



# **Payroll: highly valued, hardly optimised**

Insights on payroll,  
outsourcing and flexible  
rewards





**Introduction** **p. 3**

**Payroll and HR in times of COVID-19** **p. 4**

Back to basics

Looking beyond the crisis

Sparks by SD Worx

**The dilemma of in-house or outsourced payroll** **p. 8**

Payroll outsourcing holds its ground

National differences revealed

Less administration, more continuity and time

Sparks by SD Worx


**Employee remuneration inside out** **p. 16**

Flexible remuneration: common ground or not?

Pay on demand

Sparks by SD Worx

**Conclusion** **p. 24**



Only a few world events already feel historic on the moment they occur, but the coronavirus pandemic is definitely one of them. It has affected all areas of our economy and society. Companies had to switch course – often several times – and change seems to be the only constant for the foreseeable future.

In this context, we consider it more important than ever to keep our finger on the pulse. Why? Successful adaptation starts with gathering knowledge and closely observing the market. And as a leading European payroll and HR services provider, that's exactly what SD Worx does.

SD Worx conducted an extensive online survey in June 2020, reaching a total of 3,000 companies, spread across 11 European countries. They shared their insights on the future of work and people. In this ebook, we sum up the most noteworthy findings on payroll.

Without the intention of spoiling all the fun of discovering the facts and figures for yourself, here's the bottom line: payroll is by far the top concern for companies, but the vast majority holds on to traditional methods – leaving plenty of room for optimisation.

# 1/ Payroll and HR in times of COVID-19

## Back to basics

Payroll – the process of providing remuneration to employees for the work they perform on behalf of organisations – is one of the most important aspects of HR, and business in general. It affects employee morale and it reflects your business' financial stability and efficiency.

However, is payroll also considered a top priority when external factors force organisations to re-examine their strategy and objectives, as the COVID-19 crisis did

(and does)? The answer is a wholehearted 'yes'. **By far, the number one priority among European companies is to ensure smooth, efficient payroll calculation and payment.**

About 4 out of 10 (41%) participants in the survey mentioned payroll to be 'very important' going forward. Even more, payroll tops a list of 19 HR priorities in all countries, except for Austria (2), Switzerland (2) and Ireland (6).

Answering and processing HR questions from employees was the next most valued priority. Remarkably, both top priorities are in essence operational, administrative tasks – the basics of HR. Other essential tasks, such as recruitment, learning and performance, are also high on the list.



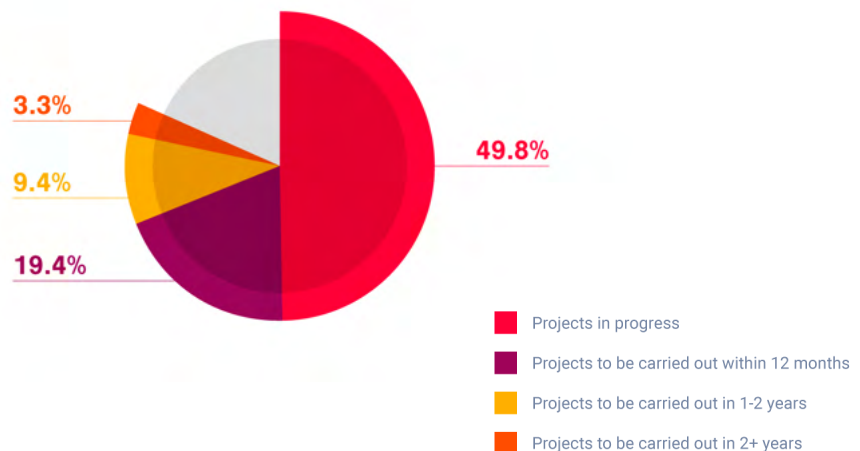


**Payroll is king in times of COVID-19. Only Ireland prefers to prioritise other (non-operational) HR tasks, such as learning and the optimisation of wage costs.**

## Looking beyond the crisis

The same focus on on-time and correct payroll is reflected by the figures on HR projects in progress. No less than 49.8% of the participants in the survey indicated that they are currently streamlining their payroll processes and procedures. Another 20% plan to carry out similar projects within the next 12 months, bringing the total up to about 7 out of 10 companies that are actively trying to set up a more efficient payroll process. If we add the payroll projects that are planned in the medium and long term, the numbers even go up to 81.8%, meaning only 18.2% of companies plan to sit tight on this subject.

**What priorities or projects do you have (or plan to have) within payroll to ensure smooth, efficient payroll calculation and payment ?**



**About 50% of companies actively tried to set up a more efficient payroll in June 2020 and another 30% planned to tackle this topic in the short, medium or long term.**



