing levels of participation:
  - **Part 1 – Efficiency and Innovation Survey**

    Short web-based survey that allows organizations to quickly assess their level of global efficiency and innovation.
  - **Part 2 – Payroll Strategy Interview**

    Executive interview that collects and assesses information about the global strategy, structure, and plans for the global payroll function.
  - **Part 3 – Country Operations Surveys**

    Excel-based survey that collects internal and external costs and a comprehensive set of operational metrics, country-by-country.

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# Global Payroll Benchmarking

## 92 Participating Organizations

| | | | |
|---|---|---|---|
| 3M Company | Brinks | Harman | Newell Rubbermaid |
| Abercrombie & Fitch | Broadridge | Hitachi GST | NYU Medical Ctr |
| Avery Dennison | CareFusion | Honeywell | PepsiCo |
| ADP | Cargill | IGT | Philips |
| AIG | Catalent | IHG | Progressive |
| Air Products | Celestica | IKEA | Radisys |
| Alcatel-Lucent | Cisco Systems | Ingersoll Rand | Rhodia |
| Alcoa | Coats | Johnson & Johnson | Standard Chartered Bank |
| Amazon | Credit-Suisse | JP Morgan Chase | Schindler |
| Advanced Micro Devices | Con-way | Lenovo | Schlumberger |
| American Express | Corning | Lonza | Sun Life |
| Analog Devices | Columbia Sportwear | Magna | SPX Corp |
| Apple | Dell | Maxim | Starbucks |
| AT Kearney | Dollar Financial | MasterCard | Styron |
| Atos | Doosan | Medtronic | Swiss Re |
| Avaya | EMC | Microsoft | Syngenta |
| Avis Budget | Fairchild Semiconductor | Monsanto | TBBV |
| Baker-Hughes | Fender | Motorola | Teradata |
| Ball Corporation | Fiat Services | MeadWestvaco | TripAdvisor |
| Boehringer-Ingelheim | Fidelity Investments | Navistar | Unisys |
| Bristol-Myers Squibb | GM Financial | NBC Universal | VWR International |
| Bank of America | Goldman Sachs | NCR | Wells Fargo |
| Bombardier Transportation | Halliburton | Nike | Xactly |


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# Global Payroll Benchmarking

## Leading Practices in Global Payroll

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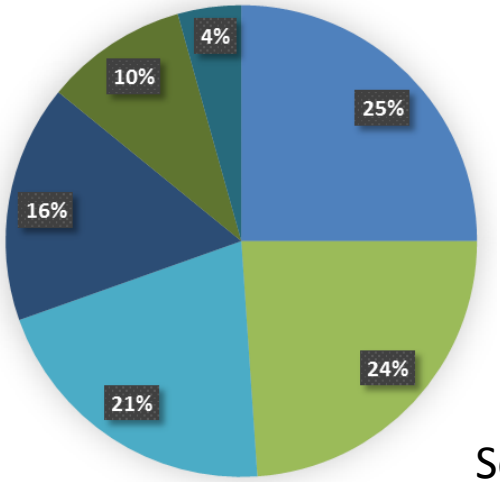
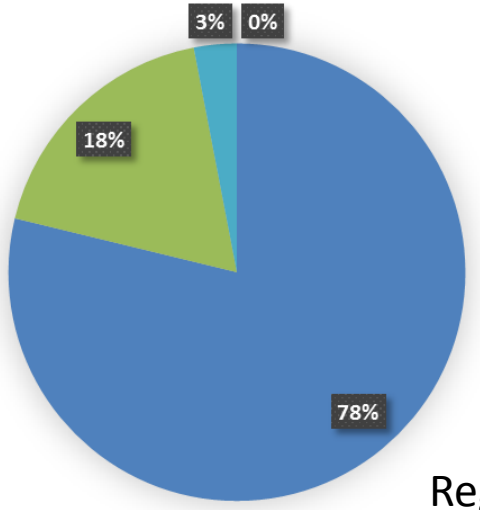
# Global Payroll Benchmarking

## Survey Demographics

***92 global organizations participated between 2012 and 2014.***




Sectors

- Information Technology
- Industrials/Materials
- Consumer Goods/Services
- Financials/Insurance
- Health Care/Pharma
- Energy/Telecom/Utilities

Regions

- North America
- Europe, Middle East, Africa
- Asia Pacific
- Central America, Latin America

*n* = 92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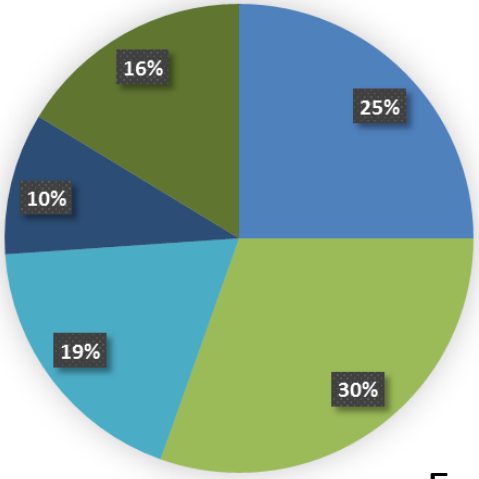
# Global Payroll Benchmarking

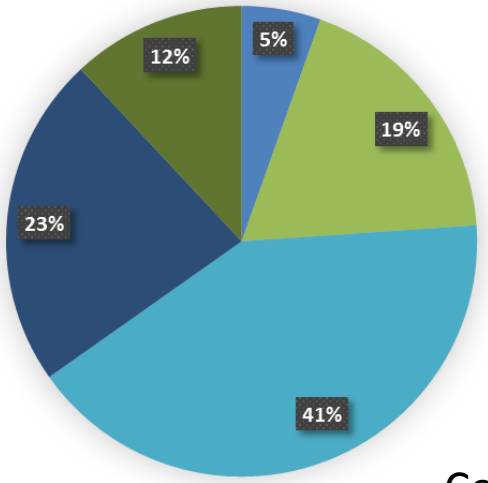
## Survey Demographics

***92 global organizations participated between 2012 and 2014.***




Employees

- less than 10,000 employees
- 10,000-40,000 employees
- 40,000-70,000 employees
- 70,000-100,000 employees
- 100,000 or more employees




Countries

- less than 5 countries
- 5-24 countries
- 25-49 countries
- 50-74 countries
- 75 or more countries

*n* = 92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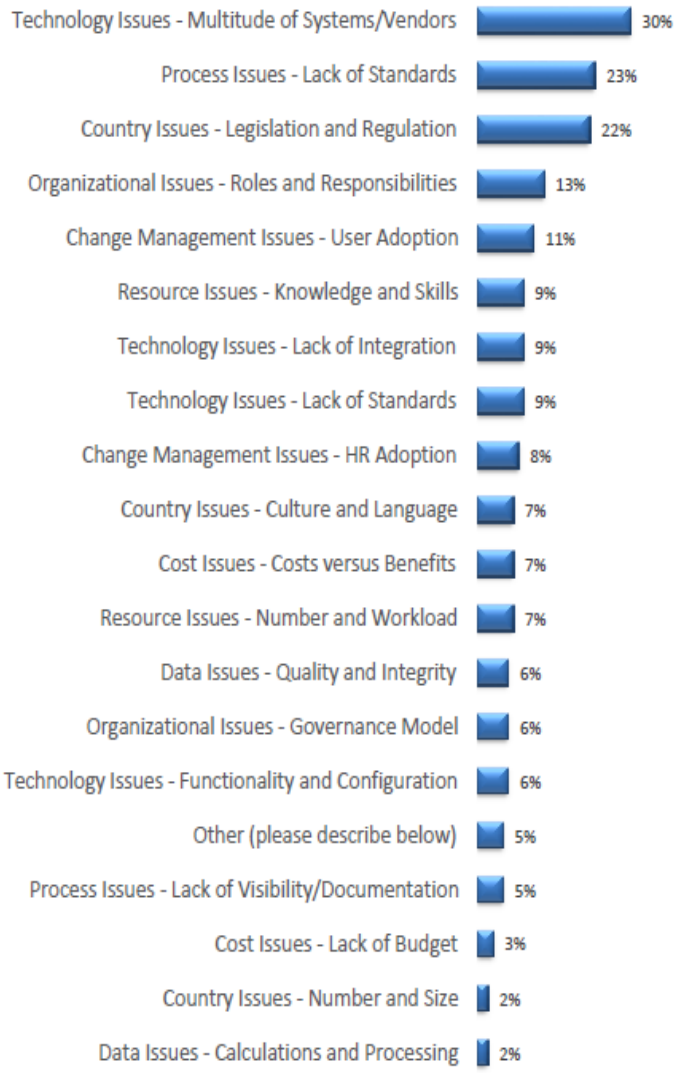
# Global Payroll Benchmarking

## Top Challenges with Global Payroll




*n* = 87

Technology and dealing with multiple vendors, process issues and lack of standards, and country legislation and regulations are the top three challenges organizations face when managing payroll globally.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# Global Payroll Benchmarking

## Leading Practice Global Payroll Organizations are more likely to have ...

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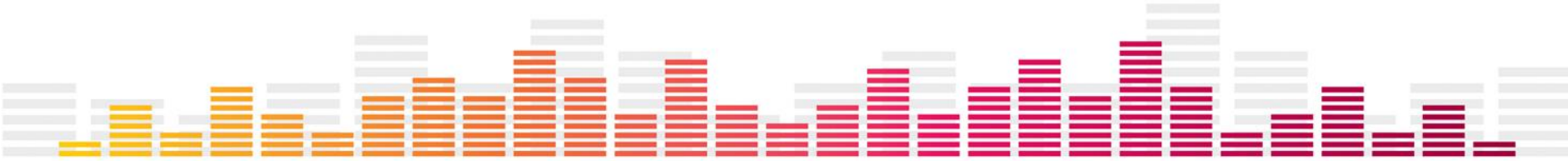
# Global Payroll Benchmarking
## Leading Practices – Organization

- ***Governance Model*** – 56% more likely to have a global governance model in place in payroll.
- ***Key Accountability*** – 46% more likely to have established single accountability for global payroll.
- ***Service Delivery Model*** – 35% more likely to have a global services delivery model for payroll.
- ***Change Management*** – 26% more likely to have formal change management processes in place for payroll.

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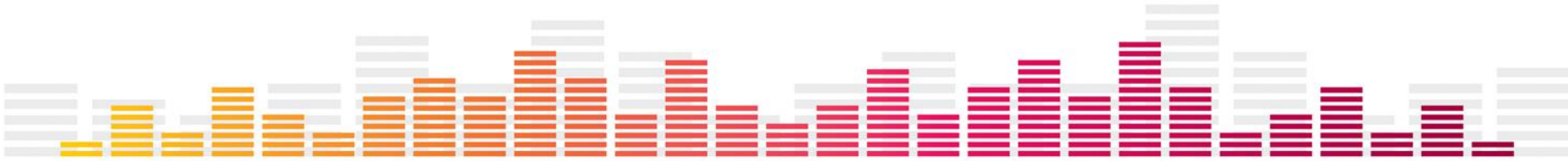
# Global Payroll Benchmarking
## Leading Practices – People

- ***Global Mindset*** – 26% more likely to exhibit a strong global mindset within their payroll team.
- ***Global Rotations*** – 20% more likely to encourage rotations of their payroll staff across countries***.***
- ***Cross-Cultural Competence –*** 12% more likely to show high levels of cross-cultural competence.
- ***Retained Team –*** 10% more likely to have a small, retained team inhouse when outsourcing.

