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Is Global Payroll Truly Global?

Exploring The Complexities And Potential Solutions
To Enhance Employer And Employee Experience

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Payroll Leaders Want One Solution

As hybrid and remote work rises, and employee experience gains executive attention, global payroll becomes a critical tool for leaders to attract and retain talent.[1] However, for many organizations, global payroll has not kept pace with this changing landscape. Today, many organizations tackle global payroll locally, dealing with overwhelming regional compliance requirements and unreliable payroll vendor support. This results in a complex and costly payroll ecosystem with inaccuracies, slower operational agility, and ultimately, frustrated employees. Nearly all payroll leaders agree that one common global payroll platform alleviates many of these challenges and enables their organizations to hire and maintain employees worldwide more easily.

In January 2024, Deel commissioned Forrester Consulting to explore the current state of global payroll systems, surveying 322 global decision-makers responsible for their organization's global payroll strategy.

Key Findings

Global payroll costs are underestimated. While payroll costs are expected to rise, the added expenses of complex payroll like increased errors, compliance risk, and wasted time are often overlooked.

Complex payroll damages employee experience. Fragmented payroll leaves leaders struggling with basics like error-free payment, which is often exacerbated by slow vendor support, leaving employees frustrated.

Global payroll is not truly global. Leaders are frustrated by the challenges of today's patchwork of local payroll systems. They instead want one single, truly global payroll solution.

More Vendors Means More Complexity

As the world of work becomes more distributed, relying on a network of local payroll vendors isn't sufficient anymore. Three-quarters of respondents said that payroll complexity is driven by a perceived need to use a network of different payroll vendors for each region and country. On average, respondents' organizations use six payroll tools. To add to the complexity, 86% of payroll leaders also noted that payroll is managed through a hybrid approach with some of it managed internally and other aspects managed externally by payroll vendors. This means that for most organizations, there are too many vendors and resources dedicated to making payroll work.

It's unsurprising, then, that respondents' organizations are focusing the most on finding ways to improve current global payroll practices like streamlining workflows across these systems (63%), reducing errors (56%), improving payroll vendor support (54%), and consolidating the network of payroll vendors (49%) in the next 12 months.

Top Priorities For Global Payroll In The Next 12 Months

63%
Improve efficiency/workflows across global payroll systems

56%
Improve payroll reporting accuracy and standardization/reconciliation

54%
Improve payroll vendor service-level agreements (SLAs)/payroll vendor support

49%
Reduce complexity and consolidate global payroll systems

48%
Increase hiring globally/expand global employee footprint

Base: 322 global decision-makers in charge of their organization's global payroll strategy
Note: Showing top 5 responses
Source: A commissioned study conducted by Forrester Consulting on behalf of Deel, January 2024

Payroll Costs Are Only Increasing

Managing global payroll is a necessary expense for all organizations, with payroll leaders understanding that the overall costs will keep on increasing. Eighty-five percent of payroll leaders anticipate that their payroll costs on a per employee basis will increase in the next year. While payroll leaders expect costs to increase, most aren't actually considering the full scope of payroll costs and fail to realize that the cost increases will be even greater.

Payroll leaders overlooked hidden costs including costs associated with poor employee experience (EX), on-demand service costs, and limited ability to analyze employee data. Furthermore, costs related to maintaining regional compliance requirements and payroll errors were the least expected. Most organizations aren't realizing the full picture of total global payroll costs, many of which stem from an overly complex ecosystem with disparate systems in place per region.

"Which of the following unexpected or hidden costs did you encounter following implementation?"

Exchange rate fluctuation costs	**52%**
Ongoing maintenance and support costs	**47%**
Compliance costs	**45%**
Data management costs	**45%**
Training and support costs	**45%**

Base: 322 global decision-makers in charge of their organization's global payroll strategy
Note: Showing top 5 responses
Source: A commissioned study conducted by Forrester Consulting on behalf of Deel, January 2024

Global Payroll Issues Negatively Impact Employee Experience

Organizations are inundated with payroll-related problems with surveyed leaders citing a range of challenges from increases in payroll errors and subsequent employee frustrations to inefficiencies and time wasted understanding regional compliance requirements. When asked about their top challenges, payroll leaders found that maintaining a consistent employee experience across geographies, inefficiencies from maintaining multiple systems, and adherence to regional compliance requirements rose to the top.

