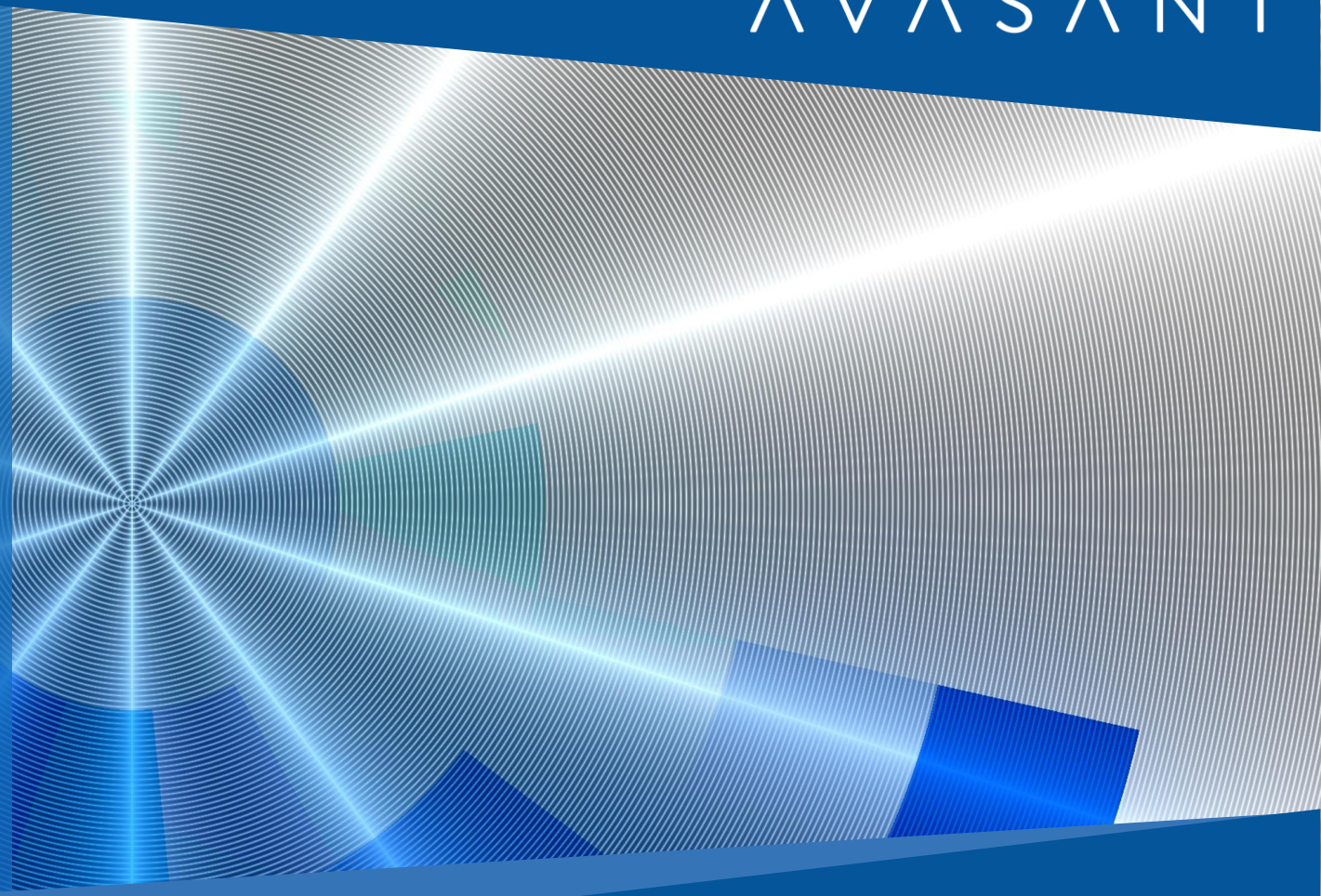
AVASANT

Payroll Business Process Transformation 2023–2024 Market Insights Excerpt

Process transformation for compliant, cost-efficient, and employee-centered payroll

