Global Payroll & HR of the Future: Survey Results

Is your organisation set up and prepared for the Global Payroll & HR of the future?

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1. Respondents

The survey was carried out in June 2021 among members of the extensive GPA community. The respondents' organisations were 44% based in the US and 40% in Europe and the UK. Two-thirds of respondents represented organisations of over 1,000 global employees 60% worked for organisations in either Services or Technology industries. 53% operate in over 10 international markets.

2. Introduction

Globalisation means the acceleration of movements and exchanges of workers, goods and services all over the planet. One of the effects of globalisation is that it promotes and increases interactions between different regions and populations around the globe.

Corporations in developed nations can gain a competitive edge through globalisation whilst developing countries also benefit because their cost-effectiveness often attracts work from the developed world.

Most of the largest and most successful corporations in the world are effectively multinational organisations, with offices and supply chains stretched right across the world. These companies would not be able to exist if not for the complex network of trade routes, international legal agreements and telecommunications infrastructure that were made possible through globalisation.

One clear result of globalisation is that an economic downturn in one country can create a domino effect through its trade partners.

The global figures pre-pandemic were not great. World GPD growth fell to 2.9% in 2019 - its lowest rate since the financial crisis - and was expected to remain stuck at 3% over the next two years.

(Source: OECD Economic Outlook November 2019)

The global post-pandemic picture is mixed since, although the global economy is set to expand by around 5% in market exchange rates, it is in part dependent on successful deployment and spread of effective COVID-19 vaccines and continuance of existing fiscal, financial and monetary conditions. Although by the end of 2021 or early 2022, the global economy is expected to revert to its pre-pandemic level of output, this picture masks an uneven pattern.

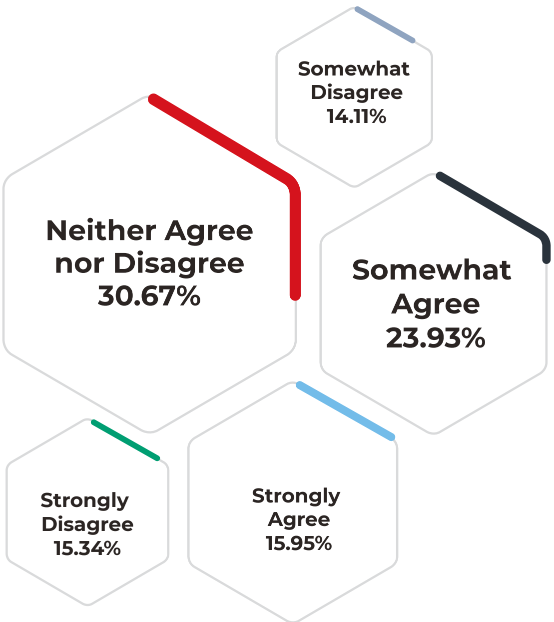
(Source: PWC – Global Economy Watch – Predictions for 2021)

Broadly, recovery will be uneven across countries, sectors and income levels; the more developed nations are expected to regain ground lost during 2020 during the course of 2021, whereas the rest of the world will take somewhat longer to recover; an effect exacerbated both by their devalued currencies costing them more to import necessities and due to slow take-up of vaccine programmes.

3. Coronavirus (COVID-19) Impact

Unsurprisingly, 40% of respondents agreed that the pandemic had slowed their organisation's global expansion plans over the year, although there were other factors such as Brexit and the trade war between the US and China which had created uncertainty in the commercial world.

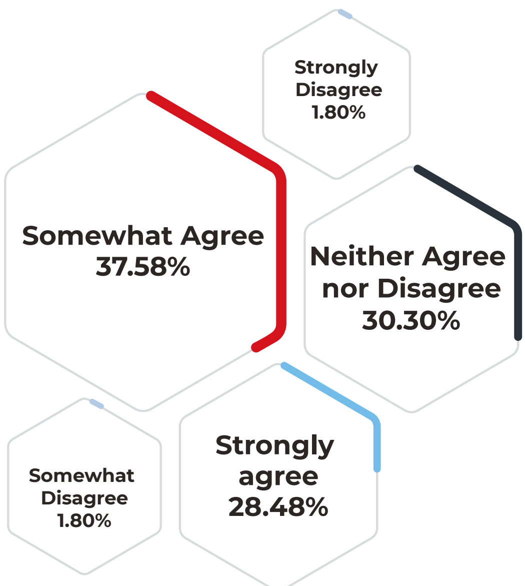
Did the Coronavirus (COVID-19) pandemic slow your organization's global expansion plans over the last year?



4. Global Expansion Plans

There is far more positivity (66%) towards global expansion now that vaccination programmes are being rolled out around the world

Do you feel more positive about your organization's global expansion plans, now the Coronavirus (Covid-19) vaccination programme is beginning its global roll-out?