These challenges mean increased payroll inaccuracies, high software costs, and a limited ability to hire top talent globally. When asked what these payroll challenges are attributed to, payroll leaders most often pointed to an overly complex payroll system and the barriers to moving to just one global payroll solution, like limited options and effort required to switch systems.

Consequences Of Top Payroll System Challenges

48% Increased payroll errors and inaccuracies

47% Higher software costs

42% Limited ability to analyze employee data

41% Slower operational agility

41% Delayed payment to employees

40% Compliance problems

40% Limited ability to hire and retain top global talent

Base: 322 global decision-makers in charge of their organization's global payroll strategy
Source: A commissioned study conducted by Forrester Consulting on behalf of Deel, January 2024
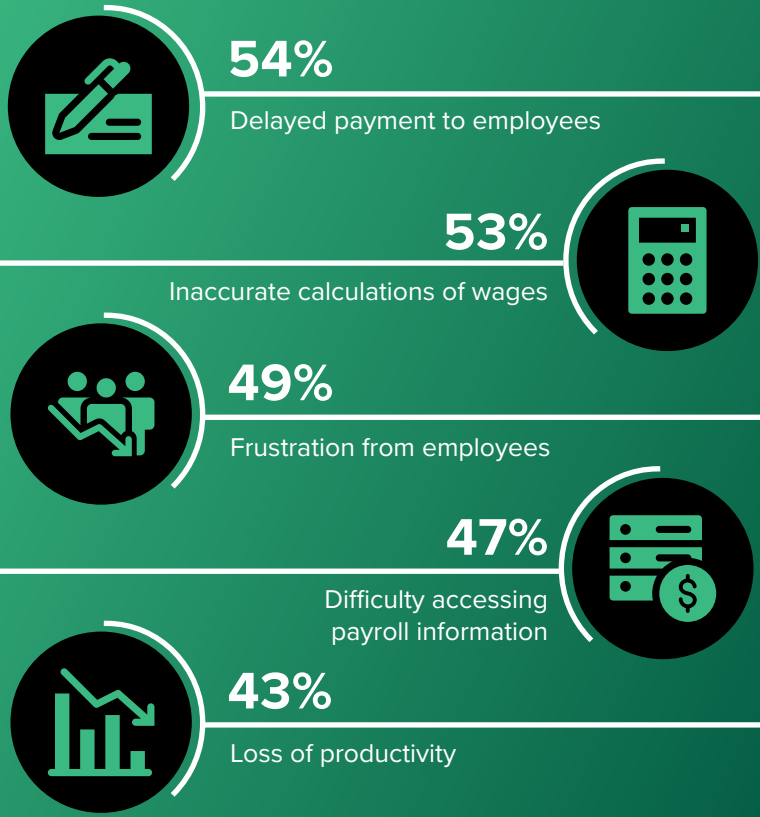
Employees Suffer From Payroll Inaccuracies And Delays

Top payroll challenges like poor EX fueled by inaccurate and delayed payments are only exacerbated by slow payroll vendor support, with one in three payroll leaders finding it to be a challenge. This issue is further compounded by having multiple, country-specific payroll vendors with varying degrees of responsiveness, often resulting from the frequent outsourcing of support practices to third parties.[2] In fact, slow payroll vendor support and unmet service-level agreements (SLAs) have far-reaching consequences felt throughout the entire organization including delayed payment to employees, inaccurate calculation of wages, and loss of productivity.

Furthermore, with payroll employees spending nearly half of their week on manual work and escalations with vendors rather than on more strategic work, it's not surprising that over half of payroll leaders are focused on improving payroll vendor SLAs in the coming year.

