The Challenges of Payroll and Compliance in 2022-23

How remote work, security breaches, fast-changing regulations and continuous innovations have made payroll more complex

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About the Survey

The *Payroll Security, Regulation and Innovation Survey 2022* ran in the third quarter of 2022. We gathered 233 complete and partial responses from HR professionals in virtually every industry. Respondents are located all over the world, but most of them reside in North America, especially the United States.

The participants represent a broad cross section of employers by number of employees, ranging from small businesses with fewer than 100 employees to enterprises with 20,000+ employees. One quarter of the responses were from organizations with over 500 employees.

Executive Summary

Processing payroll has always been a critical, compliance-driven endeavor, but thanks to recent global events and current economic conditions, it has become increasingly complex. In an era of remote and hybrid work, costly security breaches, cryptocurrencies and earned wage access, payroll experts must stay abreast of a wide range of new challenges.

In addition to the current cirumstances, there are traditional payroll challenges such as the time and effort it takes to get payroll exactly right and the need to track, understand, and adhere to a multitude of evolving compliance and regulatory issues.

Finally, there are the technology issues. One important difference between organizations is the extent to which they have automated payroll processes. Automation has a significant impact on improving accuracy, keeping up to date with regulatory changes, and maintaining security. Some organizations are highly automated while others are not there yet.

This study looks at the current state of payroll security, regulation, and innovation so that payroll professionals can better understand the state of payroll issues and how they compare to other organizations.

Key Findings

1 **Although many organizations believe that they have compliance with wage, hour, and tax regulations under control, there are substantial proportions that indicate they are having challenges**

- Fewer than two-thirds (61%) agree or strongly agree that they have all the tools and expertise needed to manage compliance

- Forty-seven percent of respondents say complying with all wage, hour and taxation policies and regulations is relatively easy (i.e., rated a 1 or 2 on a 5-point scale where 1 equals "Very easy"), but 25% view it as quite challenging (i.e., rated a 4 or 5 on a 5-point scale where 5 equals "it is a significant challenge")

- About a third of respondents say that complying with all wage, hour and taxation policies and regulations requires substantial time and effort in their organization (i.e., rated a 4 or 5 on a 5-point scale where 5 equals "requires considerable time and effort")

2 **Difficulty with payroll compliance can lead to other problems**

- Organizations that find compliance challenging are:
  - nearly four times as likely as others to say it distracts from their core mission
  - more than twice as likely to have faced a security breach in the past two years

3 **Remote work can make it harder to comply with wage, hour, and tax regulations**

- Nearly 30% of organizations say remote work has made it harder to comply with wage, hour, and tax regulations

- Companies that have no remote workers are twice as likely to find compliance very easy compared to companies where all workers are remote at least some of the time

4 Nearly half of respondents say their organizations are just average or worse at tracking regulatory changes at the national and local levels

- Nearly half say they are just average or worse at tracking regulatory changes at the local and national levels

- Organizations are most likely to say that they are above or well above average in terms of tracking regulatory changes at the state level (57%), but 10% say they are below or well below average at tracking regulatory changes at the state level

5 Automation plays a key role in successful payroll processes

- Organizations with highly automated compliance systems are:

  - almost twice as likely as less automated organizations to find compliance very easy
  - nearly 4 times as likely as less automated ones to say compliance takes little time and effort
  - much more likely than less automated ones to say their ability to track national regulatory changes is above or well above average (77% vs 43%)

- Despite the value of automation, nearly 30% of organizations have automated compliance processes to a low degree or not at all

6 Security breaches are rare but when they occur the impact is usually significant

- Almost 90% of organizations have averted attendance, scheduling, and payroll system security breaches in the past two years

- Almost half of the organizations (45%) that did have a security breach suffered a major disruption

- Sixty-three percent of those who had breaches say it had a negative impact on morale

- Nearly a third of those organizations that had a security breach say it was a contributing factor to higher turnover

- Over two-thirds of respondents say a security breach would disrupt day-to-day tasks

- Over half of respondents say a security breach would damage the employer's brand and reputation

7 **Organizations respond to security breaches with improved training and policies**

- Nearly three-fourths of those who faced security breaches responded by improving training

- Almost as many, 67%, changed security policies

- Many organizations also changed payroll providers (44%)

8 **There is a correlation between perceived importance of security and compliance**

- Less secure organizations are less likely than more secure ones to see compliance as a valuable activity

- None of the less secure organizations in this study are highly automated

- Fewer than a third of the less secure organizations reviewed their policies when they learned about other organizations' security breaches, and they are almost twice as likely as secure ones to have faced a security breach in the past two years

9 **Most respondents use payroll-related add-ons and feel such add-ons can have a positive impact on employees**

- Only 36% say they do not incorporate any payroll-related add-ons, with earned wage access now being the most popular add-on

- Most respondents believe that payroll-related add-ons can have a positive impact on employees, with about half pointing to earned wage access specifically as having a positive impact