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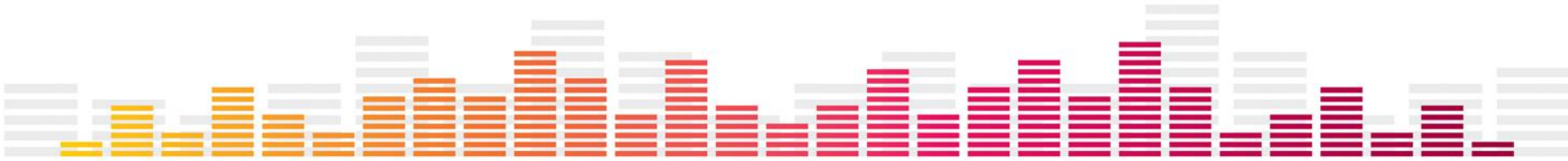
# Global Payroll Benchmarking
## Leading Practices – Process

- ***Metrics Framework*** – 52% more likely to have an advanced metrics framework in place.
- ***Quality Methods –*** 46% more likely to have formal quality methods in place, such as Lean and Six Sigma.
- ***Standardized Processes*** – 44% more likely to have standardized their processes globally
- ***Tax & Regulatory Compliance*** – 42% more likely to have global control over tax and regulatory updates.

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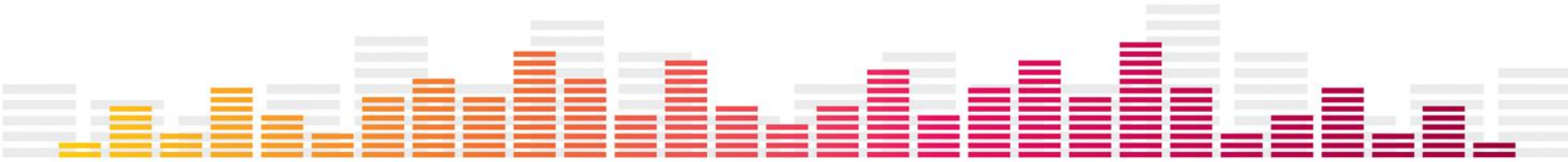
# Global Payroll Benchmarking
## Leading Practices – Technology

- ***Vendor Rationalization –*** 42% more likely to have rationalized their vendors to two-to-four globally.
- ***Employee Self- Service –*** 32% more likely to show high levels of employee self-service for payroll.
- ***Single System*** – 29% more likely to have 95% or more of the workforce on one single HR system.
- ***Vendor Platform*** – 16% more likely to have cloud or hosted vendor platform for payroll.

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# Global Payroll Benchmarking

## Models and Methods

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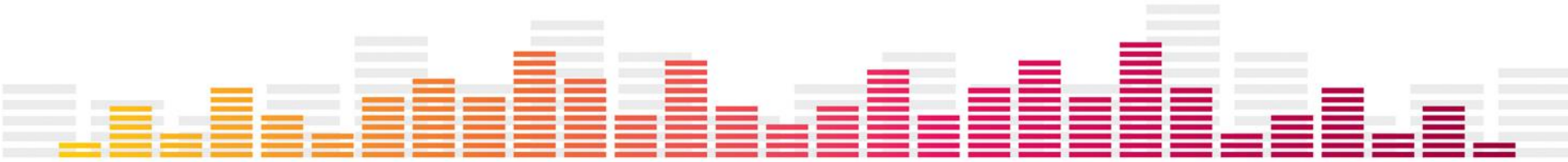
# Global Payroll Benchmarking
## Four Models for Analysis

1. Efficiency-Innovation Model (EIM)
2. Financial Performance Model (FPM)
3. Industry Sector Analysis (ISA)
4. Global Compliance Maturity (GCM)

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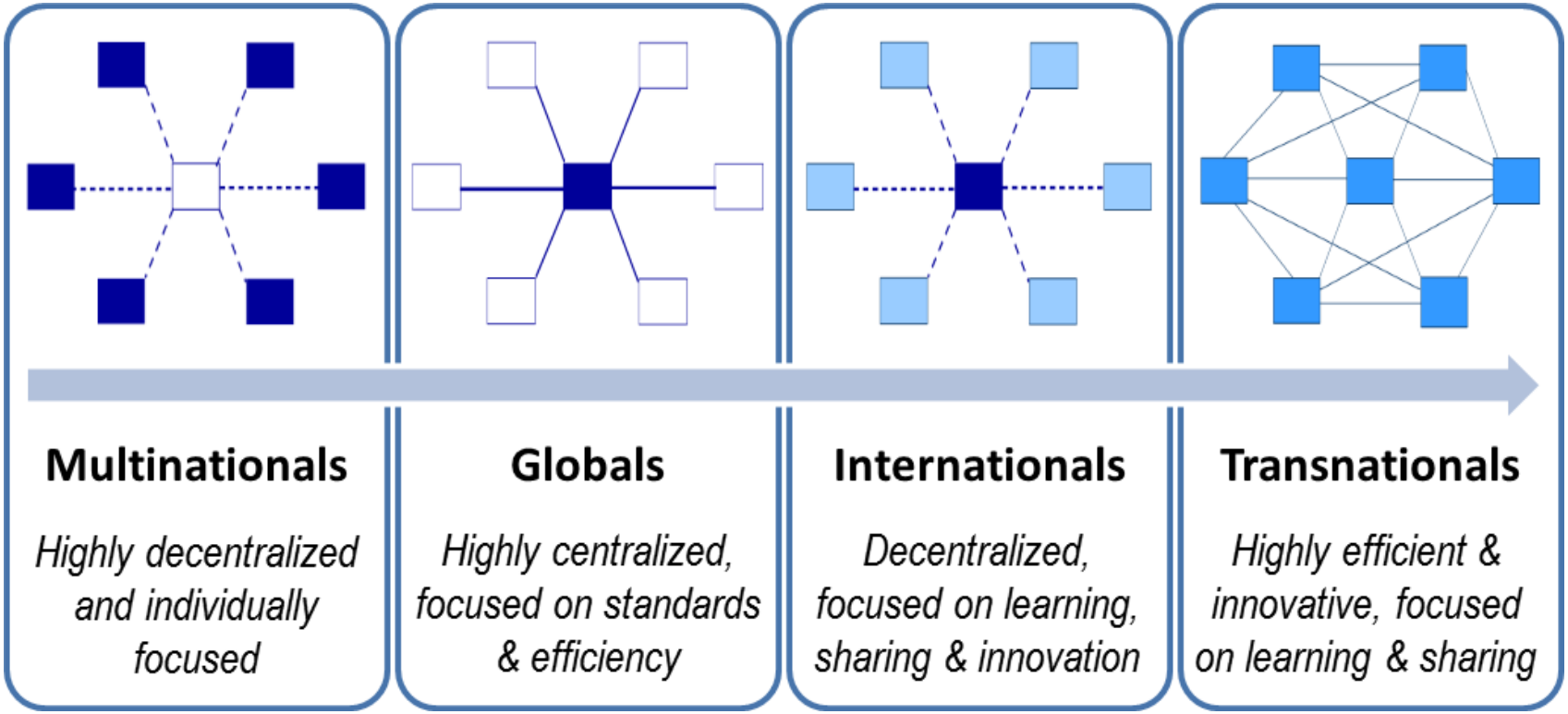
# Global Payroll Benchmarking

## Efficiency-Innovation Model (EIM) – Global

***Four organizational models for assessing Efficiency and Innovation.***




*Source: Beaman and Walker (2000); adapted from Bartlett & Ghoshal, 1998*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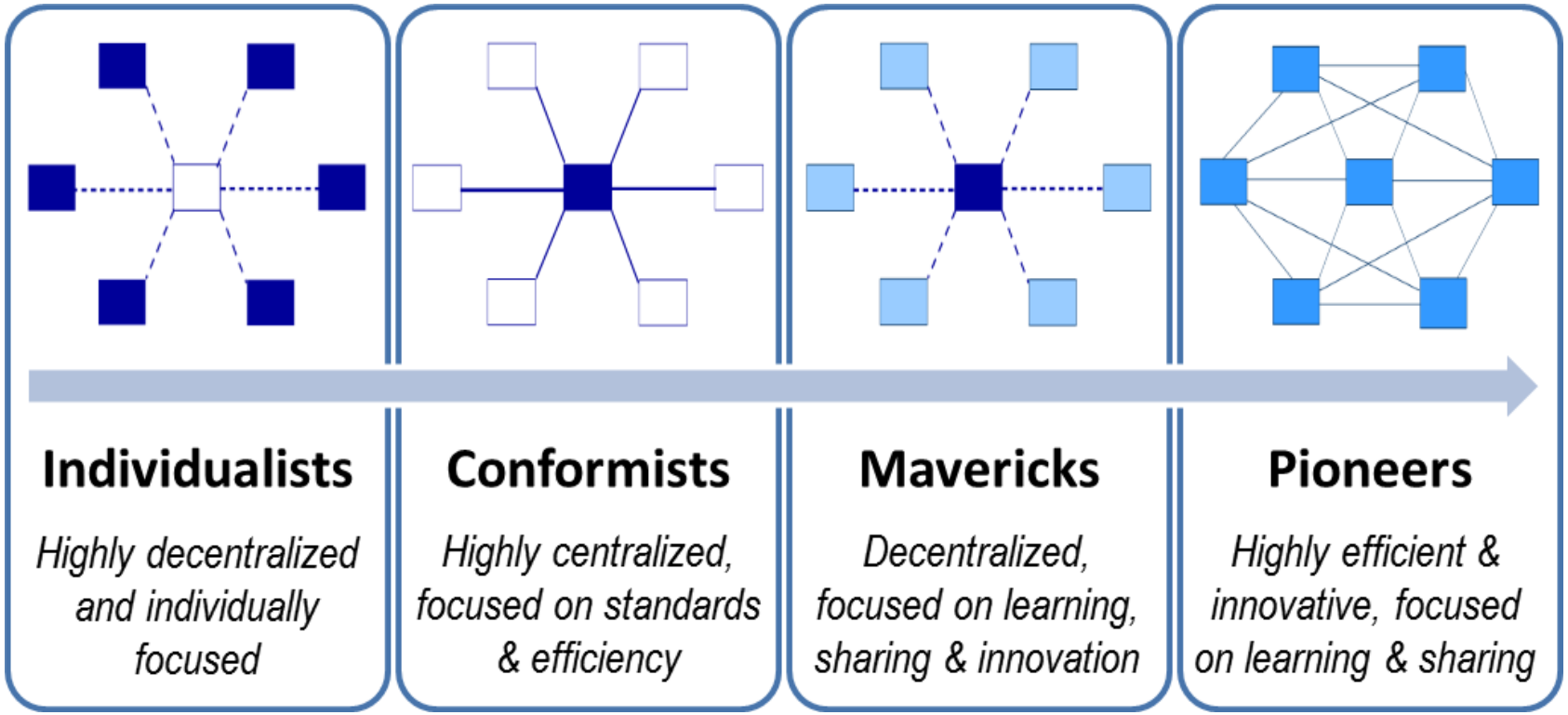
# Global Payroll Benchmarking