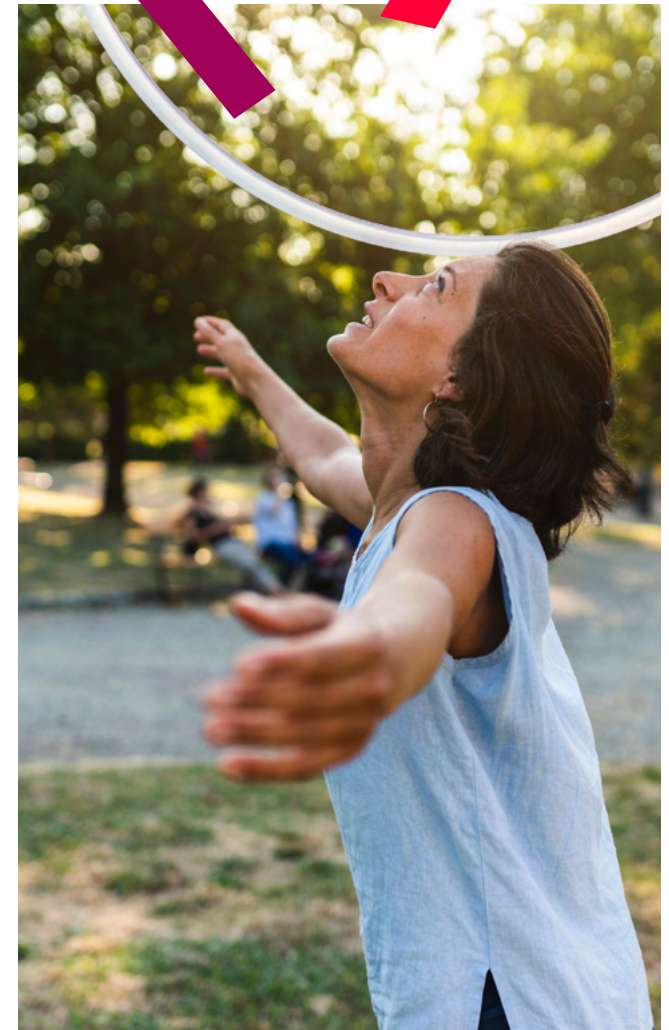
## Sparks by SD Worx

In times of crisis, getting the basics right is key. Don't take our word for it, but the vision of fellow HR professionals and entrepreneurs. Efficient payroll processes that allow companies to pay their staff on time and correctly are on top of everyone's mind. And they will stay there, judging from the projects to come in the next months and years.

In short, companies seem to agree on this new principle: if you don't have smooth HR systems and processes in place, it is almost impossible to be agile – which would be a

major handicap when change is the only constant. Luckily, you are not on your own. Payroll services providers with the right experience, expertise, technology and tools can support your aspirations.

SD Worx offers people-centred solutions in 130 countries and calculates the salaries of about 4 million employees across the globe, making us one of the top 5 payroll services providers in the world. Our strength: 75 years of experience, top-notch local payroll engines and the eagerness to find solutions in collaboration with you.



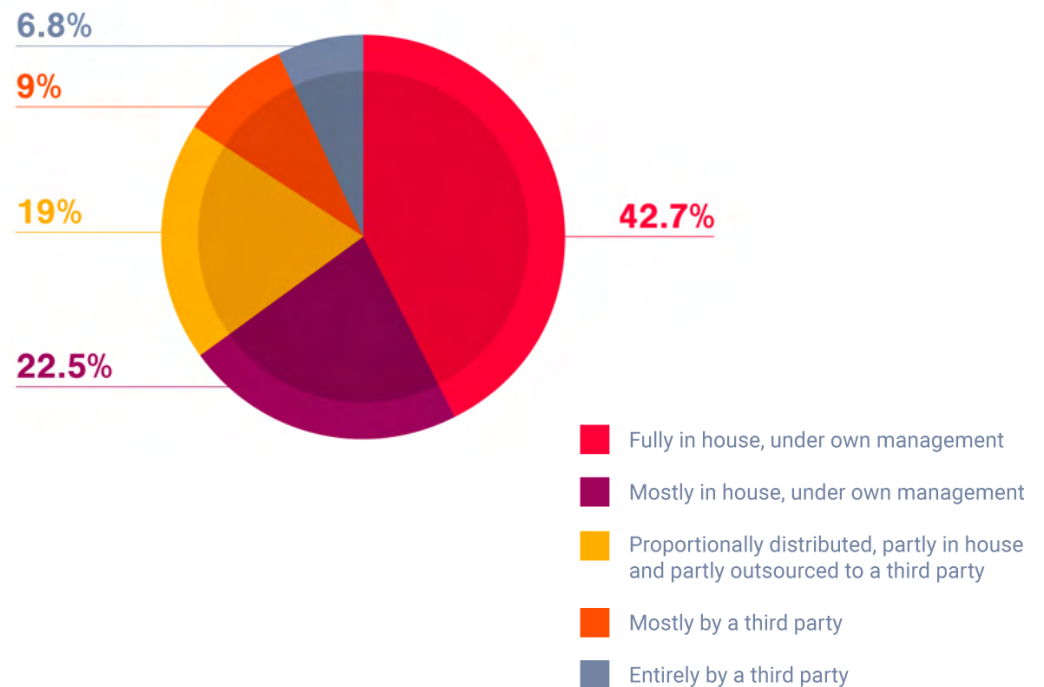
**[Share your aspirations with us](#)**

## 2/ The dilemma of in-house or outsourced payroll

### Payroll outsourcing holds its ground

The importance of payroll means companies are facing a crucial dilemma: do they outsource the whole payroll, or do they manage everything in-house? The figures show that the last option is still the most popular – especially among smaller companies, with less than 250 employees.

Would you like to manage your payroll in-house or have it managed by a third party?





However, a more in-depth analysis of the same data allows us to paint a more nuanced picture. Of all the HR tasks that companies wish to mostly or entirely outsource in the future, payroll comes 4th.

When it comes to outsourcing the preparatory tasks of payroll (i.e. the gathering and input of data such as absences, bonuses and allowances), Belgium leads the pack, with 26.1% of companies already entirely or mostly making use of third-party services.