- Although most respondents seem to have had positive experiences with their add-ons, some are concerned that those add-ons are still not as widely adopted as they would like
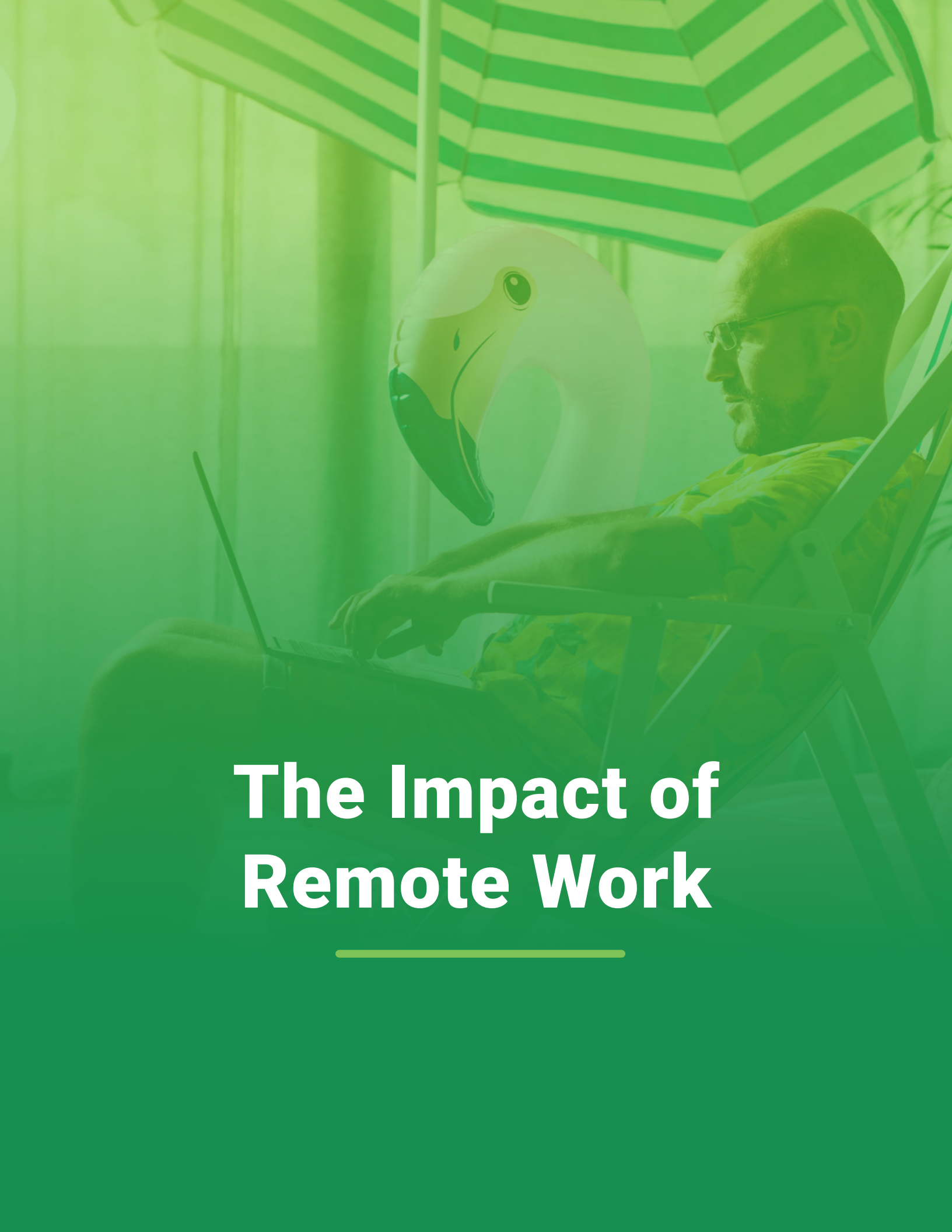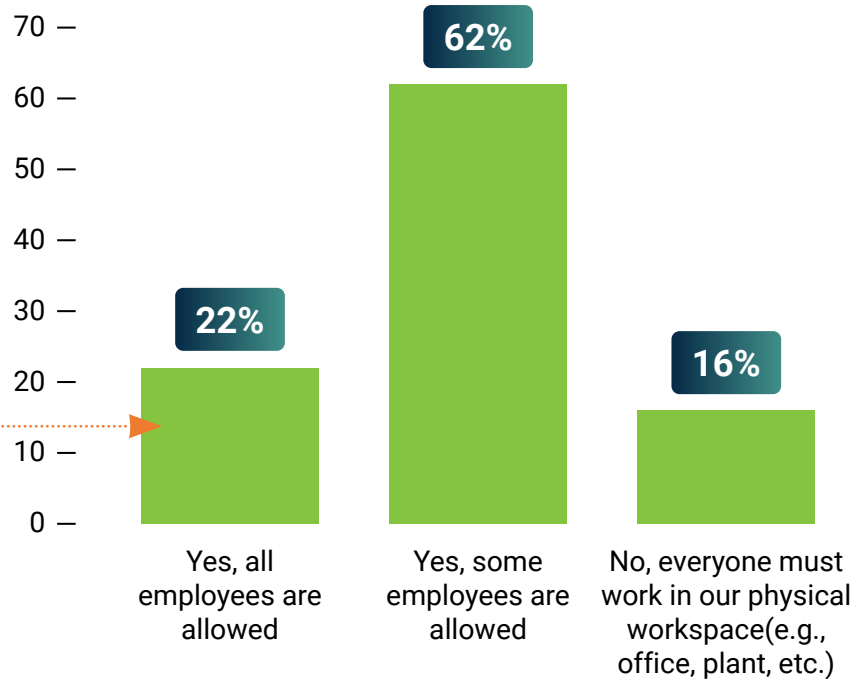
The Impact of Remote Work

Finding: Dealing with remote work is a reality for most payroll departments

Only 16% of organizations responding to the HRRI survey state that *all* their employees must work in the traditional physical workspace. For the rest of the organizations, remote work is a reality. In more than one in five organizations, *all* employees are allowed to work remotely at least *some* of the time.

Remote work is simply a fact that payroll professionals must deal with today. Payroll professionals need to be fully aware of any relevant local and state regulations and have the processes to keep track of where employees are working and any tax implications that result.

More than one in five of the respondents say all employees are allowed to work remotely at least some of the time

Survey Question: **Does your company allow employees to work remotely (e.g., from home) at least some of the time?**

- Yes, all employees are allowed — 22%
- Yes, some employees are allowed — 62%
- No, everyone must work in our physical workspace(e.g., office, plant, etc.) — 16%

Finding: Nearly 30% of organizations say remote work has made it harder to comply with wage, hour, and tax regulations
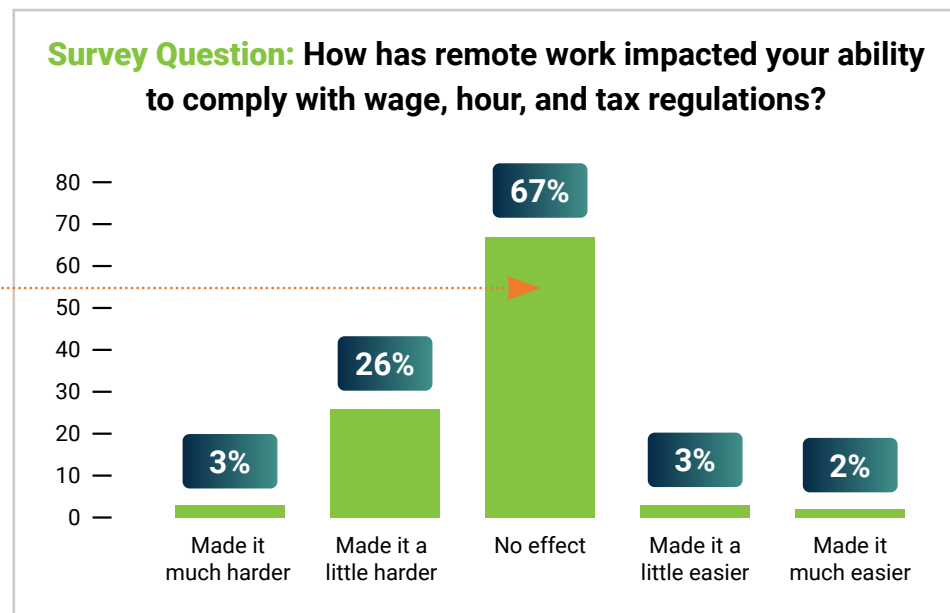
Most respondents (67%) say remote work does not affect their organization's ability to comply with wage, hour, and tax regulations and a few say it has made things easier. However, this leaves 29% who say remote work has made compliance *harder*.