November 2023



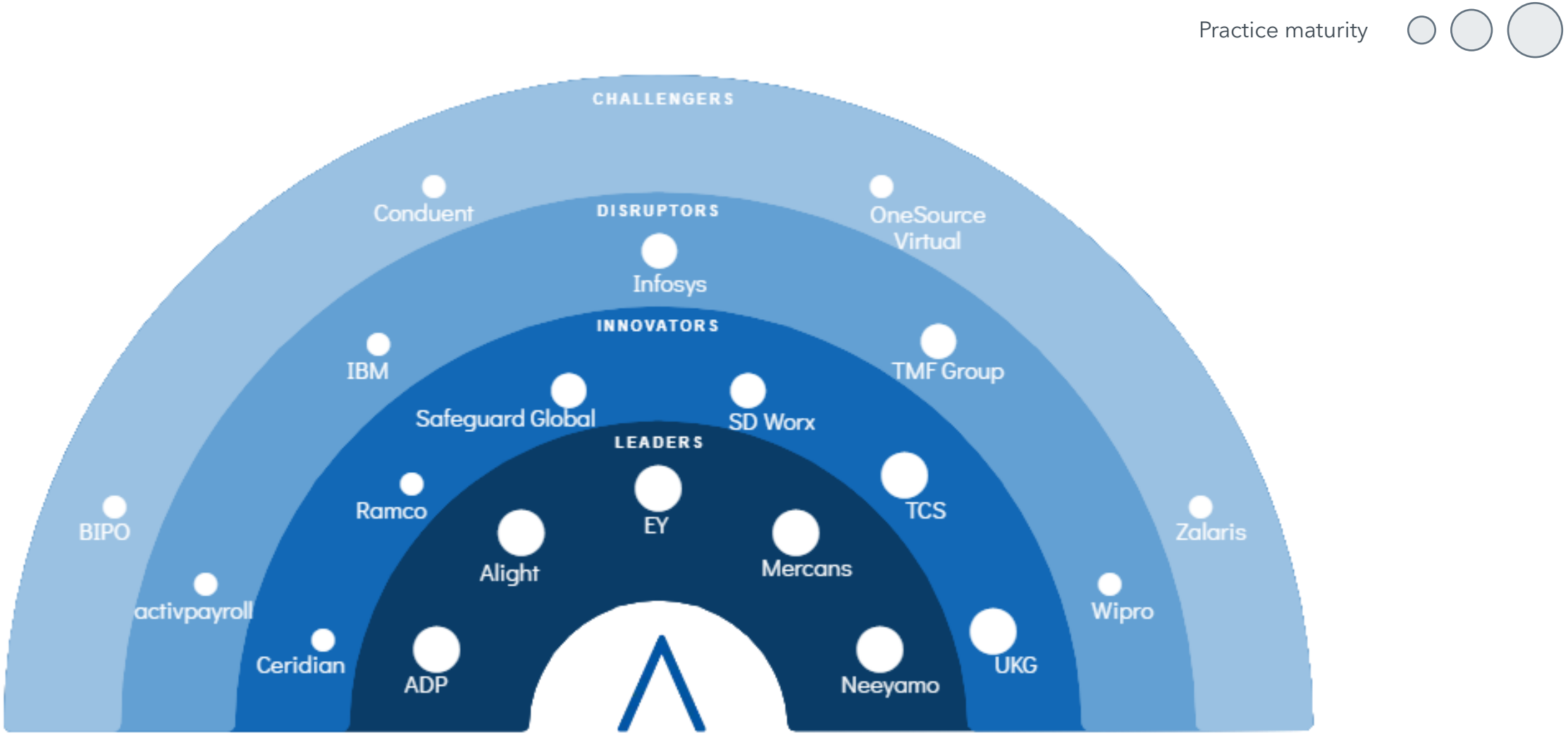
RADARVIEW™

Table of contents

Key enterprise payroll trends shaping the market

Companies transform the payroll function to keep compliance and costs in check	• Paying employees in an accurate and timely fashion and minimizing regulatory fines have always been top priorities for payroll professionals. As payroll is a back-office and internal business function, transforming payroll processes has never been a key priority for enterprises. • Currently, the above trend is changing. Businesses are now transforming their people, processes, and technology to further optimize costs, streamline compliance, unify global payroll operations, and improve employee experience.
Demand for localized payroll services with a global view is growing	• Given the statutory and language requirements, the payroll function still needs local support across different jurisdictions. Traditionally, organizations engaged with multiple, local service providers to process payroll for different jurisdictions. Lately, they are consolidating their vendor base for a unified process view. • Enterprises increasingly look for multicountry payroll service providers who can unify payroll processes across different geographies without compromising local compliance. As a result, the number of active clients for multicountry payroll service providers has grown by 21% between June 2022 and June 2023.
Deployment of HCM suites and integrations with payroll engines continue to expand	• To minimize payroll calculation and administration errors, firms focus on streamlining and automating their upstream payroll process, such as employee data management and payroll file preparation. • By adopting HCM suites and automatically integrating employee data with payroll engines, firms optimize their upstream payroll tasks. Nearly 35% of organizations are currently planning or considering new HCM investments between January 2023 and July 2024, specifically to streamline their payroll function.
Adoption of tech levers such as AI, automation, analytics and on-demand payment methods gains traction	• Digital technologies such as AI, automation, and analytics further help companies improve their employee self-service functionality, offer mobile access to payroll and HR data, resolve employee queries, generate pay parity and payroll process insights, and improve payroll accuracy and compliance. • Enterprises are creating a differentiated brand value by helping employees decide when, where, and how they get paid. By offering flexible payroll methods, such as earned wage access cards and payroll cards, businesses improve employee financial and mental well-being and engagement.