### Top 5 of mostly or entirely outsourced HR tasks



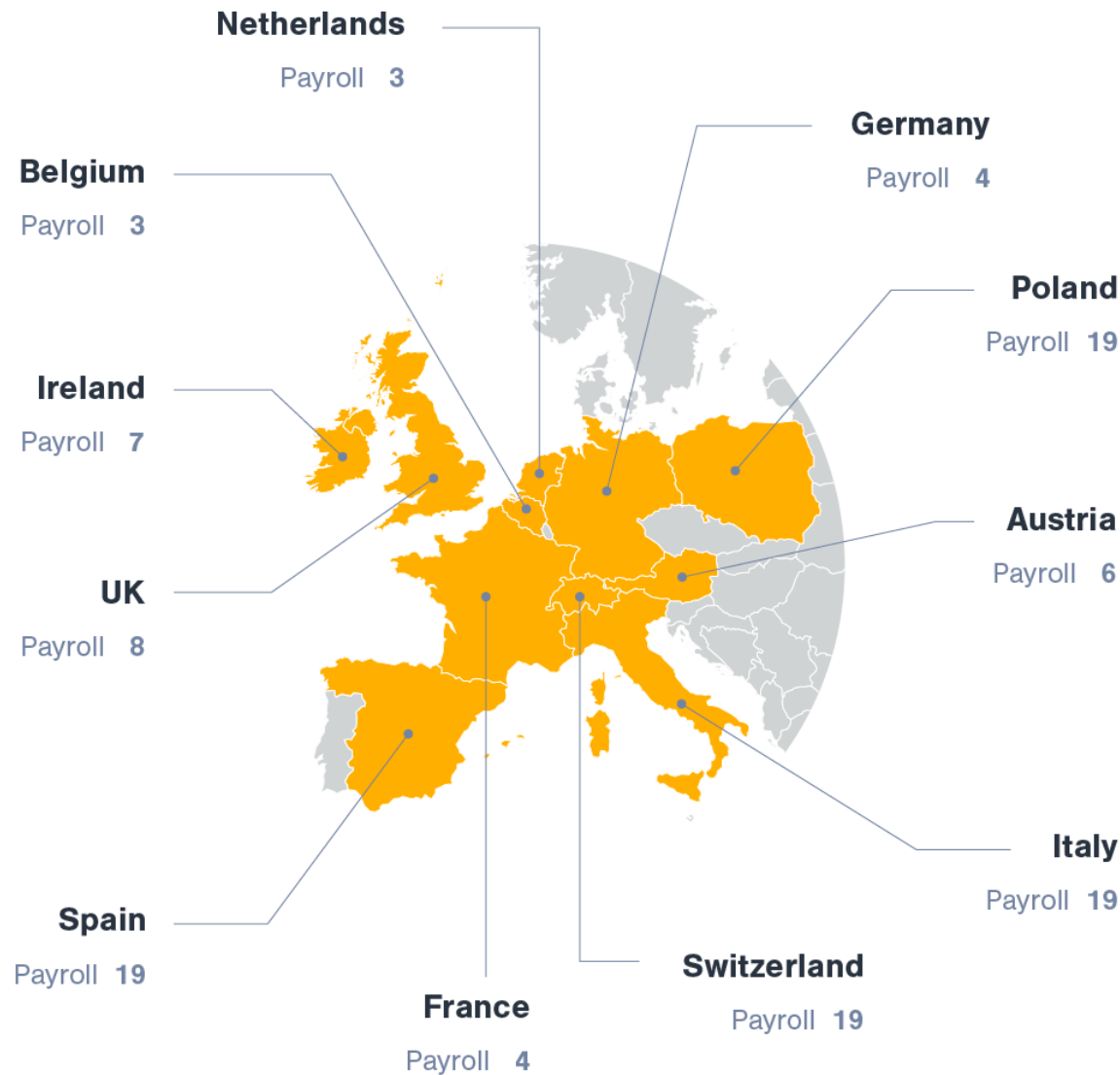
## National differences revealed

When it comes to outsourcing, not all European countries show a uniform interest and certainly not for the same HR tasks. For example, Belgium, the Netherlands, France and Germany are leaning much more towards payroll outsourcing. The only HR tasks that are considered even more

apt to outsource in these countries are HR process automation and socio-legal regulations – and wage costs in the case of France and Germany. On the other hand, for companies in Switzerland, Italy, Spain and Poland the preparation of their payroll is the HR task they would outsource last.

**Taking all categories of outsourcing – from partly to entirely outsourced – into account, payroll outsourcing drops to 8th place overall.**





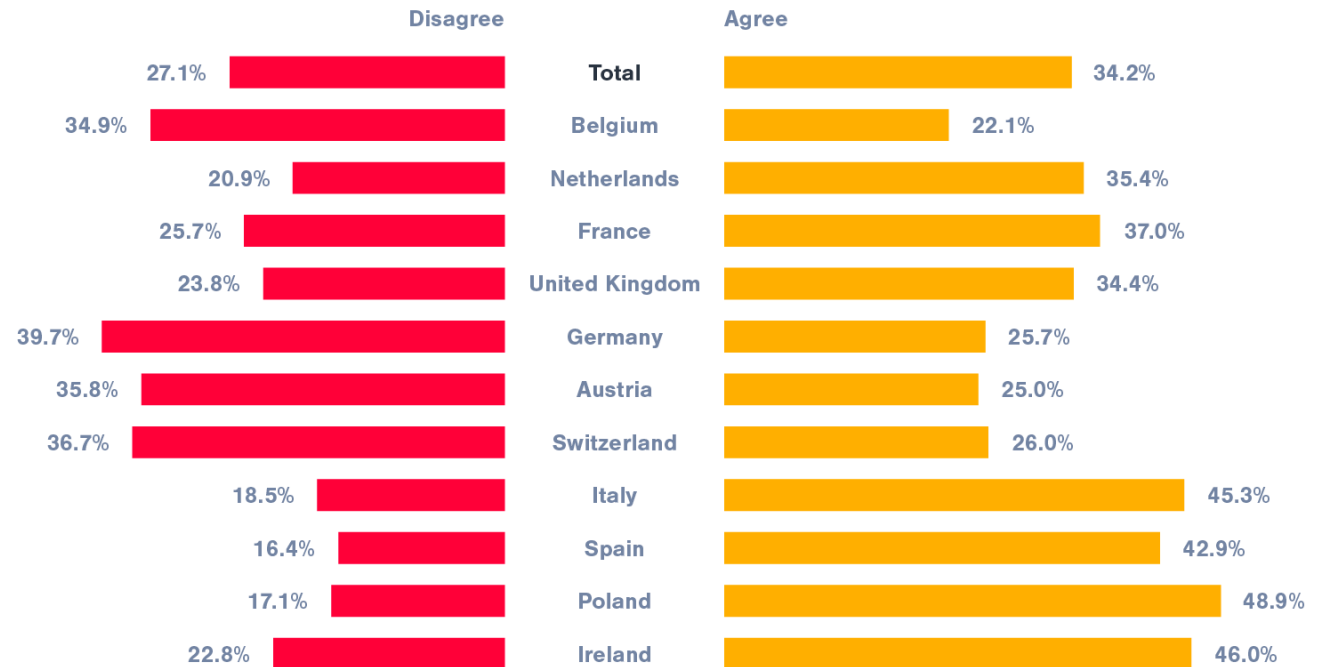
Example: Belgium has higher intentions (3<sup>rd</sup> place) of outsourcing payroll compared with other countries (8<sup>th</sup> place on average).