Some of the compliance risks involve remote workers having their work address in a different state from the home office. For example, payroll withholding tax primarily depends on the state or city where the work is performed, so if someone is working at home in a different state from their office, then different taxes could apply. Other risks involve overtime for non-exempt employees who may, with the shift to remote work, end up deviating from the usual nine-to-five schedule and lack clear clock-in/clock-out procedures.

All in all, remote work can present serious complications for payroll compliance. So organizations need to have a good handle on these issues. They cannot assume that just because they were compliant before remote work was common that they will still be compliant now.

About two-thirds of organizations say remote work has not affected their ability to comply with wage, hour, and tax regulations

Survey Question: How has remote work impacted your ability to comply with wage, hour, and tax regulations?

|	Made it much harder	Made it a little harder	No effect	Made it a little easier	Made it much easier
	3%	26%	67%	3%	2%

Finding: Companies in which *no* workers are remote are twice as likely to find compliance very easy compared to those in which *all* workers can be remote at least some of the time

It is uncommon for compliance to be "very easy," but this study finds that organizations with no remote workers are twice as likely to say it is very easy compared to their counterparts in which all employees are allowed to be remote at least some of the time.

Survey Question: On a scale of 1 to 5, how challenging is it for your organization to comply with all wage, hour, and taxation policies and regulations?

Percent answering "It is very easy"
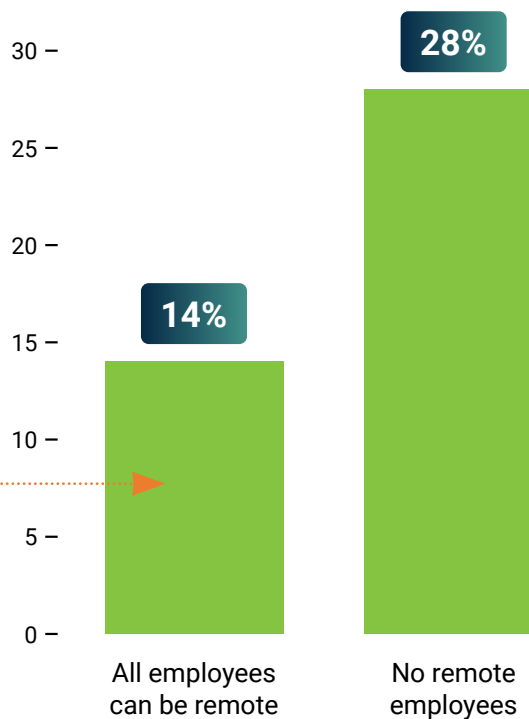
Only 14% of respondents with all remote workers find compliance very easy

14%	28%
All employees can be remote	No remote employees

Editor's Note: To derive this data, the question was cross-tabulated with the question" Does your company allow employees to work remotely (e.g., from home) at least some of the time?"

The Challenges
of Compliance

Finding: Almost half of the organizations say compliance with wage, hour, and taxation policies is a core focus

Over one-third of organizations (36%) say compliance with wage, hour, and taxation policies is not a concern. This should not, however, be necessarily interpreted as not *caring* about compliance. Some of these respondents may feel that compliance is under control so they no longer worry about it.

But it is most common for organizations to say compliance is a core focus, with 47% saying they view it this way. Only 13% say that compliance is viewed as a "necessary evil" that distracts from the core mission.

Impact of organizational size

Mid-size organizations (100-999 employees) and large organizations (1,000 or more employees) are more likely than small organizations (<100 employees) to say compliance with wage, hour, and taxation policies is not a concern. While 74% of large and 59% of mid-size organizations say this is the case, just 46% of small firms say the same.

Over one-third of organizations say compliance with wage, hour, and taxation policies is not a concern

Survey Question: How would you describe your HR department's view of compliance with wage, hour, and taxation policies?

47%	It's a valuable part of what we do and a core focus of our team
36%	It's not a concern
13%	It distracts from our core mission, but it's a necessary evil
4%	Other
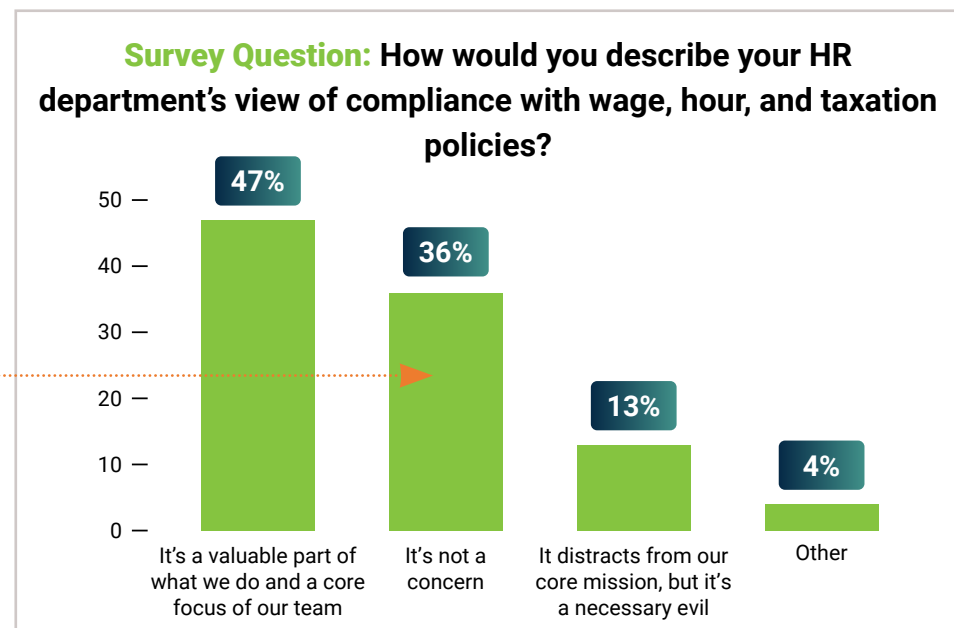
Finding: One-quarter of organizations say complying with all wage, hour, and taxation policies and regulations is a "4" or "5" where "5" equals significantly challenging

There is a remarkably broad distribution of responses to the question of how challenging it is to comply with all wage, hour, and taxation policies and regulations. One-quarter find it difficult, ranking the challenge as a "4" or "5" where "5" equals "it is a significant challenge." In contrast, almost half rate the challenges as a "1" or "2" where "1" equals "it is very easy."