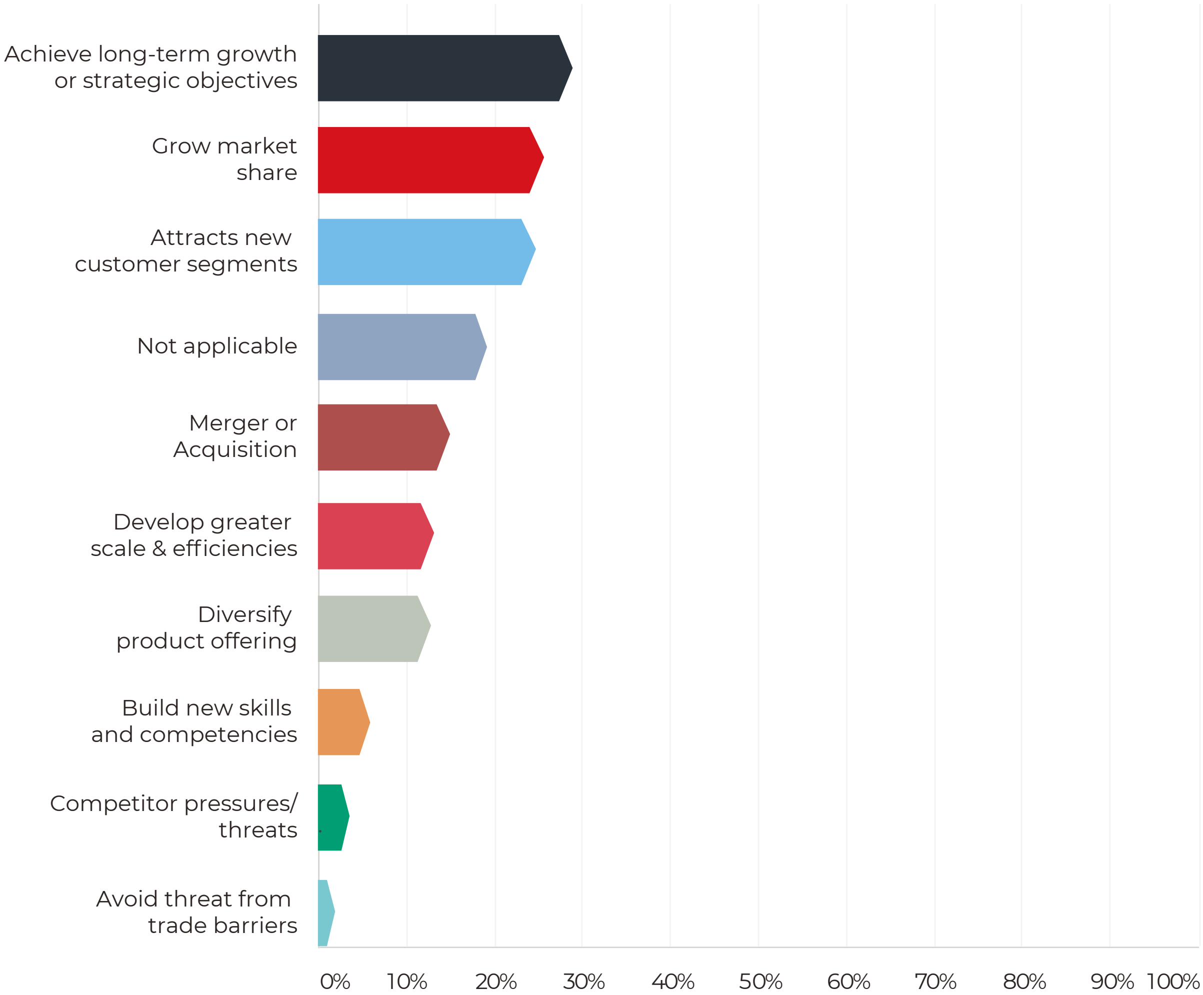
Recent research surveyed 166 CFOS and VPs of Finance of large companies, the majority of which have $500m or more in revenue. 100% of respondents said that their organisation's long-term strategy included expansion into countries where they do not currently operate.

These companies intend to continue moving across borders and into places where they do not yet have an operational presence.

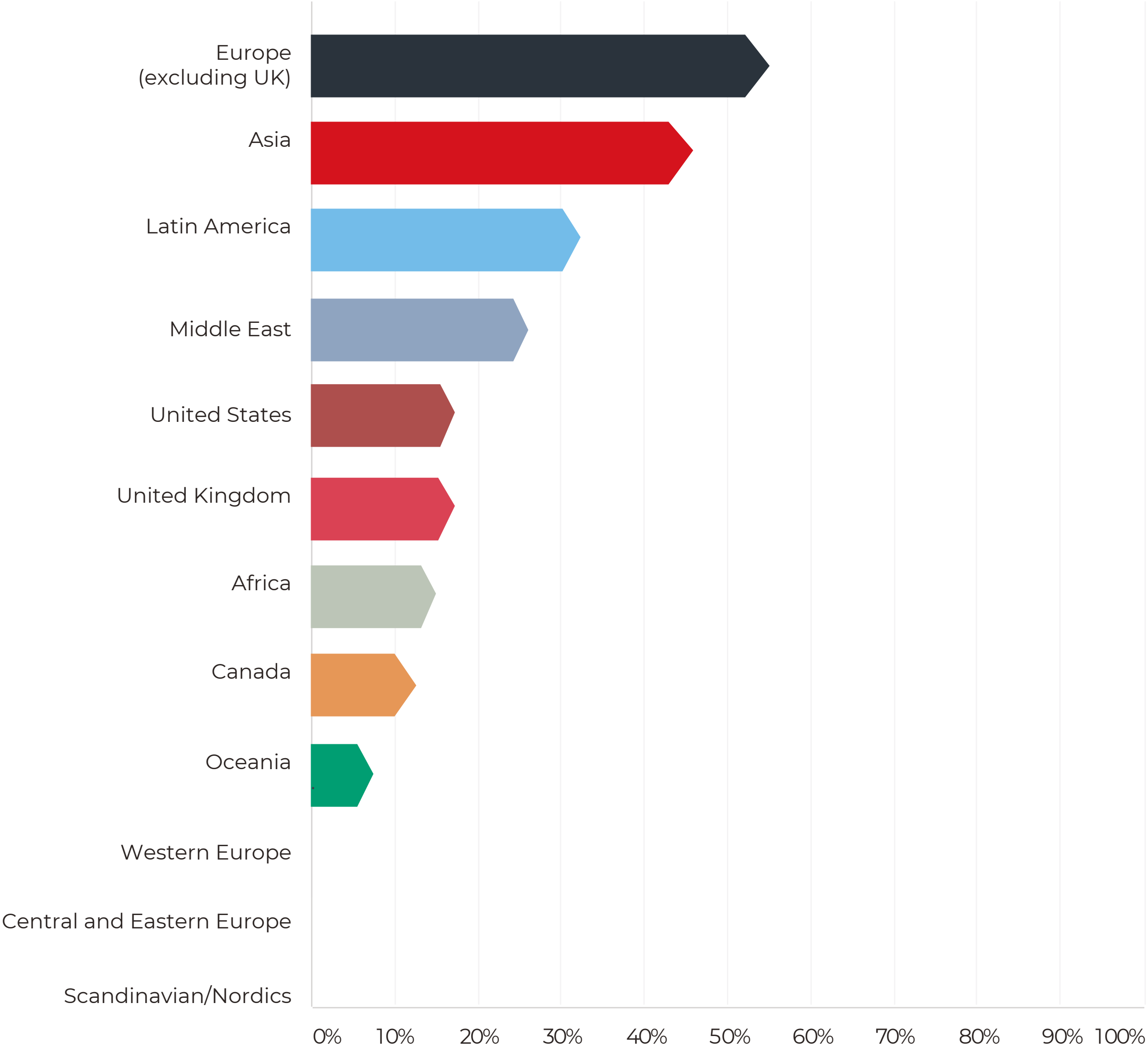
(Source: CFO Research of Argyle Advisory and Research Services & Globalization Partners)

