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Payroll expectations vs. reality: 5 key findings

A study of the state of payroll in the U.K. through the lens
of employees and employers



Payroll is changing — are you keeping up?

In partnership with Workday, we surveyed **150 decision-makers** and **1,500 employees** in the U.K. to get the latest pulse on payroll trends, expectations, and areas for improvement. The results reveal the disparities between employee and employer perspectives across a number of key trending topics, such as employee retention, pay equality, and benefits and wellbeing.

While payroll has come a long way, it still has a long way to go. The survey results show how the payroll function is evolving to take on a more strategic role in the business, as a result of dedicated technology that can better support their needs.

We take a deep dive into five key takeaways as we explore the changing nature of payroll and the impact this has on business.



Key takeaways

- 1 Payroll errors significantly impair employers' ability to retain employees.
- 2 Employers' perception of the fairness and equality of pay does not match employees' view.
- 3 A pay increase is the most important factor keeping employees at their current employer. But most employees are unlikely to request one.
- 4 Payroll support teams feel that they frequently handle many employee questions and requests, whereas employees feel that they reach out to payroll only occasionally or rarely.
- 5 Both employees and employers are confident using the functionality of their payroll system/solution. But payroll challenges like manual processes and lack of visibility persist.

"Over recent years U.K. payroll has seen seismic changes to legislation, from Auto Enrolment and Real Time Information to National Minimum Wage and the Furlough Scheme. Combine this with the shift in tighter payroll compliance, as regulatory bodies such as HMRC and Pension Regulator issue significant fines for non-compliance audits, payroll transformation has become a critical process for organisations.

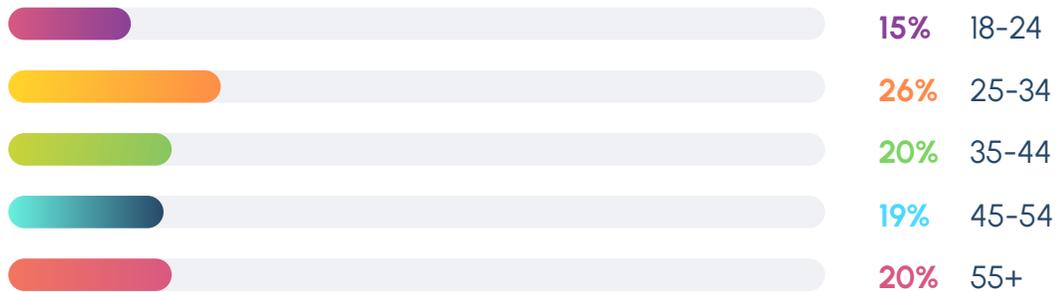
More than ever, the true cost of payroll is being acknowledged by the boardroom, along with employee experience and talent management strategies for new hires and retention. Organisations that recognise the importance of adopting a cloud-based system that can run intelligent and automated payroll calculations, audits, and tax updates will stand to benefit the most.

Next-gen payroll solutions are at the frontier, enabling businesses to leverage control from a consolidated system and to benefit from flexibility and real-time insights to drive growth and innovation."

Phil O'Reilly, EMEA Head of Payroll, OneSource Virtual

Employee demographics

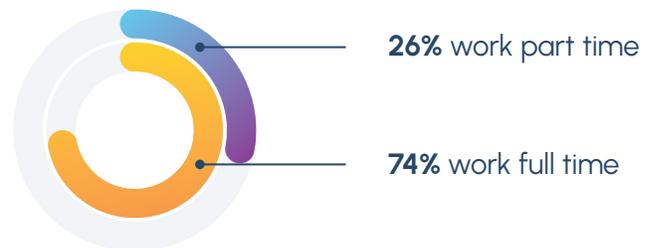
By age:



By gender:

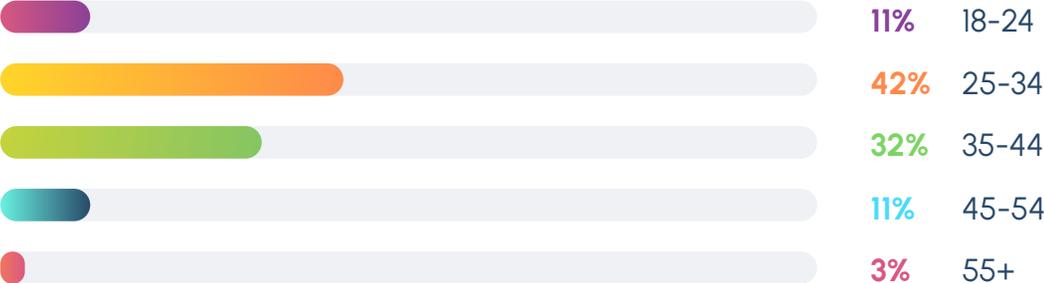


By employment status:



Employer demographics

By age:



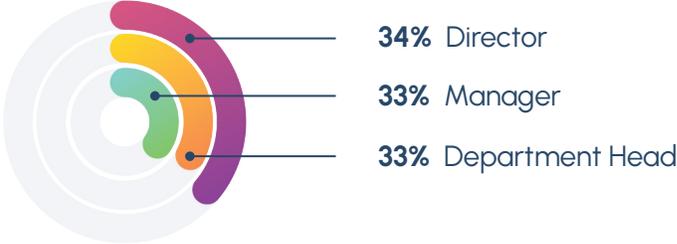
By gender:



By job function:



By job role:



Key finding 1

Payroll errors significantly impair employers' ability to retain employees.