There are two likely explanations for the difference in the degree of challenge. One is the complexity of the business: a small business in one location will have a much easier time than a large business with locations across the nation. The other likely explanation is the maturity of the payroll systems. Organizations with mature systems may well be able to handle the intricacies of taxes and regulations with ease, whereas organizations still evolving their payroll systems and processes may struggle to keep up to date.

Impact of organizational size

There is not a dramatic difference between small (<100 employees) and larger organizations (100 or more employees) in how difficult they find compliance. Moreover, when we isolate the data to organizations with 1,000 or more employees, we find that just 48% rate the challenges as a "1" or "2" where "1" equals it is very easy.

Forty-seven percent of the organizations say complying with all wage, hour, and taxation policies and regulations are easy to comply with

Survey Question: On a scale of 1 to 5, how challenging is it for your organization to comply with all wage, hour, and taxation policies and regulations? (Note: this includes local, national, and corporate)

21%	26%	28%	15%	10%

0   20   40   60   80   100

■ 1 It is very easy   ■ 2   ■ 3   ■ 4   ■ 5 It is a significant challenge
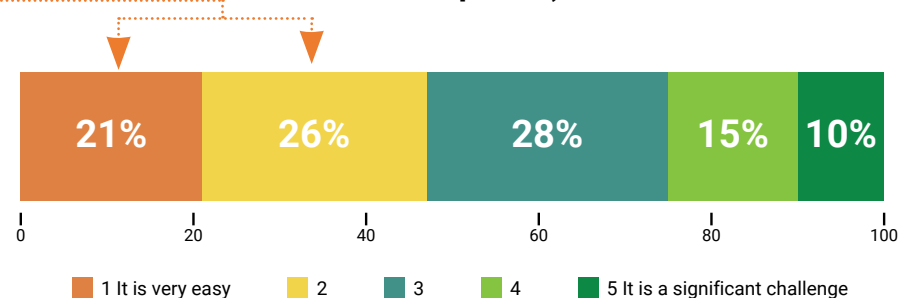
Finding: Nearly one in five organizations say complying with all wage, hour, and taxation policies and regulations takes significant time and effort

Just as there is a lot of variation in how challenging organizations find payroll compliance, so too there is much variation in how much effort it takes to comply. One in five say it requires significant time and effort, an equal number say it takes little time and effort.

Nearly one in five organizations say complying with all wage, hour, and taxation policies and regulations takes little time and effort

Survey Question: On a scale of 1 to 5, how much time and effort does it take to comply with all wage, hour, and taxation policies and regulations? (Note: this includes local, national, and corporate)

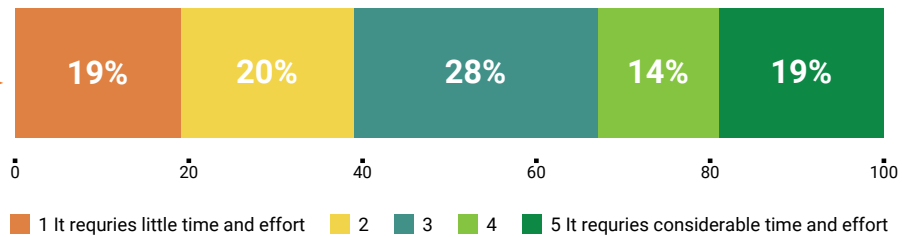| 19%	20%	28%	14%	19%

0   20   40   60   80   100

■ 1 It requries little time and effort ■ 2 ■ 3 ■ 4 ■ 5 It requries considerable time and effort

Finding: Nearly half of respondents say their organizations are just average or worse at tracking regulatory changes

A little over half of respondents feel confident in their organization's ability to track regulatory changes at all three levels of government (local, state, and national) at an above or well above average degree. Meanwhile, only 10% to 13% say they are below or well below average.

Nonetheless, this still leaves a large proportion of respondents saying their organizations are just average or below at tracking regulatory changes. We believe that being just "average" in this critical area can be a cause for concern. Any organization that is not confident that its payroll processes do a good job of tracking regulatory changes needs to address that right away in today's fast-changing regulatory environment.

A little over half of respondents see themselves as above or well above average in tracking regulatory changes

Survey Question: How would you rank your organization's ability to track regulatory changes at the following levels?

	Well below average	Below average	Average	Above average	Well above average
Local	2%	11%	34%	30%	23%
State	2%	8%	34%	35%	22%
National	3%	7%	37%	35%	18%