Of the many reasons given for expanding globally, the key motivators were to achieve long-term growth or strategic objectives (39%), to grow market share (35%) and attract new customer segments (34%).

Why are you looking to expand into new territories / countries?



Which Countries / Regions are you looking to move into?



Although around 20% of respondents cited access to talent as a reason for global expansion, the figure rises to 33% when we look at the territories most favoured by respondents.

These were cited to be: Europe excluding UK (52%), Asia (48%) and Latin America (31%). Ease of doing business (27%) and flexible labour markets (23%) were other reasons given for the selection of these regions.

Why?

The number of respondents pursuing a move into Europe is most likely accounted for by the amount of UK respondents whose organisations are establishing a foothold in the EEA to facilitate doing business there post-Brexit. Additionally, some other global players will be setting up in Europe to fill the vacuum left by the UK's secession. Although it is universally acknowledged that EEA employment legislation and compliance regimes are extremely demanding and therefore costly.

By contrast, a vast population in Asia delivers a huge consumer market to companies and many international businesses seek to expand in Asia. This is for the simple fact that it is more profitable to offer a product or services to 263 million customers in Indonesia than to the 1.32 million in Estonia.

In recent decades, Asia has experienced a tremendous technological boom and the economies there have been relatively stable. GDP growth in many of the region's economies outstrips that of some Western countries

(Source: Acclime)

For the past fifteen years, Latin American economies have posted a faster GDP growth rate than developed regions. Businesses are keen to expand in Latin American countries and the rapid growth of foreign investment in LATAM is expected to continue.

Almost 80% of Latin America's GDP growth over the past 15 years has come from a rise in available labour

(Source: ReesMarx).

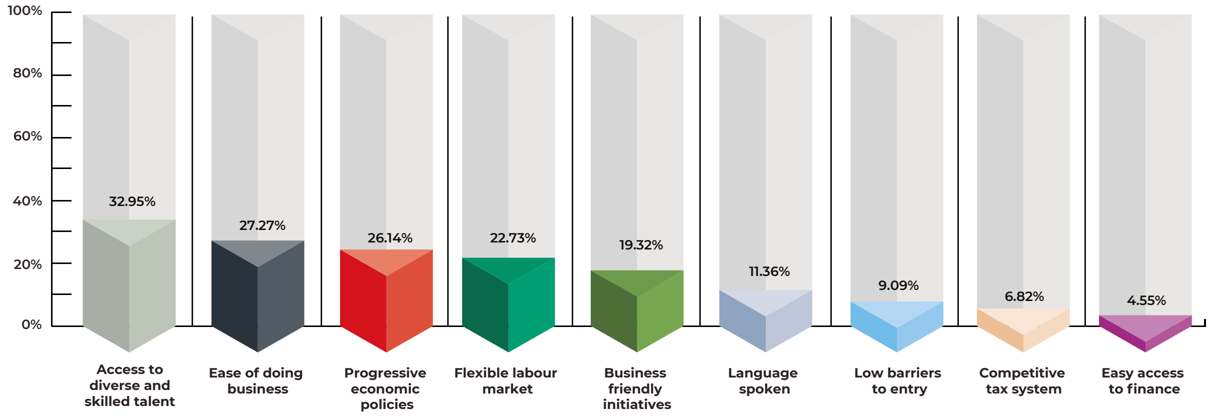
With other parts of the world presenting declining or ageing populations, leading to smaller labour pools, Latin American countries offer an interesting resource for business growth. Although current output rates per worker are low; output per worker has only risen 0.6 percent per year since 2000

(Source: ReesMarx).

This does, however, present an opportunity to improve productivity with better training and use of technology.