Facilitating a positive employee experience should always be a top priority for employers. With job vacancies at record high in today's tight labour market, employee retention has become even more crucial. According to CIPD's Labour Market Outlook¹, just over three-quarters of employers are looking to fill vacancies, and as the Great Resignation

continues, keeping the existing workforce motivated and compensated is vital.

As a key part of the employee experience, accurate and on-time pay is a factor that companies cannot ignore.

65%

of employees are more likely to leave their employer if they experienced payroll errors, such as **being paid late** or **inaccurately**.

Mistakes within the payroll process are one of the main causes of payroll errors. Running a payroll function effectively and accurately relies on the right resources — adequately trained employees understanding the process and compliance nuances required — and the right tools that can handle the complex nature of pay calculations and tracking.

Manual spreadsheet processing and legacy systems open the door for errors and lack the automated

and integrated capabilities that companies are looking for across payroll and HR data. Aligning employee pay with HR and line management actions (such as salary adjustments or notices of employee resignations) is seamless with an integrated payroll solution. A consolidated system offers the crucial visibility needed into reports and payment schedules that support error-free payroll — and in turn — impact the employee experience.

¹ CIPD's Labour Market Outlook

Paid late



Across industries, **13%** of employees on average have been **paid late 1-2 times** in the past 12 months.



21% of respondents in **Arts & Culture**

Compared to other industries, more employees in **Arts & Culture** reported being paid late 1-2 times in the past 12 months.

Paid inaccurately



Across industries, **22%** have been paid inaccurately 1-2 times in the past 12 months.



30% of respondents in **Healthcare**

Compared to other industries, more employees in **Healthcare** reported being paid inaccurately 1-2 times in the past 12 months.

No employee should have to worry about being paid late or inaccurately. Yet late and inaccurate pay is still happening — with over **1 in 5 employees** reporting inaccurate pay at least 1-2 times in the past 12 months.

Consideration: How are you ensuring employees are paid on time and accurately?

Uncertainty about receiving on-time or accurate pay can lead employees to experience negative emotions.

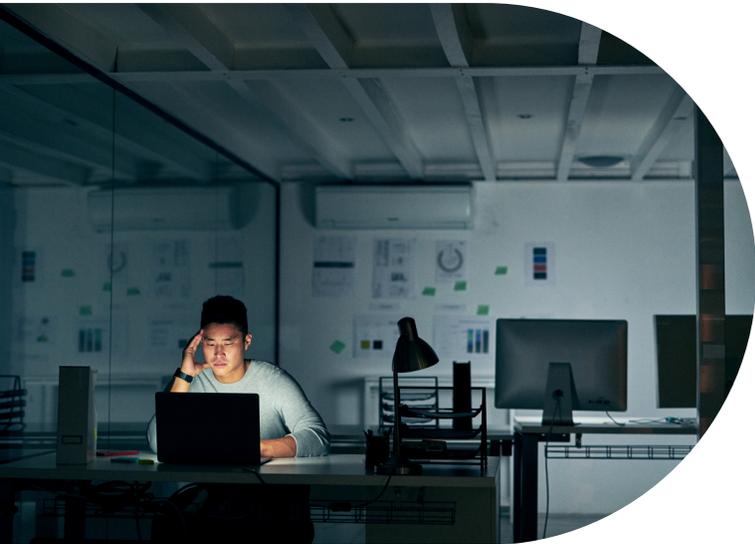
The top three: **19%** Pressured **29%** Underappreciated **45%** Anxious

These results reflect how much late or inaccurate pay can affect employee well-being, contribute to job dissatisfaction, and cause financial stress. Financially stressed employees miss almost twice as many days (3.5) each year compared to their

unstressed counterparts,² resulting in decreased productivity and increased absenteeism. Payroll errors can also impact customer service delivery and attribute to difficulty with talent acquisition and retention.

² Center for Retirement Research at Boston College

Employers attribute late or inaccurate pay to administrative issues in payroll.



On the employer side, those that are responsible for payroll are aware of their organization's payroll issues and how frequently payroll is late or inaccurate.

3 in 5



In fact, **3 in 5** employers state that payroll has been late/inaccurate **3 or more times in the past 12 months**.

3-4 times



Across the three functions surveyed (HR, finance, and payroll), on average respondents can account for **3-4 times in the past 12 months** where administrative issues have affected payroll.

These results point to payroll errors as a persistent recurring problem — not just an anomaly — for most organisations. While employers in payroll-related positions are aware of these issues, the statistics reflect that they have not found payroll processes or solutions that work and are still trapped in this cycle of payroll errors. **Now, the responsibility rests on employers to strategise and evaluate new payroll processes that will help eliminate (or at least minimize) these recurrent errors.**

The disparity between the higher percentage of employers reporting late/inaccurate pay vs. the lower percentages of employees who have experienced late or inaccurate pay could be due

to payroll teams catching many issues before they reach employees. While employees are only aware of the payroll errors that aren't caught before payday, payroll teams spend a lot of time in the background fixing issues.