Consequences Of Slow Payroll Vendor Support

54%
Delayed payment to employees

53%
Inaccurate calculations of wages

49%
Frustration from employees

47%
Difficulty accessing payroll information
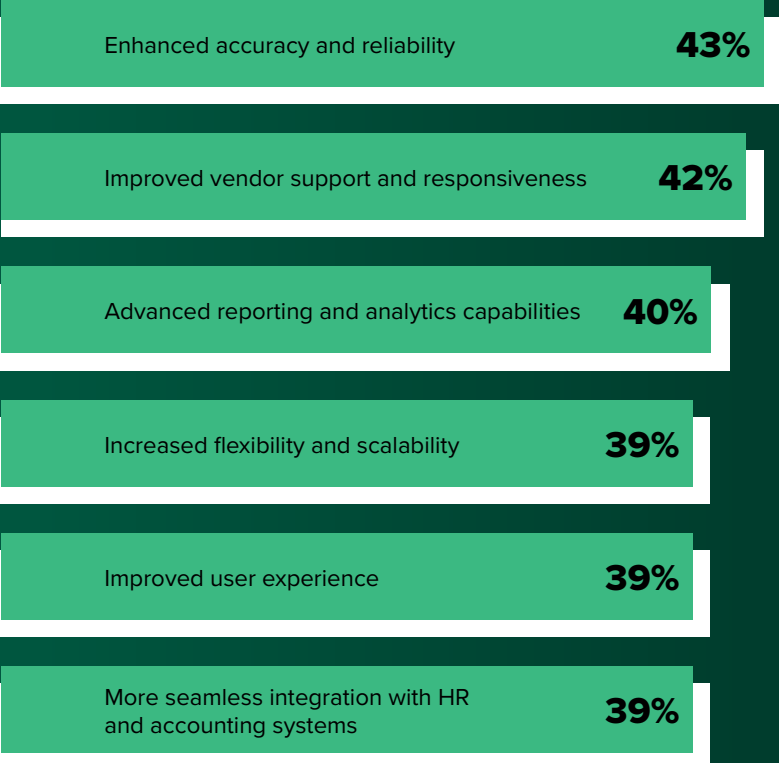
43%
Loss of productivity

Improving Payroll Accuracy Is Step One

Given that payroll leaders struggle with a broad spectrum of global payroll tasks and capabilities, for many, simply striving towards more accurate payroll is the top goal. In fact, enhancing accuracy and reliability of payroll was the most desired improvement for payroll services. Respondents also highlighted improving vendor support and responsiveness as important, as unmet vendor SLAs can directly impact an organization's ability to rectify payroll inaccuracies and keep employees content.

Payroll leaders are also focused on improving their abilities for advanced reporting. As organizations resolve more pressing issues like accuracy and delayed payments, they can shift focus to more strategic work like analyzing employee data. While this can be more challenging when using many payroll vendors, organizations can begin to streamline data and get a more holistic view of their data through vendor consolidation.

Most Beneficial Improvements For Better Payroll Services

Enhanced accuracy and reliability	**43%**
Improved vendor support and responsiveness	**42%**
Advanced reporting and analytics capabilities	**40%**
Increased flexibility and scalability	**39%**
Improved user experience	**39%**
More seamless integration with HR and accounting systems	**39%**

Base: 322 global decision-makers in charge of their organization's global payroll strategy
Note: Showing top 6 responses
Source: A commissioned study conducted by Forrester Consulting on behalf of Deel, January 2024

A Consolidated View Of Global Payroll Is Highly Desired

Organizations must think critically about the technology they invest in to align their talent strategy, employee experience, and business results.[3] As administering global payroll is highly complex with many moving parts and effort required, organizations are eager to point to the right solution to alleviate their greatest challenges. Nearly all payroll leaders (97%) agree that consolidating all of global payroll into a single solution would be valuable or extremely valuable.

Payroll leaders are highly interested in a common global payroll solution as it directly addresses their biggest challenges and delivers on their top payroll priorities for the year, such as a better and more consistent EX across all geographies with increased payroll accuracy, improved employee data management, more automation for global payroll, and ultimately the ability to more easily hire the best talent worldwide.

Top Benefits Of Consolidating Global Payroll Into One Solution

46% Improved management of payroll and employee data

41% Improved and consistent employee experience across all geographies

40% Process improvement and automation

39% Easier ability to hire globally in more locations

38% Easier payroll and employee decision-making

37% Time savings for payroll administration

37% Improved employee mobility

Base: 322 global decision-makers in charge of their organization's global payroll strategy
Note: Showing top 7 responses
Source: A commissioned study conducted by Forrester Consulting on behalf of Deel, January 2024

One Common Solution Revolutionizes Global Payroll And The Employee Experience

In addition to alleviating many of their top challenges, payroll leaders anticipated that an all-in-one global payroll solution would have far reaching impacts to all tasks and capabilities related to payroll. Eighty-eight percent of payroll leaders expected these solutions would have a positive impact on their ability to hire globally, enabling them to increase their global footprint. A further 86% anticipated a positive impact to their organization's ability to adhere to regional compliance requirements, a task that payroll leaders continually noted utilized significant cost, time, and effort from their team. Moving away from overly complex systems to just one solution also leads to process improvements (88%) and lower payroll administrative costs (85%).