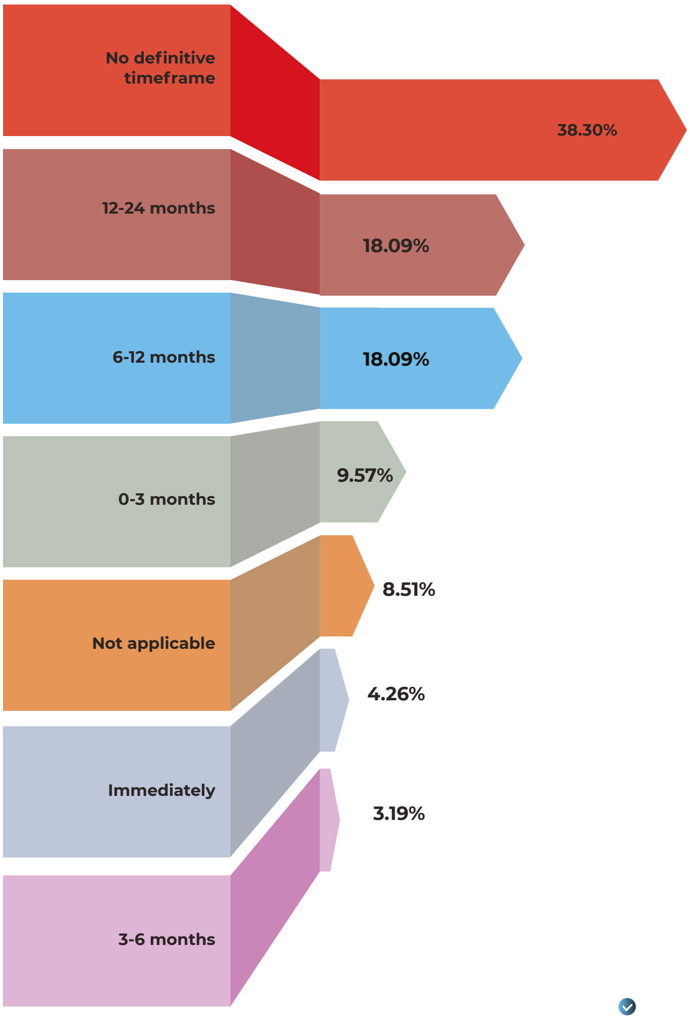
There can be little doubt about the potential of the last two regions; the pandemic caused 26 million jobs to be lost in Latin America and an estimated 81 million in Asia ***(Source: ILO)*** meaning a significant number of skilled workers are immediately available.

Why do you consider these locations to be attractive?

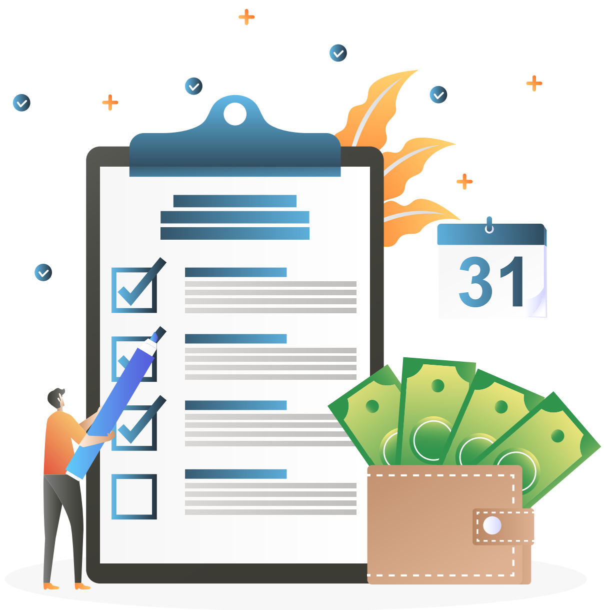


There was less definition about the execution of these plans as nearly 39% had no fixed time frame and 18% viewed this to be likely in the 12-24 month timeline.

How soon are looking to move?



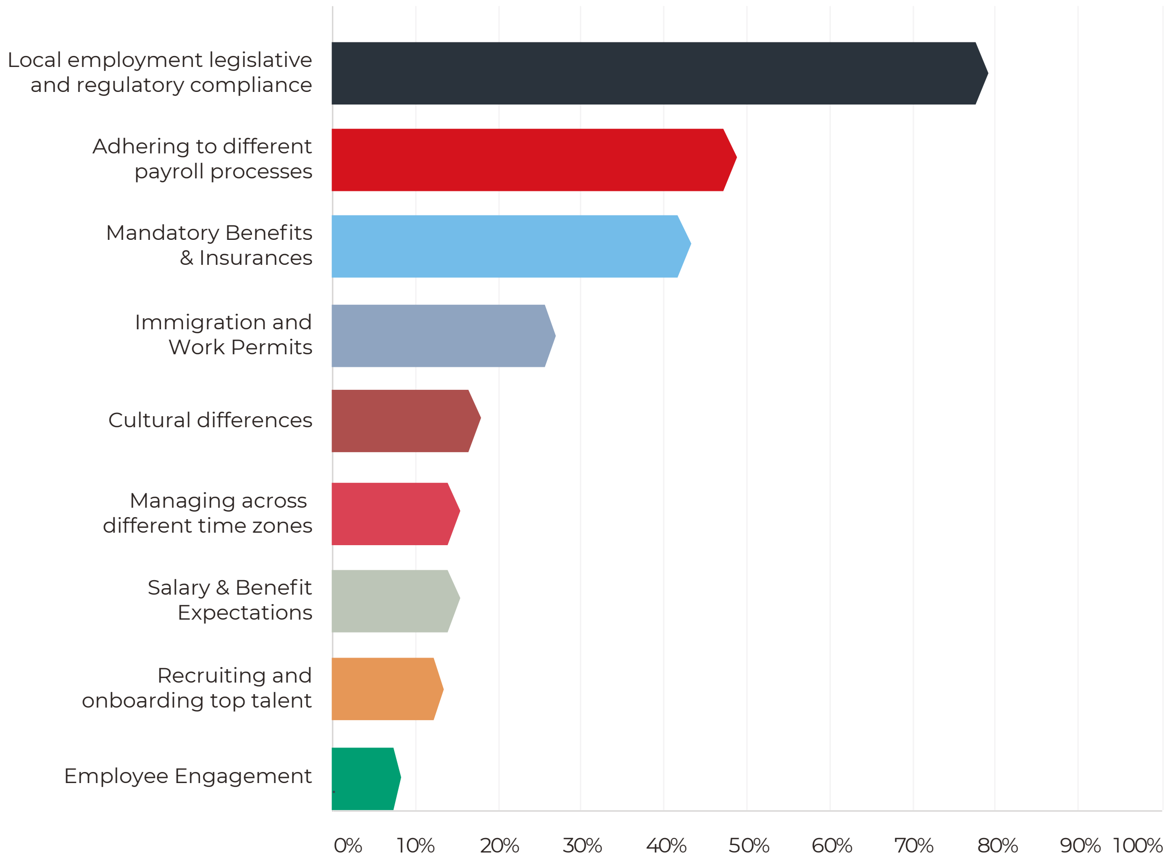
Therefore, although most countries are passing through recession or depression, businesses seems to perceive this as a blip and are continuing to expand their reach around the world.