## Efficiency-Innovation Model (EIM) – Domestic

***Four organizational models for assessing Efficiency and Innovation.***




*Source: Beaman and Walker (2000); adapted from Bartlett & Ghoshal, 1998*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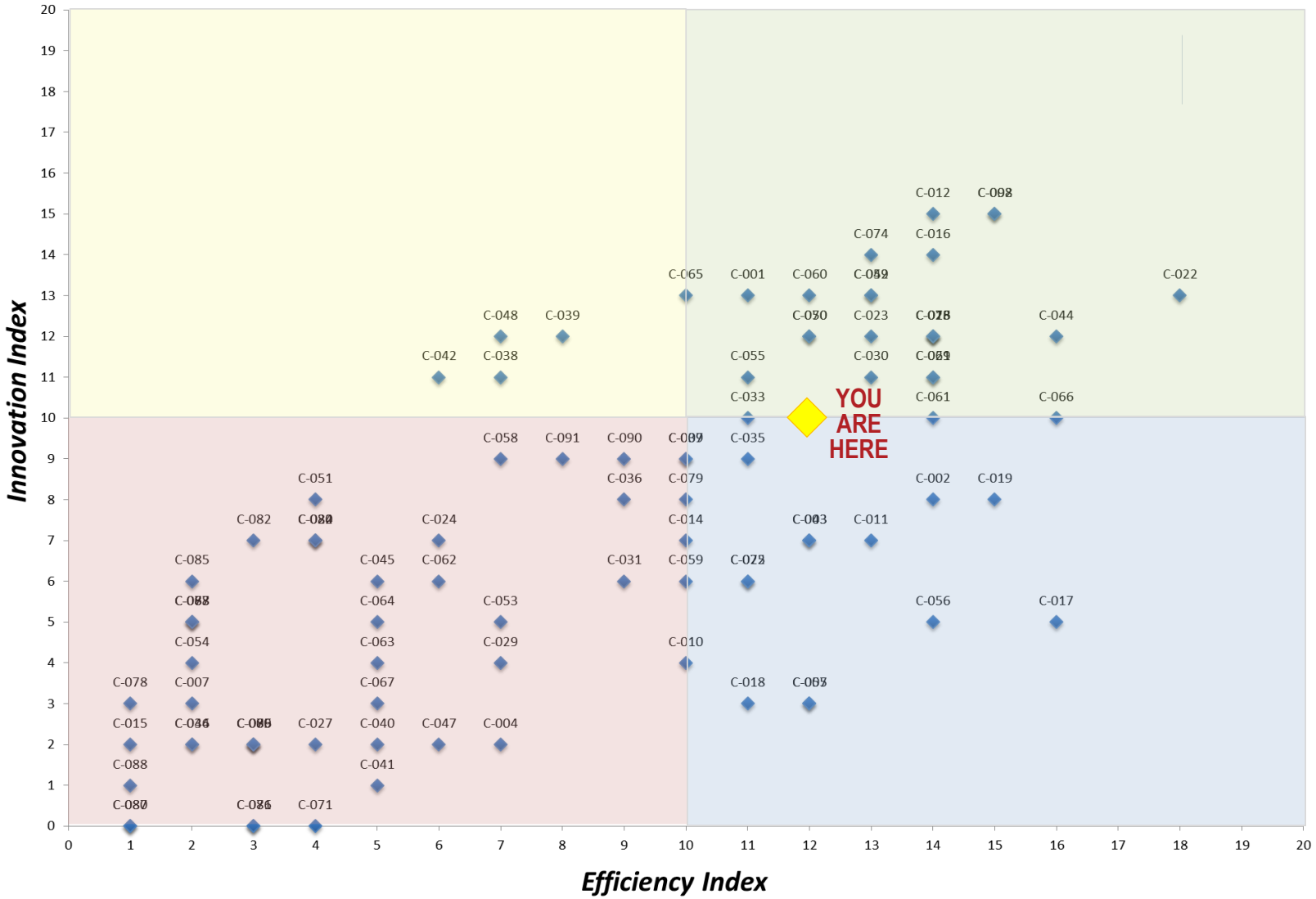
# Global Payroll Benchmarking
## Efficiency-Innovation Model (EIM)




*n = 92*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# Global Payroll Benchmarking

## Efficiency-Innovation Model (EIM)

*n* = 92


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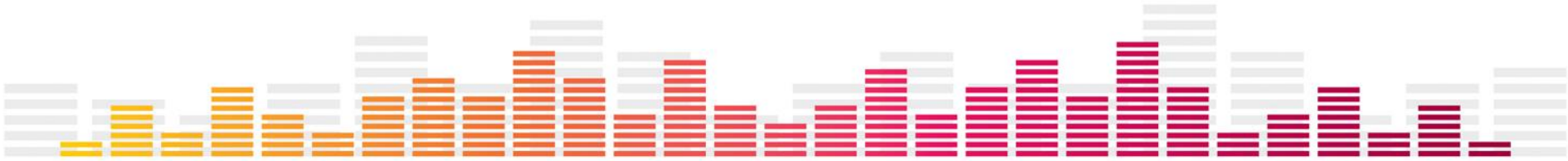
# Global Payroll Benchmarking
## Efficiency-Innovation Model (EIM)

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# Global Payroll Benchmarking

## Financial Performance Model (FPM)

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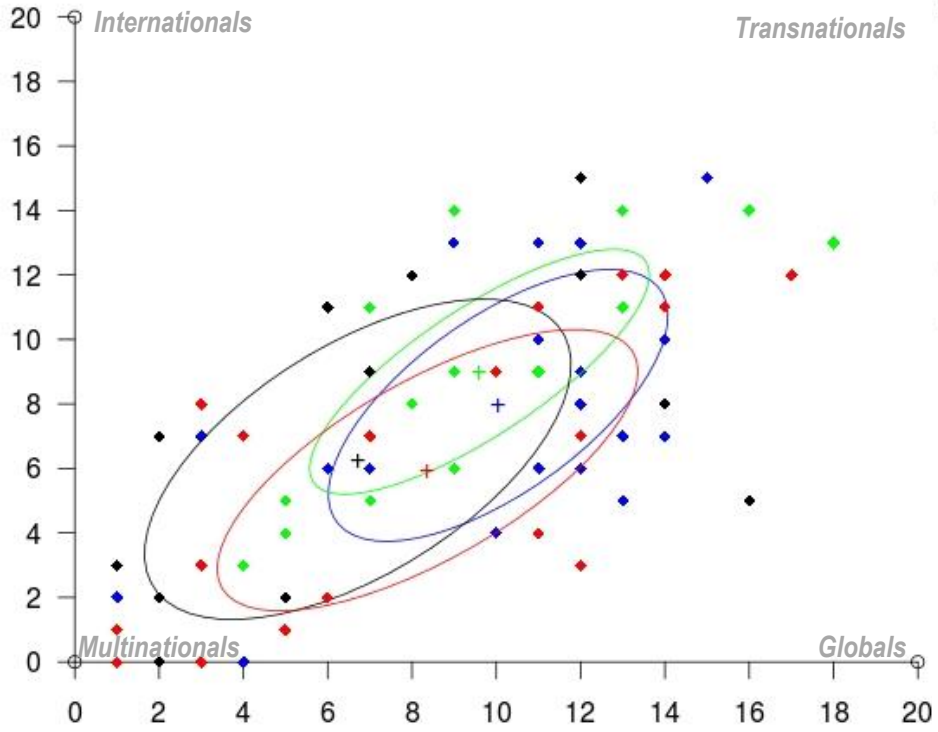
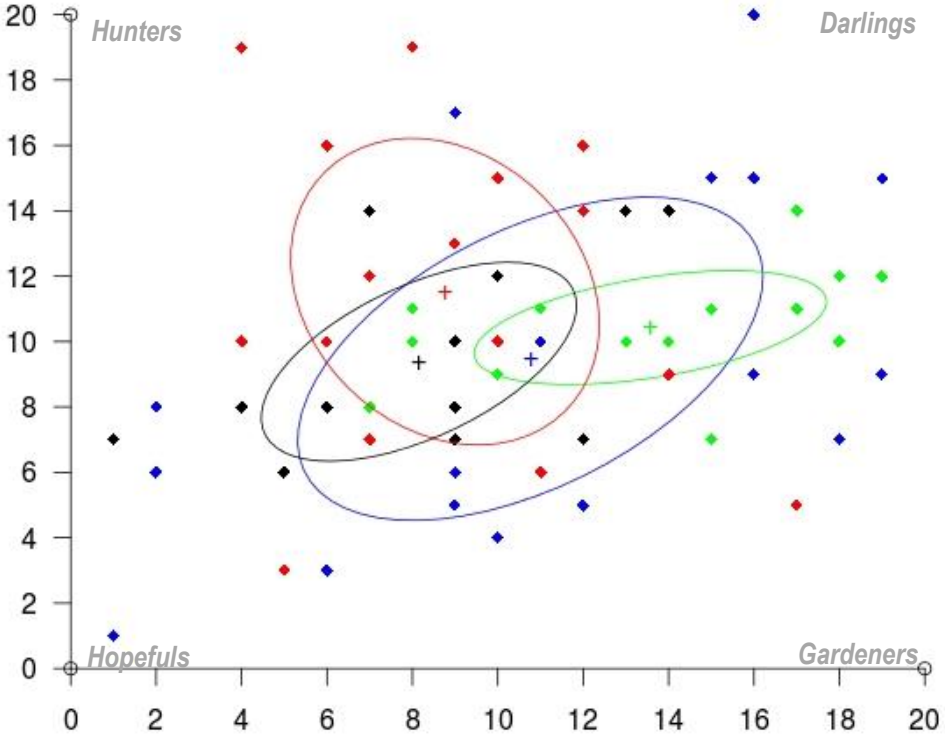
# Global Payroll Benchmarking

## Industry Sector Analysis (ISA)

### EIM by Sector




### FPM by Sector




Financials (n=15)

Technology (n=23)

Industrials (n=14)

