alight | NGA Human Resources

2019 Global Payroll Complexity Index Report

Highlighting the complexities shaping payroll in 2019

In association with

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Forward

Growing regulatory complexity, changing workforce expectations and the business' need for real-time insights are the main topics in the 2019 Global Payroll Complexity Index. The introduction of the 2018 European GDPR has not only been felt in Europe, but around the globe. Payroll professionals have been working hard to ensure their processes are compliant and personal identifiable information (PII) is well protected.

What is less known and has been highlighted by many respondents to the 2019 Global Payroll Complexity Index survey, is the impact the fundamental change in how we work, and the way in which businesses are structured today is having on how people want to be rewarded and the process, time and compliance challenge this presents to payroll teams. The need (and cost) of processing unique payroll calculations has climbed faster than in any previous GPCI.

The survey shows that traditional salaried and shift jobs are being automated faster than ever and the demand for the types of products and services provided is declining. Organizations must now attract new skills, and this new, often younger talent is asking for a salary package that combines cash with a range of benefits, reward programs and bonuses. They are also less loyal to their employer, moving to a competitor for literally dollars.

Equally, as the workforce is naturally populated by more millennials and new recruits from Generation Y, the unwritten anonymity that once surrounded salaries is gone and the propensity to openly compare salaries means there must be absolute visibility to each employee of 'total reward.' This has added to content to be included in pay slips and in the frequency of salary reviews and adjustments, often with off-cycle and retroactive payments to be made.

This is new to manage for many businesses – both talent flight and legislative compliance adds risk and cost – at a time already fraught with the changes needed to remain competitive in the fast-moving digital world of commerce.

What has been interesting in the 2019 survey is the shift from it being the number of countries that raises complexity to the number of cities. This 'micro legislation' is becoming typical across Europe and the United States and is creating major headaches for payroll teams. In addition, GDPR is also going global. Its influence is making governments around the world realize that they have an obligation to protect the digital identities and rights of their citizens.

This is not a time to sit back. To be prepared for the future you must understand the challenges you face. Our report draws on the research we started in 2014. This gives us good insights into how the payroll process has evolved over the past five years and the authority to tell you that as we move into the next decade the need for clarity, compliance and intelligence in your payroll processes has never been greater.

We would like to thank all those who kindly shared their perspectives. While no study can be fully conclusive, this report uses learning from the past, the actualities of today and foresights into the future to give you the information you need to audit the processes you currently have, consider potential scenarios for change and how to best prepare for the future.

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Global Payroll Complexity Index 2019 Summary

1 Europe continues to dominate the Index for payroll complexity

2 Fastest movers from the growth economies

3 Heightened anxiety around data ownership – who should / who shouldn't see data

4 GDPR has spurred rise in local and regional data protection legislations

5 Wider integration of payroll intelligence into business planning

6 Increase in complexity (adherence to rules) in growth economies

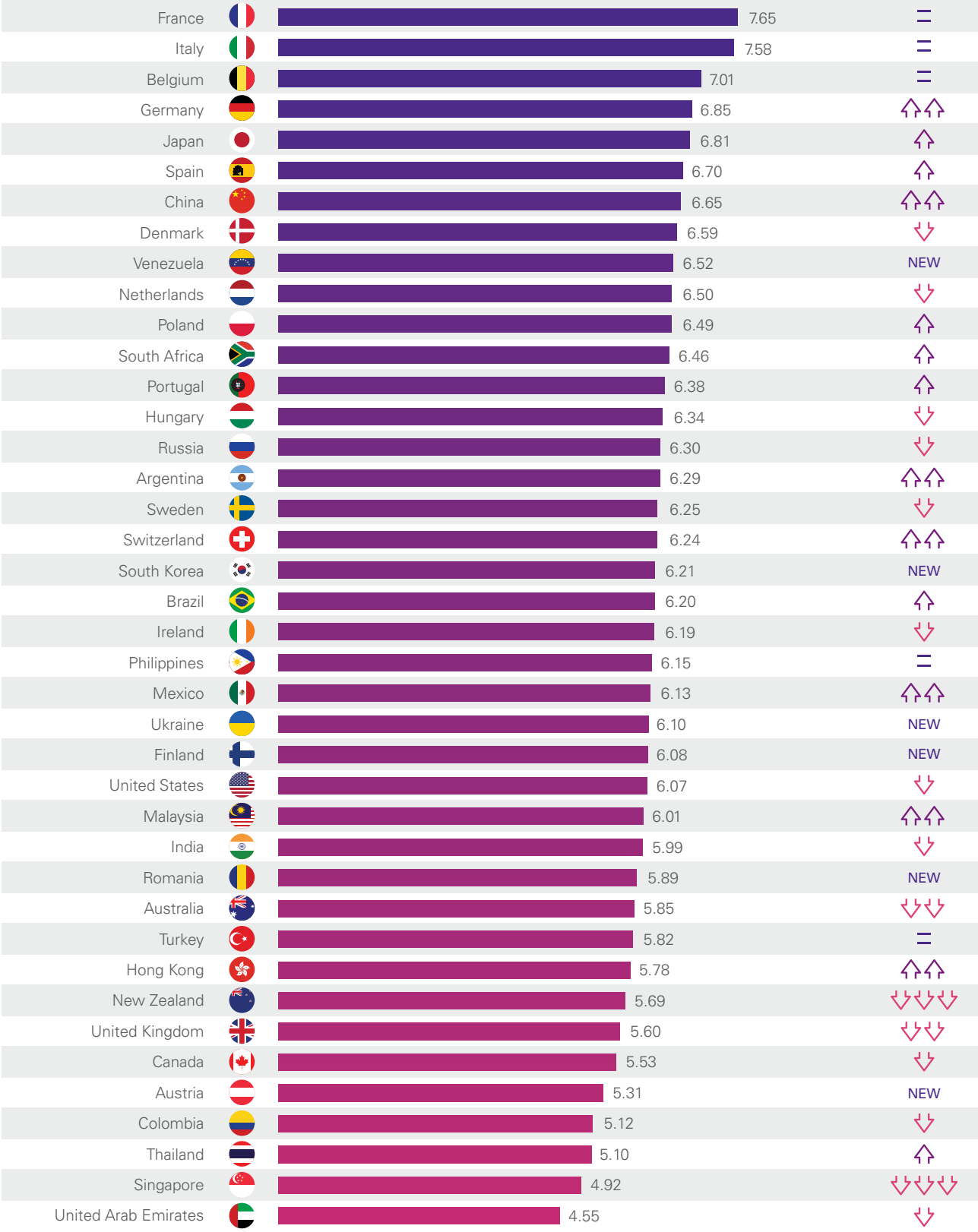
7 Rise in reward-led salaries

8 Increased use of cloud, robotics and process automation

9 Frequency of tax and legislative change is the umbrella challenge globally

10 Collective agreements continue to challenge, with Europe and South America most affected

Global Payroll Complexity Index



The overriding conclusion to the 2019 Global Payroll Complexity Index is the amplification in the value of data in payroll. While a major asset for business planning, it's also a high-risk factor in these times of heightened data protection, largely driven by the global "adoption" of the GDPR.

Moving forward from the 2017 conclusion that "Payroll is no longer just about paying people. It's about managing data: the handling, control and security of data in an ever more complex tax and legal landscape." In the 2019 survey, the combined opinion of nearly 2,500 payroll professionals was; *"Payroll holds the key to business success. It's the value in payroll data that makes it incredibly high risk. The challenge and concern for payroll teams and for business leaders must be - who should and who should not have access to PII data, and for how long?"*

It is this question of ownership that has elevated payroll data to the boardroom agenda for many organizations over the past two years. The risk of fines is too great for most organizations to bear financially and reputationally.

> Italian payroll is "characterized by a crossed labyrinth of constraints and rules, linked to the complex history of labor law which, in Italy, has very ancient origins."

Volume of data is rising

Besides the protection of data, the sheer volume of data in the process is increasing massively. The trend towards a people-first approach to business success has prompted a rise in employee-focused change. Many countries have introduced minimum wage rates and the UK has not been alone in using payroll intelligence to address gender and other such pay gaps.

There has been a significant rise in salaries built around rewards and benefits. This change requires the need for multiple adjustments to be made each pay cycle. To address these, and where necessary, to retro pay, it's not uncommon for some payroll teams to run payroll daily to manage this, according to the findings of the report.

Automation adoption up

The high risk, time and cost that comes with managing this increased volume of data, and the need to increase the frequency of payroll, is suggested to have contributed to the rise in robotics and automation in payroll processes. While still elementary, a higher than expected number of organizations said they have or will consider automating one or more of their payroll processes in the next two to five years.

> "Payroll holds the key to business success. It's the value in payroll data that makes it incredibly high risk.
>
> The challenge and concern for payroll teams and for business leaders must be- who should and who should not have access to PII data, and for how long?"

Managed and BPO payroll services on the rise

The growing data challenge is also a reason why nearly a third of respondents indicated that their organization is looking to outsource payroll processes in the next two to five years.

Some of the greatest surprises in the 2019 GPCI are in the ranking movements themselves. While Europe continues to dominate with 15 of the 40 places, including the top three, there are many new entrants to the Index including Venezuela, South Korea, Ukraine, Finland and Romania which have usurped the positions of more established economies including the USA, UK, Australia and New Zealand.

With Mexico, Thailand, China, Turkey, Malaysia and Argentina having also moved up the table, the evidence, backed up by comments in the questionnaire responses, suggests that it's the expansion of international businesses into these regions, and a move from more traditionally manual to service sector economies, that has promoted the greatest changes that we've seen in the Global Payroll Complexity Index rankings to date.

Rise in structure in growth economies

Expansion into new markets has meant that compliance in these regions has had to rise in line with the expectations of digital businesses in a global business arena. In Asia, Africa, South America and parts of Eastern Europe, new workforce laws and tax mandates have also been reviewed and it's not uncommon for updates to be published every other day.

It is keeping up with these changes that has ranked as the greatest challenge for payroll teams.

Also reported is the challenge of managing more languages within the payroll process. While there are more than 2,500 languages spoken in Africa, two is the most common, with four or more not uncommon.

M&A is driving payroll modernization

The rise in M&A and divestment activity is reported in the findings to have driven the rise in payroll process modernization projects globally. This was reported either to be to create a single source of data or because the terms and conditions (of a divestiture) dictate a new payroll process.

Managing changes in organizational structure is the third greatest challenge for payroll teams.

Cloud payroll is taking off

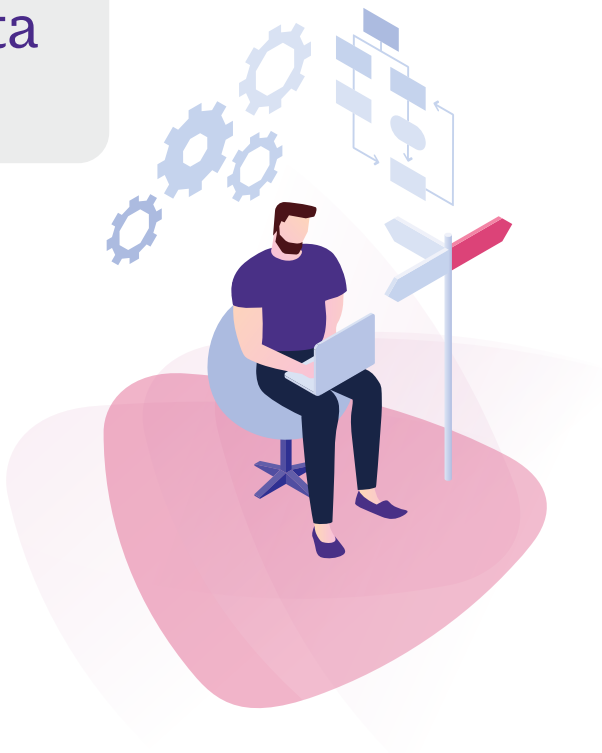
According to the findings of the 2019 GPCI survey, the use of cloud versus on-premise payroll processes is now about even, with cloud just ahead with 34% versus 33%. 11% of organizations are still operating with completely manual payroll processes, with the remainder using a combination of tools and methods.

As will be demonstrated in this report, there is no set standard for payroll, in any country. In some change can be daily, right down to a city level. It is these local aspects, coupled with data ownership, that cause the greatest concern, challenge and risk for all organizations, irrespective of where they pay employees in the world, and how many.