5. Challenges for Global Payroll

The global picture for payroll continues to present challenges. Nearly 80% of respondents considered local employment legislation and regulatory compliance as the principal obstacle, followed by adherence to different payroll processes (51%) and mandatory benefits and insurances (42%)

What do you consider the biggest payroll & HR challenges/barries when entering new countries or territories? (Please rank your top 3 challenges)



Support for international HR activities is primarily provided internally (43%) although 39% use external providers. For international payroll and payment processing, the picture is somewhat different as internal expertise accounts for only 20% of respondents and two-thirds use various external sources.

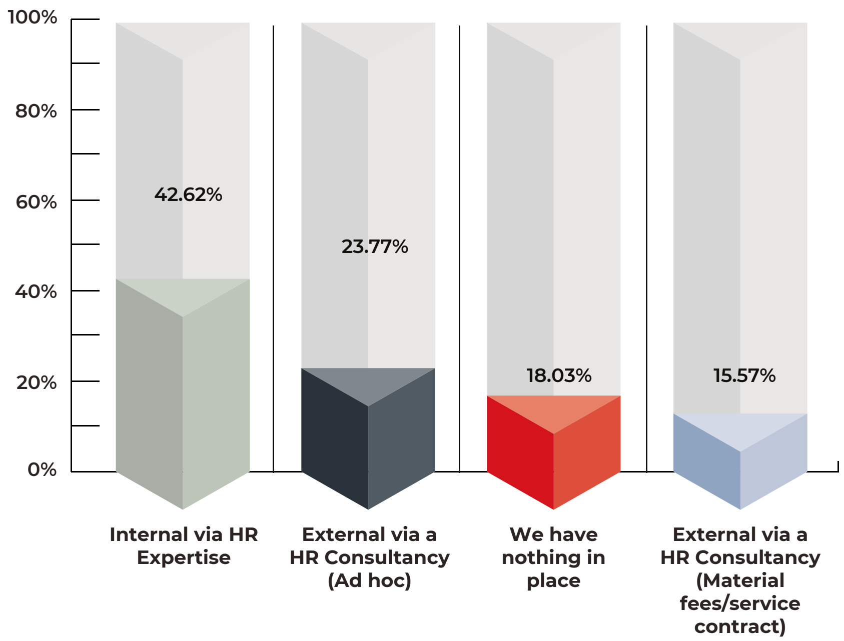
Nearly 53% of international payments are effected by internal means and 35% by external providers.

Payments

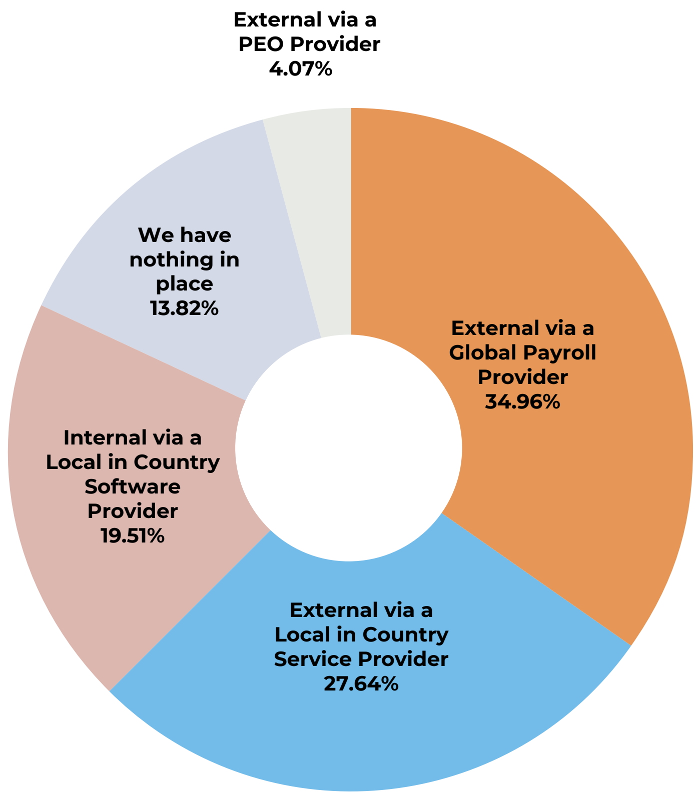
One note of concern would be the apparent absence of any provision at all, for HR (17%), payroll (13%) and payments (12%) respectively. It is very possible that existing structures have been underestimated.

6. Support for Global Payroll

How do you currently receive International HR Support?



How do you currently receive International Payroll & Payment Processing Support?



How do you currently process your International Payroll & Payment Disbursements?

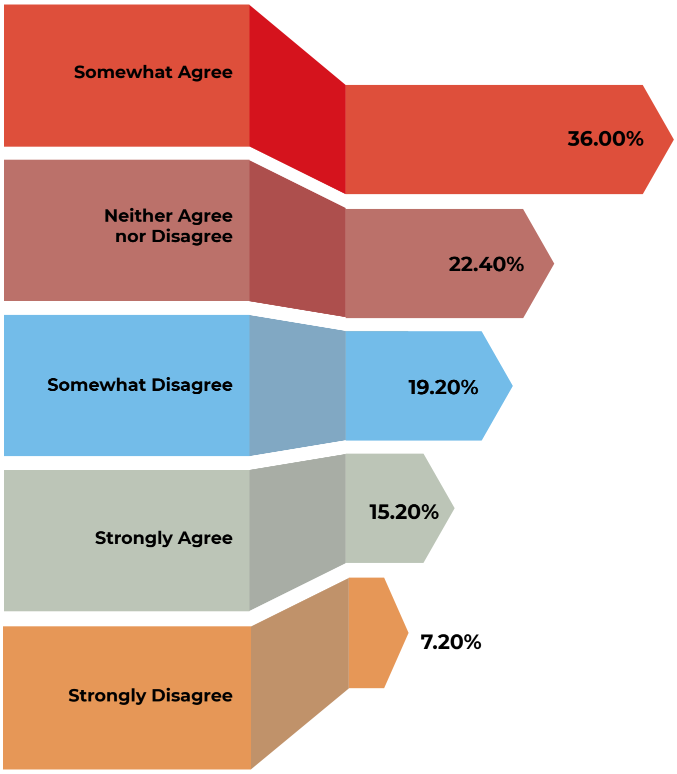
Remaining compliant with local legislation in every country in which they have a presence is always a challenge for companies.

