# Could the payroll skills shortage jeopardise your global expansion plans?



Whether your company's growing organically or through mergers and acquisitions, you need to be able to pay your new in-country staff in full regulatory compliance from the get-go. Yet almost a quarter (22 percent) of payroll leaders list 'paying employees' as one of their biggest challenges when moving into new geographies.[1]

Difficulties in finding and recruiting qualified payroll staff are certainly contributing here. Twenty-two percent report that finding payroll employees in local markets is also one of their biggest challenges.[1]

As your organisation makes plans to expand, could you be underestimating the value a skilled payroll team can bring to your business, and to setting up successfully abroad?

## Payroll: a job you fall into, or a profession you aspire to?

In (notably few) countries such as France and Italy, payroll is regarded as a multidisciplinary profession. Higher education institutions offer bachelor's and master's degrees in HR management and payroll. Organisations require such qualifications for non-entry-level payroll positions, with some candidates choosing to specialise in areas such as social security contributions.

Despite the inherent complexity of payroll, in many other countries, people tend to view it as an 'accidental' career. Staff might find themselves in the payroll team after covering a colleague's extended leave, for example, or on secondment from another department.

The perception of payroll as a coincidental career path stems partly from the way companies have approached this noncore business function in the past. "It's still common for firms to hire payroll staff and subsequently introduce a round of redundancies, only to hire staff back at a later point of the business cycle" says Melanie Pizzey, CEO of the Global Payroll Association.

Conventional corporate structures have payroll teams reporting to HR or finance departments (or, increasingly, to shared service centres, who report in turn to HR or finance). Relegated to the status of a satellite to more high-profile business functions, payroll has struggled to establish itself as a discipline in its own right.

The high proportion of firms who say they're training existing nonpayroll staff to cover payroll jobs (64 percent[1]) is evidence that in many places, payroll is seen as a business activity that anyone can effectively take on. (This is despite the fact that it typically takes companies around four to six months to onboard even credentialled payroll talent,[3] as well as the fact that pay is typically a company's biggest business spend.[4])

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### Do payroll professionals feel valued?

The good news: the pandemic began to shift business leaders' perceptions of payroll teams.

Almost overnight, payroll staff became essential workers (especially in companies still processing employees' pay on-premise). As they grappled in drastic circumstances to make sure employees were paid in compliance with the raft of rapidly introduced regulations, such as furlough laws, business leaders gained a newfound appreciation for just how hard it is to run payroll successfully. They began to see payroll as less of a boring, back-office necessity and began to grasp its frontline, strategic potential.

That said, the last few years have been tough on everyone, and payroll staff are no exception.

### The talent crunch hits payroll

Companies are struggling to recruit people into payroll at all levels. This is a perennial concern — even prepandemic, HR and finance leaders used to wonder where the next generation of payroll entrants would come from.

Current tight labour market conditions are having an even more marked effect on the payroll function. Increased demand for talent is sending salaries higher.[2] Meanwhile, the average tenure of payroll professionals is shrinking, with promotions also on the rise as companies seek to curb payroll employee churn.

And this dearth of qualified staff is having a real-world impact. Only five percent of businesses say that none of their payroll professionals have left the company since the pandemic, while 32 percent say they've lost between six and 10 percent of their payroll team.[1] More than half (54 percent) of leaders report that a shortage of payroll staff has affected their payroll service.[1]

Considering that service being "affected" could mean major regulatory repercussions and risks to employees' livelihoods, this is a startling statistic.

### Why are payroll people quitting?

**Increased responsibilities since the pandemic.** Across the general working population, 49 percent of workers say that shouldering increased responsibility without increased pay is leaving them dissatisfied in their current employment.[5] Payroll teams have also had to cope with an unprecedented rate of change in their day-to-day work, amid wider workforce upheaval. (For instance, 49 percent say they're seeing an increase in demands to adjust pay as a result of flexible working changes.)

Taking the UK as an example, most payroll professionals have received a pay increase in the last 12 months, although the majority employed in companies with over 1000 staff report a wage rise of between just one to three percent.[2] Interestingly, staff who haven't received a pay rise don't report any reduction in the amount of change they're expected to manage in their roles, with 44 percent saying they're managing and reacting to changing demands in their role at least once per week.[2] (Additionally, they may be simultaneously expected to deal with implementing new payroll, workforce management, shared service and ERP systems.[2])

An interesting trend is that **more positions in global payroll** are now being advertised. This is ostensibly a positive development, but there may be a skills and knowledge gap for firms to bridge. Melanie Pizzey, comments, "More companies are taking advantage of opportunities to employ people in overseas locations, having seen the proof that a globally dispersed workforce can be an asset. This can represent a big change and challenge for payroll teams, however. In one recent case, a UK payroll manager was suddenly asked to process payroll for an employee just recruited in China. She thought she could use the firm's local UK system to do it, having had no prior exposure to managing payroll for a global employee population."



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**Demographic-related reasons**. Historically, payroll teams have comprised a disproportionately high number of older workers. The pandemic prompted many people to hasten their retirement plans, leaving the payroll function particularly vulnerable to attrition.

Women are also overrepresented in the payroll professional demographic. Melanie says, "The 'always-on' nature of payroll jobs may not lend itself to part-time work, which disadvantages the higher number of women who want this working schedule. Current organisational practices don't facilitate job sharing arrangements, which women more than men may favour".

**Deserting a function that's failing?** Average tenure in individual payroll roles might be falling back, but staff are staying in the payroll profession generally, according to Melanie. "As professionals, payroll staff don't want to fail — they know the importance of getting it right", she says. The question is whether companies are doing enough to support them in this commitment. With two-thirds of firms around the world reporting payroll accuracy rates of less than 89 percent,[1] are companies investing enough in this business-critical function?

### Make sure the payroll skills shortage doesn't hold back your company's growth

As your company prepares for overseas expansion, it may well be among the 71 percent of our survey respondents who are growing their payroll team across their global business, or the 62 percent growing it in one or two countries.[1] You may recognise your own difficulties in hiring payroll talent in the 48 percent who say they're having difficulty finding payroll skills from outside the business.[1]

Companies' wish list of payroll skills is growing ever longer. Are you clear on the skills profiles that will be needed to support business expansion? How can you structure your internal payroll organisation to optimise the skill sets of in-house staff and outsourced global payroll partners?

### How are companies tackling the payroll skills shortage?

**64%** are training existing nonpayroll staff to work in payroll

**57%** are replacing payroll staff who leave

**21%** are not replacing payroll leavers

**72%** are upskilling existing payroll staff and changing how they work

**57%** are reviewing how to do payroll with fewer people

Source: ADP, The potential of payroll: Global payroll survey 2022

Download our **Guide to payroll skills for internationally expanding businesses**


1. ADP, The potential of payroll: Global payroll survey 2022
2. ADP & CIPP, Payroll Uncovered: The changing face of payroll, 2022
3. Deloitte Global payroll benchmarking survey 2022
4. Deloitte analysis 2017. Labor spending or overspending?
5. ADP Research Institute, People at Work 2022: A Global Workforce View


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