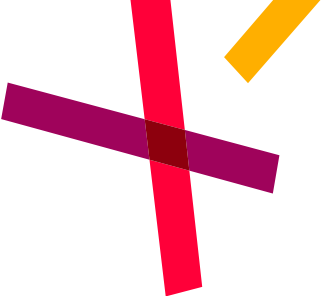
Ranking outsourcing	Total
HR process automation	1
Socio-legal regulations	2
Digital transformation	3
Wage costs	4
Contingent workforce	5
Recruitment	6
HR policy	7
Payroll	8
HR analytics	9
Reward	10
Learning	11
Diversity & Inclusion	12
Progress management	13
Employee experience	14
Operational efficiency	15
Well-being	16
HR service to employees	17
Work-life balance	18
Performance management	19

## Less administration, more continuity and time

The rather moderate interest in (payroll) outsourcing isn't about to change anytime soon: once the coronavirus crisis is over, companies prefer to take on more HR projects themselves and outsource less. Again, there are significant geographical discrepancies. Especially Germany, Switzerland, Austria and Belgium consider outsourcing to be part of the solution in order to bounce back from the economic slump.

## Following the coronavirus crisis, we will take on more HR projects ourselves and outsource fewer tasks





Companies that are still weighing up their options for the future might be inspired by their competitors. For example, those who already reap the benefits of payroll outsourcing claim that these are the three most compelling advantages:

**1. Less administrative burden on personnel (36.9%)**

Payroll duties are often repetitive, time-consuming and error-prone tasks that can easily be taken over by external experts. Moreover, chances are that payroll administration is not your HR staff's favourite task, so outsourcing it might brighten things up in the office.

**2. Continuity of HR activities (29.7%)**

You control a lot, but not everything. Internal and external mobility can put a heavy burden on your team. Finding adequate replacements at short notice is often difficult, due to the increased complexity of payroll. But as you know: payroll never stops.

**3. More time for staff to focus on more value-adding tasks (27.3%)**

As you undoubtedly know, a lot of work goes into payroll calculation and payment. Consequently, projects with a higher strategic value are put on hold when it's that time of the month (or year). Outsourcing is an ideal way of freeing up time for your staff.



**"If someone in my team gets sick or leaves the company, that doesn't affect our payroll handling. Everything is well documented and in the safe hands of SD Worx."**

Bert Van der Wee, Global Cost Management Director at Cleary Gottlieb Steen & Hamilton LLP

## Which elements were instrumental in deciding to outsource payroll & HR administration?






## Sparks by SD Worx

A possible reason – next to confidentiality – for the limited interest in payroll outsourcing is that companies are afraid of losing control over one of their most essential responsibilities. However, this image of outsourcing doesn't match the reality of it. Outsourcing can take many forms: you decide whether this should be an on-site or off-site service package; you decide if it's a temporary or more permanent strategy; and you decide which tasks you hand over or keep.

According to our survey, most companies realise that they will need to radically change the way they work after the pandemic. So why not outsource your payroll to focus on those strategic projects? It'll give you more time and peace of mind.

**[Discover our outsourcing options](#)**



**“By fully outsourcing our payroll to SD Worx, we’ve reduced the time it takes to complete our payroll calculation and administration to one day a month. That’s six days less than it used to take. In short, outsourcing has led to more automation, while we don’t need to worry about being understaffed or about dealing with new regulations.”**