Some use in-country experts, some a third party or their payroll providers. The expectation that the payroll provider is responsible for updating them on such legislation may be erroneous if it is not contractually agreed.

When we consider the question of synergy between international payroll, payments, benefits and HR, over 51% of respondents are in agreement that it is working well, 26% disagree and 23% are neutral. This can only indicate that nearly half are not positive that what they have in place is working for them.

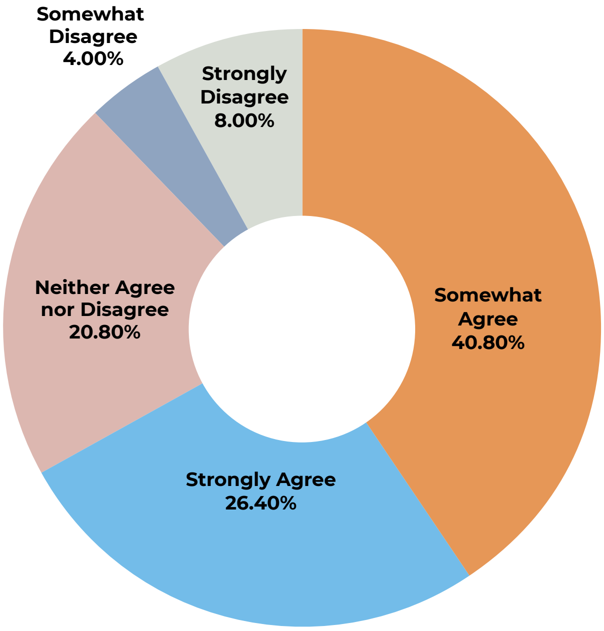
7. Payroll and HR

I feel like my organization's global payroll, benefits, payment & HR processes are aligned and work well together?



One solution to this dilemma could be the outsourcing of the whole suite of functions to a single global supplier, and nearly 67% or 2/3 of respondents somewhat or strongly agree.

I see the benefit in outsourcing payroll, benefits, payments & HR services with one single global payroll & HR provider?



During the pandemic, the payroll and HR function was brought to the forefront of many organisations. Information and reports were needed at the click of a button so that business owners could make important decisions, as salary costs are traditionally the highest expense in most organisations. The information required could be as essential as confirmation of whether a business would be able to carry on trading.

Many governments were offering assistance to pay salaries yet for a large number of global organisations this information was not readily available and, in some circumstances, it could take weeks to receive vital reports. So it is no surprise to note that when asked if the respondents can see a benefit in outsourcing the answer was an overwhelming 67%.

8. Onboarding

If there is one issue on which HR professionals are unanimous, it is that of onboarding.

Employee onboarding is the process of integrating a new employee with a company and its culture, in addition to getting a new hire the tools and information needed to become a productive member of the team.

(Source: SHRM)

Research by Glassdoor found that organisations with a strong onboarding process improve new hire retention by 82% and productivity by over 70%.

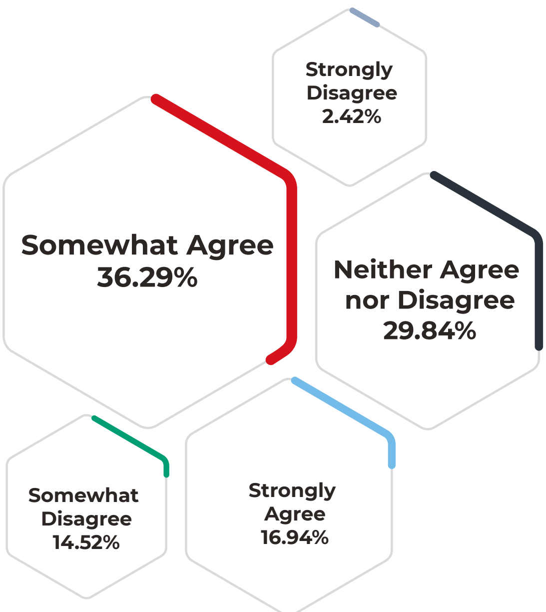
The absence of an onboarding process can cause a number of negative consequences for both the employee and employer. Specifically, 16% of HR managers said it lowers their company's productivity, 14% said it brings on greater inefficiencies and 12% said it leads to higher employee turnover. (Source: Business News Daily)

All of which serves to emphasise the necessity of getting it right.

Just over 53% of respondents were in agreement that their current processes were optimised to give a good experience which, bearing in mind the overall importance of this initial experience for starting new hires off on the right path, can be considered a low figure.