While your payroll team may be accustomed to their current solutions, they still spend a significant amount of time adjusting and fixing employee pay. This time would be better spent reevaluating your payroll system and processes to see if a different solution could more effectively meet your needs. Take advantage of a system that can automate these fixes and provide visibility into errors via dashboards.



Key finding 2

Employers' perception on the fairness and equality of pay does not match employees' view.



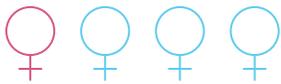
80% of employers believe that their organization pays employees fairly and equally.

But only **54% of employees** believe they are paid fairly/equally.

Employee perceptions of pay fairness and equality

When broken down by age, gender, and industry, the statistics reveal further disparities.

By gender:



1 in 4 female employees believe that they are not paid fairly/equally — in contrast with only 17% of male employees who believe the same.

By age:



1 in 4 of those in the 25-34 age group believe they are not paid fairly/equally.

By industry:

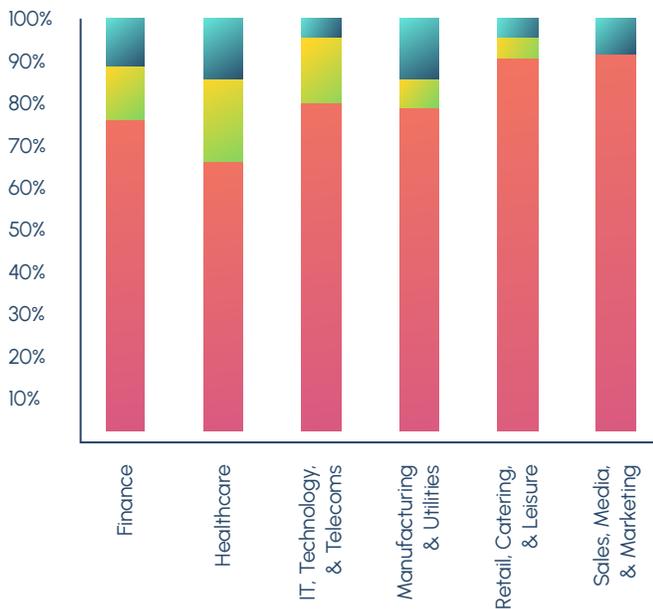
Top 3 industries where employees do not feel that they are paid fairly/equally:

23% Legal **26%** Education **30%** Healthcare

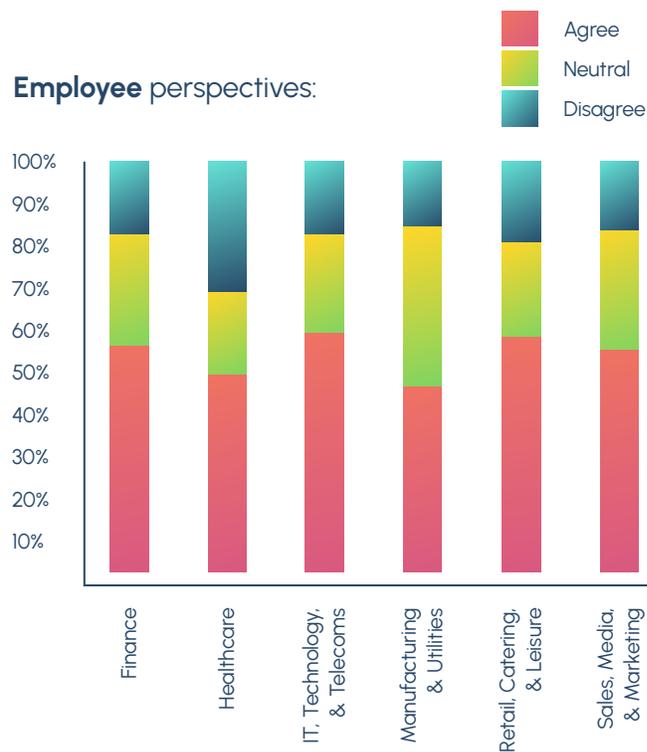


Employer vs. employee perceptions of fair and equal pay across industries

Employer perspectives:



Employee perspectives:



Q: To what extent do you agree or disagree with the following statement: "My organization pays employees fairly and equally"

Q: To what extent do you agree or disagree with the following statement: "I believe that I'm paid fairly/equally"

Top 3 industries with the greatest disparities:



1. Sales, Media, & Marketing



2. Manufacturing & Utilities



3. Retail, Catering, & Leisure

Employees in the Sales, Media, & Marketing industry were **39%** less likely to agree with the given statement than employers in that industry. Manufacturing & Utilities employees were **34%** less likely, and Retail, Catering, & Leisure employees were **30%** less likely. Employers in these industries should realize that their perceptions of pay fairness

and equality significantly differs from those who they employ.