Consumer (n=19)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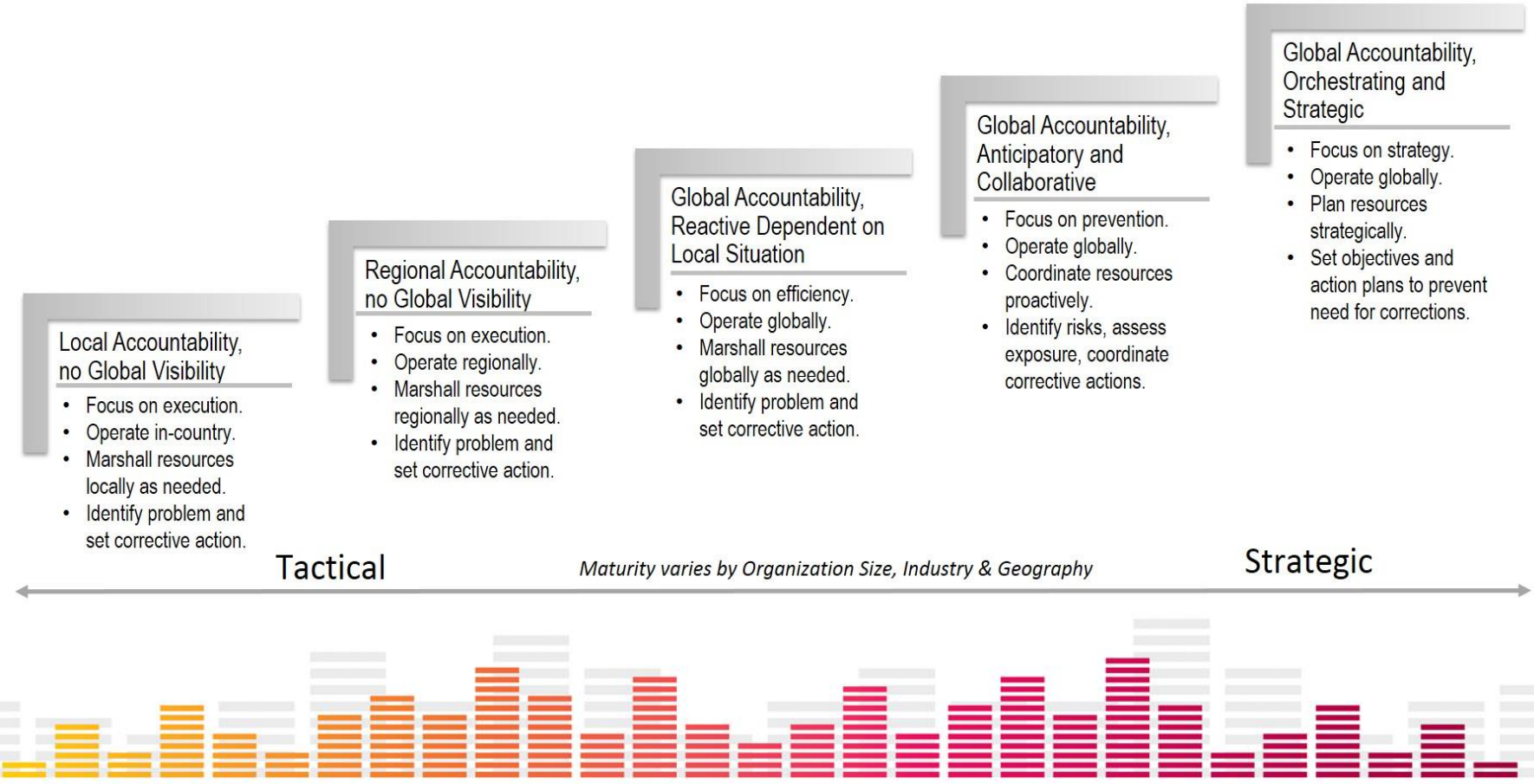
# Global Payroll Benchmarking
## Global Compliance Maturity (GCM)

***Compliance oversight (tax updates, regulatory reporting, etc.) varies from local and reactive to global anticipatory and strategic approaches.***





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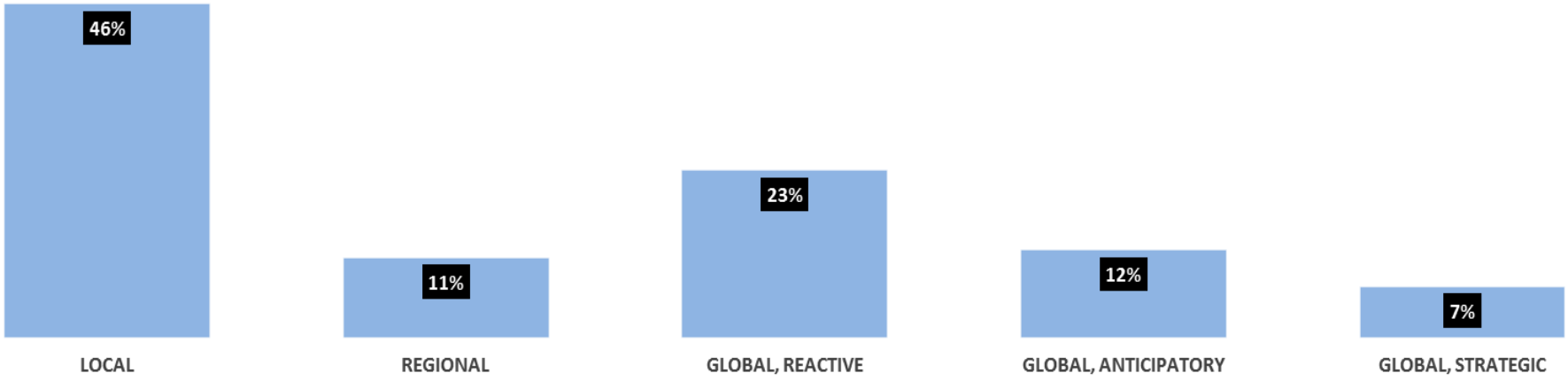
# Global Payroll Benchmarking
## Global Compliance Maturity (GCM)

***Close to half take a local/reactive approach to compliance with 17% moving beyond global/reactive to anticipatory and strategic.***




*n* = 92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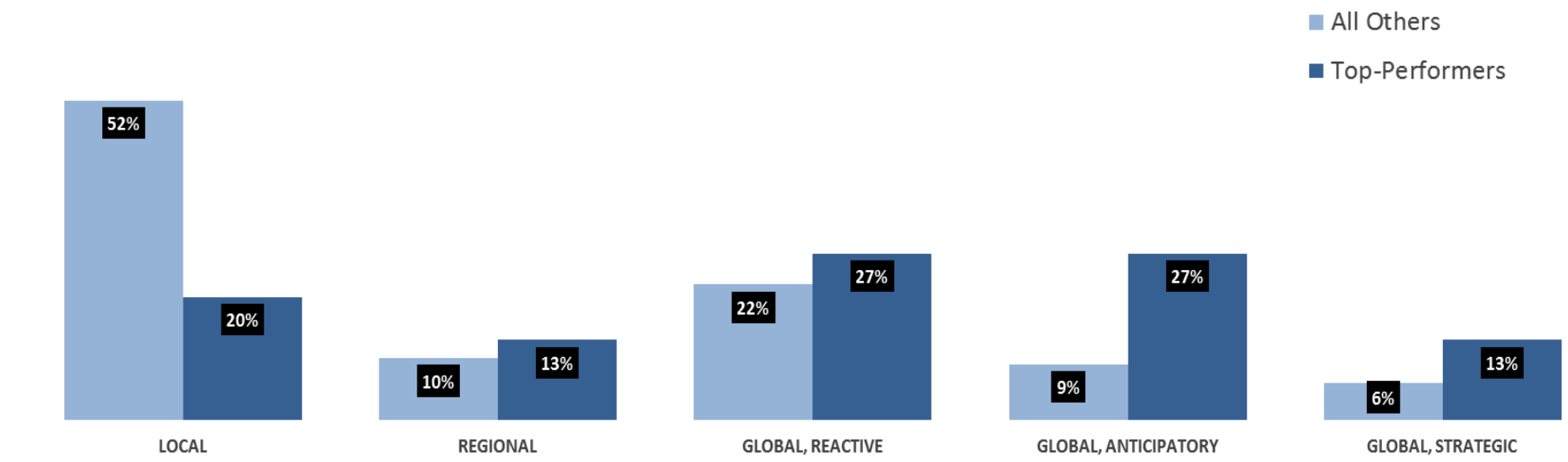
# Global Payroll Benchmarking
## Global Compliance Maturity (GCM)

***Top-Performers (aka "Darlings") are significantly more likely to take a global approach and even an anticipatory and global approach.***




*n* = 85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# Global Payroll Benchmarking

## Country Payroll Operations Framework

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# Global Payroll Benchmarking

## Country Contextual Complexity Index (CCCI)

***Assessing payroll processing across countries requires a unique and structured focus on the "context" creating country complexity.***

| Domain | Weight | Factors | Weight | Americas | | Europe | | | Asia | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | USA | Brazil | UK | France | Germany | China | India |
| Organization | 15% | Industry Sector | 30% | 2.8 | 3.8 | 2.5 | 3.2 | 3.2 | 4.0 | 3.5 |
| Organization | | Workforce Size | 20% | 4.2 | 2.4 | 2.5 | 2.8 | 2.6 | 3.8 | 3.6 |
| Organization | | Organization Model | 20% | 2.9 | 2.7 | 3.4 | 3.2 | 3.2 | 3.3 | 2.2 |
| Organization | | Governance Model | 30% | 3.1 | 3.4 | 2.7 | 1.9 | 2.4 | 3.9 | 4.5 |
| Material | 25% | Geography | 40% | 1.0 | 2.5 | 3.1 | 3.1 | 3.5 | 2.0 | 5.0 |
| Material | | Infrastructure | 40% | 2.1 | 4.8 | 1.8 | 1.8 | 1.6 | 3.7 | 5.0 |
| Material | | Timezones | 10% | 4.3 | 4.3 | 1.3 | 1.3 | 1.3 | 4.3 | 4.3 |
| Material | | Climate | 10% | 2.5 | 3.6 | 2.3 | 2.4 | 2.0 | 2.6 | 3.4 |
| Socio-Political | 35% | Language | 15% | 1.0 | 4.4 | 1.0 | 3.7 | 3.1 | 4.4 | 3.9 |
| Socio-Political | | Culture | 15% | 3.6 | 4.7 | 3.1 | 4.6 | 3.2 | 1.0 | 1.2 |
| Socio-Political | | Education | 30% | 1.3 | 3.4 | 2.0 | 2.4 | 1.8 | 4.5 | 5.0 |
| Socio-Political | | Legislation | 40% | 3.0 | 4.5 | 2.5 | 3.6 | 2.8 | 2.3 | 2.8 |
| Economic | 25% | Government | 20% | 2.8 | 5.0 | 1.1 | 3.5 | 1.6 | 2.6 | 3.5 |
| Economic | | Stability | 10% | 3.0 | 1.8 | 4.0 | 1.8 | 1.3 | 3.0 | 2.1 |
| Economic | | Financial System | 40% | 2.3 | 4.3 | 1.7 | 1.7 | 1.6 | 3.8 | 5.0 |
| Economic | | Taxation | 30% | 1.6 | 5.0 | 1.0 | 3.0 | 2.2 | 3.6 | 4.6 |
| **Country Contextual Complexity Index (CCCI)** | | | | **2.4** | **4.1** | **2.2** | **2.9** | **2.4** | **3.3** | **4.1** |