> "The No.1 concern of respondents to the 2019 Global Payroll Complexity Index is… controlling who has access to employee PII data."
>
> ***Mary Holland***
> Global Payroll Management Institute (GPMI)

Factors Impacting Payroll Complexity

1 Managing payroll data and populations



The only way to pay and reward your workforce accurately is to have access to reliable data. The number of data fields and the parameters required are determined by the regulator bodies in each country.

These can change often, and with little warning. It is likely that at least name, address, age, pay scale, tax code, bank details, contract status and employee population type will be included. This data is personal identifiable information and is protected under local legislation, for example the GDPR in Europe. It is the protection of and access to this data that is the number one concern for respondents to the 2019 Global Payroll Complexity Index.

Key findings

Data items: The average number of data fields needed to calculate the payroll of a single employee is now 19. This is a rise from 17 in the 2017 report. More than one third of respondents stated that they manage at least 21 data fields.

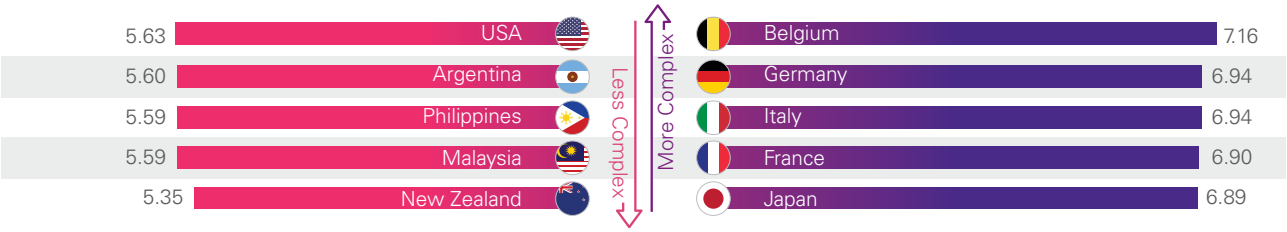
Employee populations: Western Europe continues to have the most challenging employee populations. However, all the leading countries have dropped slightly in population complexity in the past two years.

Now led by Belgium (7.16/10), previously in fourth place with 7.73/10, Germany and Italy are in joint second, both on 6.94/10 from 7.18/10 and 8.12 respectively, and France sits in fourth with 6.90/10, from its leading position in 2017 of 8.36/10. Japan is in fifth at 6.89/10.

Making up the top 10 for employee population complexity are Thailand, Venezuela, Poland, Brazil and Switzerland.

Managing payroll populations: Typical examples of employee populations continue to be blue collars, white collars, seasonal workers, students and pensioners. The most challenging of these for payroll calculation are now shift workers and those paid on hourly rates. This is interesting, because in the 2017 GPCI it was thought that the increased use of time & attendance and workforce management applications was simplifying payroll.

Calculating sick and maternity pay has also become more testing on average over the past two years. Early retirees and expatriates and inpatriates continue to test payroll teams.



Complexity of employee data management

The aggregated findings clearly show that Western Europe continues to have the highest complexity levels when it comes to managing employee data. Interestingly though, there has been significant movement from countries deemed to be growth economies. It is thought a likely reason for this movement is the added payroll data fields required to ensure fair pay and compliance. At the other end of the scale, both the United States and the Philippines continue to offer relative simplicity. They are joined by Argentina, Malaysia and New Zealand.

2 Payroll calculation challenges

In 2019, 43% of organizations continue to process payroll in-house. This falls short of the prediction in 2017 when respondents polled on the GPCI webinar suggested that by 2020, at least 50% of businesses will have outsourced payroll administration.

Only 11% of organizations have fully outsourced payroll to date, with a further 13.5% choosing a payroll bureau service. A further 26% have outsourced elements of payroll, but still retain many administrative processes in-house.

In summary, each payroll run, more than two-thirds of employers continue to manage high-risk payroll calculations themselves. The complexity of calculating gross-to-net payroll is often determined by an ever-changing set of parameters. This will include the number of payroll runs per month, legal and HR-related updates, retro-calculations and, potentially, socio-economic factors.

Regions facing the greatest number of calculations are North America, South America, Australasia and Western Europe.

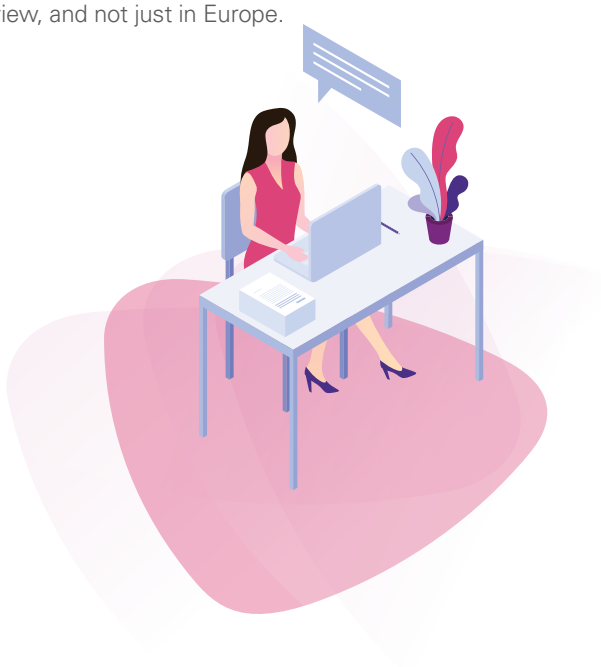
Key findings

Payroll runs: Following the trend of 2017, the average number of payrolls per month continues to be one (47%) or two (36%). However, as is indicated in the country reports, there is a growing tendency for retro-calculation, particularly in the US, Asia and Eastern Europe, meaning that it's now not uncommon for payroll to be run weekly, if not daily (10%).

In terms of individual countries, it is Russia, Canada and the Philippines that have taken over from France, Italy and the US for the highest average of payroll runs a month, with the latter countries still close behind.

Technical / Legal / HR Updates: Keeping up to date with changing legislation is the greatest challenge faced by payrollers (35%), followed by 'ensuring process compliance' and the 'stress of potential process failure'. The past two years have been far from straightforward for payroll teams.

Several legacy payroll systems are reaching end of life and require frequent updates. The move to the cloud is reported to have also added a learning curve to already stressful processes. However, it's the GDPR that has fueled the greatest shake-up in the history of the GPCI payroll industry review, and not just in Europe.



Implemented in all EU countries over the last two years, the knock-on effect globally has been significant. For most organizations, the GDPR meant a huge overhaul of how, where and why personal data is used.

In Europe, on top of the GDPR, Spain, France and Germany are reported to have added layers of security to the payroll process, but the ripple effect has seen China and Russia only allowing data to be stored in the country. India introduced new data protection regulations last year. Argentina, Serbia, Jersey, New Zealand, Australia and Hong Kong are all reported to have made, or are planning to make, changes along the lines of the GPDR.

In the growth economies of South America, Asia and Africa, the survey responses from Peru and Chile report changes, with Indonesia, Kenya and Zimbabwe set to pass new legislation in the next year.

Brazil's new General Data Protection Law has already raised the bar for payroll teams ahead of its new regulations, and respondents in Malaysia and Switzerland have reported the same.

Payroll professionals in the US have also indicated major change in their responses. According to one respondent, "California is not alone. There are more data reviews at state-level including Washington and Colorado. Most revisions are influenced by the GDPR. Many businesses are already voluntarily improving data visibility and controls." In the UK, organizations are vigilant for any changes that might arise from Brexit.

> "I have just 330 employees, but they're in 38 states with 48+ local tax jurisdictions. Registering, account set up and continued maintenance for all the jurisdictions is my biggest headache as a one-person department."

Retroactive calculations: All countries surveyed allow retro calculations on previous payroll periods according to the survey. This is consistent with 2017. This said, the number of retro calculations has almost uniformly increased across the world. Overall, the calculation has become easier.

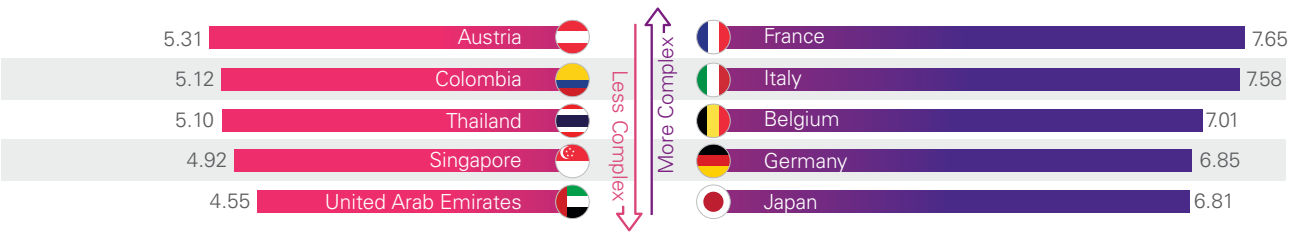
Several reasons are suggested for this. These include the increased use of payroll data analytics, the introduction of minimum wage rates, the addressing of gender and other demographic pay gaps, and the rise in the application of benefits, bonuses and compensation in the rewards process.

The greatest change is in South America where the volume of retro-calculations has increased significantly since the 2017 study. They remain challenging to calculate and on a par with Europe and Australasia. However, Belgium, Italy, France and Spain continue to be the most challenging.

Complexity of the payroll calculation process

The complexity of the gross-to-net calculation process is influenced by multiple changes in processes, decisions and legislation. By calculating all the variables, we can rank countries in order of payroll complexity.

In 2019, the top and bottom 5 countries are:



3 Government reporting and declarations

Reporting on payroll to the appropriate authorities is a legal requirement. Failure to do so can result in serious reputational damage and potentially business-crippling fines. In the last two years, according to the survey feedback and our own subject matter experts, there has been a significant change in attitudes to reporting.

'Laissez-faire' business leaders, legislative authorities and governments have had to bring compliance in line with the rest of the world if they are to be successful in the global economy.

Key findings

Data items: To calculate the correct tax and social security deductions, there is a minimum number of data items that must be captured. Respondents to the survey state this can be as few as six, but 19 is the average needed to calculate the payroll of a single employee.

This is a rise from 17 in the 2017 report. More than one-third of respondents stated that they manage at least 21. This is in line with the 20 that were required in 2014.

Reporting frequency: The higher the reporting frequency, the greater the impact on payroll complexity. Interestingly, there was no single region that stood out, all ranking in the 7/10 bracket. Most countries continue to have one (48%) to two (11%) reporting cycles per month, based on payroll frequencies. 4% suggested weekly reporting.

Canada, Brazil and the US continued to have high reporting frequencies and added to these, Australia, Mexico, Denmark and Ireland sit at the top, with Venezuela, Poland, Netherlands, Finland and Sweden all equally, just below.

Reporting complexity: The challenge in creating each report and declaration requested by the government is the third parameter in testing overall payroll complexity. South America remains the most challenging for calculations and reporting, followed by Western Europe, Asia and the Nordics.

Nationally, Brazil (7.45/10), France (7.48/10) and Italy (7.45/10) are the most problematic, though each is several points down on 2017. Canada continues to be the most straightforward country, though slightly up on 2017 at 5.45/10. The UK (5.57/10) and Finland (5.63/10) rank at the lower end.

Government instances: The average number of government instances a company must report to has remained at five. It does vary widely between countries, with North America reporting higher than average.

Frequency of government updates: The frequency of government changes heavily influences the complexity rankings. This can vary greatly from country to country. The most common cycle for government updates is annually, with this the case in 38% of represented countries.

The issue raised throughout the feedback is the challenge of managing irregular updates. Nearly a third of governments still have no set schedule; just under 10% have scheduled monthly updates.

In addition to these regional, and in the USA, increasingly city updates, need to be factored in, as well as industry specific modifications, union and works council led changes, together with departmental and employee-specific updates. Most typically, these are to no fixed timetable.

Managing government-led changes is most challenging and seemingly most frequent in the emerging economies as they catch up.

> "There is nothing simple about managing payroll in Switzerland. We have 26 tax authorities and around 100 governmental social security carriers (AHV)- all of which utilize their own reporting forms and have variations in the data they require from taxpayers also for payroll related information."

4 Geographical influences on payroll

The changing world has and will continue to have a major influence on payroll as we move into the next decade. The rise of cloud, robotics and artificial intelligence has changed how, where and when we need, and choose to work.