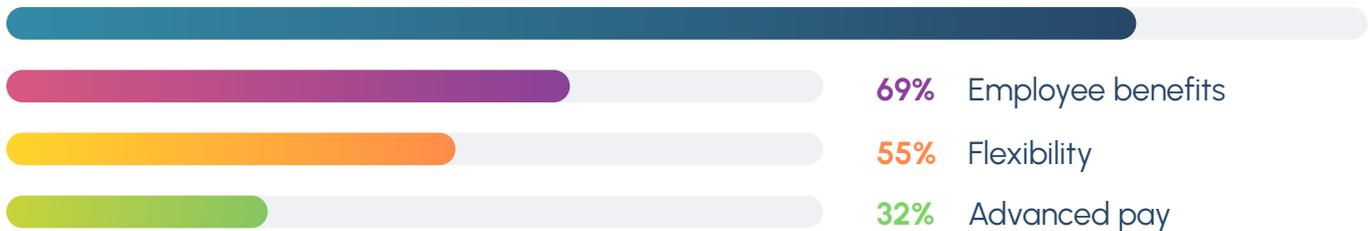
Consideration: When payroll teams have visibility into advanced data insights, they are in a unique position to capture this information to assist HR in identifying diversity, inclusion, and belonging opportunities and ensuring fair and equal pay.

Key finding 3

A pay increase is the most important factor keeping employees at their current employer. But most employees are unlikely to request one.

Employee factors that determine whether to stay with current employer:

83% said that a **pay increase was important** when considering staying with their employer



Q: How important or unimportant are the following factors to you when considering whether to stay with your current employer or not?

Advanced pay, also known as Earned Wage Access (EWA), enables employees to access a portion of their wages before payday. This new trend is increasingly becoming adopted in the U.K. as the solution enables an alternative digital payment and empowers employees to access their earned pay instantly.

According to PwC's Wellness Survey, **nearly 2/3 of employees** are stressed about their finances,

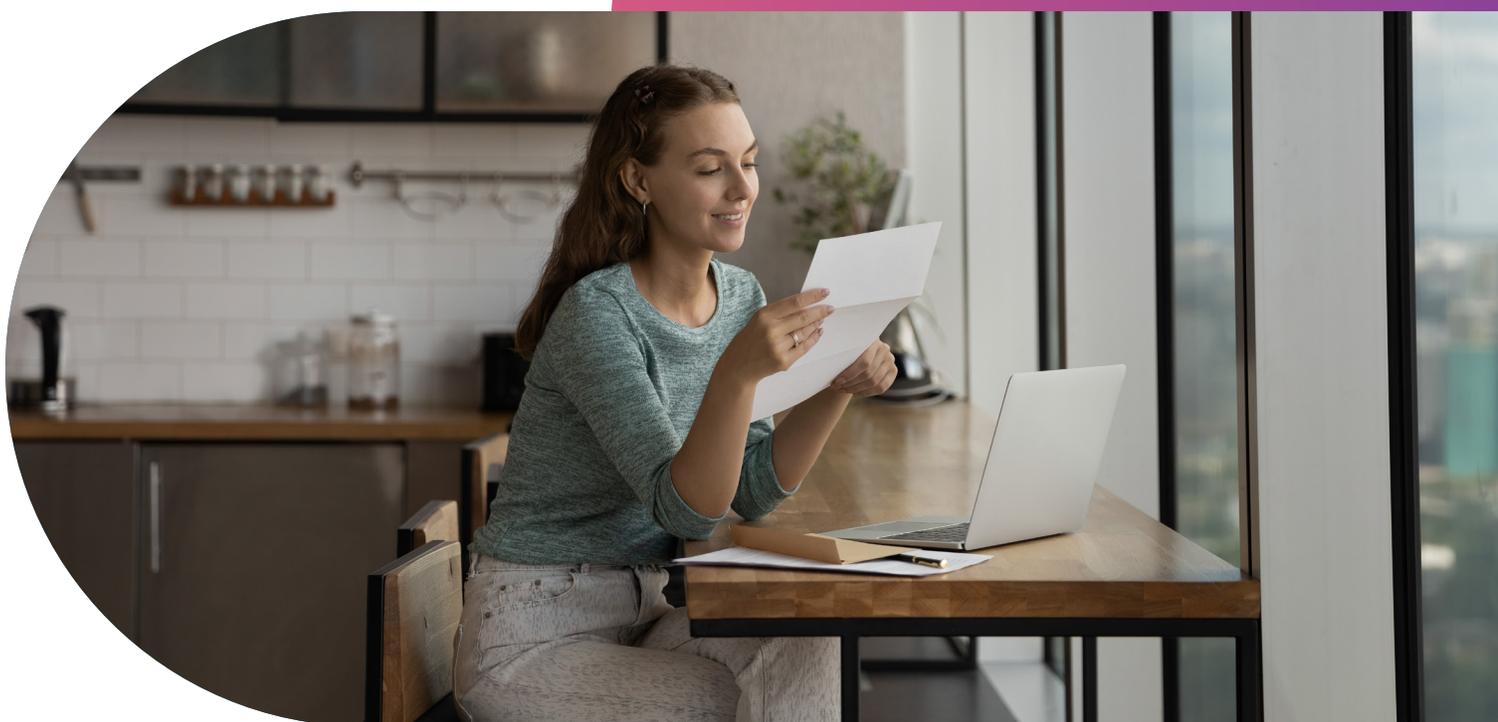
and worrying about pay is a top distraction at work. Advanced pay and its value in offering employees more control will likely become a more important benefit when determining whether to stay with an employer, and this **32%** figure is expected to rise.