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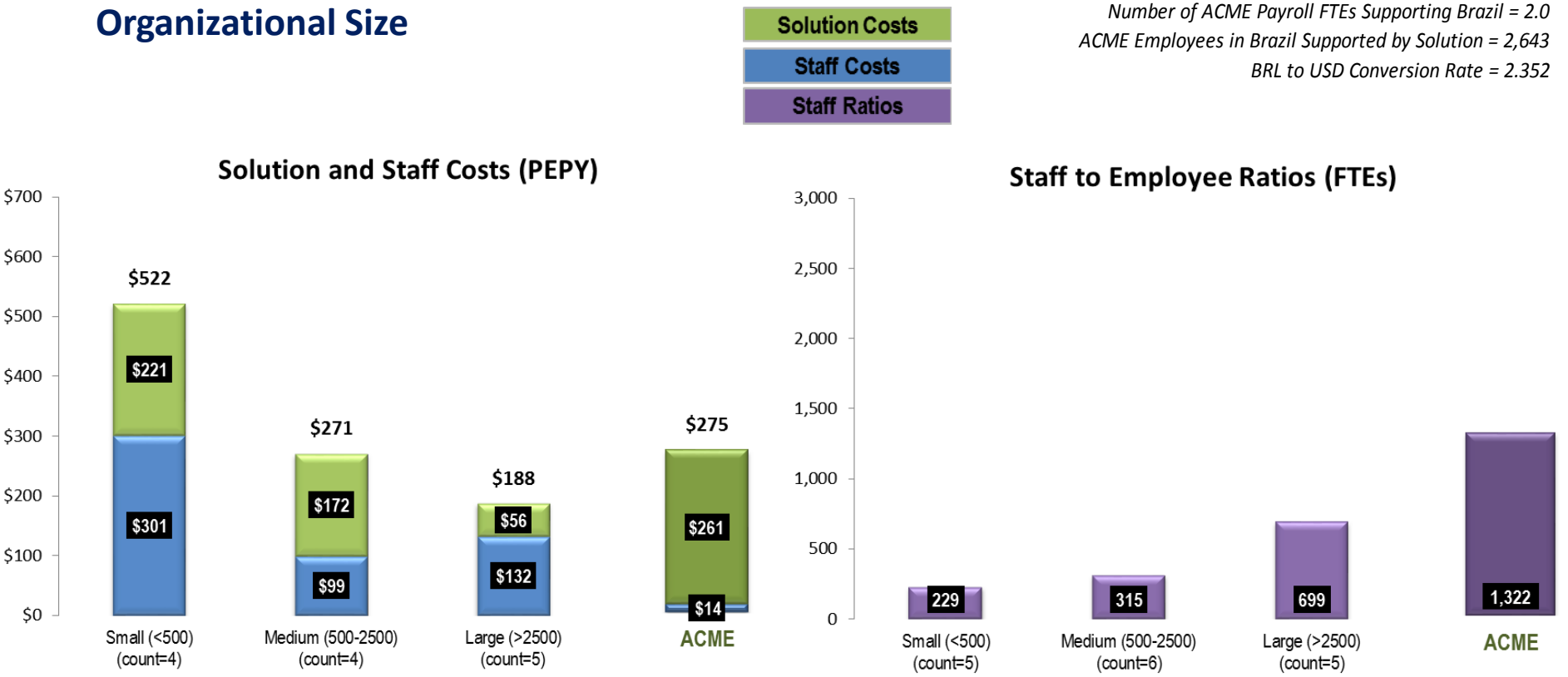
# Global Payroll Benchmarking

## Cost of Payroll – Sample

### Organizational Size

*PEPY = Per Employee Per Year Costs*
*FTE = Full-Time Equivalent Employees*
*Number of ACME Payroll FTEs Supporting Brazil = 2.0*
*ACME Employees in Brazil Supported by Solution = 2,643*
*BRL to USD Conversion Rate = 2.352*




***ACME is a Large (>2500) organization with $275 PEPY versus $188 for the others***

***ACME is Large (>2500) with 1:1322 FTE Ratio versus 1:699 for the others***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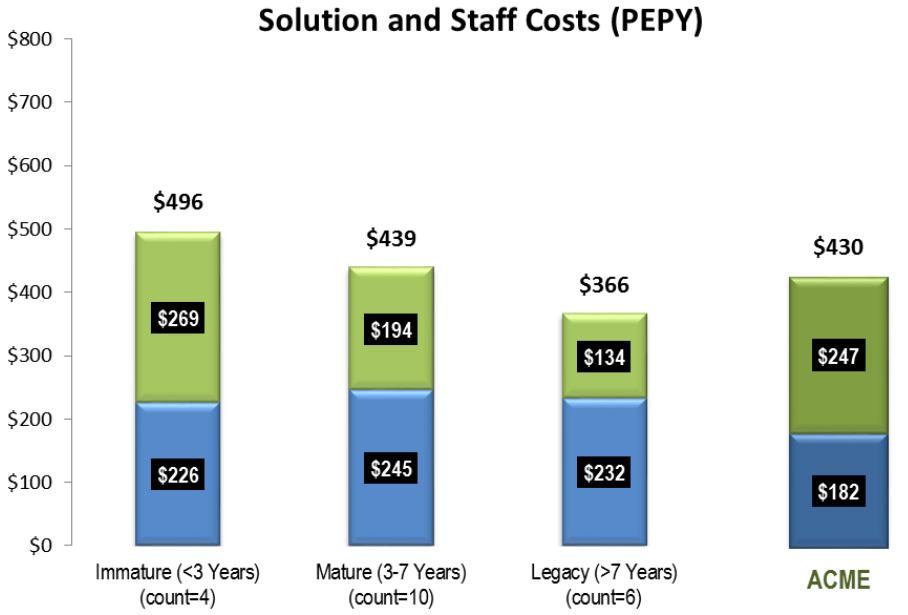
# Global Payroll Benchmarking

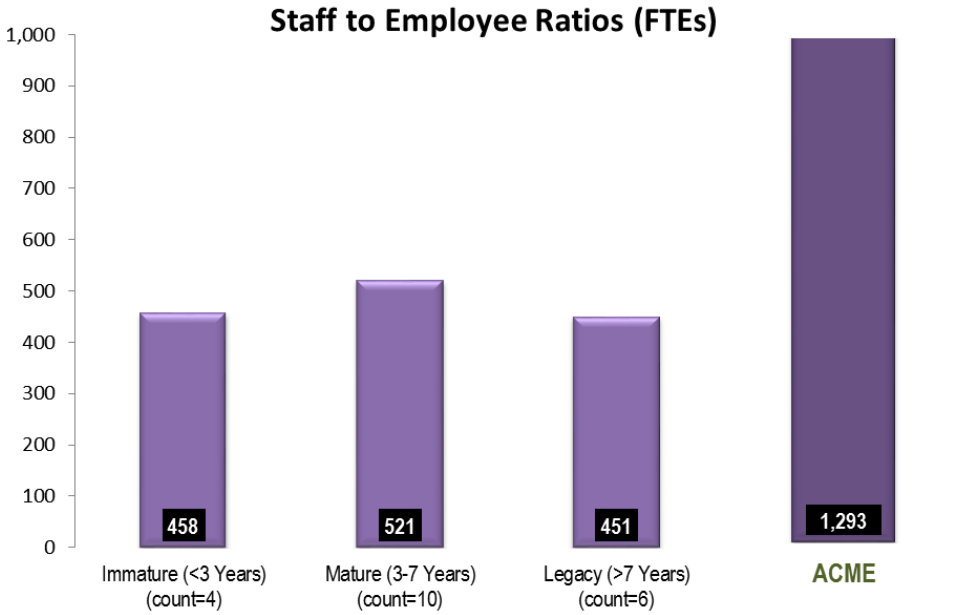
## Cost of Payroll – Sample

### Years Solution in Place

*PEPY = Per Employee Per Year Costs*
*FTE = Full-Time Equivalent Employees*
*Number of ACME Payroll Staff (FTEs) = 2.0*
*ACME Employees Supported by Solution = 2,586*
*EUR to USD Conversion Rate = 0.7536*

Solution Costs
Staff Costs
Staff Ratios




***ACME is Mature (3-7 Years) with $430 PEPY versus $439 for the others***

***ACME is Mature (3-7 Years) with 1:1293 FTE Ratio versus 1:521 for the others***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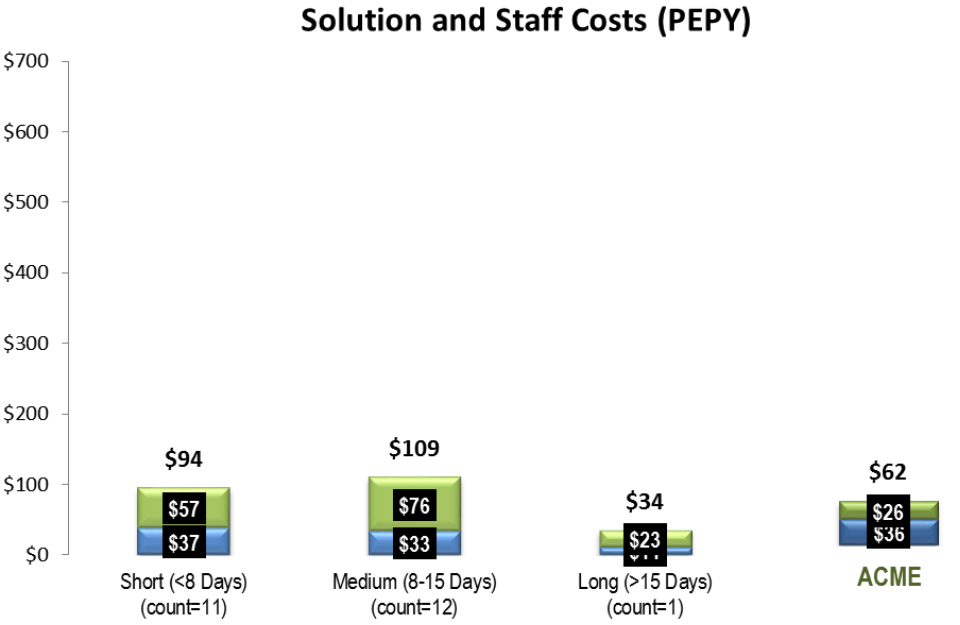
# Global Payroll Benchmarking