Evelyn Willems, People & Culture Director at Roche Diagnostics Belgium

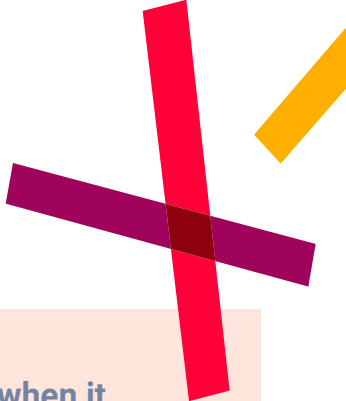


# 3/ Employee remuneration inside out

## Flexible rewards: common ground or not?

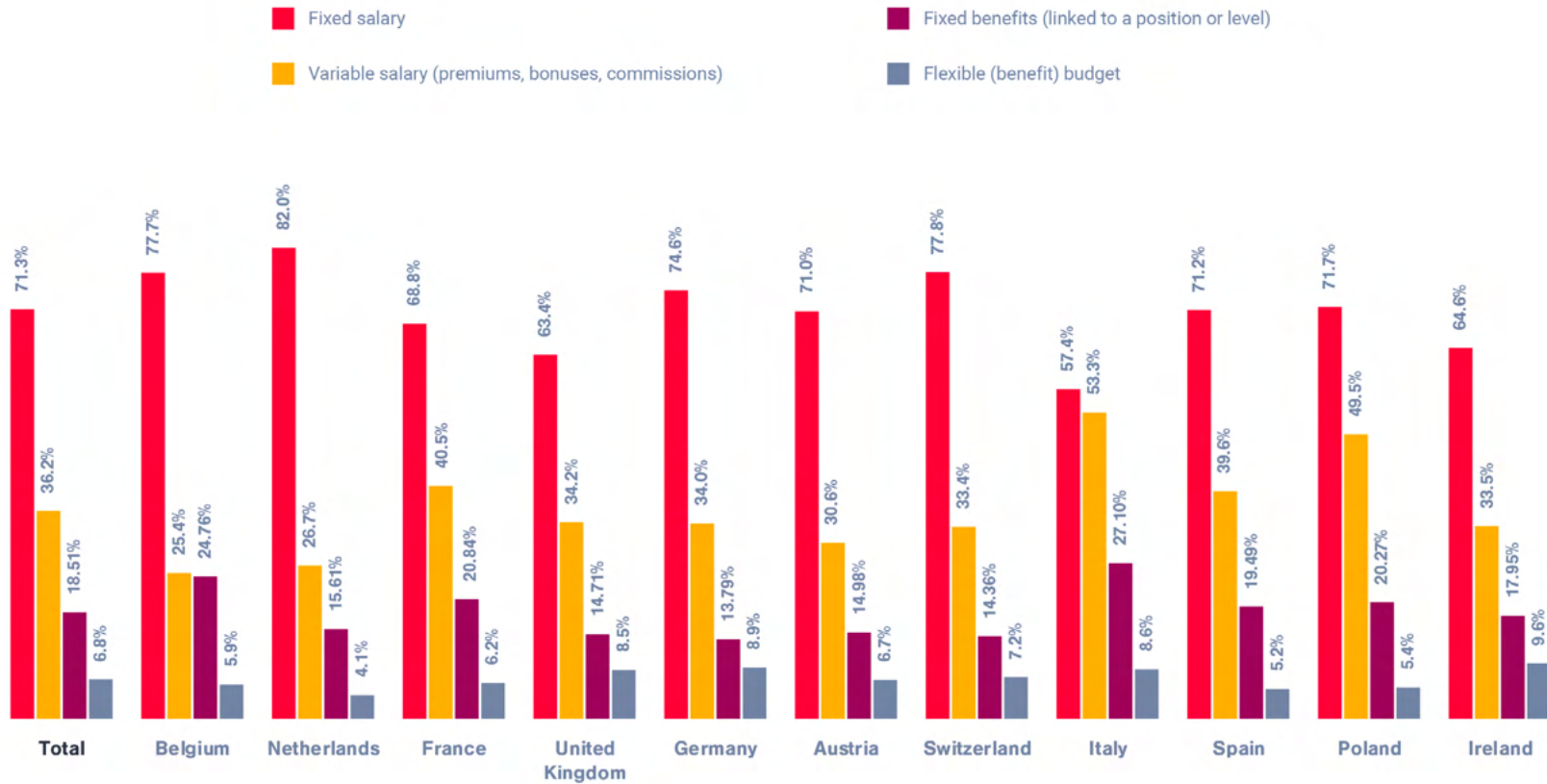
Payroll is more than just a combination of legislation, processes, tools and procedures. There's also a qualitative aspect to it. In other words, what exactly do companies pay their employees? Is it mainly a fixed salary or do employees get to adapt their remuneration package to suit their personal needs?

The results indicate that a traditional approach to remuneration is still the go-to option for most European companies. Only 6.8% offer their staff a flexible budget to spend on benefits they value the most, such as technical devices or extra holidays. Other forms of more flexible remuneration – variable salary and benefits – also score relatively low.



France, Italy, Spain and Poland stand out when it comes to variable salary, but this is mainly related to the higher deployment of flex workers in these countries.

## How is the current salary package composed for the majority of employees?




### Top countries for variable pay:

#1 Italy    #2 Poland    #3 France

### Top countries for benefits:


#1 Italy    #2 Belgium    #3 France



Further analysis of the survey data reveals that about half of the participating employers (49.4%) only offer fixed salaries to their workforce.


The long-announced trend towards a more personalised remuneration package still needs to gain momentum. But there might be change ahead. Although improving the remuneration of employees and making it more flexible is last on the overall priority list (see page 5), almost half the companies have flex reward projects in progress or plan such projects within the next 12 months. Equally promising, 48.3% of the polled organisations claim this is an important topic going further.

Employers that already offer a variable salary and benefits, mainly add premiums, bonuses and commissions (57.8%), refunds of expenses (43.1%) and mobility benefits (32.8%) to the package.