In the two years since the last Global Payroll Complexity Index, we can report major changes in payroll complexity in Eastern Europe, South America and Asia, and we're on the cusp of major change in Africa. This is due largely to the expansion of companies from Europe and the United States into these regions, made possible by the opening of the 'digital workplace.'

Global talent pool

Online collaboration means remote working is now a global, as well as local, possibility. Since the first Global Payroll Complexity Index in 2014, businesses have expanded internationally in ways never before imagined. New talent pools have opened and employment opportunities for people in these emerging economies are also changing.

Inward investment from Europe and the United States is showing a rise in white-collar workers in countries where commerce was almost all based around the land, sea, leisure and agriculture. This, and more structured blue-collar roles, has not just meant companies have had to review workforce rules and regulations, but governments also. Reflected almost universally is the rapid rise in complexity fueled by the setting of minimum wage mandates and unions and works councils. Poland, Brazil, the Nordics and the DACH countries are taking fair reward seriously. The shift in power towards worker-led regulations is significant too. This is reflected in the rise of compensation and rewards across Western Europe in particular, with Italy adding further to this by balancing tax and social security changes against the economic climate.

Global respect for employee data

The GDPR has had a major geographical impact. Put in place to raise protection of the personally identifiable information of EU citizens, it has had a ripple effect, with countries such as the US and Canada mirroring its effects.

The rise up the table for many of the countries is related to tightening data protection regulations. Both Russia and China have literally zero tolerance rulings in place and Bosnia & Herzegovina, Ukraine, Montenegro and Monaco are set to introduce new data protection regulations in 2019.

High frequency legislative change is a global challenge

Frequency of legislative change is another global challenge. There are only a few countries, the UK and Ireland notably so, that have calendared legislative updates. Where major change is due, such as the introduction of Gender Pay Gap reporting, the information is clear and timely.

The headlines around the Gender Pay Gap have influenced the closing of other demographic gaps in many countries. Often this has meant not only bringing salaries into line, but also career opportunities. This has led to the rise in payroll data analytics in all the established economies. Respondents from Australia, UK, France and India ranked the use of analytics as 'growing'. It is India, however, that is demonstrating the greatest integration of new technologies into its payroll processes. Robotics process automation is high in the investment agenda.

Infrastructure changes to support international expansion

However, the global expansion of businesses is also bringing infrastructure challenges for business leaders, and the rise in payroll system modernization. Most growth and expansion is via mergers and acquisitions, sometimes meaning the divestment of less profitable arms.

The US, while not alone, is most troubled by the fueling of risk these M&A transactions are bringing to payroll.

With some organizations reporting as many as 80 different payroll processes, and more than 10% still operating manual processes, the regulators are likely to be proactively looking for potential data breaches – before they happen. Fines are not just for those who fail, but those that are not seen to be protecting data. Paper-based systems by default breach GDPR.

This failure to provide a single source of data also opens the organization up to the risk of unconscious or otherwise bias in payroll and an overall lack of visibility into workforce performance. Across Europe, for the first time, payroll (the risk of) has made it on to the boardroom agenda.

Expanding employee populations

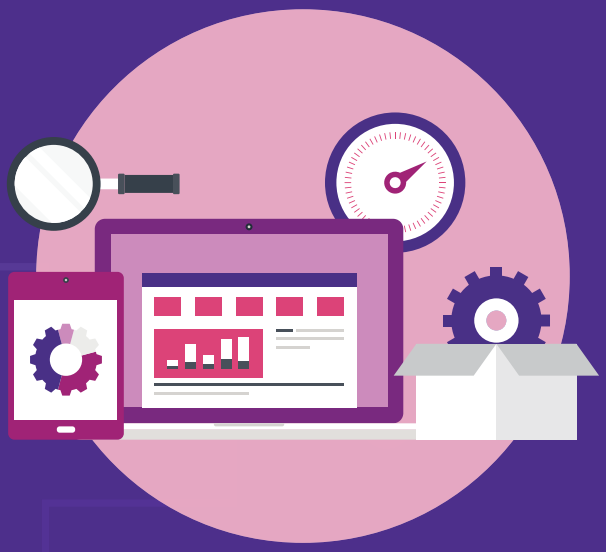
The aging population at work is also now common across the world. More women than ever are working. This has added layers of paperwork to the global HR and payroll processes, not just to ensure equality. There are no set standards for maternity and paternity leave, and time off for parents to care for sick children varies even region by region. For a multi-country organization this is a minefield.

The needs and expectations of a multigeneration workplace are also widely reported to be challenging. The types of flexible benefits range from study leave to time off to care for elderly relatives. More and more older people are also said to be delaying retirement and choosing to take later-life gap years.

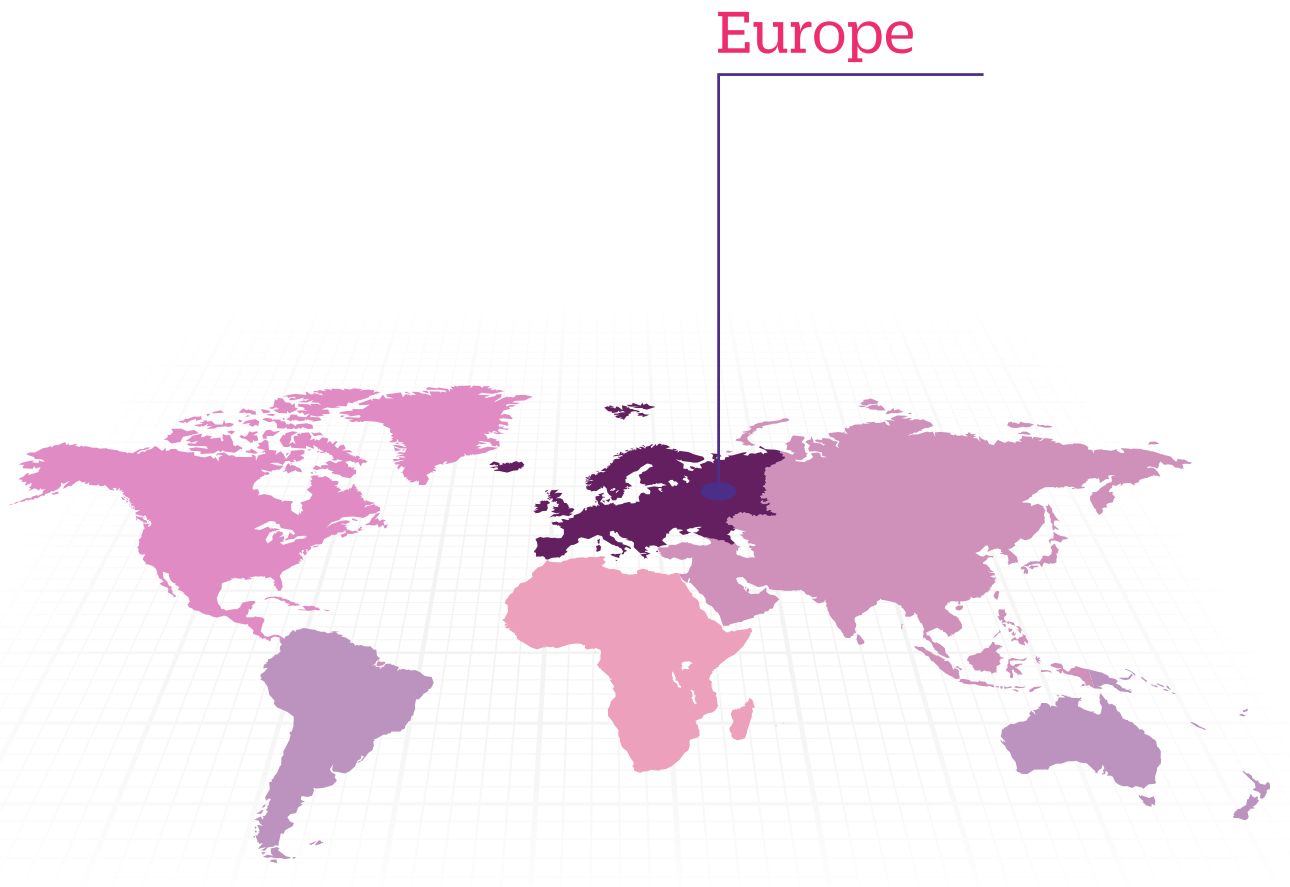
While some organizations offer this as a benefit in one country, it is taken as unpaid leave in another, but social security payments and tax reporting still must happen. The health challenges and lifestyle opportunities of a workforce that can range from teen to old age can also have a major effect on payroll calculations.

So too can the new openness at the younger end of the scale where employees are very frank about their expectation of salaries and employment prospects. In many countries, organizations said they feel as though they're 'being held to ransom' in order to keep people they have invested in. Increasingly, especially in countries where there are two or more payrolls already a month, runs can be a daily occurrence.

Regional and National Key Findings



Overview of Global Payroll Complexity



Europe continues to dominate the Global Payroll Complexity Index (GPCI) rankings in 2019. France, Italy and Belgium retain the top spots, while Germany and Spain have continued to rise through the Top 10. The Netherlands has dropped slightly into 10 place.

38% of the 40 countries making up this year's GPCI are European. Contrary to expectation, when countries have looked to expand to the continent, it is clear there is no one-size-fits-all for payroll compliance in Europe.

While many of the European countries represented in the survey are bound by EU legislation, they also have their own national – and often regional – rules. 2018 saw the introduction of the GDPR. This has served to accelerate the modernization of payroll processes, as this is the only way to ensure compliance.

Notably, in the past year, Spain, France and Germany have added features to the legislation to further extend the protection of PII for its citizens. Bosnia & Herzegovina, Ukraine, Montenegro and Monaco are set to introduce new data protection regulations in 2019. Again, this is in line with GDPR and again adds layers of complexity to an already challenging process.

Key payroll challenges in Europe

1
Challenging regulatory and government reporting expectations

2
Frequently revised legislation

3
Multiple tax rates (including church taxes) and social security regimes

4
Status-based employee benefits and compensation, bonus and reward packages

5
Non-standard annual leave entitlements including / not including public holiday allowances
(up to 14 in some countries)

6
Minimum and variable wage scales e.g. age and skills-based

7
Off-cycle payroll requirements

8
Working Time Directive

9
Strong influence of trade unions, Works Councils and collective bargaining agreements

10
Rigorous PII data protection – GDPR and beyond

Belgium

Remaining in third position, Belgium is continuing to challenge its payroll teams. The complication lays in several aspects. Firstly, a trilingual country, Belgium is split into three parts for some payroll calculations (Flemish, Brussels, Walloon). On top of this, many calculations depend on whether an employee is a blue- or white-collar worker, and then the sector in which they work. Holiday pay is also highly difficult to enumerate.

For an organization employing a mix of employee types, across multiple sectors in Belgium, this means manifold calculations are needed per employee per payroll run than to ensure that the correct tax and social security deductions are made. Post payroll operations are also challenging because of the different declarations to be made for tax and social security. Because of the number of legal changes made relating to payroll in Belgium, it can never be assumed that one run will mirror another. On top of the increased margin for error, the number of updates means high volumes of change requests.

Hungary

Hungary has maintained its position in the upper half of the payroll complexity table. The country's payroll complexity is very much affected by collective bargaining agreements, and frequent changes in legislation create a huge challenge for administrators and software developers. The minimum wage is currently tiered for skilled and unskilled workers. This causes challenges for many businesses where an employee can engage in tasks that span both. Social security deductions also require complex calculations. The same is true for tax, with the added trial of tax reporting.

Germany

Frequent changes to ever-more detailed payroll and social security regulations, coupled with sensitive collective bargaining agreements, are just two of the factors that have accelerated Germany's payroll complexity ranking from 14th to the fourth in just two years.

The task of calculating early retirement, flexible working time arrangements and the variable pay of shift workers, a rate that can change more than once per shift, were frequently highlighted by respondents to the survey as very challenging. So too were the introduction of the M tax code, and A1 certification and notification procedures.

While many of the changes introduced since the 2017 GPCI serve to ensure fair pay, they each add layers of payroll administration. Minimum wages and the new occupational pension law, established by union collective agreements and other union rules, for example, not only differ by region, but also sit alongside an already extensive social security landscape. Here employees can opt into and out of a range of services including saving schemes or private medical insurance. These are calculated according to individual circumstances.