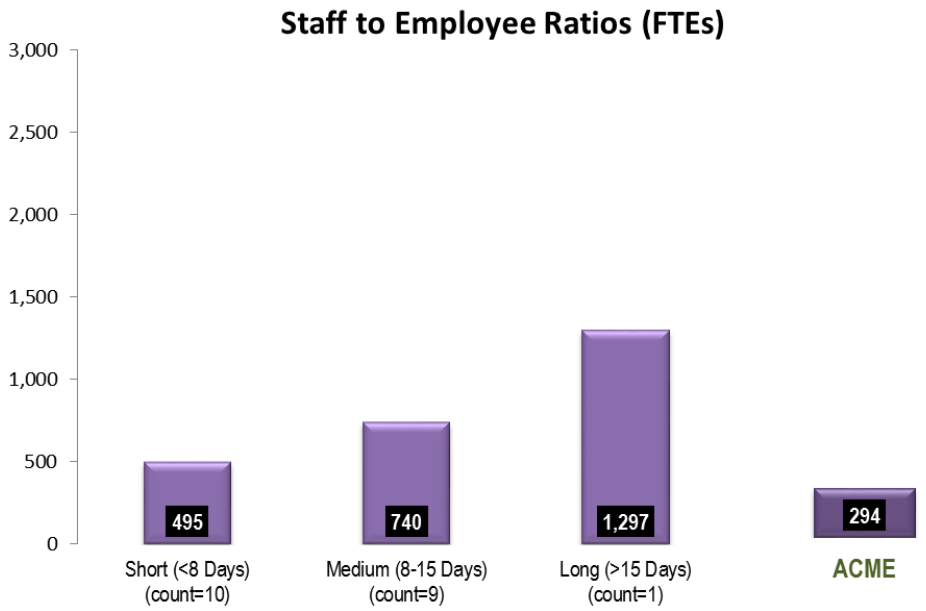
## Cost of Payroll – Sample

### Day to Process Payroll

*PEPY = Per Employee Per Year Costs*
*FTE = Full-Time Equivalent Employees*
*Number of ACME Payroll FTEs Supporting India = 0.5*
*ACME Employees in India Supported by Solution = 150*
*INR to USD Conversion Rate = 61.008*

Solution Costs
Staff Costs
Staff Ratios




***ACME cites a Short Cycle (<8 Days) with $62 PEPY versus $94 for the others***

***ACME cites a Short Cycle (<8 Days) with 1:294 FTE Ratio versus 1:495 for the others***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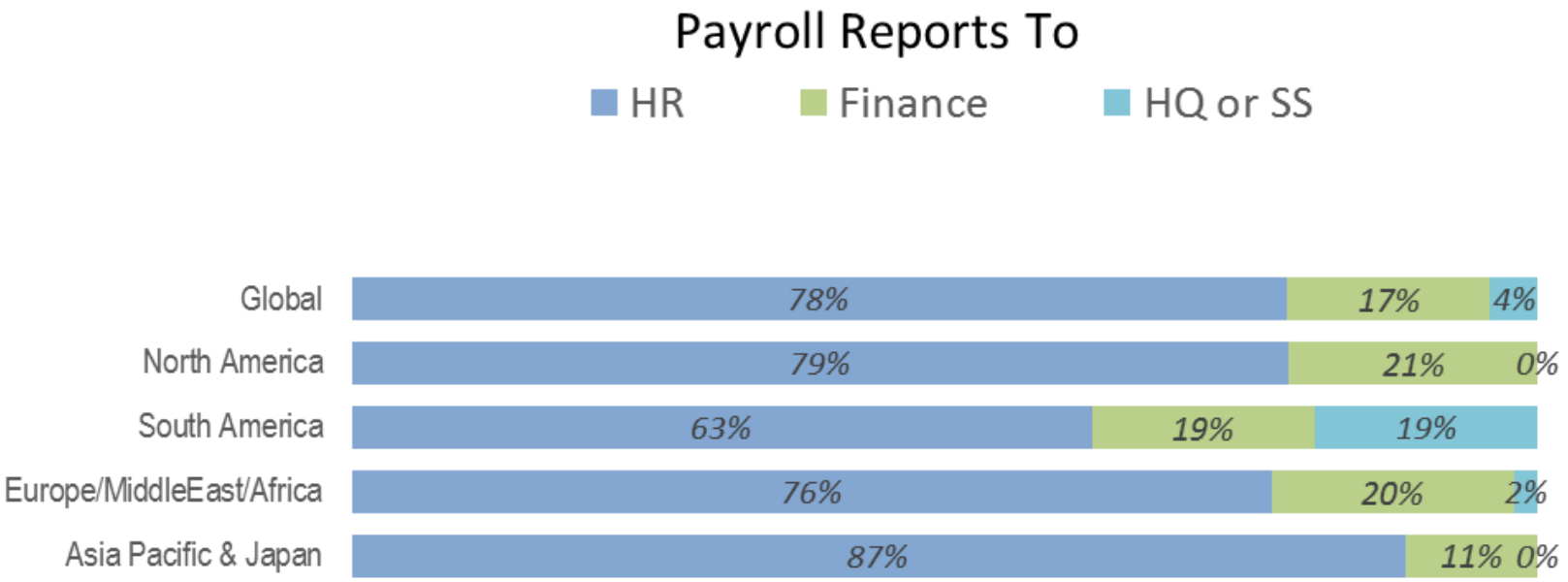
# Global Payroll Benchmarking
## Cross-Country Analyses – Reporting Lines

***Increasingly, Global Payroll reports into the global HR function, 78%, significantly more so than the Finance function.***




*n = 114*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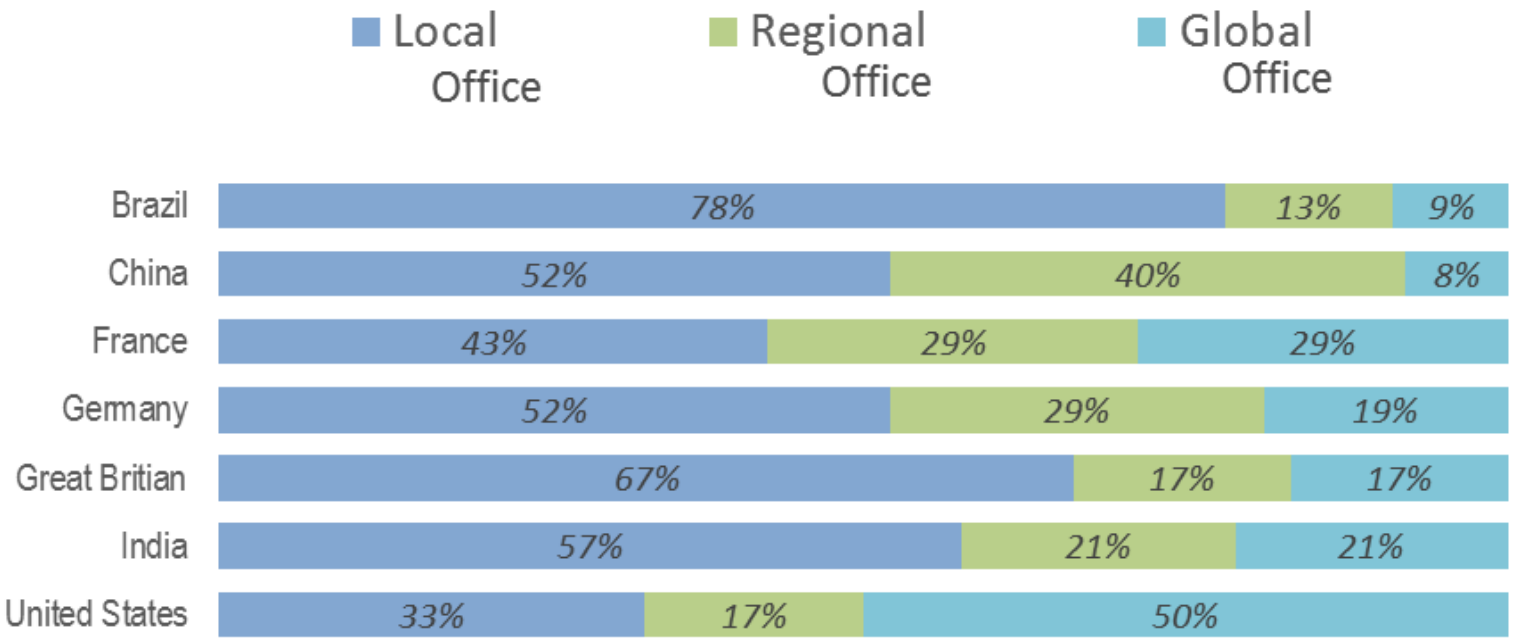
# Global Payroll Benchmarking
## Cross-Country Analyses – Location

***While close to half of payrolls are processed locally, China shows a strong regional approach and the US the most global approach.***




*n = 204*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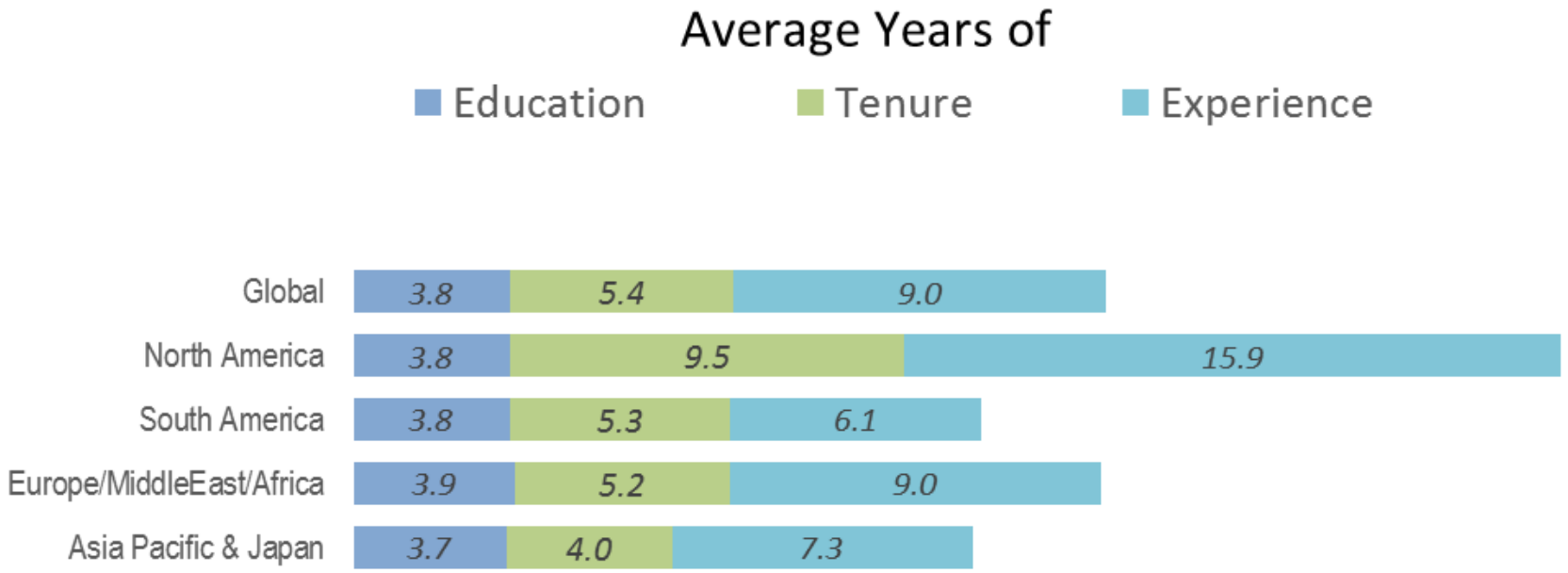
# Global Payroll Benchmarking
## Cross-Country Analyses – Qualifications