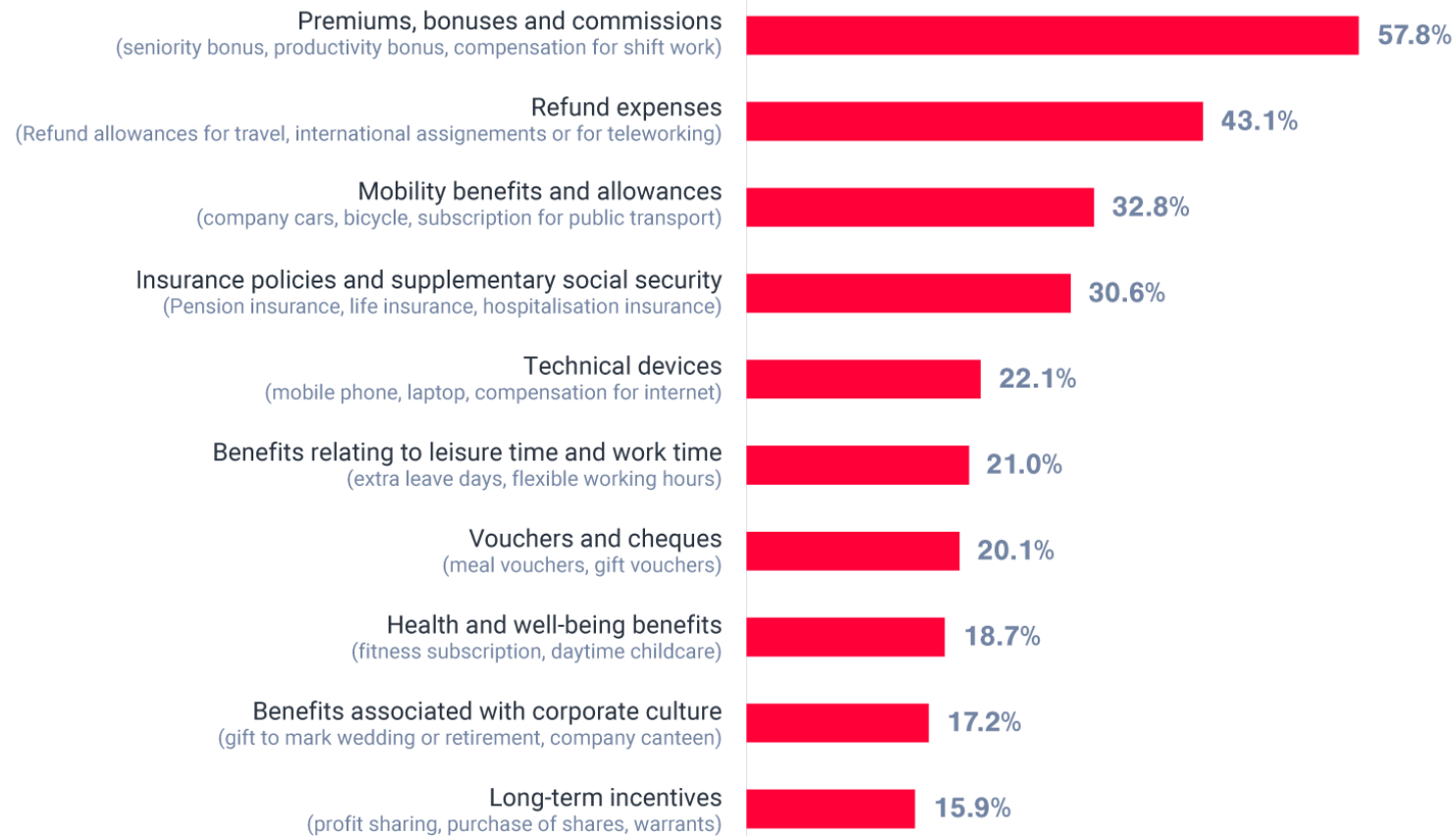


**“In 2018, we decided to individualise the remuneration packages to meet a wide variety of employee needs and preferences at once. How did we put that into practice? By making part of the end-of-year bonus flexible. This created an individual budget for everyone. Employees can now freely spend that budget on several benefits, such as extra vacation days, leased bicycles and individual pension plans. In the future, we’d like to expand the remuneration options, because it’s an ideal way to give more value without having extra costs.”**

Suzy Versmissen, HR Manager Belux at Würth



## How is the benefits package compiled for the majority of employees?



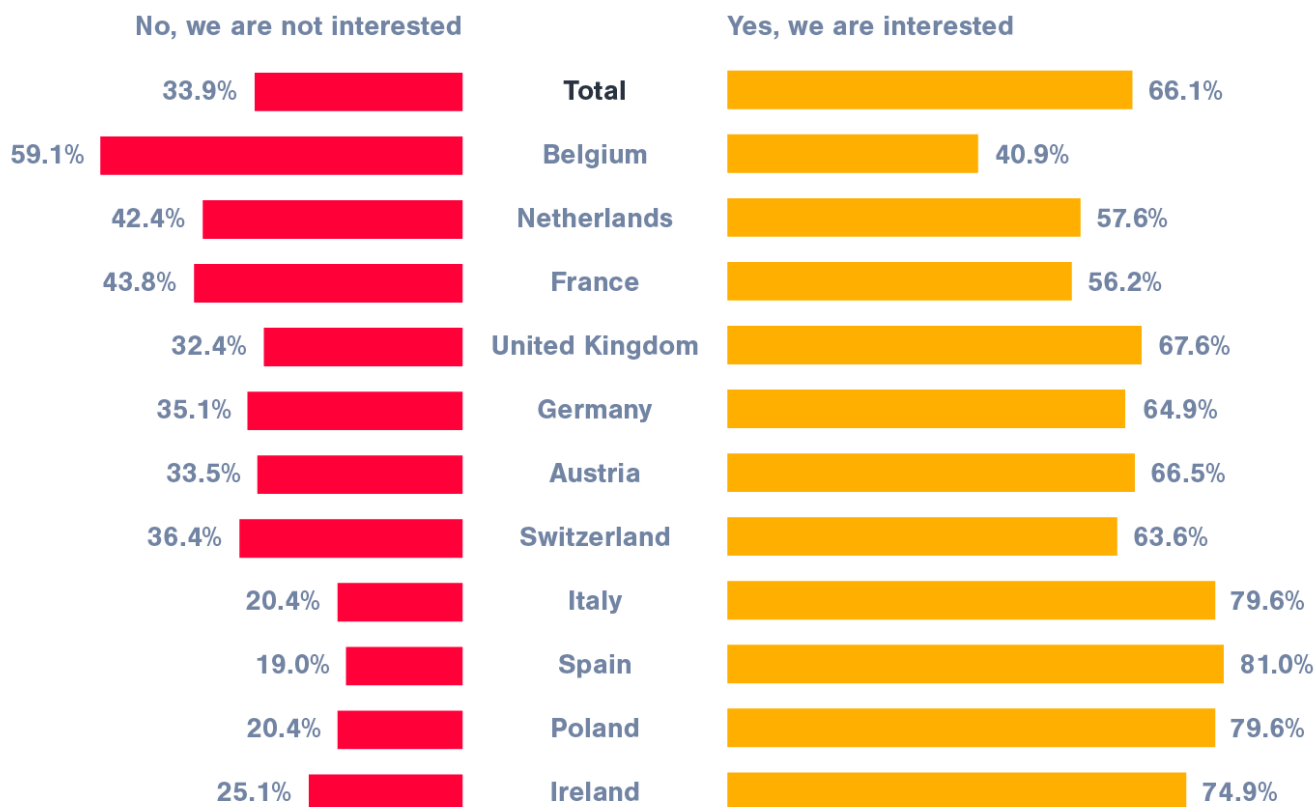
## Pay on demand

Besides offering flexible rewards, companies have another way of customising their remuneration system a little more: pay on demand. This means that employees can – to a certain extent – choose the date on which they receive their salaries, as opposed to a fixed date.