Avasant recognizes 20 top-tier providers offering payroll business process transformation services



Compliance and costs continue to be key payroll priorities; process transformation helps firms better manage these priorities

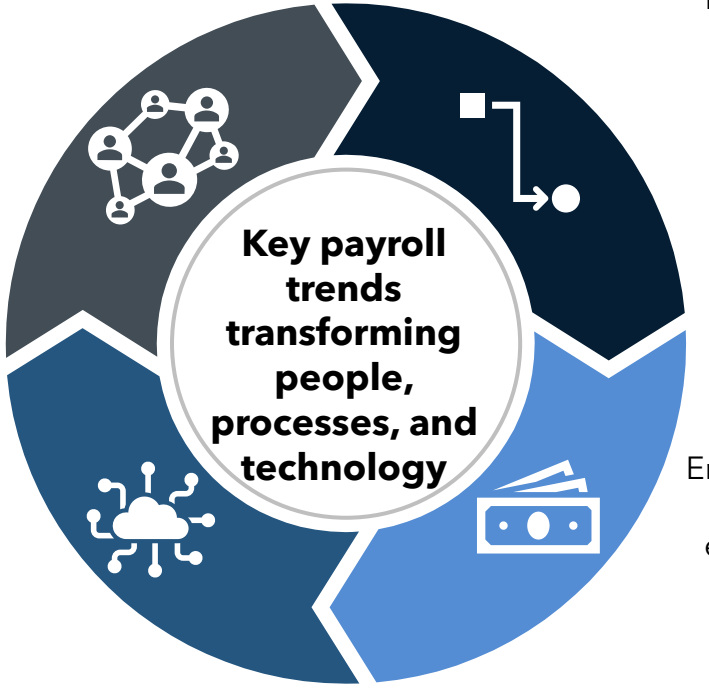
Payroll is a backend, internal business function with the sole objective of paying employees in an accurate and timely way. Process transformation has never been the highest priority of payroll buyers, as they have always been focused on costs and compliance. Currently, this trend has changed as enterprises look to improve compliance and costs and manage ancillary priorities such as unifying global payroll operations, generating payroll insights, improving employee experience, and facilitating seamless employee mobility.

Vendor consolidation

Companies want to move away from an aggregator-led model without compromising on localized payroll services. Hence, they are increasingly partnering with multicountry payroll service and platform vendors.

Technology adoption

Firms are adopting AI, automation, and analytics to offer employee self-service, reduce manual efforts, and generate insights such as payroll cost analysis and pay parity insights.



Upstream payroll processes

To minimize downstream payroll errors, businesses are now focusing on payroll input validation by adopting HCM suites and automating payroll input integration with payroll engines.

Flexible payment methods

Enterprises are exploring flexible payment methods, such as payroll cards and earned wage access cards, to enable employees to choose when, where, and how they get paid.

Source: Avasant research

Companies are exploring new-age, on-demand payment methods to improve employee financial well-being and engagement

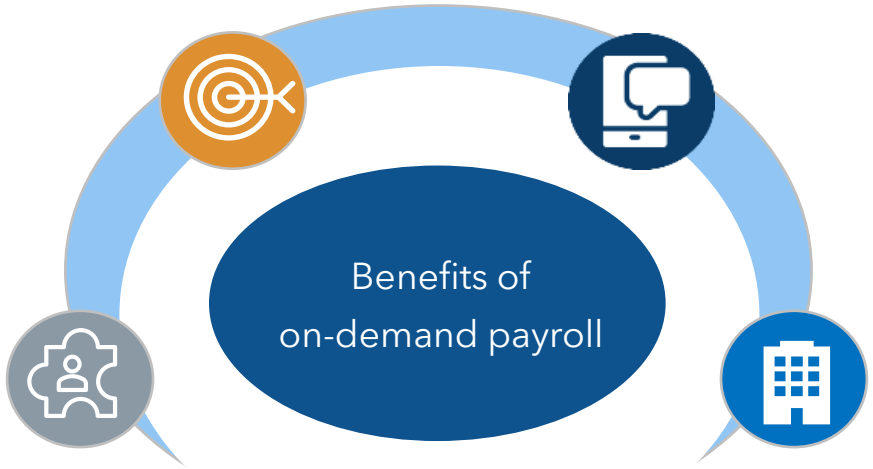
Through new-age payment methods, such as payroll cards and earned wage access cards, enterprises are enabling employees to choose when, where, and how they get paid.

Flexible access to funds

Affords employees access to part of their salaries ahead of their formal payday.

Alternate payment sources

Reduces dependence on traditional bank accounts through digital wallets and pay cards.



Employee financial well-being

Facilitates better financial planning for both the blue- and white-collar workforce.

Employee engagement

Engages the Gen Z and millennial workforce better through self-service functionality.

Illustrative examples

Crate&Barrel

Implemented OneSource Virtual's flexible payment solution to help employees access their earned wages, thereby improving employee productivity and financial and mental well-being.

green lawn FERTILIZING

Leveraged Paylocity's On Demand Payment solution to offer earned wage access to its employees. It improved employee engagement by providing off-cycle, flexible payment functionality.

JAE RESTAURANT GROUP

Integrated Payactiv's Earned Wage Access solution with ADP to improve employees' financial well-being by offering them timely access to their earned wages, especially during COVID-19.

Source: Avasant research

AVASANT

Empowering Beyond

GET CONNECTED

www.Avasant.com