And then there is the German Wage Tax System. This differentiates between six tax categories, each dependent on the personal circumstances of each employee. Personal circumstances invariably change several times in an employee's work life. For example, they get married; they separate but have a child living with them; they separate, but don't have a child living with them; they have more than one employer. This must all be calculated and communicated while considering the privacy requirements of the employee under the GDPR and local legislation.

Italy

Firmly in second place for the third consecutive Global Payroll Complexity Index, the Italian payroll system is described by one respondent to the 2019 survey, as "characterized by a crossed labyrinth of constraints and rules, linked to the complex history of labor law which, in Italy, has very ancient origins."

Payroll teams are challenged not only by Italian labor laws but also by the economy, which has a major influence on Italian payroll rules and regulations. New incentives often appear to increase employment and subsidies for companies in difficulty. Mergers, acquisitions and the sale of businesses complicate the picture further.

Applying these changes correctly requires attention to detail and continuous review of national as well as regional legislation. Many payments can be retroactive.

The Italian tax system is among the most intricate in the world. There are multiple tax payment codes, strict payment deadlines and heavy penalties. The system is made more complicated by overlapping rules of deduction, exemption, family factors, each banded on a national, regional and municipal basis.

Equally challenging and unique to Italian payroll is Severance Indemnity. This is a salary deduction of 7% that employers must collect from salaries and pay to the National Social Security Institute (INPS). On termination of employment, this is then paid to the employee, with interest, either directly or into a pension.

It is the responsibility of employers to keep accurate records of these contributions, and to calculate the total amount due to the INPS employee at the end. They are also required to keep a history of the employees' contributions (model 730), giving separate explanations to both the employee and the central administration.

Managing work absences is also tough. There are more than 20 types of absence including sickness and maternity through to involuntary absenteeism due to economic slowdown. Responsibility for payment falls to the employer, the INPS or a combination of both. It is the responsibility of the payroll department to coordinate with the INPS. Accessing pensions is become increasingly challenging.

Poland

Poland is the fastest-growing large economy in Europe and this seems to be reflected in its steady rise up the Index. Now just outside the Top 10 in 11th place (17th in 2017), Poland is the highest ranked country for payroll complexity of all the recognized growth economies.

In recent years, many international businesses have expanded into Poland. In response, there has been significant organic business growth. Much of the commerce is now manufacturing, which means a highly mixed workforce, and therefore an increasingly challenging payroll requirement.

The regulatory bodies have tightened command majorly in the period since the last Index. There is a growing number of legislative updates, yet with no common approach in the interpretation of the legislation in different locations. Adherence to working time regulations and numerous collective bargaining agreements is also required.

There have also been changes in taxation. These include the shortening of the time allowed for statutory tax reporting and variations in taxation for foreign employees. Anyone working in Poland for more than 183 consecutive days is now subject to tax. Earnings are not restricted to cash; all benefits in-kind are taxed.

Social security payments have also increased in complexity. Deductions are made based on personal circumstances and there are multiple exceptions, especially around social fund calculation. Calculations for leaves of absence must also be made.

Ireland

Compared to the rest of Europe, the payroll process in Ireland is relatively straightforward. The standout challenge is the need to calculate taxes based on the individual. This straightforwardness has seen Ireland edge out of the Top 20 into 21st place.

In January 2019, PAYE Modernisation or Real-Time Planning was introduced. This moved all payroll online. Some respondents to the survey said that this had meant a significant review of processes including when and how to report taxes, the introduction of an Employment Identifier for each employee and the replacement of P60s, P45s and P30s with an Earnings and Deductions certificate.

Romania

Romania is a new entrant to the 2019 Index, in 20th spot. Although its rapid growth has slowed since the publication of the 2017 Index, legislation is ceaselessly reviewed, and new laws are made frequently to be applied often within very short periods of time. While good for the population, bringing employee reward and regulation in line with Europe means a heavy workload for payroll teams.

Minimum wage rates were increased in 2018 and the same is expected in 2019. Public sector wages are also anticipated to rise this year. Calculating social security deductions will continue to be highly administratively demanding.

Austria

This is the first time that Austria has been represented in the Global Payroll Complexity Index. Entering at number 36, it is similar in topology to the other DACH countries. It is complex in terms of local legislation and social security and tax deductions are equally testing. The social partnership in Austria brings together employee unions and representatives who drive changes to employment and payroll legislation.

The employee population is split into blue-collar and white-collar workers. White-collar workers are protected under the White-Collar Employment Act. It is important that payroll teams in Austria are up to date with changes in legislation.

The Netherlands

The Netherlands is one of only two countries in the Top 10 for global payroll complexity to have seen a slight fall in ranking, from 8th to 10th. The reason for this suggested in the GPCI survey is because in the years since the 2017 Index, the Dutch government has simplified the rules for taxation and social security. The calculation from gross to net is now straightforward and legislation is easier to understand.

Although easier to comprehend, legislation changes continuously. These amendments are set alongside extensive and complex CLA rulings and high expectations from the government. In addition, each collective working agreement in the Netherlands has its own rules and exceptions that sit on top of the tax income number (IKV) regulation, as well as the many tax tables and rates.

Popular as a European head office for many global brands, the Netherlands recognizes the different employee populations in its taxes and allowances. For expats, the 30% ruling is a favorable tax scheme open to someone with a specific skill that was not available to the employer in the Netherlands at that time.

Essentially, 30% of the salary is paid as a tax-free allowance. It is not a given and both the employee and employer must jointly apply to the Dutch Tax Office. There is a limited period of eight years for the allowance. The payroll team needs to be aligned to this activity.

Any payroll errors are taken very seriously in the Netherlands. Payslips must be detailed and highly accurate and all deductions and payments made correctly. An employee has a right to act for up to five years after any error. Fines of more than €10,000 have been issued here when payroll records show underpayment. Arrears must be paid fast, with additional daily fines for non-payment.

There is no net minimum wage in the Netherlands. Social security and tax deduction are made from the minimum gross wage. This wage, and an agreed holiday entitlement, is applicable to all worker groups, including expats, from age 15 to pension age. It is the responsibility of the employer to increase the rate with immediate effect each birthday.

For employees over 22 years of age, the current minimum is €1,615.80 per month, a 2.4% increase on July 2018. Controlled under the Dutch labor law system, the rate is reviewed biannually, on 1 January and 1 July.

The 'culture of involvement' in the Netherlands was also stated as a major challenge by payroll professionals. Too many people want to have a say in the process. *Te veel chef-koks bederven de brij!*

Switzerland

Often underestimated in terms of its challenge, teams managing payroll for employees in Switzerland have 26 tax authorities and more than 100 governmental social security carriers (AHV) to work with. Each has its own reporting specification and variations in the data needed from taxpayers and from the wider payroll. This introduces a potential major compliance trap.

Additionally, there are four common languages in use, presenting their own challenges, especially when integrating with the HR platform. Collective employment contracts add their own bureaucracy.

Because Switzerland is home to many international bodies and company headquarters, many people, mostly banking and services business employees, come to Switzerland to work. Salaries tend to be high and include generous bonus and rewards packages. Not only do these help to attract the best, they must remain high in order to retain this talent.

In administrative terms, the HR and payroll administration task of employing and managing the lifecycles of these highly mobile people is high and fraught with potential breaches of legislation.

Second only to Germany in the DACH region, the payroll process in Switzerland is far from simple. In the last two years it has risen from 28th in 2017 to 13th in the 2019 Index.

Spain

Spain is rapidly climbing the Global Payroll Complexity Index. It is now in 6th place from 9th in 2017, a rise from the high teens in the 2014 study. Day-to-day, it is the 'extreme levels of legislation' that make Spanish payroll tough. Most workers are reported to be paid 14 times a year and for each run, there are many payroll calculations to be made.

In addition to the standard deductions for taxes, social security, collective agreements and industry collective agreements, all of which frequently change, there are allowances and deductions relating to (ever changing) personal circumstances, such as marital status, number of children and whether the employee provides care for an elderly relative.

Time-off is also based on circumstances, but most employees are entitled to 30 days leave, plus 14 national, regional and local holidays. Maternity leave is 16 weeks with additional days based on the number of existing children, plus the number of children in the birth. There are circumstantial leave allowances including 15 days' leave following a marriage and one day for a house move. All must be recorded and adjusted in the payroll.

In addition to paid leave, employees are also entitled to sick leave, where payment depends on the length of the absence. Three days or fewer are not eligible for sick pay. 60% is paid for between four and 20 days. For longer periods, or if an employee is away due to work-related injuries, the NISS pays 75% of salary.

For added layers of complexity, rules apply to each type of worker. For example, these can include military, blue-collar or white-collar employees and within these sub-groups payments are made for overtime (for any hours over 40 per week to a maximum of 80 hours of overtime per year), shifts, level differences, and other circumstances.

To ensure fair reward for all, and in a bid to narrow the gender pay gap (currently 14%), the minimum wage, known as the SMI (Salario Mínimo Interprofesional), is set at daily, monthly and annual rates so it can be applied to all, regardless of age, gender or employment status including permanent and temporary staff.

SMI is reviewed annually to reflect socio-economic conditions in Spain. With the economy currently good, this year (2019) it rose by 22%, compared to 2018 when the increase was just 4%. Adjusting this is a major job for the payroll team, especially where there are many different employee scenarios.

Spain is highlighted in the results as a country that is a popular starting point for international expansion into Europe. Proximity to the rest of Europe, and to the growth regions of North Africa and Latin America (more culturally and language than location related), is one reason. The second is the growing number of incentives for foreign investment (this is mirrored in Portugal). However, the relative simplicity ends here. Payroll and labor laws in Spain for inpatriates are highly complex.

Equally, as a growing global gateway, many Spanish companies have employees being transferred overseas, especially to Latin America. It's not easy to ensure accurate payments to these workers. Bilateral agreements between countries and double taxation must be considered, and reporting is challenging.

The GDPR, and high regard for the protection of personal identifiable information (PII), has also contributed to this climb. "For good intent there is a price," said one respondent to the 2019 GPCI survey.

Late last year, the Spanish Data Protection Act, Ley Orgánica de Protección de Datos y de Garantía de Derechos Digitales (LOPDGDD), was published to extend protection offered by GDPR. This applies to all companies operating in Spain.

LOPDGDD impacts the processing, handling and storage of payroll data, meaning a complete overhaul of payroll processes for many companies in Spain since the 2017 Index. For many, these new levels of data security are hastening the need to modernize payroll. Many reported that they still use a mix of manual and online processes for payroll. This is especially so in organizations which have expanded through M&As.

This high complexity and frequent changing of rules and legislations means that payroll professionals must constantly ensure they are up-to-date in order to ensure payroll process accuracy.

Russia

Russia has introduced very strict rules and regulations to protect both the payroll process and employees' personal identifiable data. For example, data must be held in the country. Anyone violating the rules faces fines and potentially being blocked internally from accessing the Internet.

As you would expect in such a vast country, there is a great deal of local reporting and legislation. The details of these change frequently and usually bring in new reporting requirements. In the north of the country, the calculation of special work schedules is highlighted as particularly challenging.

The Nordics

The process of managing payroll is consistently challenging across the Nordic (Denmark, Sweden, Finland, Iceland and Norway) countries. Denmark sits in the Top 10 while Sweden and Finland, a new entrant in the 2019 Global Payroll Complexity Index, are in 17th and 25th place respectively. Norway and Iceland are not included in the 2019 GPCI.

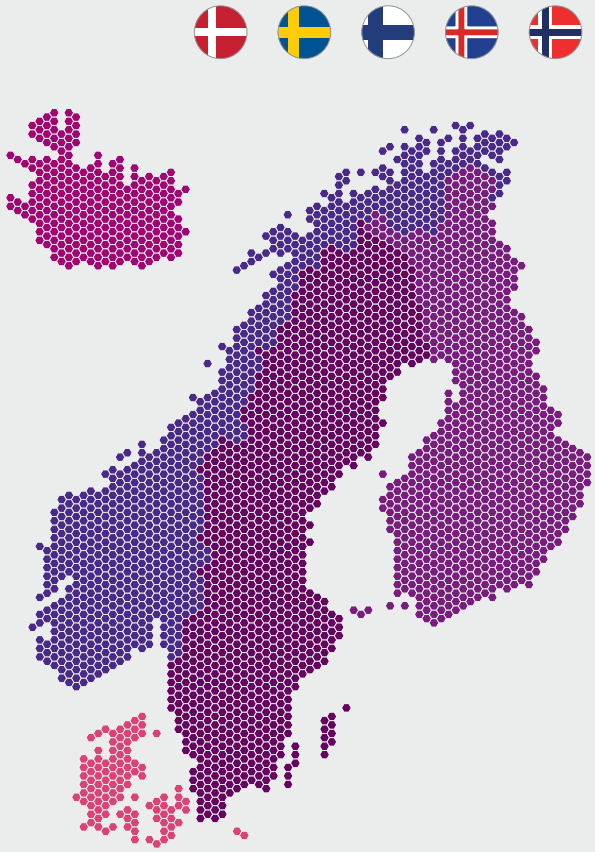
Common to all countries is the number of unions and collective agreements to be overseen. Influences from these make the administration of absence, vacations and employment termination rank as highly challenging in all three.