Local: 47% | 53%
State: 44% | 57%
National: 47% | 53%

Editor's Note: Some percentages may not add up to 100% due to rounding

The Promise of Automation

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Finding: Nearly one-third of organizations have automated compliance processes to a high or very high degree
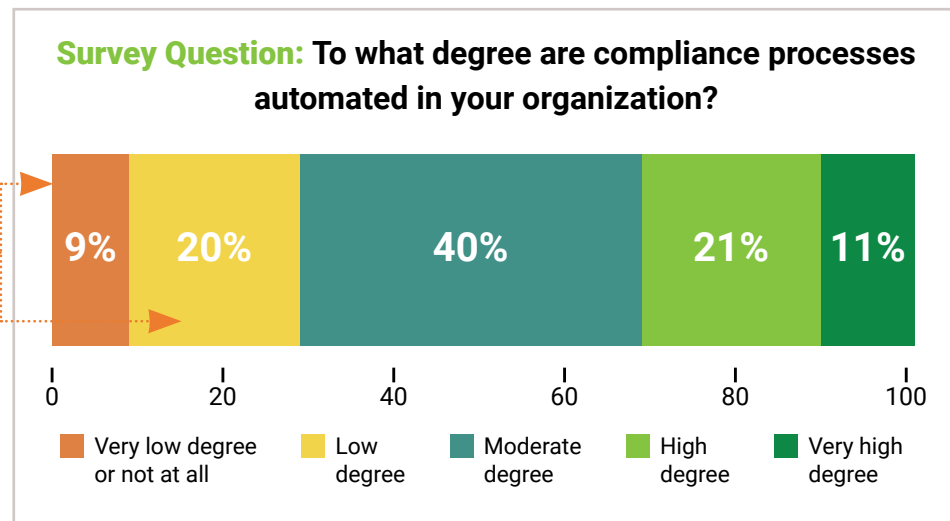
There are distinct haves and have-nots in the world of compliance automation. Nearly one-third of organizations are in the happy position of having automated compliance processes to a high or very high degree. A similar number (29%) have only automated compliance processes to a low degree if at all.

Impact of organizational size

Small organizations, which have 99 or fewer, employees are less likely to be highly or very highly automated than organizations with 100 or more employees (25% vs. 33%). If we confine ourselves to organizations with 1,000 or more employees, the number only reaches 34%, suggesting that there are still many large organizations that are not highly automated in the area of compliance.

Twenty-nine percent of organizations have only automated compliance processes to a low degree if at all

Survey Question: To what degree are compliance processes automated in your organization?

9%	20%	40%	21%	11%

0   20   40   60   80   100

- Very low degree or not at all
- Low degree
- Moderate degree
- High degree
- Very high degree

Finding: Most organizations (61%) agree or strongly agree that they have all the tools and expertise needed to manage compliance, but smaller organizations still lag behind

Although a majority (61%) agree or strongly agree that they have all the tools and expertise needed to manage compliance, this still leaves 39% who do not agree. About one-quarter of organizations neither agree nor disagree that they have all the tools and expertise they need. These organizations should be thinking through what they are missing that leaves them with uncertain feelings about their compliance capability. After that analysis they may conclude that they are "good enough" or they may uncover capability gaps that need to be closed.

Some organizations, 16%, disagree or strongly disagree that they have the tools and expertise needed to manage compliance. This is a critical situation for those organizations and HR needs to be clear about what needs to be done, the order in which it needs to be done, and what it will take to get it done. It may require some research on the risks of non-compliance to convince leaders to back the investment needed to get the minimum necessary tools and expertise.

Impact of organizational size

Small organizations with fewer than 100 employees are less likely to agree or strongly agree that they have all the tools and expertise they need for compliance than larger organizations with 100+ employees (53% vs 66%). Among organizations with 1,000 or more employees, the percentage is 68%.

Some organizations (16%) disagree or strongly disagree that they have the tools and expertise needed to manage compliance

Survey Statement: Those responsible for managing compliance in your organization are getting all the tools and expertise they need to manage compliance.

3%	13%	23%	42%	19%

0   20   40   60   80   100

■ Strongly disagree ■ Disagree ■ Neither agree nor disagree
■ Agree ■ Strongly agree

The Risk of a Security Breach

Finding: Thirteen percent of organizations have been impacted by attendance, scheduling, and payroll system security breaches in the past two years

Security breaches make headlines, as they should. We asked participants, "Was your company impacted by attendance, scheduling, and payroll system security breaches in the past two years?" The good news is that 87% say no. The bad news is that the 13% who say yes seems significant given that this was only over a two-year period.

Security is an odd responsibility because if it's done well then nothing happens and there is nothing to show for your efforts. Perhaps the important thing for the 87% who have not had problems is to connect to the 13% who have had breaches to learn the impact of those breaches, what went wrong, and how such breaches could have been avoided.

Survey Question: Was your company impacted by attendance, scheduling, and payroll system security breaches in the past two years?

13% Yes

87% No
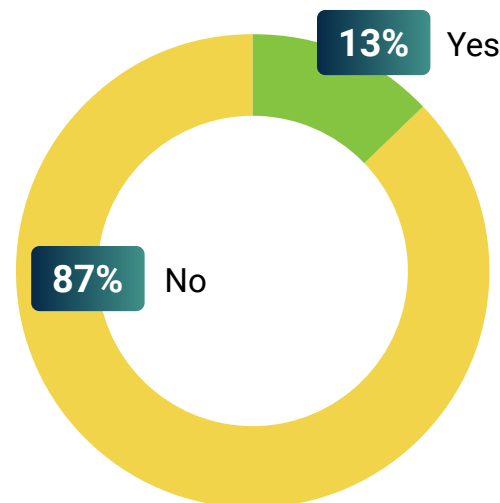
Organizations That *Have* Recently Suffered Security Breaches

Finding: Almost half of the organizations (45%) that did have a security breach suffered a major disruption
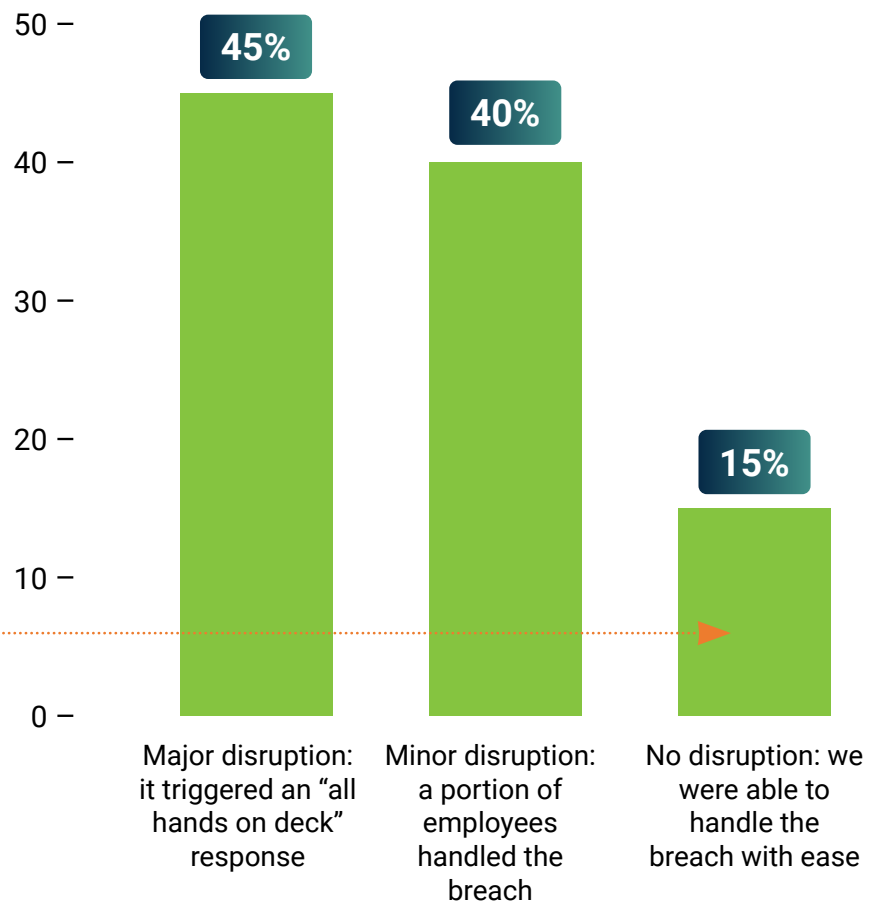
Although most organizations have not faced recent security breaches over the last two years, for those that have it is often a major "all hands on deck" disruption. Almost half (45%) rated the disruption as major and a further 40% rated the disruption as minor. Only a few, 15%, managed to handle the disruption with ease.