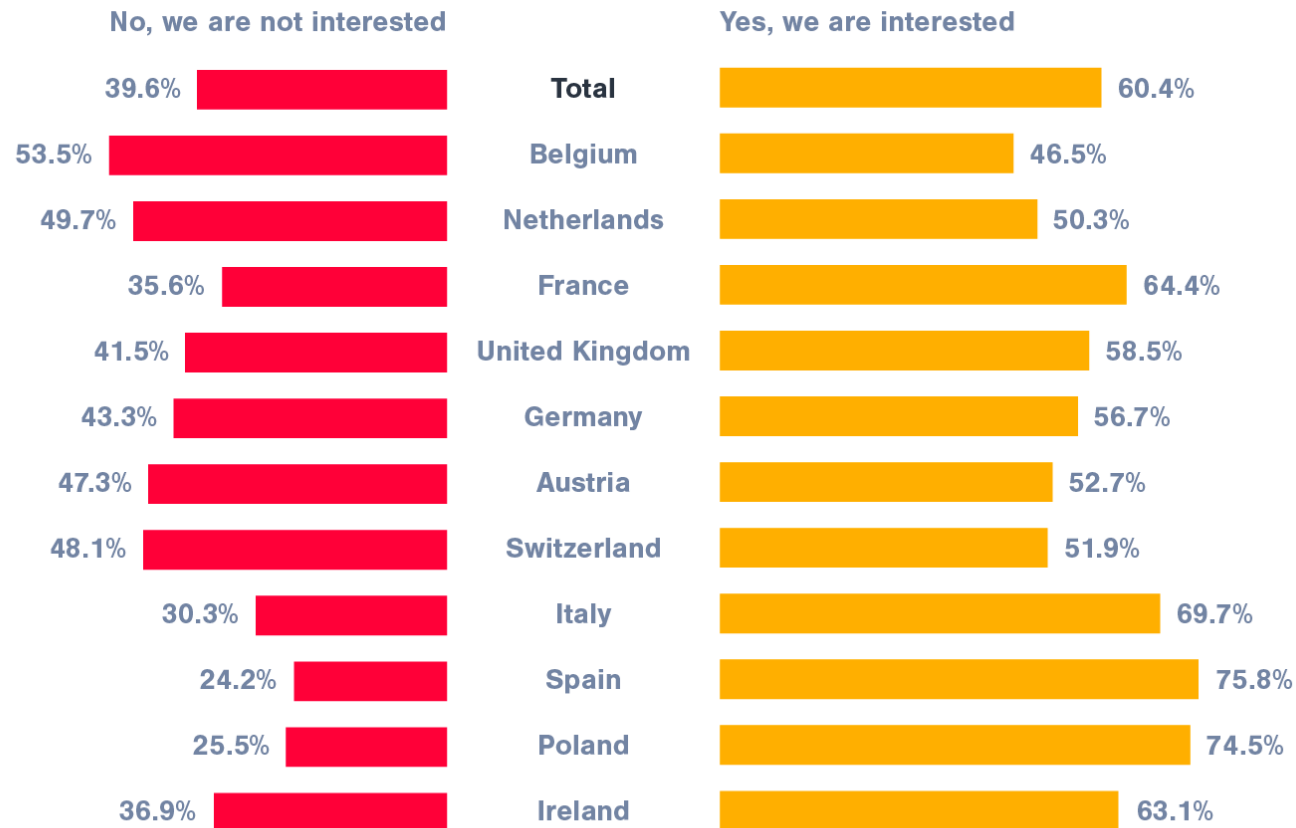
It turns out a lot of employers are in favour of pay on demand and also think their employees would be interested:

2 out of 3 employers show interest in pay on demand. Belgium is the exception. The majority of companies there claim they're not interested in pay on demand.

## Pay on Demand - Employers



## Pay on Demand - Employees



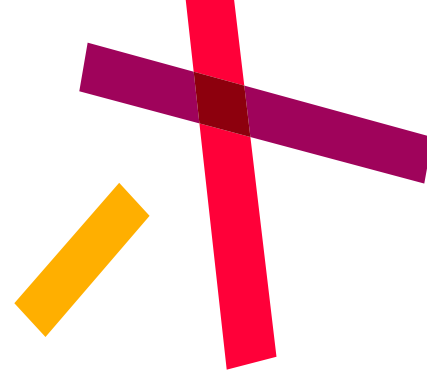
60% of European companies think their employees would want flexible payment dates, especially in Italy, Spain and Poland – countries with a large flexible workforce.



**“Providing flexible rewards is a way of motivating employees by taking preferences into account, but it also allows employers to optimise costs. Due to the crisis and the current tendency to freeze salaries, salary raises have become a delicate matter. So why not focus on customised benefits or flexible payment dates to show your appreciation for your workforce?”**

Michael Custers, Chief Marketing Officer at SD Worx





## Sparks by SD Worx

HR is not what it used to be. Businesses have evolved rapidly in the digital age and the same applies to the people working in them. Their horizons have widened, resulting in new expectations. The COVID-19 pandemic further accelerated this trend and gave it a new twist. Today, workers are far more demanding: people expect continuous performance reviews, flexible paydays, real-time information and a portfolio of reward options they can choose from.

However, the companies which offer their talent a remuneration system that reflects life stages, preferences and personal needs remain a small minority. The awareness that a one-size-fits-all policy is obsolete hasn't reached every HR department yet.