What makes Denmark most problematic is its disordered approach to legal changes. There is no fixed schedule and often little warning ahead of activation of updates. Further to this, there is no flat rate of tax. This opens the rate of tax to be applied to the different line items up to interpretation – and error.

Added to this, close to 150 fields need to be completed per tax report per payroll run and must be reconciled as a year-to-date (YTD) after each run. Additionally, all earnings must be reported in the correct earning period, meaning that if a retro calculation has been made, this needs to be reported in the corresponding period.

In Sweden and Finland, it is the collective agreements that cause the greatest challenges for the HR and payroll systems, as well as the payroll teams.

More than 50% of employers across the region offer additional rewards and benefits. Car and technology allowances are the most typical.



> Denmark sits in the Top 10 while Sweden and Finland, a new entrant in the 2019 Global Payroll Complexity Index, are in 17th and 25th place respectively.

United Kingdom

The United Kingdom is one of the notable downward movers in the Global Payroll Complexity Index. For the second consecutive Index, it's moved down, now in 34th position from 23rd in 2017.

This is not to say that managing payroll in the UK is now a simplified task; far from it. This movement is more a reflection on the highly positioned entrants we've seen from the growth economies of Latin America and Eastern Europe.

Over the past two years, UK payroll departments have had to make major provisions for the arrival and integration of the GDPR. Additionally, Brexit has meant high levels of scenario planning in preparation for the multiple potential Brexit scenarios. This is set to continue.

The Gender Pay Gap and changes to the National Living Wage and National Minimum Wage, both of which have different rates depending on an employee's age, have also driven the need for payroll analytics up the agenda, with several respondents stating that their organizations still 'need to do much more workforce analytics'.

Where payroll is simple in the UK is cadence, with twelve equal payments and fewer tax (there are three rates) and social security deduction rules than in much of Europe. However, this is where the simplicity is reported to end. Increasingly frequent changes in UK legislation, for example, the introduction of Welsh and Scottish income tax this year, regular pension reviews, multiple student loan variations and the constant pressure on payroll teams to expand their process undertakings all add to the complexity.

All these, including Real Time Information (although this is said to reduce an element of administrative burden), Auto Enrolment, the Apprenticeship Levy and so forth, are becoming 'increasingly challenging to comply with'. All these changes must be integrated into the payroll process, each of which has its own reporting and data requirements and these alterations can require expensive, complex system investments.

The move towards salaries built around taxable compensation, rewards and benefits is also adding a layer of complexity for many UK businesses, a country where there is a predominance of service sector businesses. These are stipulated in employment contracts and tend to be unique to an employee.

Aligning UK payroll with international shadow payrolls was also reported to be challenging. One respondent stated; it is 'hard to understand the tax implications and what needs to be reported where'. The UK attracts a lot of expatriates, all requiring careful management of tax relocation packages.

Turkey

Another new entrant from Europe (for the purpose of this report it is listed as Europe rather than Asia or Middle East) is Turkey.

The country has a very mixed socio-economic landscape. Traditional farming and tourism account for approximately a third of the workforce; the remainder is in the industrial and service sector. It's the rise of the latter two, and the growing number of skilled workers coming into the country to work for organizations that import into the country, that has driven the rise in complexity.

Salaries are being complicated with the introduction of rewards, bonus and compensation schemes. Not only are these challenging to administer, but also add to the task of calculating social security levies.

Legislation is said not to vary to the degree that it can in some European Union countries, but many stated that bureaucracy can be 'a nightmare'.

France

France retains its title as 'the most complex country for payroll management' in the 2019 Index. In what is already a challenging HR and payroll landscape, the start of 2019 saw the introduction of a 'withholding tax'. Where employees previously paid their taxes at year-end, monthly deductions must be made. This had to be integrated into the payroll process, with a great number of knock-on effects for this already problematic process.

The frequent legal changes continue to be the major adversary for most payroll teams in France. According to respondents to the 2019 GPCI survey, these changes can be numerous and can be frequent. They must be implemented fast and, often, alongside other legal updates and it is necessary to report that these changes have been made.

To add to the complexity, these legal changes often don't have clear instructions and so require expertise to integrate them with other existing rules. Hence why the withholding tax is such an issue.

Complex workforce legislation further complicates payroll. Employer-employee relationships are governed by a complex set of laws and regulations. The *Code du Travail*. Collective bargaining agreements can be negotiated between employers and labour unions.

The diversity of rules and practices brought about by national legislation, EU rulings, branch agreements, collective agreements and internal workforce agreements are far from standardized. And, the rules vary depending on the size of the company, the industry.

Additionally, over 95 per cent of employees in France are covered by collective bargaining agreements.

This means that the rules in the *Code du Travail* (government Labour Code) are supplemented by more generous rules in areas such as paid leave, maternity leave, medical cover and working time. These need to be factored in and out of payroll based on the changing status of an employee.

Employee representatives and councils are powerful. Some say that they are 'in control' and can determine large scale changes to working practices. Again, this means payroll departments need to retain experts to ensure the company is up-to-date with any changes and to avoid breaching new rulings. Employees tend to be heavily protected.

The 35-hour working week means that employees working beyond this time are entitled to overtime. This can be calculated in days or in hours. Any hours worked over an additional 46 hours in 12 consecutive weeks can then be taken as extra days off. On top of this, employee populations add a further layer of complexity.

There are exceptions and additions when it comes to the payroll of apprentices, trainees, expatriates, executives / non-managers, and so on. All employees require calculations to be made for social security contributions.

If payroll in France is not challenging enough for French organizations, for a business expanding into France, all documentation must legally be in French, irrespective of the working language of the business.

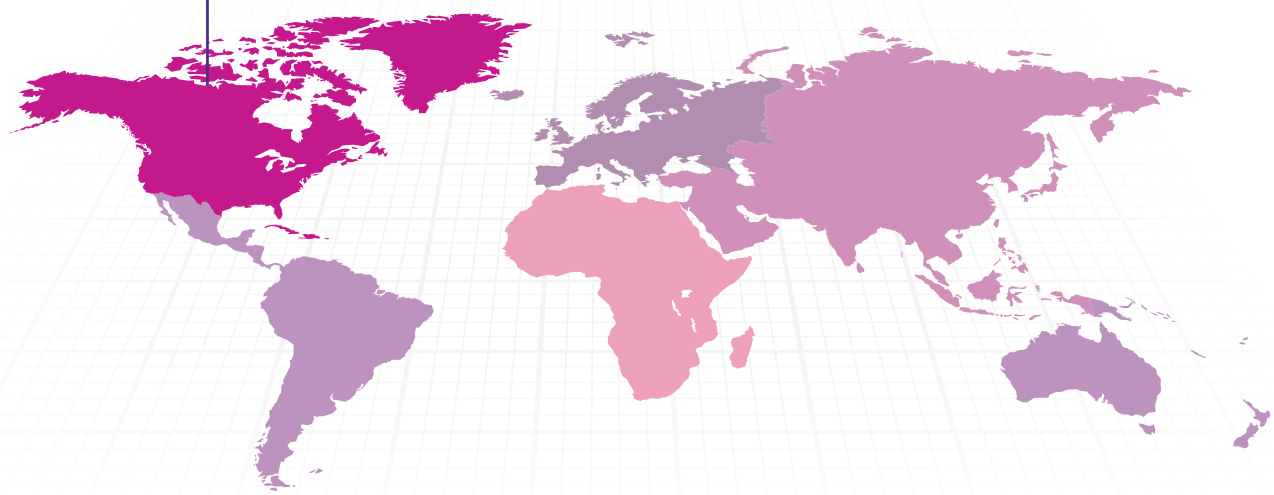
It was concluded by a high percentage of the respondents who manage payroll in France that no two payroll runs in France will ever be equal, or straightforward!

Ukraine

Another new entrant, Ukraine enters this year in 24th position. Complex taxes and holiday calculations were frequently referenced in the survey responses as 'challenging'.

A culture with only low-levels of adherence to regulations, ensuring compliance with the country's ever-more complex regulatory landscape is a challenge for many organizations, especially those expanding into the country. Much work has been invested in 'culture transformation,' including educating the local workforce on the need for payroll data, tax and regulatory reporting compliance.

North America



USA

For the second consecutive GPCI, the USA has moved down the Index. To put this in context, however, the difference between 26th place where the USA now sits and France, at number one, is just 1.4 points out of 10 points.

As was the case in 2017, this drop has been influenced by the rise in the number of organizations in the US now using external payroll providers, either opting for managed services or complete BPO payroll options. According to respondents, there is a significant rise in the move to integrated cloud HR platforms and the increased use of process automation in payroll.

On a more practical level, there is reported to be additional, and more straightforward, information available to payroll teams on upcoming (and ever-frequent) changes to legislations and laws. In line with this, the highest ever percentage of US respondent to the GPCI survey came this time via members of the APA and GPMI, two industry associations.

It is also the case that compared with 2014 and 2017, a higher percentage of respondents reported that they were operating in single states, reducing the complexity ranking by several points, with just the umbrella federal legislation to factor in.

Top three payroll complexities:

1. Three levels of legislation: federal, state and local
2. Tax calculations
3. Frequent changes in legislation

However, it was recorded that some cities have their own rules for sick leave, scheduling and minimum wage (which can be higher and therefore overrule federal law). There are also industries appendices to be adhered to.

Therefore, for each employee, it must be determined which rules apply. It is common for one employee to be paying three different tax types (federal, state, local), as well as social security and Medicare.

These multiple layers make it tough on payroll teams in the case of an acquisition or merger. Failure to close accounts no longer in use can result in penalties. Overall payroll compliance was stated by survey respondents to be "a nightmare and highly stressful."

> "Compliance and consistency for multi-state employers can be very difficult. It's a never-ending battle to figure out the federal, state and local tax for each employee."

Canada

Again in 2019, Canada has seen a slight fall in its ranking in the Index. It now sits in 35th place, down from 30th in 2017, its third fall in as many GPCI reports.

This does not for one moment suggest that managing payroll in Canada is a simple task. Rather, it highlights the success that years of industry and government collaboration have had in the bid to create a national payroll infrastructure that ensures that everyone can be paid accurately and on time.

One of the clear outcomes from this partnership is the clarity around national legislative updates. Despite the volume, all are communicated well, with long lead times and with clear, easy-to-follow instructions. This said, provincial changes to tax and payroll legislation, and union collective agreements (meaning nuances per industry), do continue to challenge payroll teams.

According to the findings of the 2019 GPCI survey, Canada is revealed to be one of the most generous countries for additional employee benefits and rewards. Life, health and disabilities benefits are the most common, but there has been a steep rise in 'lifestyle' benefits including technology, education allowances and sport, and leisure club memberships.