***The financial services sector shows payroll staff with the highest level of experience, while consumer goods/services show the lowest.***




*n = 105*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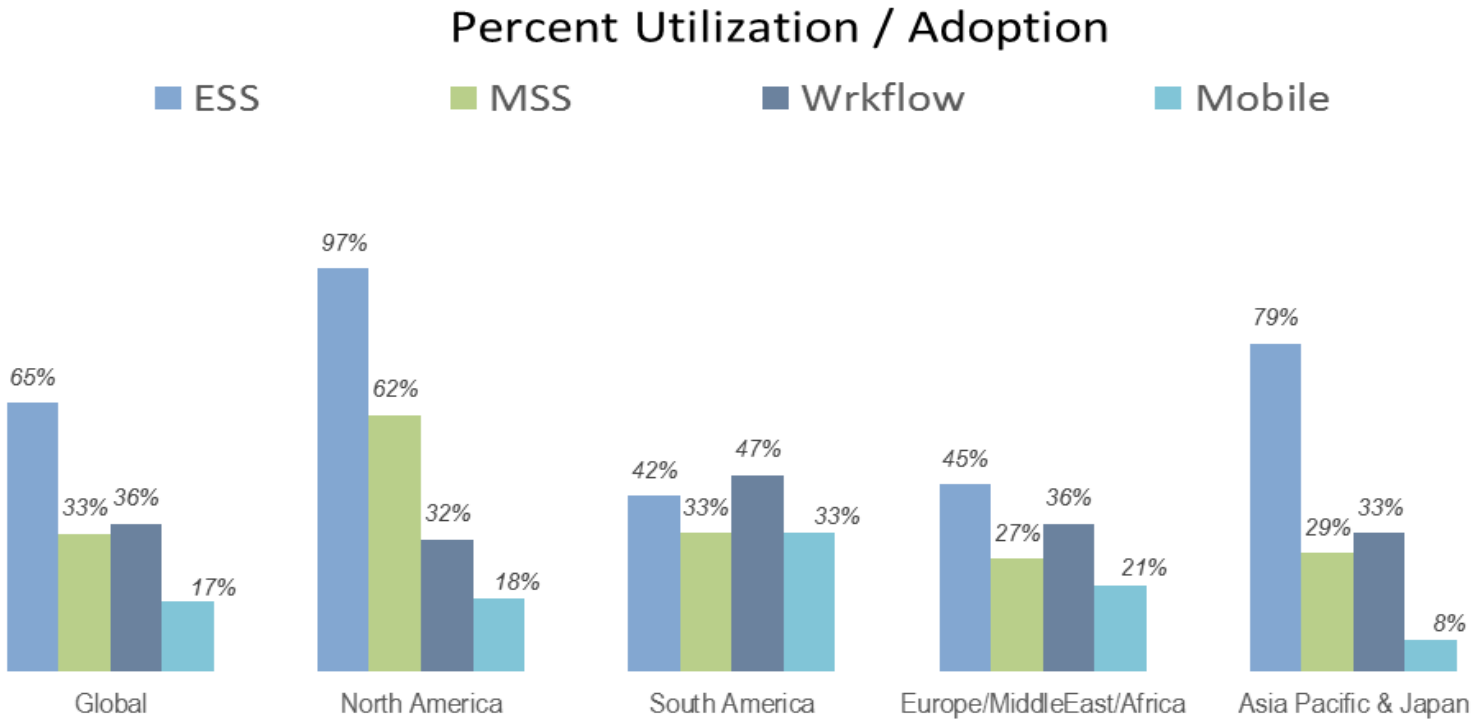
# Global Payroll Benchmarking
## Cross-Country Analyses – Automation

***North America, followed by Asia/Pacific, show the highest levels of ESS, while Europe and other reasons lag significantly behind.***




*n = 80*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# Global Payroll Benchmarking
## Operational Metrics – Sample

*ACME-USA variance is more than 5% above the average*
*ACME-USA variance is within 5%/-5% of the average*
*ACME-USA variance is more than -5% below the average*

### Workforce Metrics

| No | Metric Name | Count | ALL | ACME | Variance |
|---|---|---|---|---|---|
| #1 | Direct Deposit Utilization (% Workforce) | 96 | 95.51% | 98.00% | 2.49% |
| #3 | Pay Card Utilization (% Workforce) | 0 | 0.00% | N/A | N/A |
| #4 | Electronic Pay-Slip Utilization (% Workforce) | 86 | 83.68% | 100.00% | 16.32% |
| #5 | Automated Income Tax Documents (% Workforce) | 66 | 88.83% | 70.00% | -18.83% |
| #6 | Employee Self-Service Utilization (% Workforce) | 60 | 83.13% | 100.00% | 16.87% |
| #7 | Manager Self-Service Utilization (% Workforce) | 35 | 75.83% | 100.00% | 24.17% |
| #8 | Workflow Utilization (% Workforce) | 44 | 62.46% | 100.00% | 37.54% |
| #9 | Mobile Access Utilization (% Workforce) | 19 | 70.87% | N/A | N/A |

### Payment Metrics

| No | Metric Name | Count | ALL | ACME | Variance |
|---|---|---|---|---|---|
| #10 | Number of Regular Payrolls (per Month) | 207 | 5.03 | 4.00 | -1.03 |
| #11 | Number of Regular Payments (per Employee per Mo) | 206 | 1.70 | 1.90 | 0.20 |
| #12 | Lump Sum Payments (% Regular Payments) | 85 | 52.29% | N/A | N/A |
| #14 | Separate Payrolls for Lump Sums (% Yes) | 199 | 11% | N/A | N/A |
| #15 | Wage Garnishments (per 100 Employees per Month) | 68 | 1.79 | 0.31 | -1.48 |
| #16 | Disability Payments (per 100 Employees per Month) | 77 | 3.47 | N/A | N/A |
| #17 | Average Voluntary Deductions (per Employee) | 70 | 113 | 6 | -107 |
| #18 | Lodgements (per 100 Employees per Month) | 67 | 0.01 | N/A | N/A |

### Exception Metrics

| No | Metric Name | Count | ALL | ACME | Variance |
|---|---|---|---|---|---|
| #19 | Manual/Off-cycle Payments (% Regular Payments) | 120 | 4.51% | 0.32% | -4.19% |
| #21 | Retroactive Accounting Adjustments (% Payments) | 57 | 27.74% | N/A | N/A |
| #22 | Average Amount of Over-Payments (per Employee) | 45 | $1.07 | $0.67 | -$0.41 |
| #23 | Over-Payment Reimbursement Percent | 53 | 63.57% | 75.00% | 11.43% |
| #25 | Average Number of Change Requests | 135 | 18 | 3 | -15 |
| #27 | Average Amount Paid for Change Requests | 49 | $112,498 | $0 | -$112,498 |

### Processing Metrics

| No | Metric Name | Count | ALL | ACME | Variance |
|---|---|---|---|---|---|
| #28 | Average Days to Process Payroll (per Cycle) | 200 | 8 | 8 | 0 |
| #30 | Percent Time on Most Time-Consuming Activity | 188 | 39% | N/A | N/A |
| #31 | Number of Inquiries (per 100 Employees) | 170 | 8.89 | 3.97 | -4.92 |
| #33 | Number of Wage Verifications (per 100 Employees) | 49 | 3.98 | 1.21 | -2.77 |
| #35 | Number of Inbound Files Processed (per Payroll) | 80 | 23 | 37 | 14 |
| #36 | Number of Outbound Files Processed (per Payroll) | 63 | 4 | 15 | 11 |

### Quality Metrics

| No | Metric Name | Count | ALL | ACME | Variance |
|---|---|---|---|---|---|
| #37 | Number of Re-Runs/Trial Runs (per Payroll) | 157 | 2.01 | 1.50 | -0.51 |
| #39 | Number of Tax/Compliance Penalties (per Payroll) | 61 | 3.49 | 0.75 | -2.740 |
| #41 | Amount of Tax/Compliance Penalties (per Employee) | 44 | $4.25 | $0.03 | -$4.23 |
| #42 | Payroll Error Rate Percent | 72 | 1.89% | 0.30% | -1.59% |

### Staff Qualifications

| No | Metric Name | Count | ALL | ACME | Variance |
|---|---|---|---|---|---|
| #48 | Average Number of Overtime Hours per Staff per Mo | 70 | 2.8 | 3.8 | 1.0 |
| #49 | Average Years of Work Experience per Staff | 100 | 9.0 | 13.0 | 4.00 |
| #50 | Average Years of Post-Secondary Education | 81 | 3.8 | 4.0 | 0.2 |
| #51 | Average Hours of Training per Payroll Staff | 57 | 22.1 | 40.0 | 17.9 |
| #52 | Average Years of Tenure per Payroll Staff | 94 | 5.4 | 8.0 | 2.6 |
| #53 | Percent of Payroll Staff with IT Expertise | 45 | 28.83% | 44.00% | 15.17% |
| #54 | Percent of Payroll Staff with Strategic Orientation | 74 | 45.39% | 100.00% | 54.61% |


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# Global Payroll Benchmarking