At SD Worx, we are convinced that employee recognition – the positive acknowledgement of hard work and performance – will become increasingly personalised in the years to come. The ultimate goal is to motivate and incentivise each and every employee to be the best version of himself/herself. And do keep in mind that the future is determined by what you do today.

**[Discover how to make remuneration more flexible](#)**




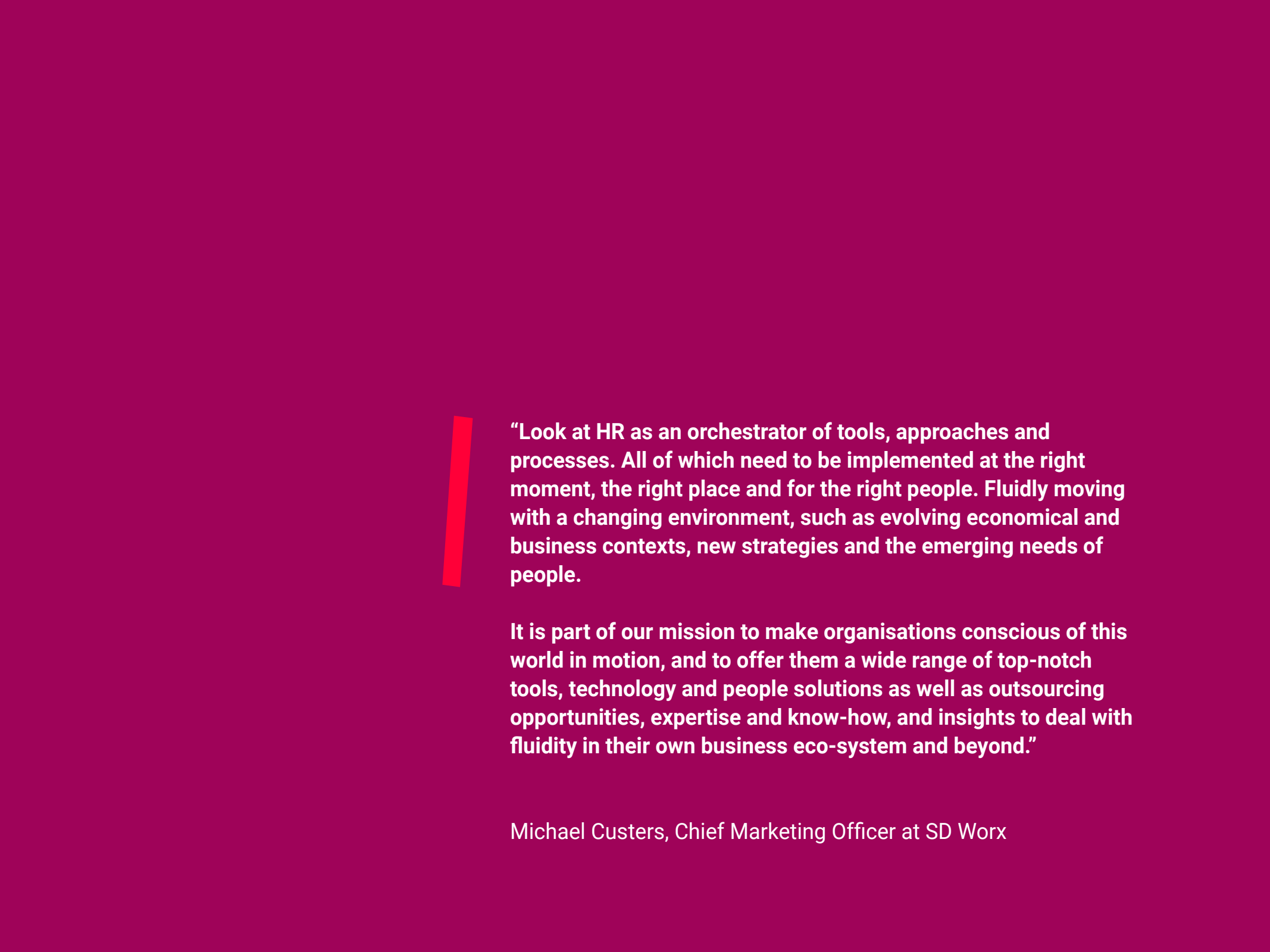
# Conclusion

The world is volatile, uncertain, complex and ambiguous (VUCA), more so than ever before. It took a worldwide pandemic to prove the last non-believers wrong. The good news: there's an antidote to those challenges. The VACINE theory from Peter Hinssen – a worldwide keynote speaker and author on corporate innovation – has gained renewed attention and we think there's great potential in it for HR and payroll. In short, this means that organisations should put velocity, agility, creativity, innovation, networks and experimentation (VACINE) at the centre of their strategies.

The goal is to properly adapt to new circumstances whenever changes occur. Needless to say that HR professionals and entrepreneurs will play a crucial role in this capability by integrating flexible, customised, continuous, and agile approaches into their way

of working. Or in other words: by being fluid. Fluidity in HR will be essential to the success and growth of European companies. Those who hold on to obstinate objectives and strategies are bound to pay the price at some point. In order to take a leap, every HR department should resemble a Hula-Hoop shaker, combining both a solid base, including payroll, and an agile top section capable of creating fluid movements, such as flexible rewards.

However, our survey indicates that there's still plenty of room for optimisation on the payroll and reward front. Although companies consider smooth, efficient payroll calculation and payment their top priority, **outsourcing and flexible remuneration are not yet seen as the game changers they could be.**



**“Look at HR as an orchestrator of tools, approaches and processes. All of which need to be implemented at the right moment, the right place and for the right people. Fluidly moving with a changing environment, such as evolving economical and business contexts, new strategies and the emerging needs of people.**

**It is part of our mission to make organisations conscious of this world in motion, and to offer them a wide range of top-notch tools, technology and people solutions as well as outsourcing opportunities, expertise and know-how, and insights to deal with fluidity in their own business eco-system and beyond.”**

Michael Custers, Chief Marketing Officer at SD Worx