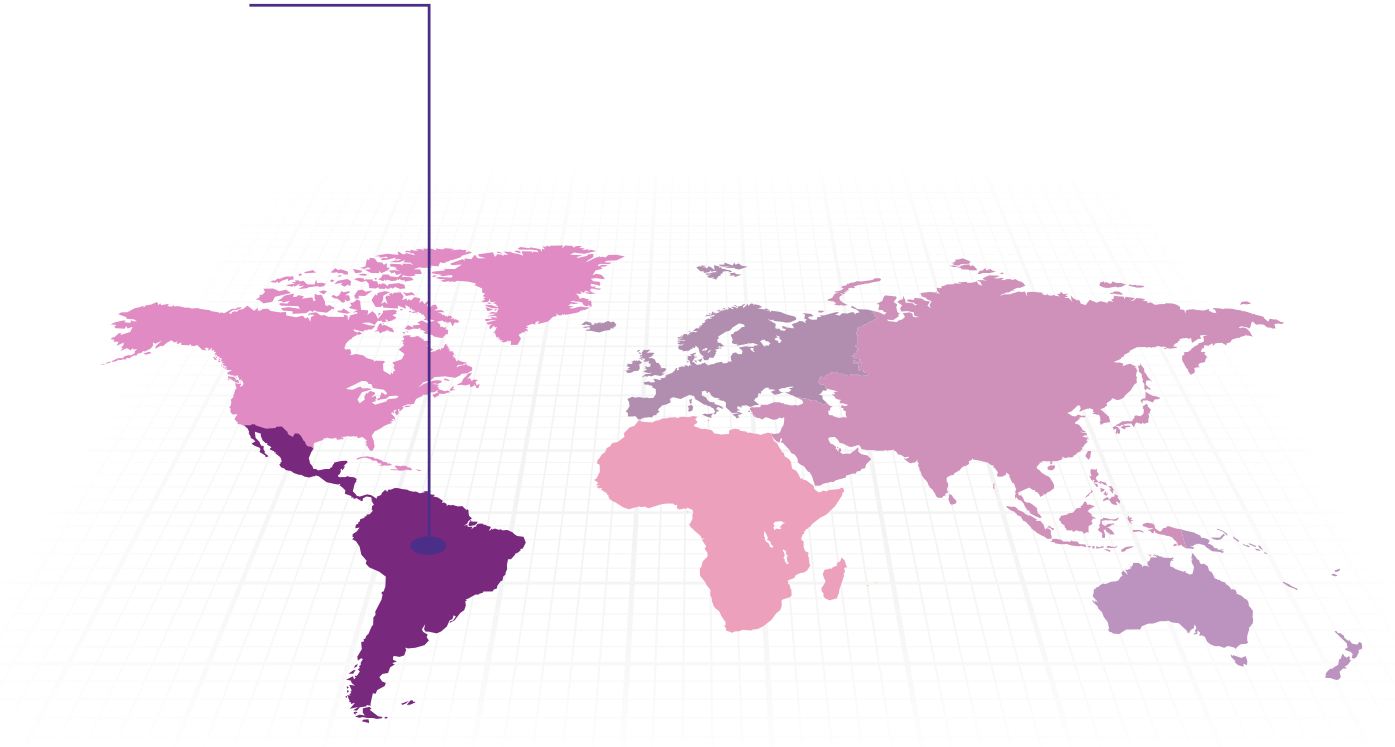
This modern approach to compensation does, however, create challenges for the payroll teams in terms of tax calculations. It can be difficult to determine and manage taxable benefits. The number of "benefits" considered taxable is very complex and must be aligned with the individual taxable status of individuals.

Managing payroll across multiple provinces / territories also increases complexity, especially for organizations with a widely-dispersed Canadian workforce (a high number of ex-pats also adds to this challenge). On top of the national legislation, each region not only has its own legislation, such as standards for vacation, wages in lieu of notice, statutory holidays, overtime, termination pay and so on, but reporting schedules and payroll frequencies also vary.

Twice monthly is the most common frequency for payroll runs in Canada, but this can become weekly or even daily when all is factored in. Quebec is the most challenging, also requiring bi-lingual payroll in many instances. One respondent stated; "If I had to manage payroll in Quebec as well, I would have ranked payroll complexity in Canada nine out of 10 rather than the four out of 10 I am giving it."

Sitting eight places below the United States, payroll teams in Canada are not faced by municipal rules or taxes, and there are 'only' 13 provinces and territories compared to 52 in the US. Taxation is also clearer, and the number of legal updates is fewer. However, there are a high number of Canadian employers who have employees across North America and for them, the challenge of managing payroll escalates quite considerably.

South America



It is the core countries of South America that have caused the biggest shake-up in the history of the Global Payroll Complexity Index. Economies boosted by international investments have driven the quest for compliance.

According to respondents to the study, this change is thought to be largely driven by companies expanding into the region. Largely from Europe and the US, they need the assurance that all business processes and all data protection will be at least at the levels constituted across Europe and the US.

Interestingly, Argentina, Mexico and Brazil were ranked in the study as the three countries 'most worried about ensuring process compliance.' Brazil also sits highest, alongside Switzerland and Australia, when questioned about the 'stress of potential process failure.'

Colombia

Managing payroll in Colombia is a relatively straightforward process provided the payroll process and calculations are well set up. There are no frequent changes in legislation and when there are, these can be implemented ahead of time.

Brazil

In the two years since the last Index, payroll complexity in Brazil has become less of a challenge, because it has become very important. This means efficient processes are being set up or payroll outsourced to specialist providers. The introduction of eSocial, the Brazilian government-led program to centralize HR and payroll reporting, has helped by providing a framework.

The maturity of Brazil as an integrated global business economy is also thought to have contributed to Brazil's drop from 10th place to 20th.

The largest economy in South America, many organizations have already established local HR teams qualified to manage the unique challenges of running an international business in Brazil, mainly from the US. Laws also don't change much, and payroll is mostly run on a monthly basis.

Argentina

Overall a very uncertain environment. High inflation means salaries must be adjusted constantly, retroactive payments are complex, and it is difficult to manage and motivate personnel.

Changes in taxation – lack of visibility/transparency, frequent, often monthly changes, little/limited time to implement changes – cause major challenges. The legal environment is complex and ever-changing. Changes are often announced very close to the date of implementation.

Additionally, there are many collective agreements in Argentina with frequent changes, and each have their own complexities.

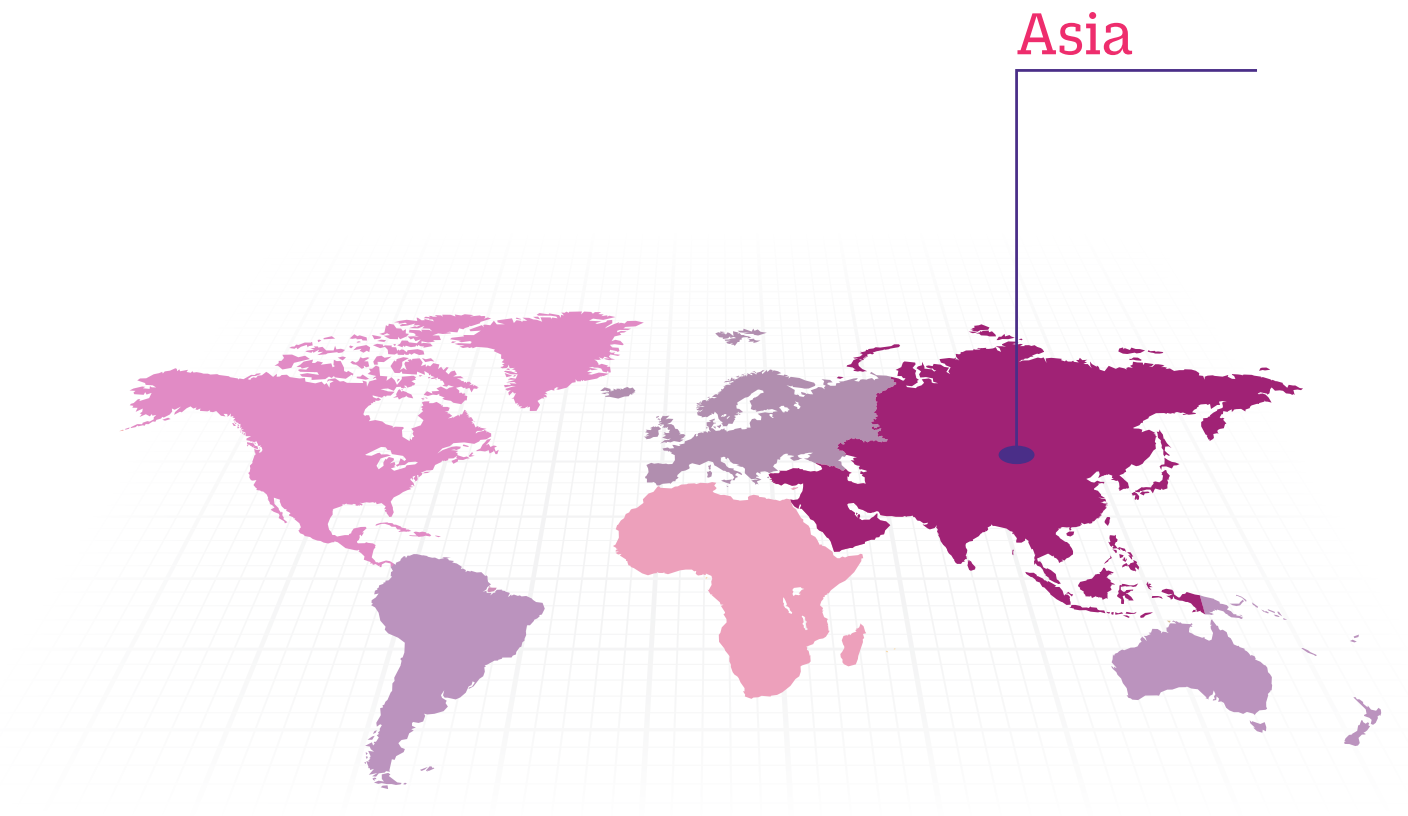
Mexico

Changes are mostly foreseeable. The complexity is to implement the changes in a short period of time and when dealing with various laws and processes; social security, taxation (local and federal labor tax. Careful management of CFDI, a digital tax receipt, which is used as the payroll voucher, is needed.

Venezuela

The political environment in Venezuela can impact the payroll process and the rapid implementation of change. Payroll personnel must be aware and adapt to changes quickly. A standard payroll system will often not be able to adapt.

Asia



Perhaps not surprising due to the size of the continent, alongside Europe, Asia has the greatest number of countries in the GPCI Top 40. What is noteworthy is the reported leap in payroll complexity in so many.

Expert opinion suggests that this correlates with the expansion of service-centric businesses from the West into these fast-growing economies.

This has led to the need to introduce new types of pay and reward structures and to look at global mobility for the first time.

Japan and China both sit in the Top 10, in 5th and 7th position. However, alongside China, it is Hong Kong and Malaysia where noticeable increases in payroll complexity have been reported.

Singapore

The challenge of processing payroll has fallen significantly only in Singapore from 5th place in 2017 to 39th in 2019. This is largely down to all tax calculations for Singapore payroll being handled by the government. In fact, the entire payroll process has become highly structured and legislation very straightforward.

The only major issue for payroll departments is managing tax for foreign workers and ensuring the correct reporting of this.

India

India was the only other Asian country in the Top 40 to see a fall in complexity, but this was marginal. Statutory compliance remains the uppermost challenge. Each state continues to have its own legislation and, in some cases, there remains the difficulty of different legislation within the same state.

Flexible benefits are on the increase in India, and this has added not only a layer of legislation, but many variables against which to levy a tax.

China

Although sitting two positions behind Japan in 7th, nothing about payroll in China is simple. In the period since the 2017 GPCI, it has risen 17 positions. The major change has been the introduction of the 2019 tax reform in the shape of the Individual Income Tax Law (IIT).

This required major change management from its announcement in August 2018 through go-live in January 2019 and now onwards. The crucial challenge is the introduction of "resident" and "non-resident" tax. This has added multiple challenges for implementation, especially tax status judgment for international assignees.

Payroll teams must now calculate whether an employee has lived in mainland China for 183 days or more within a calendar year. If yes, IIT applies to their worldwide income. If not, then only to some. However, the previous five-year-rule still applied in some instances.

Tax logic has also changed. IIT has consolidated four previous remuneration categories into one. On top, additional tax deductions for specific instances including caring for the elderly, children's education, continued education and medical expenses for serious illness, for example, have been added.

These new calculation rules and recent policy changes might make payroll less of a problem in the future, but for now, the 17-point rise highlights the immediate challenges.

Hong Kong

Leaping up 12 positions and into the Top 40 for the first time is Hong Kong. The increasingly frequent legal updates are never easy or smooth to interpret or deliver. Sitting on top of this are complex statutory benefits.

Japan

Japan moved into Top 5 position this year largely due to its ever-challenging year-end tax adjustment. Coupled with this, the taxing of complex benefits remains so, although regular payroll calculations are reported to be straightforward.

Malaysia

Malaysia also shot up the rankings in the period between 2017 and 2019, from 47 to 27. This is largely reported to be down to stringent changes in local and national legislation.