Leading employers recognise that providing employees with the ultimate benefit of financial flexibility boosts engagement as well as attracts/retains talent who are looking to work for innovative

organisations. More companies will partner with payroll service providers to provide this payment benefit for their employees.

It is evident that, while EWA is a component to financial wellbeing, organisations are also being challenged with additional steps to consider — ensuring fair pay and providing additional financial management education across the workforce. Providing training and coaching on saving and budgeting will provide employees with the essential skills to better handle money pressures and everyday financial commitments — significantly improving employee wellbeing, work-life balance, and productivity for business success.³

Employee benefits is the second most important factor at keeping employees with their current employer. Now more than ever, the payroll function plays an increasingly vital role in bringing together data insights and evaluating benefits and compensation. Handling benefits manually may result in unnecessary errors and missed opportunity to improve employees' holistic wellness. **Consider how an automated application — coupled with an outsourced HCM provider — could not only identify potential errors before they happen, but also automate the data and provide administrative support as employees make changes.**



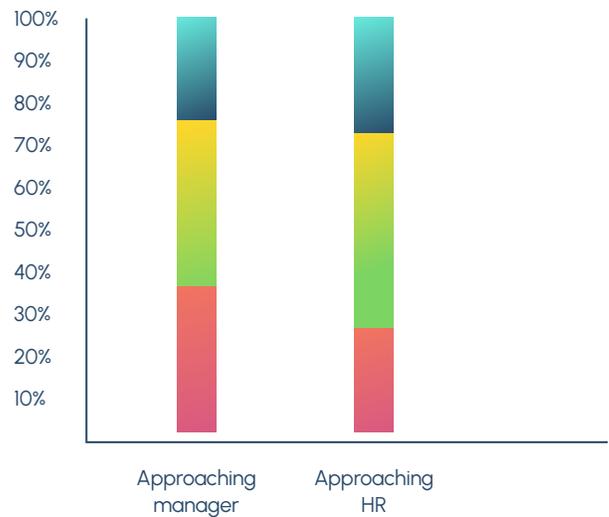
³ 2022 PwC Employee Financial Wellness Survey

Who do employees approach for a pay increase?

36% of employees are likely to approach their manager about a pay increase. **Only 27%** would ask HR.

However, most employees are unlikely to approach anyone about a pay increase, with **40% of employees** unlikely to approach their manager about a pay increase, compared to **44% who are unlikely** to approach HR.

Likely **Unlikely** **Neither Likely/Unlikely**



78% of employers are comfortable with employees approaching them for a pay increase.

In contrast to employees' hesitation to initiate these conversations, **78% of employers** across the functions surveyed (HR, finance, and payroll) felt similarly that they were comfortable with employees approaching them for a pay increase. Interestingly, there were no significant disparities between the three functions surveyed.



It's apparent from this study that, while a pay increase is an important factor in deciding to stay at an employer, **most employees are not comfortable asking for one**. For employers, these results underscore the need for direct managers and/or HR to initiate pay-related conversations with employees (or seek employee feedback through anonymous surveys) and implement internal strategies to increase transparency and clarity around the company's pay policies. These actions help employees understand what is being done in the background to evaluate their pay.

The responsibility lies with HR and company leadership to review employee pay on a regular cadence (annually at minimum). These analyses ensure that pay discrepancies for similar roles are supported by job-related criteria.⁴ Then, raises can be awarded in accordance with market research and internal job evaluations. Taking proactive steps to pay employees fairly — and not just giving raises to those who ask — is vital to ensuring employee satisfaction and increasing retention at your company.

⁴ SHRM

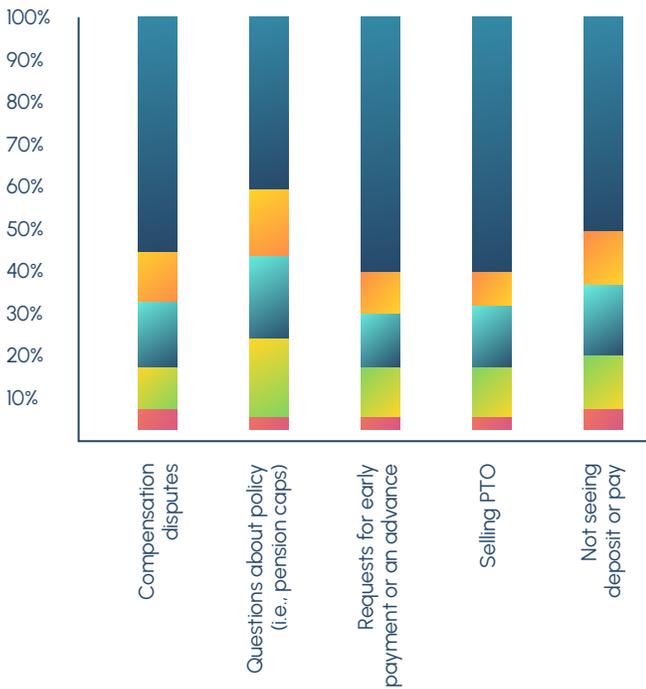
Key finding 4

Payroll support teams feel that they frequently handle many employee questions and requests, whereas employees feel that they reach out to payroll only occasionally or rarely.