Expected Impact To Payroll Tasks And Capabilities When Consolidating Global Payroll Into One

(Showing "Slight positive impact"
and "Significant positive impact")

Global hiring	**88%**
Management of global payroll data	**88%**
Process improvement and automation	**87%**
Adherence to regional compliance requirements	**86%**
Answering country-specific HR questions from employees	**86%**
Payroll administrative costs	**85%**
New-employee onboarding	**85%**

Base: 322 global decision-makers in charge of their organization's global payroll strategy
Source: A commissioned study conducted by Forrester Consulting on behalf of Deel, January 2024

Conclusion

The way most organizations operate global payroll today is anything but global. Organizations are weighed down by overly complex, local, and costly payroll ecosystems, which leave payroll teams stuck with excessively manual work and frequent payroll errors and inaccuracies, navigating multilayered regional compliance requirements and waiting on unresponsive vendors to resolve payroll problems — all the while leaving employees frustrated.

To keep up with the increasingly global world of work, payroll leaders agree that a truly global solution that offers an all-in-one view of all employees regardless of location or worker type is a must. For many payroll leaders, investing in an all-in-one global payroll solution addresses top challenges, reduces the complexity of their payroll ecosystem, and enables payroll employees to refocus on more strategic work. Effective payroll can be a growth lever offers further global reach, easier decision-making, and better hiring and retention of top global talent.

Endnotes

[1] Source: The Human Capital Management Landscape, Q1 2023, Forrester Research, Inc., January 25, 2023.

[2] Ibid.

[3] Source: Today's Talent Market Requires Tomorrow's HR Technology, Forrester Research, Inc., April 22, 2022.
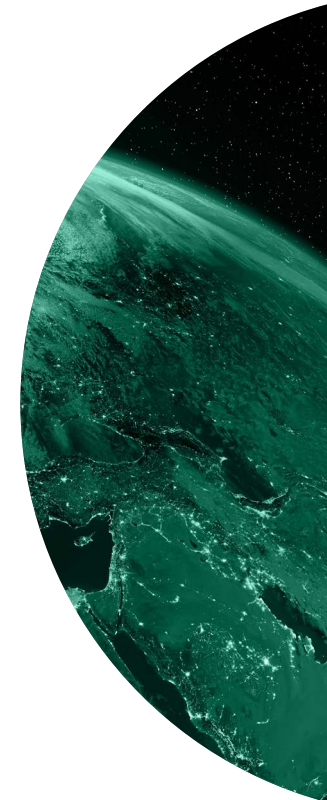
Resources

Related Forrester Research:

The Human Capital Management Landscape, Q1 2023,
Forrester Research, Inc., January 25, 2023.

2023 Buyer Insights: HR Professional, Forrester Research, Inc.,
December 4, 2023.

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Methodology

This Opportunity Snapshot was commissioned by Deel. To create this profile, Forrester Consulting supplemented this research with custom survey questions asked of 322 global decision-makers in charge of their organization's global payroll strategy. The custom survey began and was completed in January 2024.

ABOUT FORRESTER CONSULTING

Forrester provides independent and objective research-based consulting to help leaders deliver key outcomes. Fueled by our customer-obsessed research, Forrester's seasoned consultants partner with leaders to execute their specific priorities using a unique engagement model that ensures lasting impact. For more information, visit forrester.com/consulting.

Demographics

REGION	
EMEA (55%)	**55%**
APAC (27%)	**27%**
NA (19%)	**19%**

RESPONDENT TITLE	
CEO (5%)	**5%**
Vice president (28%)	**28%**
Director (35%)	**35%**
Manager (32%)	**32%**

COMPANY SIZE	
2,000 to 4,999 employees	**60%**
5,000 to 19,999 employees	**40%**

INDUSTRY (TOP 5)	
Manufacturing and materials	**14%**
Retail	**13%**
Financial services and insurance	**10%**
Travel and hospitality	**7%**
Technology and/or technology services	**7%**

Note: Percentages may not total 100 due to rounding.