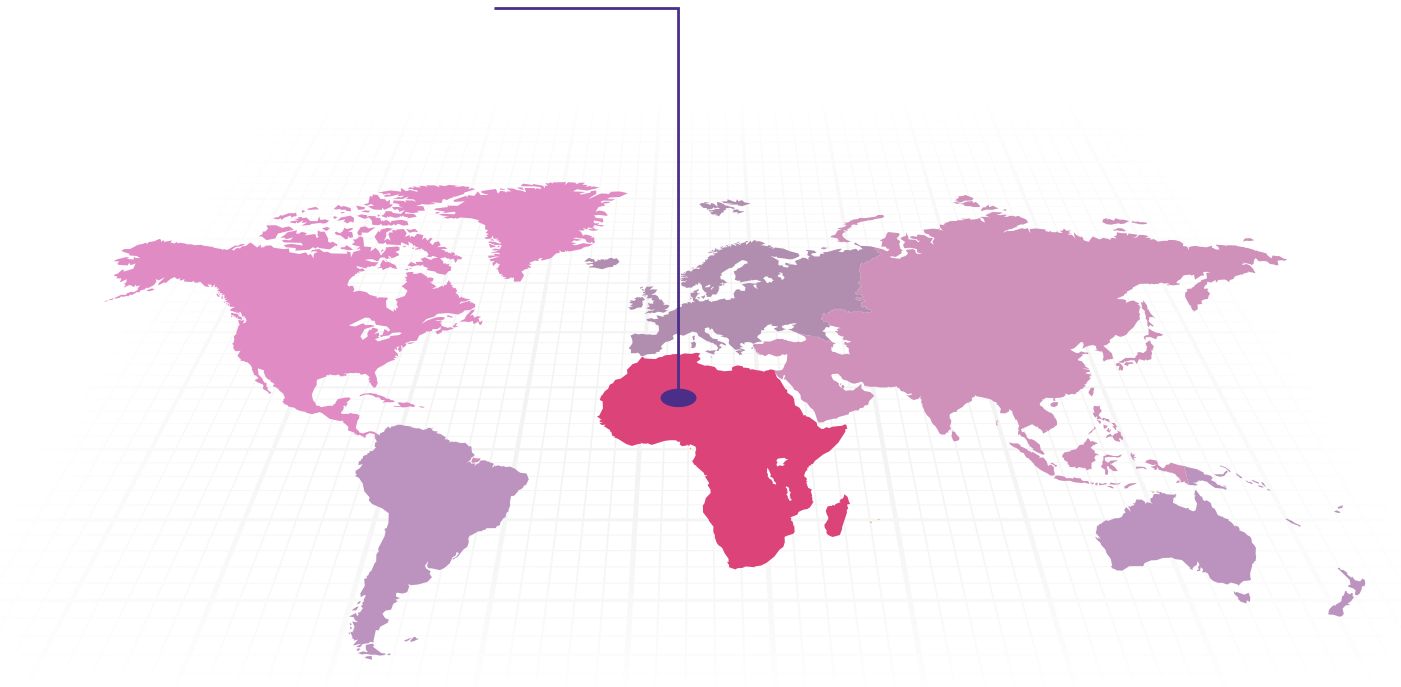
In the past couple of years, Malaysia has introduced Form TP1 for tax deductions, an income tax relief for social security contributions, and an Employment Insurance Scheme, adding to the the complexity of managing payroll.

Philippines

Just behind Malaysia in terms of challenge for payroll departments sits the Philippines. Taxation and statutory regulations are erratic and little, or no warning is given ahead of the frequent statutory changes.

To add to this, the updates provided by the government are usually late. This means changes must be implemented with little preparation and this opens payroll up to errors and employees to pay delays, pending the completion of the migration of the legal amendments. However, tax is straightforward, with only three statutory deductions.

Africa



Africa is rather underrepresented in the 2019 Global Payroll Complexity Index, with only South Africa making it into the Top 40. This is likely to change in the 2021 report if predictions made by economists are correct. At least 10 of its 54 countries are predicted to be among the world's fastest growing economies.

Already, there is great wealth. It is a continent rich with minerals and attracts huge interest from investors from around the world. According to the findings of the survey, many of these companies tend to install just one or two people in situ, with little or no back office infrastructure. Much of the payroll for organizations is managed either in South Africa, remotely or by bureaus, so contributing to the low levels of payroll complexity in Africa.

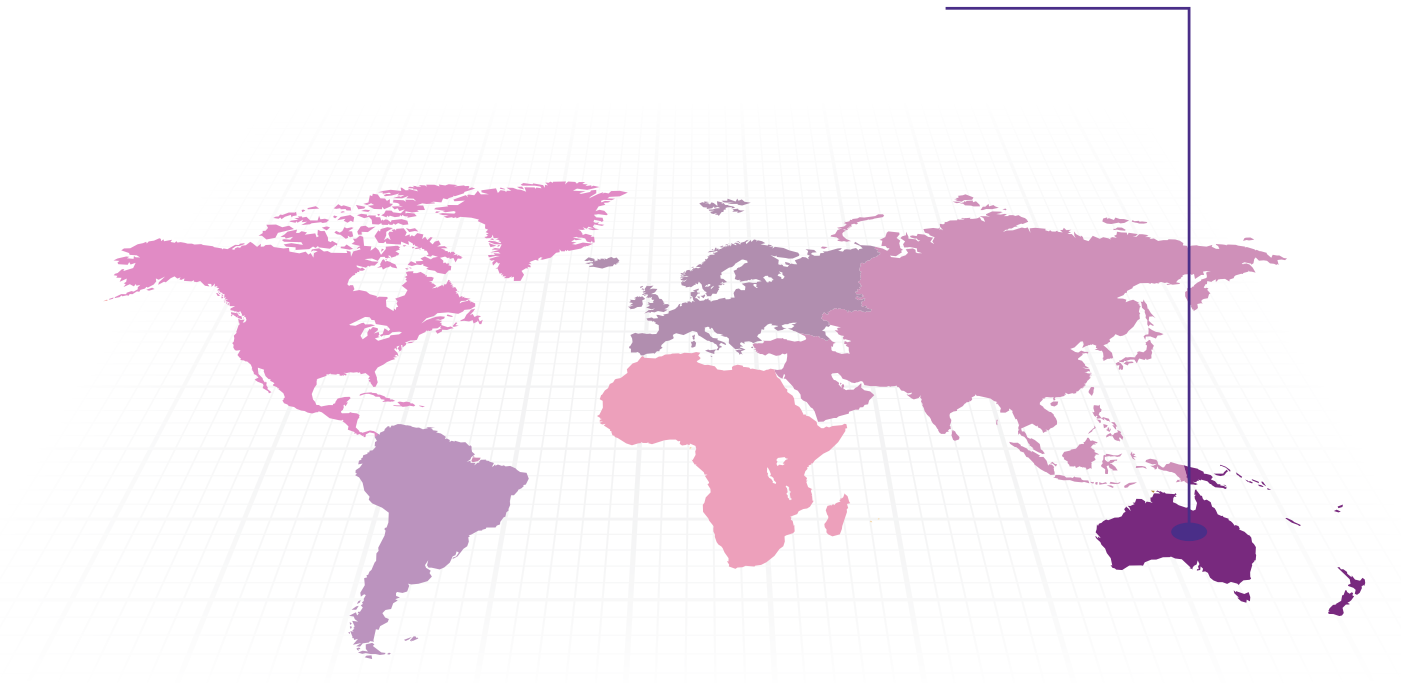
South Africa

South Africa is considered the gateway to Africa for many organizations expanding into the region. It is more regulated than many and its government more stable. Payroll is regulated by the South African Revenue Service (SARS), which operates a PAYE system on a par with that of the UK.

However, despite the watchful eye of the SARS, managing payroll in South Africa is not simple. In fact, in the past two years it has risen from 19th to 12th place. Largely, this is because the list of requirements and submissions needed to avoid penalties from SARS and the Department of Labour (DoL) is growing longer.

Monthly tax returns must be made to both SARS and DoL. Additionally, 2% of each employee's earnings must be made as a UIF contribution, up to a maximum amount. 1% comes from the employee's salary and 1% is made by the company. On top of tax reporting, an Employer Bi-Annual Reconciliation Declaration must be filed twice a year, in May and October.

Australasia



Australia

The issue of managing state and federal rules in Australia, plus industry awards and in-country policies, makes the job challenging. There are few standard processes. Each employee can be affected differently by legislative changes depending on where in the country they are, and if their role or location changes even slightly.

For example, long service leave is offered in most states, but the rates and rules are variable. Termination pay is also handled differently. Some is taxable. Some is not. Where it is, the amounts vary. Calculating accrued vacation, sick time and long service leave is convoluted.

Legislation around employment is a test. Most people are either paid through award or collective bargaining agreements.

Each employee in Australia is identified by industry. Each organization is likely to have multiple industries represented in its workforce.

Minimum pay rates and conditions of employment are set across an industry, irrespective of company policy or state location. Calculations for shift workers is very complicated to get the correct allowances and shift loadings on their pay.

Flexible and 'fringe' benefit rules in Australia are a minefield to track, compile and report on. The major issue is that certain "payroll" taxes are viewed as corporate tax items rather than individual taxes and there is a lot of reluctance to take ownership.

Expert Opinion

"The results of the 2019 Global Payroll Complexity Index confirm that multinational organizations continue to face demands such as managing employee data, adhering to data privacy regulations, and staying compliant in a world of unique employment and taxation compliance regulations across the globe.

The results support that complexity can be managed by standardization of processes, having the right global talent, selecting the correct service delivery model and using technology to enable and manage payroll operations. More and more countries are introducing real time and automated reporting to get access to employee tax details in real time and automate their manual processes.

As globalization continues, payroll organizations will see the increased use of robotics, expanded reporting, artificial intelligence, managing risk exposure, increased government audits, and standardizing processes."

Mary Holland
Global Dir. Strategy,
Development & Training
at GPMI and APA

"The survey shows that traditional salaried and shift jobs are being automated faster than ever and the demand for the types of products and services provided is declining. Organizations must now attract new skills, and this new, often younger talent is asking for a salary package that combines cash with a range of benefits, reward programs and bonuses. They are also less loyal to their employer, moving to a competitor for literally dollars."

Anita Lettink
SVP Strategy & Alliances,
NGA Human Resources

"What has been interesting in the 2019 survey is the shift from it being the number of countries that raises complexity to the number of cities. This 'micro legislation' is becoming typical across Europe and the United States and is creating major headaches for payroll teams. In addition, GDPR is also going global. Its influence is making governments around the world realize that they have an obligation to protect the digital identities and rights of their citizens."

Mike Eralie
Chief Operating Officer,
NGA Human Resources

"With a rating of 5.31 in the 2019 GPCI report, it's clear that Canadian payroll professionals are still navigating significant complexity to remain compliant. There are many reasons for this- from managing two official languages and legislative dis-harmony between provinces, through the tax requirements for new forms of work (like the 'gig' economy)."

Steven Van Alstine
Vice-President, Education,
The Canadian Payroll Association

"Your payroll process, and the data within, holds the answers to future workforce productivity and to ongoing business success. However, it's the value of this payroll data that makes it so incredibly high risk for your organization.

According to responses to the 2019 Global Payroll Complexity Index survey, the overriding challenge for payroll teams and for business leaders as we move into the next decade is knowing who should have access to PII data, and for how long?"

Caroline Garstang Howlett
Author and Researcher,
Global Payroll Complexity Index,
NGA Human Resources

"With companies expanding their operations globally, be it by means of organic growth or mergers and acquisitions, we have seen an increase in the complexity of managing payroll for this geographically dispersed and culturally diverse workforce. This report highlights the challenges faced by payroll professionals around the world."

Pia Ellimäki
Researcher and Co-author,
Global Payroll Complexity Index,
NGA Human Resources

"After acclimating itself to the largest overhaul of the U.S. tax structure in 30 years, payroll professionals will soon be faced with an unprecedented change in the way they must determine the amount of federal income tax to withhold from their employees' earnings."

Larry White
Director of Payroll Training,
American Payroll Association

"It is no surprise that payroll continues to grow in complexity, especially as we have a varied workforce which now includes 'workers' as well as more traditional 'employees' who may have different pay arrangements based on their contracts, and a society which demands flexible working and pay arrangements such as pay on demand.