Q: How frequently do you reach out to your manager or your company's payroll team?

Very frequently Occasionally

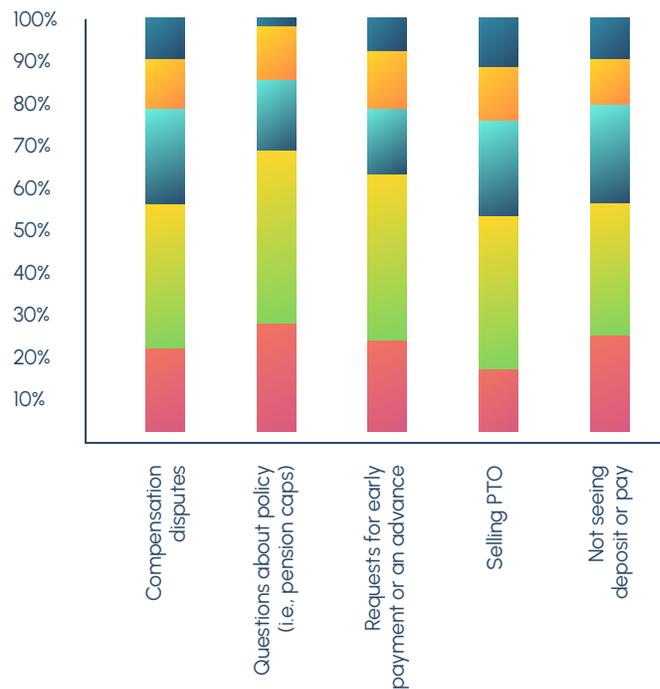
Employee:



Q: How frequently do your employees reach out to you about the following?

Rarely Very rarely Never

Employer:



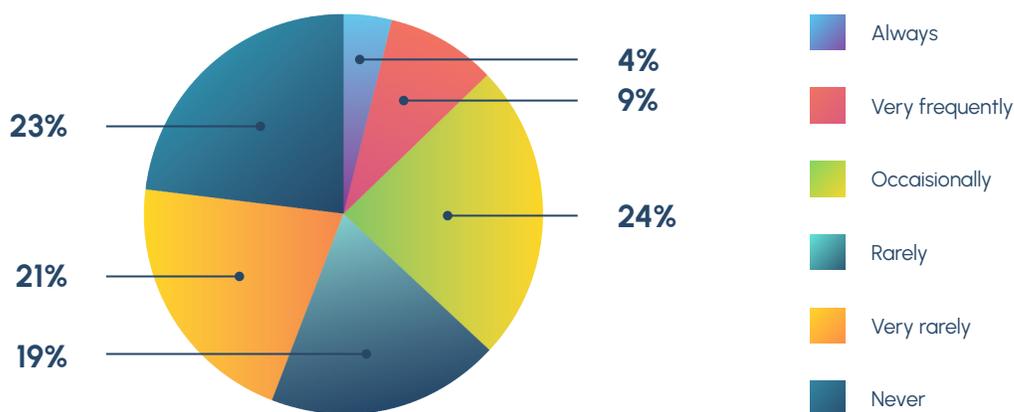
With all the employee queries they manage, payroll administrators must prioritize focusing on the right questions, not every single question. Since pay is

very important and very personal for employees, concerns about deposits or pay policy may always require human interaction to address any concerns.

However, activities such as providing earned wage access or the ability to sell PTO could be automated early on. With requests for advanced pay likely to increase as more companies adopt this flexible benefit, having **automated workflows**

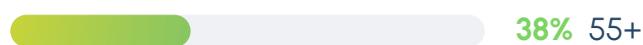
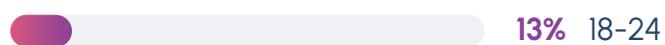
for these tasks and a payroll support partner can reduce administrative burden and free up your payroll team's time to handle questions that require a personal connection.

How frequently do you reach out to your manager or your payroll team with pay-related queries?



By age:

Only **13% of the 18-24 age group** is likely to never reach out to their manager or payroll team with pay-related queries. In contrast, **38% of those 55+** are likely to never do so.