The fact that breaches so often result in major disruptions should help convince any doubters that security needs to be taken seriously even if their organization has not faced a breach in recent years. Hearing firsthand stories from those who faced security breaches can bring life to an otherwise technical subject, so it is a good idea to network with peers and experts and seek out those who have experienced these issues.

Impact of organizational size

Small organizations with fewer than 100 employees are far less likely to have suffered a major disruption after a breach than larger organizations with 100+ employees (20% vs 54%). Only two of the respondents from organizations with 1,000 or more employees suffered disruptions. Of those organizations, one called the breach a major disruption and the other referred to it as minor.

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Survey Question: What impact did the security breach have on your organization?

Only 15% of organizations that had a security breach say it was handled with ease

Response	%
Major disruption: it triggered an "all hands on deck" response	45%
Minor disruption: a portion of employees handled the breach	40%
No disruption: we were able to handle the breach with ease	15%

Finding: Security breaches usually hurt employee morale

The most common impact that a security breach has on HR is lower employee morale; 63% of those who had breaches faced a negative impact on morale. A less common but with a more tangible impact on the bottom line is turnover. Nearly a third of organizations say security breaches led to higher turnover.
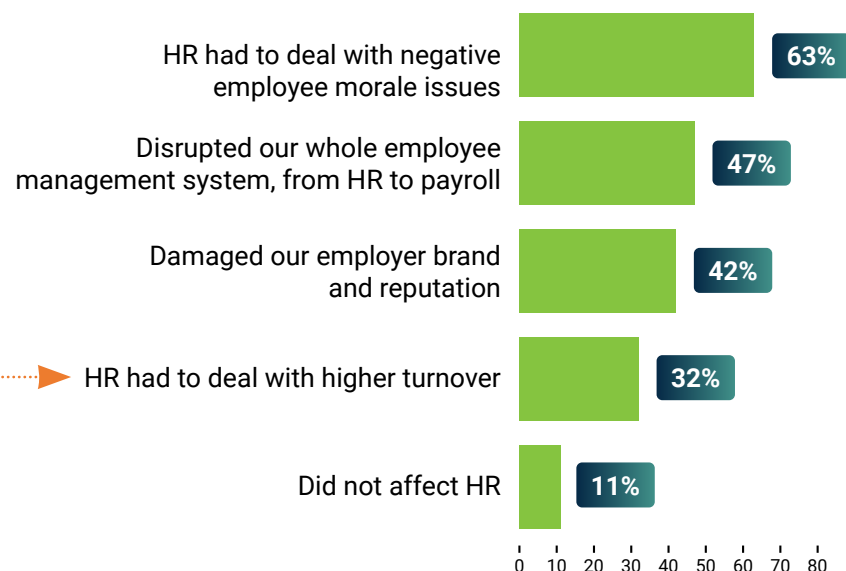
From HR's point of view, the biggest impact is likely the disruption of HR and payroll systems. This impact is common, faced by nearly half of the organizations that had security breaches. Although responses to such breaches will vary by operation, disruptions can potentially include a sudden shift to mostly manual processes to get payroll out. This can be a severe challenge for payroll teams optimized for an automated and/or outsourced approach to payroll.

From the CEO's point of view, the biggest issue may be the impact on the organization's reputation. Again, this is quite common; 42% of those who had security breaches say it had a negative impact on their employer brand and reputation.

Nearly a third of organizations say security breaches led to higher turnover

Survey Question: What impact did the security breach have on your HR department? (select all that apply)

Impact	%
HR had to deal with negative employee morale issues	63%
Disrupted our whole employee management system, from HR to payroll	47%
Damaged our employer brand and reputation	42%
HR had to deal with higher turnover	32%
Did not affect HR	11%

Finding: Nearly three-fourths of those who faced security breaches responded by improving training
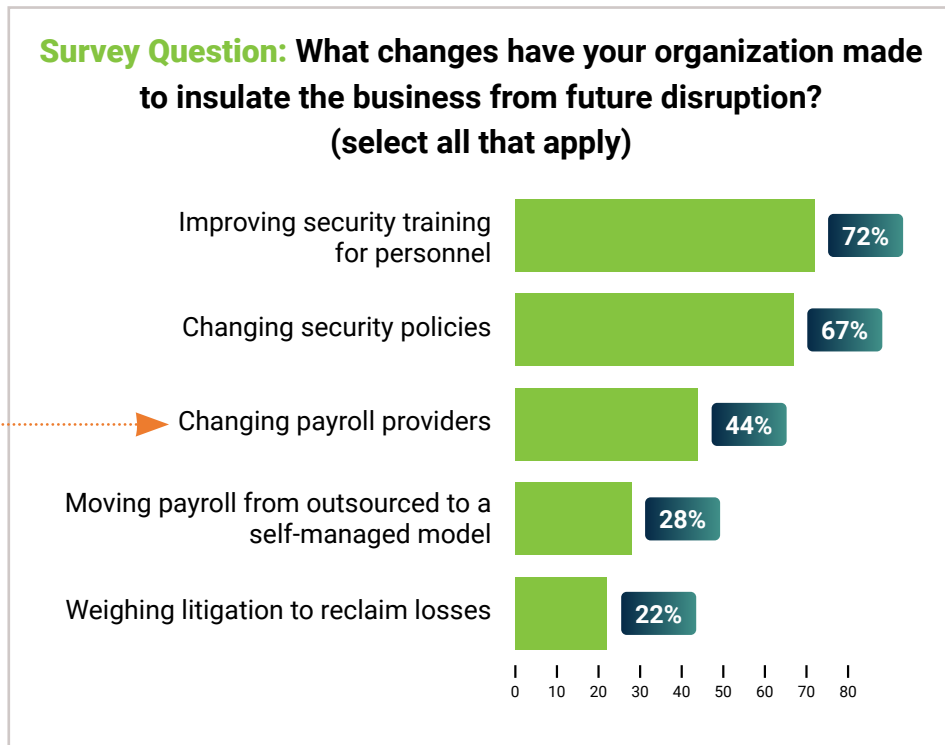
The most common response to those who faced security breaches was to improve training (72%). This is a sensible response given that very often security breaches are not the result of problems with systems or policies but rather human error.

