Europe Identified As The Most Complex Payroll Region In The World

Experts identify legislative updates as a major challenge: impact of GDPR on payroll still unclear.

NGA Human Resources, a global leader in HR and payroll services, has released the 2017 Global Payroll Complexity Index (GPCI), a business intelligence report that identifies the top payroll process and compliance threats of 2017, per country and region.

It highlights the positive and negative impacts of factors, including the adoption of cloud technologies, managed payroll services, and the maturation of HR compliance regulations, on managing payroll and employee data.

The report includes responses and commentaries from nearly 3,000 professionals responsible for the reward and payment of employees in 48 countries. It was produced in collaboration with payroll bodies in Europe, North and South America, South Africa and Australia.

For Europe, key findings were as follows:
- Europe is the most complex payroll region in the world
- 7 out of the top 10 most complex countries are in Europe
- France, Italy & Belgium are most complex; Luxembourg the least
- Number of data fields, payroll runs, and technical and legal updates required for compliance is highest in Europe; 37% of respondents say that updates "keep them awake at night"
- Complexity has increased since 2014 where other regions have seen simplification.

In the UK specifically, concerns focused on a number of factors:
- 65% say that managing legislative, HR and payroll updates is their number one challenge
- 24% remain unaware of the impact of GDPR on payroll
- Gender pay, Working Time Regulations & IR35 have added to reporting complexity and to the rise in payroll parameters since 2014
- Rewards and benefits factor highly in the more typical 'white collar' roles, with salary sacrifice and shared parental leave taken up widely
- Increased use of time and attendance (T&A) apps have simplified processing of hourly payroll

- The Apprenticeship Levy, GDPR and Brexit are unknown challenges in next 12 months.
Anne Clifford, Senior Director, Global Payroll Operations at NGA Human Resources, commented "Zero tolerance on payroll non-compliance and the competitive emergence of new business economies means, without a doubt, that businesses must have robust payroll systems and processes in place".

"In the countries where the 2017 Global Payroll Complexity Index reports a fall in complexity – notably the US and Canada - this is because the high-risk, high-admin payroll processes have been outsourced or automated to reduce the risk of fines and reputation damage".

Other Notable Observations Of The 2017 Global Payroll Complexity Index:

Managing Employee Data: All organisations must provide payroll related information to local government departments to determine the social security and/or tax contribution of each citizen. Globally, companies must include an average of 16 data items per employee to the government in the mandated reports and declarations.

Consistent with the 2014 study, Western Europe still requires the highest number of employee data items for a net salary to be correctly calculated. Germany, France, Italy and Spain are most complex, requiring an average of 17 items. This highlights the need for highly accurate HR source data.

Managing Payroll Data: An average of 14 employee data items affect a net salary – little change to 2014. Italy, France and Poland top the parameter ranking for complexity, contrasting sharply with Canada and Switzerland at the bottom. Benefits and attendance have replaced tax and social security as the biggest contributors to payroll complexity.

Payroll Calculation Process: The majority of employers run payroll once or twice a month. Globally, North America and Oceania run the most payrolls per month, while South America and Asia run the least. In Europe, France and Italy report the most payroll runs each month.

Government Reporting & Declarations: On average, 16 data items per employee must

be reported; a decrease from 20 in 2014. In South America and Europe, the number is notably higher at 35; Italy, the Netherlands and France require the most.

Geographical Influences: Each country and business type has its own cultural, regulatory factors and union agreements that affect payroll. In 60% of countries, employee-specific contracts influence payroll. Additionally, multi-level rules, legislations and agreements are continually adapted to comply with economic factors and changing working practices.

Language Complexity: In 60% of countries surveyed, more than one language is spoken, adding the need for multilingual payroll. Organisations in South America are most affected. Those in Australia and New Zealand are the least affected.

Other Country/Regional Spotlights

North America
- US complexity sits at 5.78 out of 10; one point lower than in 2014 – likely the result of high complexity processes being outsourced, not a reduction in complexity
- The country is still in the top 40% for complexity. Only Brazil is higher in the Americas at 11th place
- Complexity remains 'high' and 'very high' for US and Canadian payroll teams when it comes to 'Managing Payroll Data' and the 'Payroll Calculation Process'
- 67% highlight technical, HR and payroll updates as the greatest complexity challenge
- 28% of enterprise organisations in North America plan to move employees into new regions (28% to UK, 24% Asia Pacific, 20% South America)
- Zero tolerance for non-compliance is fast becoming a secondary business tax.

Canada
- Canada sits at 31st in complexity ranking and remains in bottom 40%
- 65% report managing technical and HR updates as the greatest challenge
- 25% highlight the challenge of regulatory reporting and data analytics
- 63% manage payroll in two or more

jurisdictions; 16% manage payroll for between eight and thirteen jurisdictions.

Africa

- Low complexity, but one third say it's increasing
- 71% highlight technical and HR updates as challenges, despite low numbers of payroll runs and updates - likely the result of maturing legislation and reporting requirements
- 86% pay employees in four or more countries in Africa and 43% do this in eight or more - resulting in highest number of languages to consider
- Retro-calculations are simple and least frequent of all regions
- 57% have payroll reporting and analytics high on change agenda
- 38% plan to expand employee operations beyond African continent.

Asia

- Region with the lowest payroll complexity. Only Russia is in top 20
- Highest rating for the languages and number of people being paid in non-local currency
- Malaysia has the least complex payroll score according to respondents
- Philippines has least complex employee data ranking

- Region has the lowest number of payroll runs; India and Philippines is down since 2014.

South America

- Higher than average complexity, with Brazil just outside the top 10
- No fixed tax change calendar makes it impossible to standardise concurrent runs
- 37% say regulatory reporting and data analytics are a challenge
- 30% highlight the challenge of managing technical and HR updates
- Lowest number of data items required, and the fewest payroll runs
- However, retro-calculations are particularly high.

About The Research

NGA Human Resources examined the key trends during the first quarter of 2017, and compiled a report on how payroll complexity affects the reward of employees by organisations in one of more country, ranking in terms of complexity when it comes to compensating a local and/or international workforce and how these impact corporate planning and decision making.
Geographical scope: 48 countries.
Respondent profiles:

- Subject matter experts in payroll

- Local, regional and global payroll consultants and outsourcing experts and system engineers responsible for updating global payroll systems.

To review the study: http://my.ngahr.com/payrollcomplexity-2017/

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