This research highlights the discrepancies that exist across age groups when it comes to asking pay-related questions. Of all the age groups surveyed, the 55+ demographic was most likely to never reach out to their manager or payroll team with pay-related queries. With this finding in mind, companies with younger workforces should expect

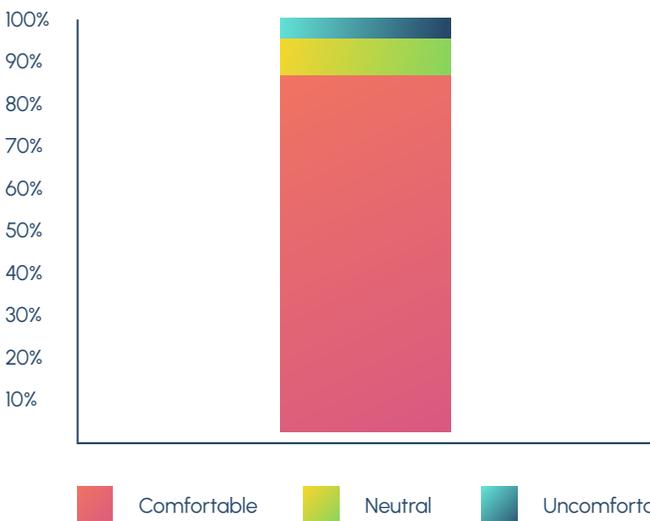
to field a higher volume of inbound questions. Conversely, a company with an older employee base may find that their workforce prefers having tools to find answers on their own. No matter the age of your workforce, providing financial education can help your employees be more self-sufficient in their decisions and queries on pay.

Key finding 5

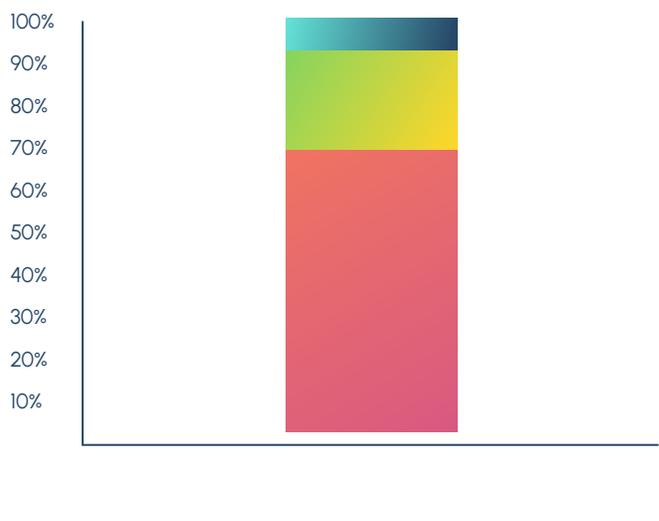
Both employees and employers are confident using the functionality of their payroll system/ solution. But payroll challenges like manual processes and poor data quality persist.

On both the employer and employee side, most respondents (**86% of employers and 68% of employees**) reported knowing their payroll solution functionality or being comfortable using self-service functionality.

Employer comfortability using the self-service functionality of in-house payroll software



Employee comfortability using the self-service functionality of in-house payroll software



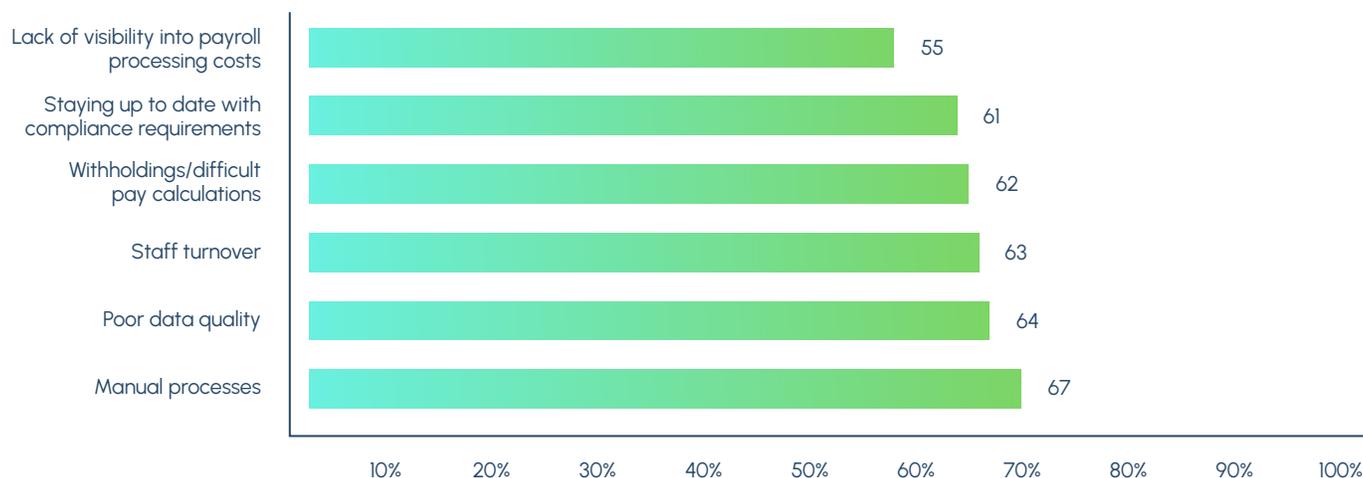
Almost **9 in 10 employers** said that they were comfortable with their in-house payroll solution's functionality. Additionally, almost **3 in 4 employers** in payroll or payroll support roles are satisfied with their payroll processes.