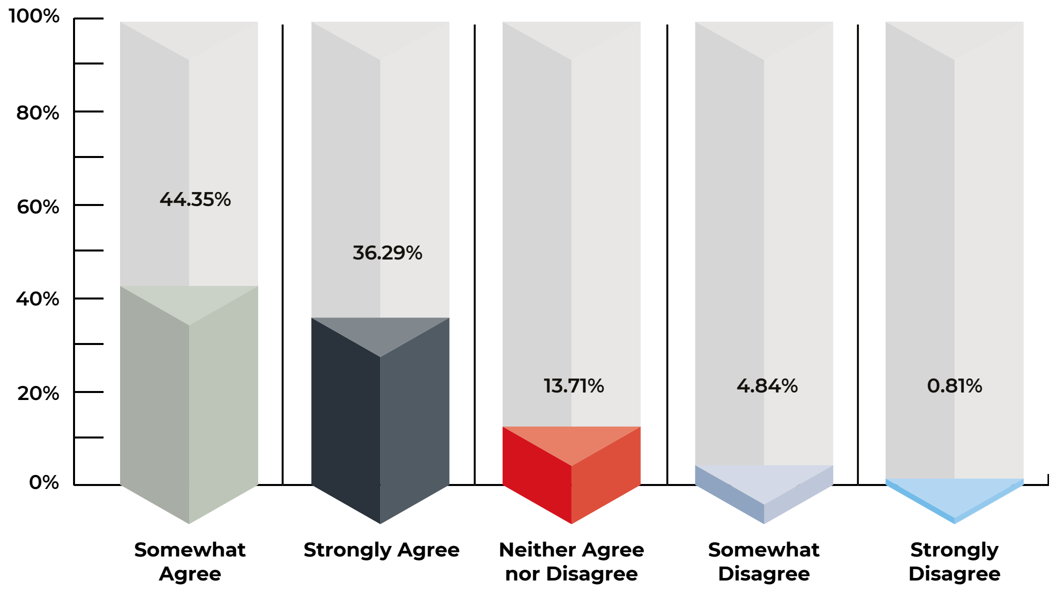
One-sixth of respondents actually disagreed that their processes were optimised and nearly a third were neutral.

Our global payroll & HR processes are optimised to give new hires 'great' on-boarding experience?



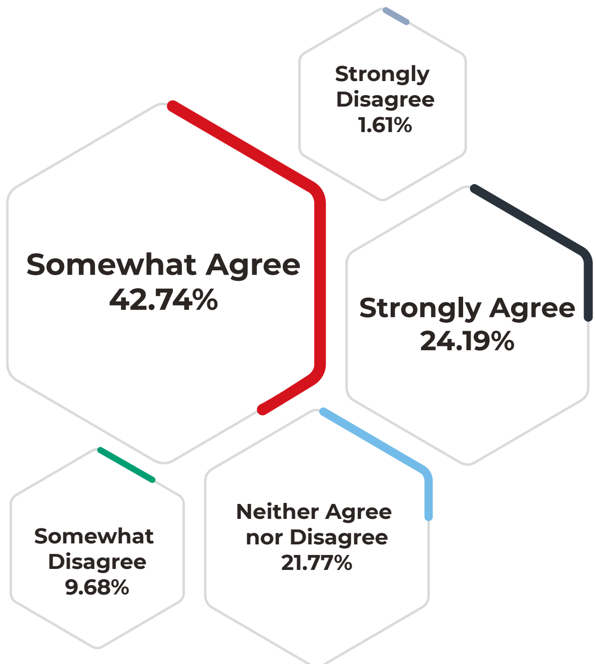
81% agreed that poor global onboarding had a negative effect on new hire performance. In spite of what we know from comprehensive commentary on this topic in professional journals, 13% were neutral to this concept.

Do you feel as if a poor 'global' on-boarding experience can impact a new hires ability to perform within their role?



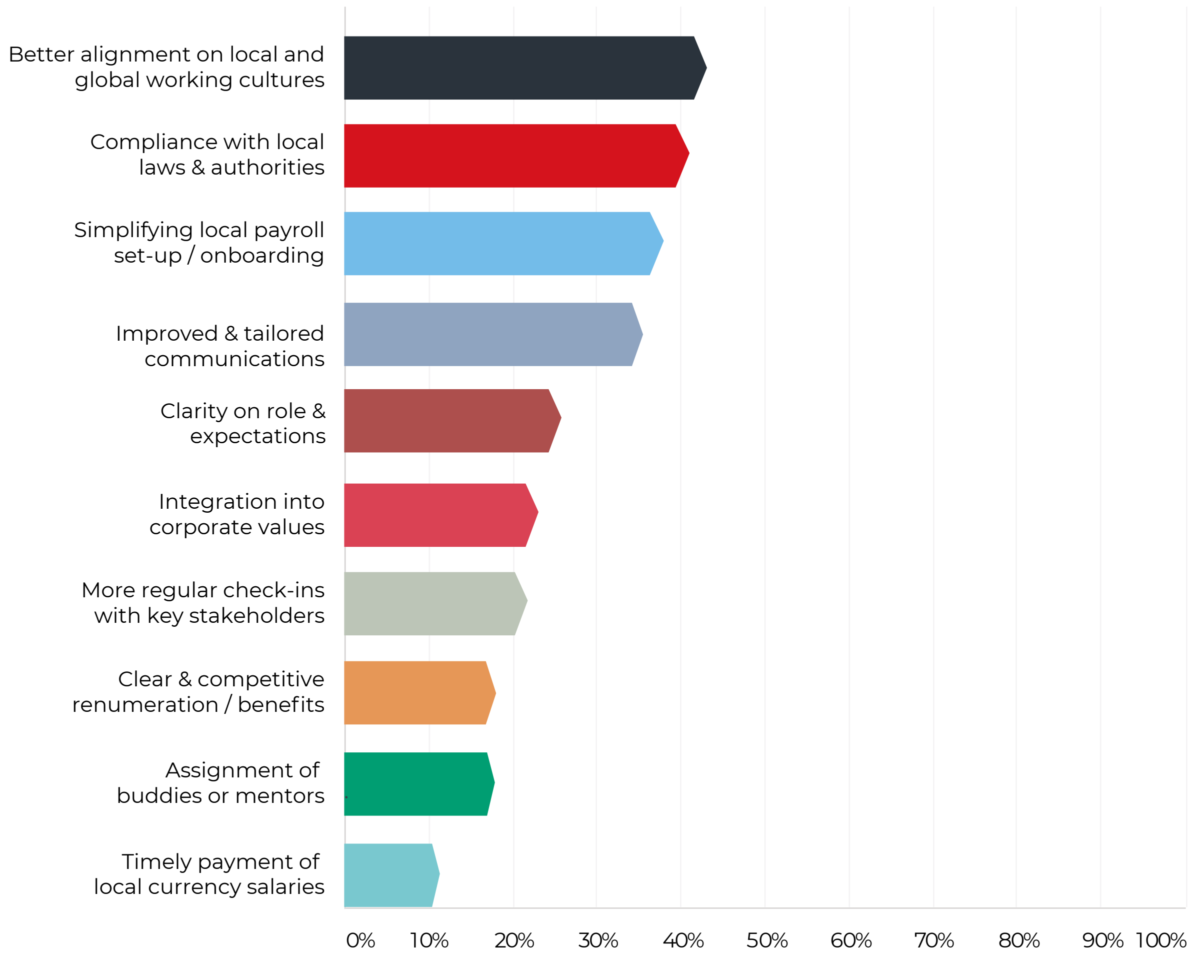
More encouraging was the fact that two-thirds were in agreement that their new hires felt they were part of one business, although it would indicate that there is room for improvement.