Almost as many, 62%, changed security policies. In many cases, organizations both improved training and changed policies.

Over 40% of those who faced security breaches changed their payroll provider, which is an indication of how seriously organizations take breaches. Interestingly, 28% moved payroll from an outsourced provider to a self-managed model. Once an organization has faced a breach, it may feel it cannot afford to leave security to someone else.

Forty-four percent of those who faced security breaches changed their payroll provider

Survey Question: What changes have your organization made to insulate the business from future disruption?
(select all that apply)

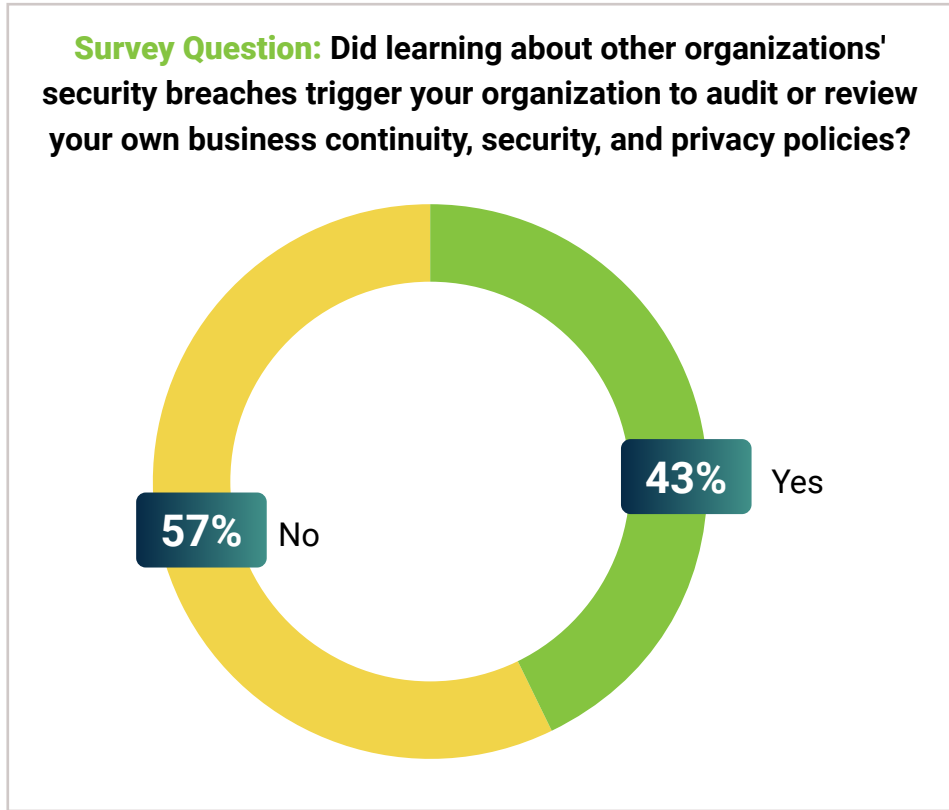| Change	%
Improving security training for personnel	72%
Changing security policies	67%
Changing payroll providers	44%
Moving payroll from outsourced to a self-managed model	28%
Weighing litigation to reclaim losses	22%

Organizations That *Have Not* Recently Suffered Security Breaches

Finding: Forty-three percent of respondents say learning about another organization's security breaches led to an audit or review of their own security

A common trigger for a review of security policy is learning about another organization's security breaches; 43% of respondents cited this as causing a security review in their organization. Certainly, staying aware of what other organizations have faced is a critical job for anyone tasked with security.

Survey Question: Did learning about other organizations' security breaches trigger your organization to audit or review your own business continuity, security, and privacy policies?

57% No   **43%** Yes

Finding: Over two-thirds of respondents say a security breach would disrupt day-to-day tasks
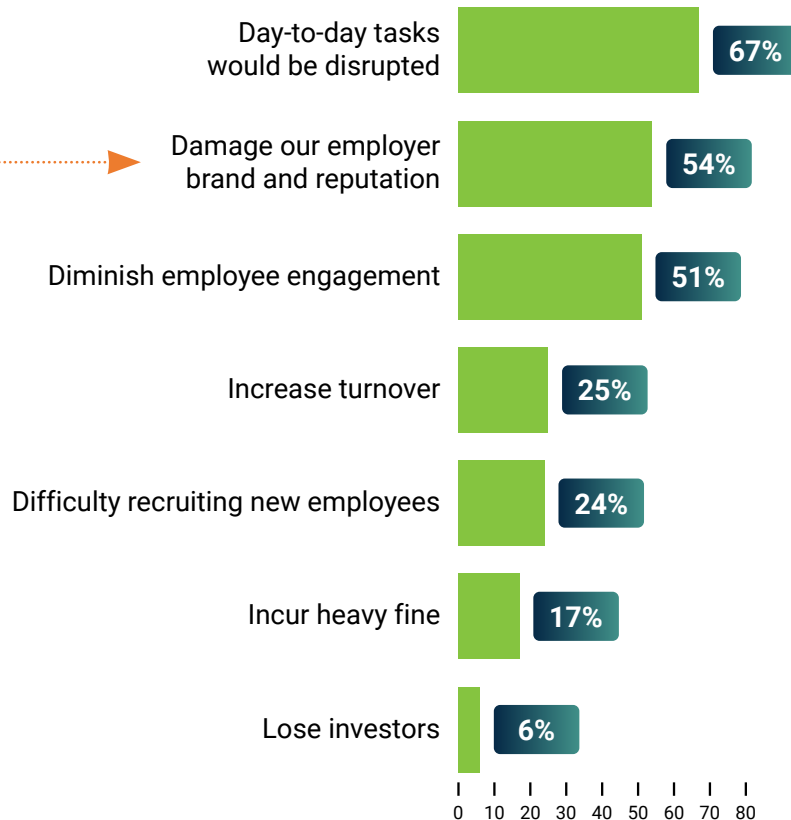
A security breach is likely to have an immediate and urgent impact on the organization. Over two-thirds of the respondents say a security breach would disrupt day-to-day tasks. It is also likely to have a long-term impact. Over half of the respondents say a security breach would damage the employer's brand and reputation.