8% Dissatisfied **18%** Neutral **74%** Satisfied



Despite confidence with payroll solution functionality and high satisfaction with payroll processes, the survey highlights ongoing payroll challenges such as manual processes, poor data quality, and lack of visibility.

Q: How challenging, if at all, do you find the following payroll related pain points?



Each of the payroll pain points above was considered very or somewhat challenging by at least **55% of respondents**.

This research highlights that, while most employers are comfortable using their existing

payroll solution, it may not be meeting all their needs. For example, **64% of respondents** still struggle with poor data quality, and **67% of respondents** still find manual processes challenging.



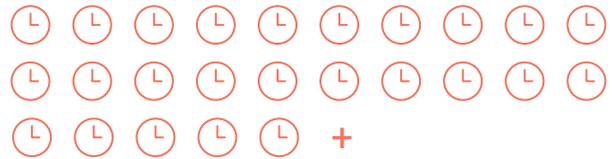
Time spent on manual processes

Manual payroll processes — the factor most often considered challenging — drains an average of **7 hours each week** from our study's respondents. In general, payroll respondents ranked higher on

average than those in HR and finance job roles. Payroll Directors reported an average of almost **10.5 hours spent** on manual payroll processes each week.



25+



Payroll leaders report **over 25 hours** lost to manual processes each week.

Other payroll roles ranked



Time spent on manual processes can increase the likelihood of errors and could be a contributing factor in **3 in 5 employers** reporting late or inaccurate pay **3 or more times in the past 12 months**.

Not enough data to tell the whole story

When asked if they have the proper level of visibility and insights to ensure compliance with regulatory updates and changes, **66% of respondents** reported having visibility through dashboards and reports. This contrasts with the remainder of respondents (**44%**) who either use spreadsheets/checklists or say that they don't have the visibility they need to ensure compliance.

With more than **4 in 10** of those involved in payroll lacking visibility to drill down and produce compliance reports, the inadequacy of existing payroll systems is apparent. These results highlight the likelihood that many respondents are not using the latest automated/cloud-based software that would provide intelligent insights and free them from many of the challenges they battle with their existing system.

Imagine if...

We asked those in payroll and payroll support functions to describe what life would be like if all their payroll pain points were resolved. Here are their responses:



A better way to do payroll

Despite the challenges they encounter with manual processes and lack of data visibility, payroll administrators have learned to work with what they

have and not challenge the status quo. But there's a better way to make payroll more doable and more efficient for your company.

Don't just take our word for it. Here's what our customers are saying:

Nilfisk needed a better way to organise its employee data, both to ensure accuracy and use data more strategically. The best route for them was a new global HCM and payroll solution — Workday.

"It's amazingly user-friendly and really, really flexible to configure."

Head of IT Innovation & HR Services at Nilfisk

"I've worked in several payroll systems, but Workday is by far my favourite one. And since partnering with OSV, everything has been working extremely well. We're pretty much error-free and that is why we continue to have a relationship."

Global Payroll Director at Zayo

"We wanted to have more control of our HRIS and payroll processing, and Workday seemed to be the best solution. It offers flexibility and great reporting and support, which were our top goals for an in-house system. Accuracy and scalability are a must for our payroll team. OneSource Virtual seemed like a great company to offer these critical skills."

Associate Director of Payroll at Jazz Pharmaceuticals



"Regardless of how the world is changing and the speed of these changes, the payroll professional will continue to be critical. However, the rate of current changes impacting payroll and the fact these show no sign of slowing down does really call on the need for the payroll professional to evolve.

More is expected from payroll than ever before, and the rate of impacting changes means payroll must adapt to deliver faster to meet these demands. Where there are high levels of manual process in place, this becomes a barrier to accepting change and could impact the wider organisation. For example, high error rates from limited automation could result in lower employee satisfaction and thus hurt the wider organisation's ability to hire and retain.

The right cloud-based payroll system will not just support but enable through providing more automation, removing the need to run local software upgrades and simplifying configuration. This will help free up the payroll team from repetitive tasks to focus on delivering initiatives that benefit both employees and the organisation."

Danny Rice, Senior Manager UK Payroll Product Management, Workday

About OneSource Virtual

Founded in 2008, OneSource Virtual (OSV) pioneered the Business Process as a Service (BPaaS) delivery model and has become the leading provider of automated solutions for organisations of all sizes using Workday. Through its dedication to unparalleled choices, unwavering commitment, and uncompromising care, OSV has helped more than 1,300 companies maximise their Workday investment, improve the employee experience, and operate more efficiently.

With more than 900 live customers today, OSV has employees in more than 40 different countries. Many of our customers have active mergers, acquisitions, and divestitures — resulting in a rapidly changing global footprint — all of which we can help with.

About Workday

Workday is a leading provider of enterprise cloud applications for finance and human resources, helping customers adapt and thrive in a changing world. Workday applications for financial management, human resources, planning, spend management, and analytics have been adopted by thousands of organisations around the world and across industries — from medium-sized businesses to more than 50% of the Fortune 500. For more information about Workday, visit [workday.com](https://www.workday.com).