When on-boarding a new hire/s, would you agree that they feel like they are part of 'one business'?



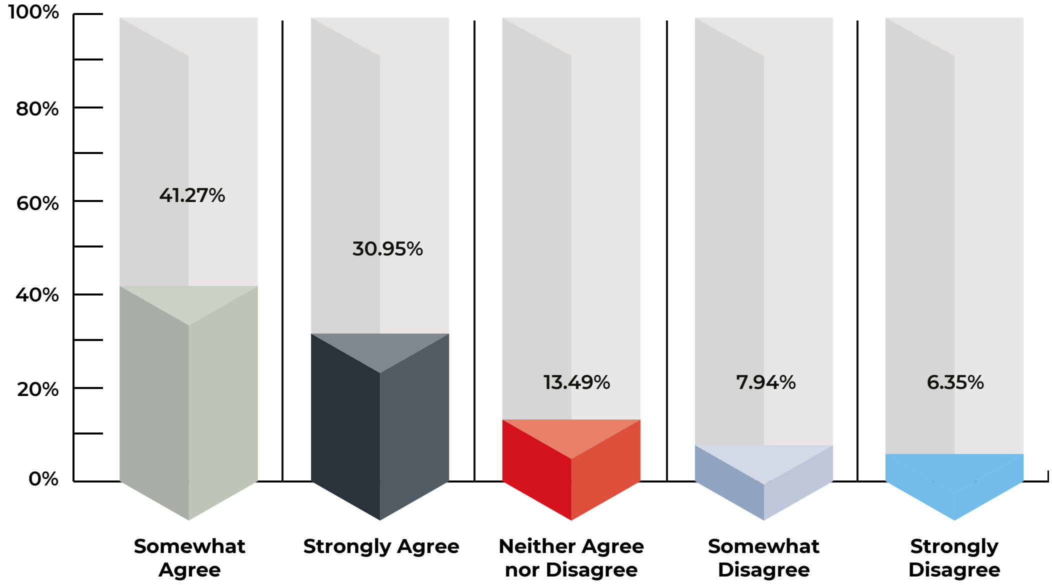
Suggestions for improving that experience were varied. Just over 40% felt better alignment on working cultures was needed, while 39% suggested simplification of local payroll set-up was needed and a similar number chose compliance. Nearly 37% suggested improved and specific communication as well as 25% opting for more clarity; both of these are factors at the heart of all onboarding initiatives.

Where do you feel the global payroll & HR functions could improve the new hire onboarding experience?



Additionally, nearly 72% felt that a single global payroll & HR provider could streamline the efficiencies of the onboarding experience and help new hires to assimilate faster.

Do you agree that support from a single global payroll & HR provider could streamline the efficiencies of your onboarding experience and allow new hires to perform quicker in role?



There can be no doubt that onboarding is crucial to the talent management cycle. It is not only shown to be key to retention but it also gets new hires to the point of effectiveness more quickly.

A study by Kronos and the Human Capital Institute in 2017 found that 36% of organizations do not have a structured onboarding process in place. The same research showed that 76% of HR managers believe onboarding is underutilised.

Payroll has its own part to play in this; the Kronos survey also revealed that 49% of American workers will start a new job search after experiencing only two problems with their pay cheque, demonstrating how fragile employee engagement can be when employers fail to carry out core business functions.

Although the picture may have somewhat improved since then, it is now imperative that organisations look to improve not only the bandwidth of the new hire experience but also to ensure consistency across functions and territories. This will require a joint effort by HR, payroll, and line managers in every location.

An alternative solution would appear to be engaging with a sole global provider that can pass every new hire through a sustained onboarding process, taking into account the cultural and legislative differences in each operating region.

Whichever route is taken, it is incumbent on every business to secure this aspect of talent management. Its financial implications cannot be ignored.

About IRIS FMP

IRIS FMP is a trusted partner in international payroll, benefits, payments & HR solutions for organizations expanding globally.

Currently supporting over 40,000 happy customers from all industry sectors all across the globe with our payroll & HR solutions, we can deliver services in 90+ countries covering 6.9B or 90% of the global workforce.

We simplify global payroll & HR by delivering on the following promises:

Simplified, Accelerated People Engagement

Seamlessly, compliantly onboarding your organization and people to rapidly unlock your talent investment by reducing their time to value.

Trusted Excellence in Global Payroll & Benefits

We take the complexity away from local pay & benefits, ensuring your growing global workforce are paid accurately on-time, every time.

Global Expertise, Local Knowledge

Our qualified & experienced global HR specialists work in partnership with you to maximize your global workforces full potential.

Solutions That Flex with Your Growth

Flexible people-led pay & HR solutions supporting you across the employee & global expansion lifecycle.

With IRIS FMP you can not only get your payroll, benefits, payments and HR from one provider, but we can also help you deliver on a ‘great’ employee onboarding experience.

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