In addition, the UK will see increased complexities over the coming years as the four UK nations continue to devolve and have their own rules regarding deductions from pay. Not to mention anything that will change as a result of 'Brexit' which is still a great unknown and may bring significant challenges and changes in the coming years.

Technology is making aspects of payroll easier. Systems make it possible to automate once manual processes, and there is continued talk of automation and artificial intelligence within payroll. It is hardly surprising that people are worried for their jobs.

However, with the increase in simplicity of technology comes an increase in complexity of the legislation, and the overall strategic impact payroll is having on talent acquisition and retention through being more than just payroll but encompassing the wider remit of reward.

It is important that payroll professionals remain supported through access to knowledge and development tools, updates to legislation and more formal education programs. Not just to increase their skills, expertise and knowledge, but to protect the organisations within which they work. As payroll becomes more complex, and continues to gain in profile amongst employees and the government, the cost of getting payroll wrong can be significant.

The future of payroll therefore is being equipped with skills, knowledge and understanding to ensure that you keep your organisations compliant and employees motivated and engaged."

Ken Pullar FCIPP
CEO,
Chartered Institute of Payroll Professionals (CIPP)

About the GPCI

The biennial Global Payroll Complexity Index (GPCI) ranks countries and regions in terms of payroll complexity. It provides organizations with up-to-date intelligence on the challenges and risks faced when managing a payroll process in one or more countries. This information is used both to improve the efficiency of and assure existing operations, and in wider business planning and decision making.

The research is centered on the following five categories:

- Payroll data – managing, storage and security
- Payroll calculation – salary and rewards
- Government reporting – tax and social security deductions, reporting and legislation
- Geography – scope of and emerging markets

The first chapter of this report ranks countries on payroll complexity, highlighting movement from the previous Index. It also provides a global overview. Thereon, we look at the impact of each category on payroll complexity. We conclude by looking at the key regional and national findings.

The GPCI is compiled by NGA Human Resources in association with the Global Payroll Management Institute (GPMI), American Payroll Association (APA), Chartered Institute of Payroll Professionals (CIPP), Canadian Payroll Association (CPA) and the NGA HR Institute.

The Global Payroll Complexity Index was researched, compiled and written by Caroline Garstang Howlett and Pia Ellimäki of NGA Human Resources.

Research Methods

The 2019 Global Payroll Complexity Index provides insights into trends, challenges and complexities relating to payroll process management. The research methodology combined a questionnaire with online interviews.

All respondents were qualified as specialists in payroll or HR experts with extensive payroll expertise. The result is a representative overview of the critical complexities in each individual country, with the top 40 countries ranked in the published Index.

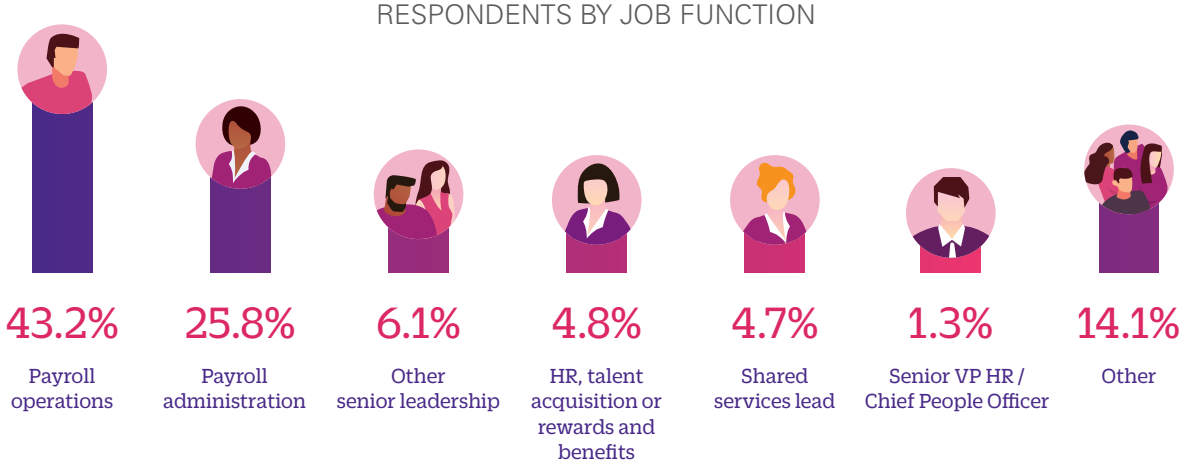
Geographic scope:
40 countries; 6 regions

Respondent profiles:
- Subject matter experts in payroll
- Payroll operations and administrators
- Local, regional and global consultants
- HR shared service leads
- HR Directors / SVPs
- Systems engineers responsible for updating payroll systems

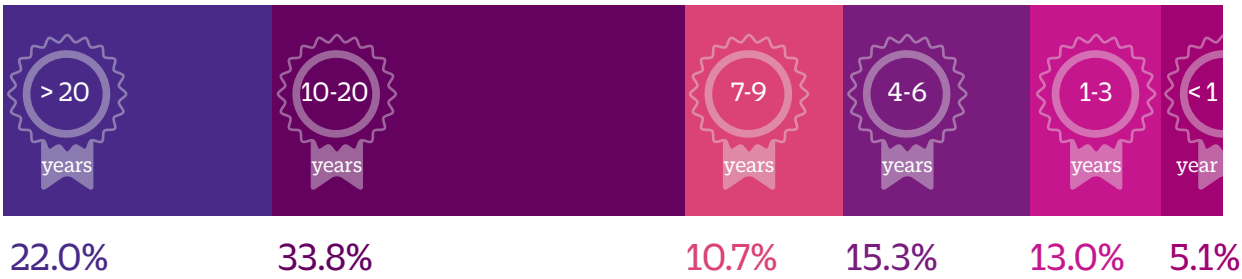
Respondent volumes:
2,472 submissions (1,302 fully completed)

Research methodology:
Questionnaire and online interviews

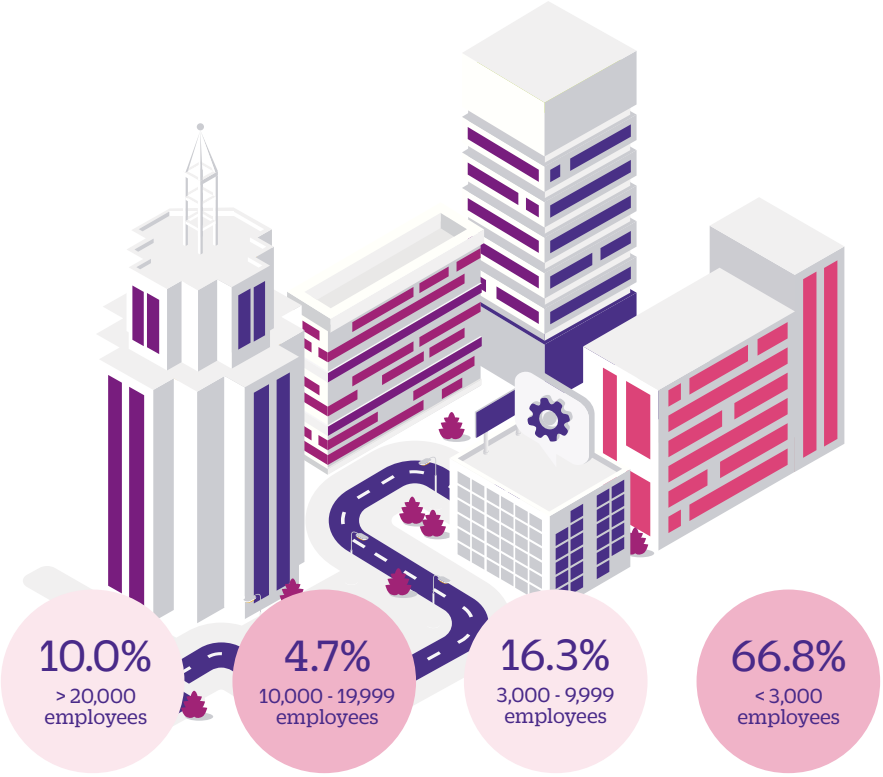
RESPONDENTS BY JOB FUNCTION



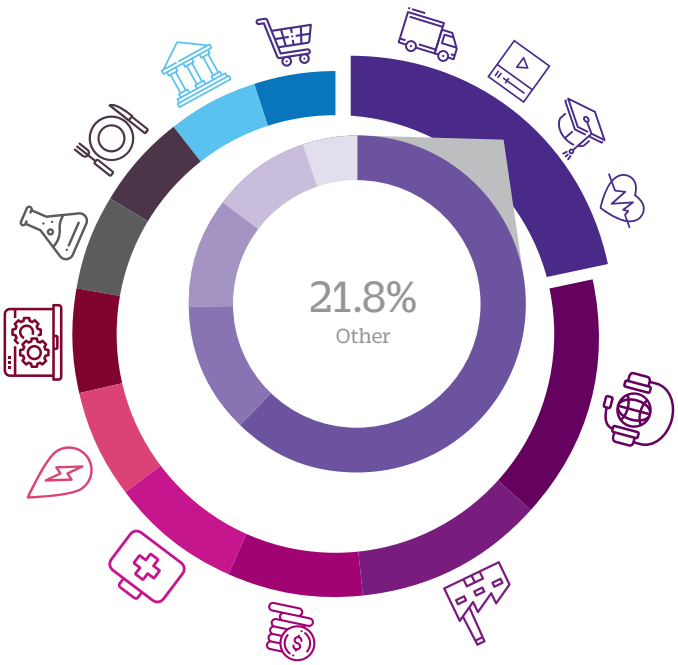
RESPONDENTS BY PAYROLL EXPERIENCE



RESPONDENTS BY COMPANY SIZE



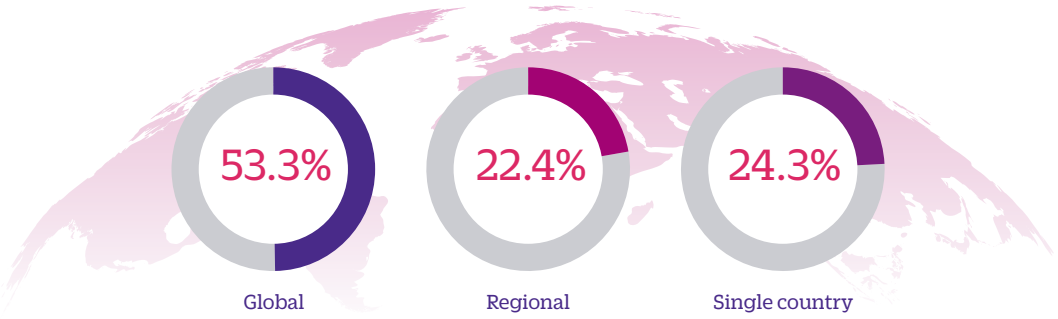
RESPONDENTS BY INDUSTRY



15.1% services and consulting
11.6% manufacturing and engineering
8.2% financial services
8.1% healthcare and life sciences
6.7% energy, utilities and resources
6.3% information technology
6.0% chemicals
5.7% food
5.7% public sector
4.8% retail and wholesale
21.8% other

- 2.7% transportation
- 2.1% education
- 1.1% not for profit
- 2.3% media, entertainment and telecommunications
- 13.6% other

RESPONDENTS BY GEOGRAPHIC SCOPE



NGA Human Resources

We innovate HR and Payroll for today and tomorrow. It is the people at NGA Human Resources, and the customer-first approach to HR and payroll challenges, that is behind the company's global and local payroll platform, process, administration and service delivery success.

We are a population of more than 5,000 people in 35 countries. Our ethos is to work in partnership with our customers to deliver HR and payroll solutions that not only address immediate issues but lay the foundations for data-driven business success.

We help clients achieve the best results from their workforce. For some organizations, we enable complete payroll transformation. For others we improve the effectiveness of payroll, rewards and benefits processes. We address compliance risks and the challenge of complicated reporting, and of great value to the board and business investors, we release the value of payroll data, converting it into highly accurate and real-time business intelligence.

At NGA HR, our mission is to innovate HR and payroll for today and tomorrow. We help our clients deliver seamless workforce services and empower HR as a strategic partner to drive data-driven decisions. As a result, HR leaders can offer better employee experiences, attract and retain talent more easily, manage the employee life cycle and support the globally connected, agile workforce.

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