## Benchmarking Payroll Metrics Across Countries

***Country Contextual Complexity impacts the interpretation of metrics and the setting of goals across countries.***

| BSC Domain | MPBS Payroll Metric | USA | Brazil | UK | France | Germany | China | India |
|---|---|---|---|---|---|---|---|---|
| Customer | Payroll Processing Error Rate | 0.87% | 2.51% | 1.01% | 2.22% | 1.50% | 0.68% | 6.06% |
| | Payroll Accuracy Rate | 99.13% | 97.49% | 98.99% | 97.78% | 98.50% | 99.32% | 93.94% |
| | CCCI | 2.4 | 4.1 | 2.2 | 2.9 | 2.4 | 3.3 | 4.1 |
| | Actual Rate Adjusted | 98.92% | 95.95% | 99.28% | 98.04% | 98.92% | 97.34% | 95.95% |
| | *Difference from Actual* | *0.21%* | *1.54%* | *(0.29%)* | *(0.26%)* | *(0.42%)* | *1.98%* | *(2.01%)* |
| | Best Possible CCCI (60% Target) | 1.8 | 2.8 | 1.7 | 2.1 | 1.8 | 2.4 | 2.8 |
| | CCCI Target Rate | 99.62% | 97.42% | 99.44% | 98.90% | 99.18% | 98.83% | 97.38% |
| | *Difference from Actual* | *(0.49%)* | *0.07%* | *(0.45%)* | *(1.12%)* | *(0.68%)* | *0.49%* | *(3.44%)* |

| BSC Domain | MPBS Payroll Metric | USA | Brazil | UK | France | Germany | China | India |
|---|---|---|---|---|---|---|---|---|
| Business Process | Manual/Off-cycle Payment Rate | 0.40% | 0.56% | 0.29% | 1.31% | 1.02% | 1.05% | 3.60% |
| | CCCI | 2.4 | 4.1 | 2.2 | 2.9 | 2.4 | 3.3 | 4.1 |
| | Actual Rate Adjusted | 0.56% | 1.82% | 0.49% | 0.80% | 0.56% | 1.05% | 1.82% |
| | *Difference from Actual* | *0.16%* | *1.26%* | *0.20%* | *-0.51%* | *-0.46%* | *0.00%* | *-1.78%* |
| | Best Possible CCCI (60% Target) | 1.8 | 2.8 | 1.7 | 2.1 | 1.8 | 2.4 | 2.8 |
| | CCCI Target Rate | 0.38% | 0.62% | 0.27% | 0.55% | 0.50% | 0.69% | 0.77% |
| | *Difference from Actual* | *(0.02%)* | *0.06%* | *(0.02%)* | *(0.76%)* | *(0.52%)* | *(0.36%)* | *(2.83%)* |


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# Global Payroll Benchmarking

## Value of Participation

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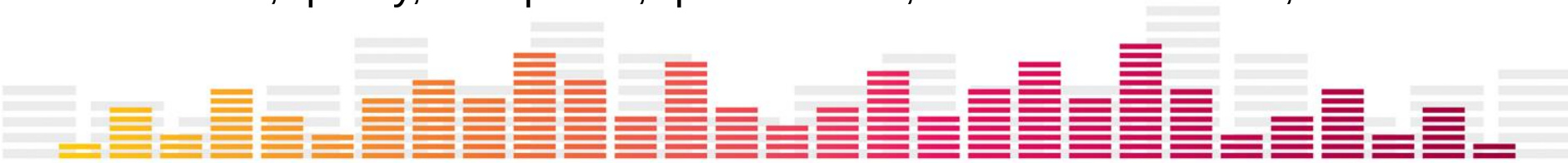
# Global Payroll Benchmarking
## Key Differentiators

- Models, indices, and measures to help organizations see where they are vis-à-vis their peers and develop a road map to take them to the next level.
- Strategies, costs, and metrics evaluated within a variety of contexts: organization model, workforce size, industry sector, and more.
- Leading payroll practices of high-performing organizations based on our proprietary Financial Performance Model across four performance levels.
- Global, regional, and local practices:  technology adoption, self-service capabilities, staff qualifications, processing efficiency, accuracy, and more.
- Total payroll costs, comprising both internal staff costs and external service provider and/or software costs, across more than 15 different indices.
- Over 75 operational metrics covering the workforce, payments, processing, controls, quality, exceptions, qualifications, resource allocation, and more.

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# Global Payroll Benchmarking
## Validation of Value

***"I've participated in many benchmarking efforts over the years, and Mercer's payroll benchmarking process is unparalleled. The tools are easy to use, the deliverables of the highest quality, and the results are immediately actionable in supporting our business initiatives."***

***Linda Obertin***
***Senior Vice President and Global Payroll Leader***
***Wells Fargo Corporation.***


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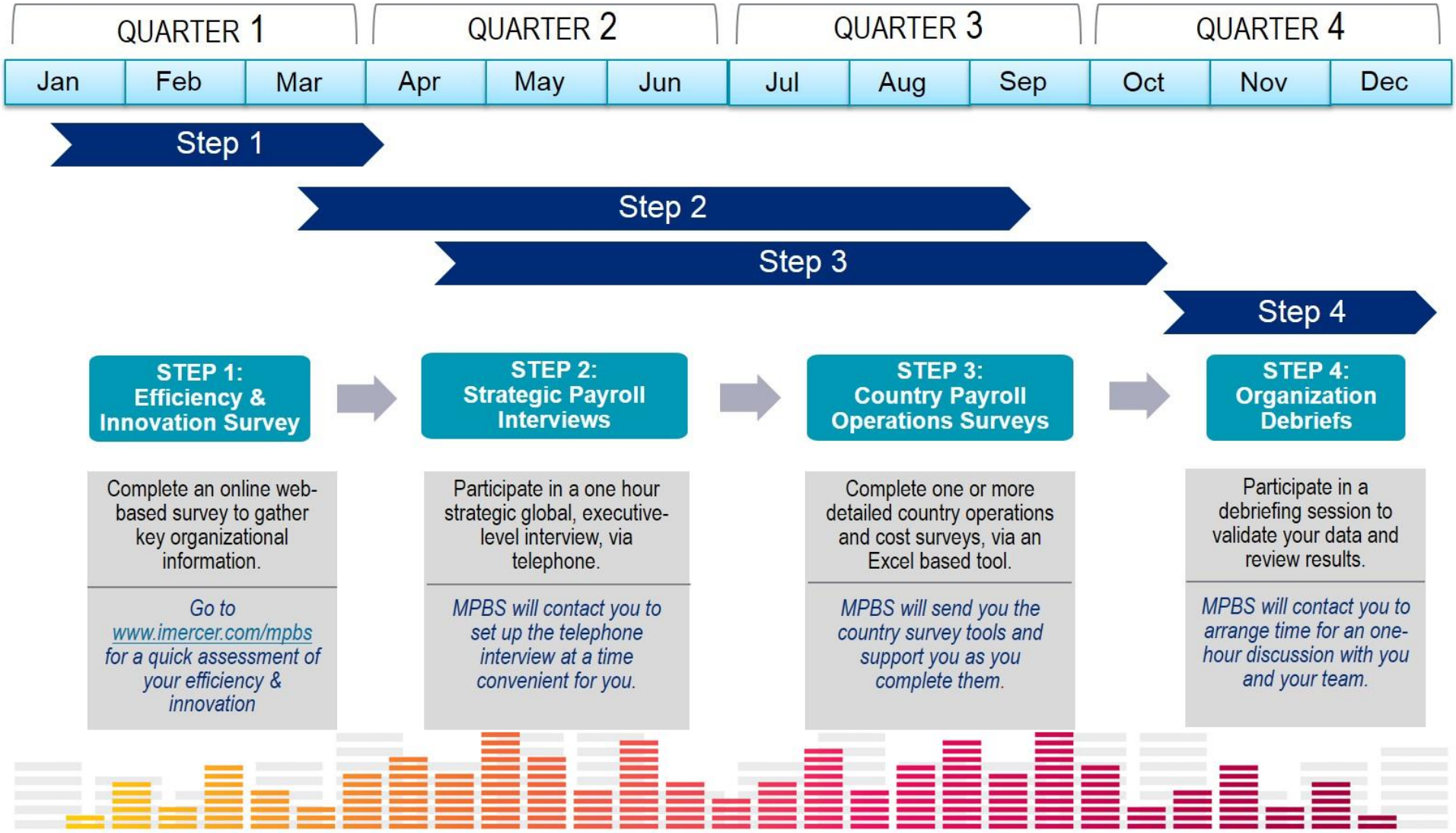
# Global Payroll Benchmarking

## Benchmarking Research Process





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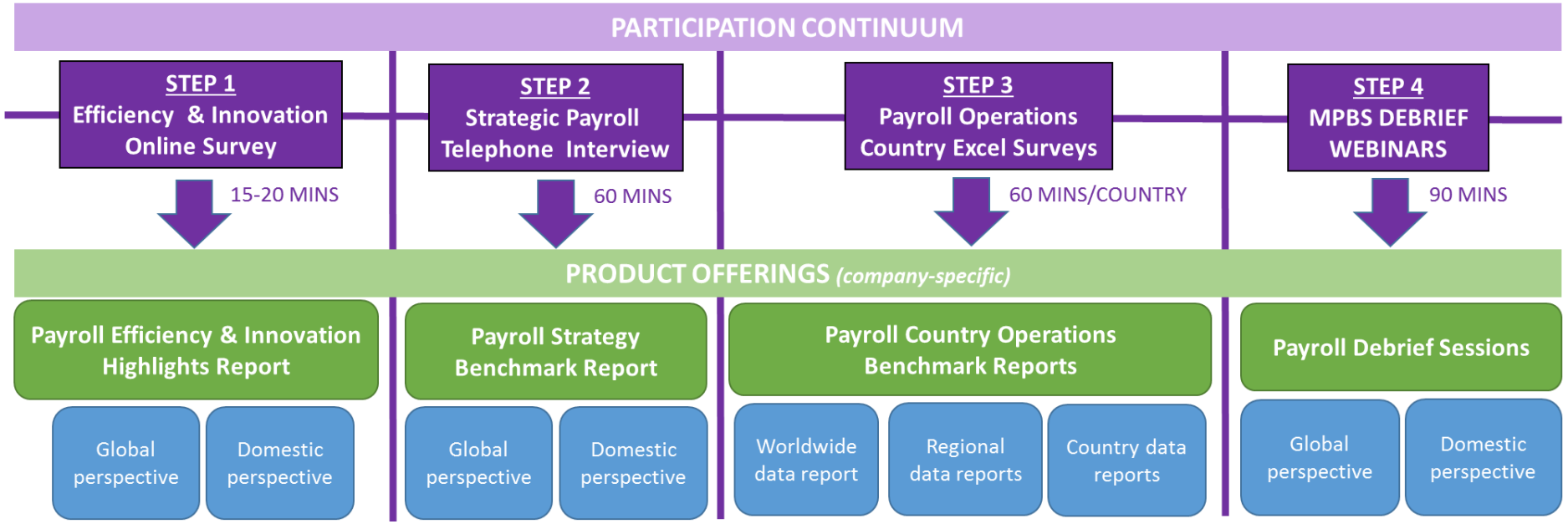
# Global Payroll Benchmarking
## Participation Continuum




- Only Step 1, Efficiency & Innovation Online Survey, is required.
- Steps can be done sequentially or simultaneously.
- Multiple topics – both strategic and operations-based questions
- Tailored to either domestic or global payroll functions.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# Global Payroll Benchmarking

## How to Participate

MERCER | GPMI Global Payroll Management Institute | AMERICAN PAYROLL ASSOCIATION APA

**MERCER PAYROLL BENCHMARKING SURVEY**

To participate, access this link to register your interest:

***www.imercer.com/mpbs***

Upon completion you will receive our complimentary *Efficiency and Innovation Report*, showing how you stack up against your peers on these two vital dimensions.


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**DON'T FORGET TO COMPLETE THE SESSION EVALUATION** either by completing the printed form or using the session evaluation link in the ADP MOTM Conference App.

# Thank You

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