Only 17% think it is likely that they would incur a heavy fine. However, we can be sure the Chief Financial Officer will be concerned about even a small possibility of such a fine.

Over half of the respondents say a security breach would damage the employer brand and reputation

Survey Question: **If there is a future security breach and your ability to process payroll and/or ensure paycheck accuracy is impacted, how do you think that would affect your business? (select all that apply)**

Category	Percentage
Day-to-day tasks would be disrupted	67%
Damage our employer brand and reputation	54%
Diminish employee engagement	51%
Increase turnover	25%
Difficulty recruiting new employees	24%
Incur heavy fine	17%
Lose investors	6%

Finding: Over 90% of organizations provide payroll professionals with computers or cell phones for payroll-related tasks

Not so long ago it would have been unlikely that a payroll professional would have even considered using their own devices for payroll-related work. Now, with powerful personal cell phones and mobile-friendly payroll add-ons, it might be tempting for payroll professionals to use their own devices.

The problem with people using their own devices is that it creates a security risk. That is no doubt why 92% of organizations provide payroll professionals with computers or cell phones for payroll-related tasks.

Only 5% of organizations have payroll professionals use their own devices

Survey Question: In your organization, do payroll professionals use company-provided computers or cell phones for payroll-related tasks? (e.g., cell phone to check pay stubs, laptop to record life event changes, etc.)

5%

3%

92%

Yes, the organization provides payroll professionals with computers

No, payroll professionals use their own computers

Other
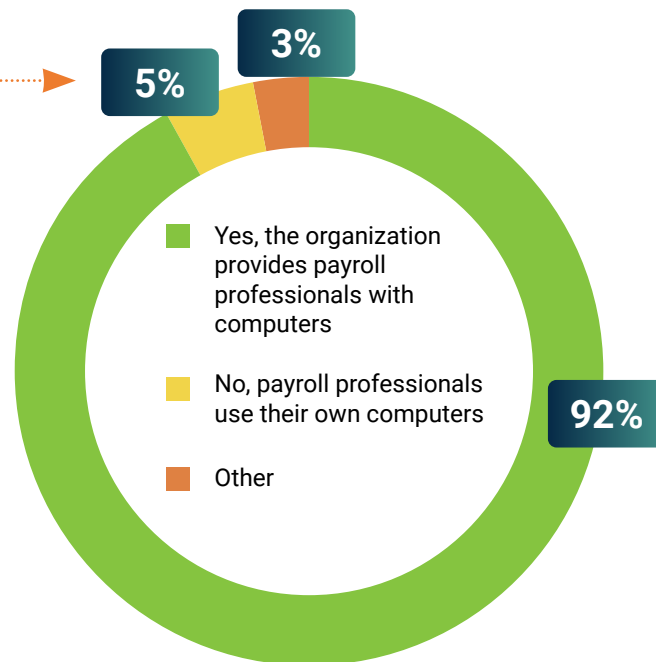
Finding: More than four in five organizations agree or strongly agree that they are confident in their security practices around sensitive information such as a payroll

Only a few organizations, 6%, disagree or strongly disagree that they are confident in their security practices around sensitive information. Over 80% agree or strongly agree that they are confident.
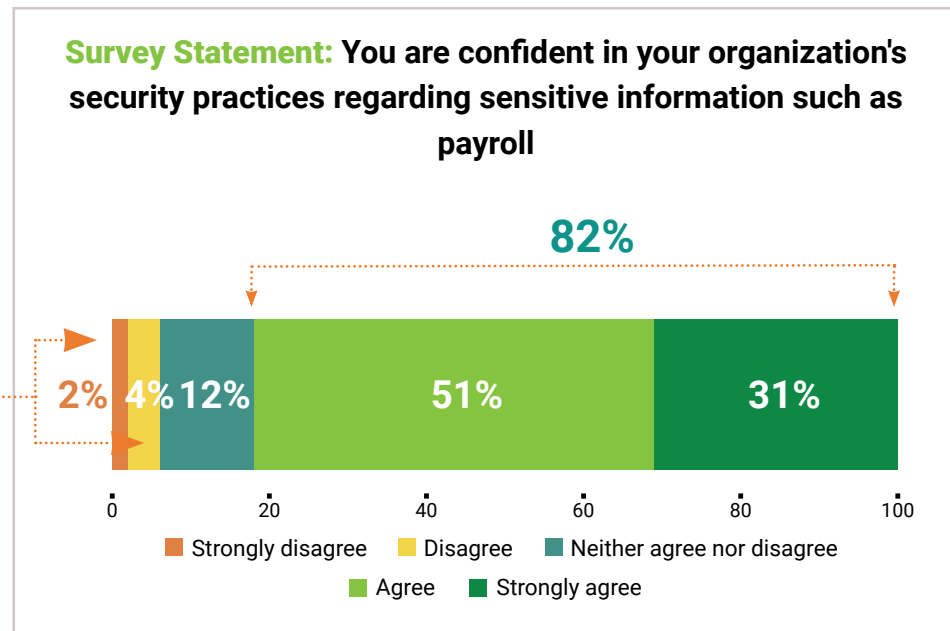Not many are on the fence, with only 12% saying they neither agree nor disagree that they are confident.

Impact of organizational size

Small organizations with fewer than 100 employees are less likely to strongly agree that they are confident in their organization's security practices than larger organizations with 100+ employees (25% vs 35%).

Only 6% of respondents disagree or strongly disagree that they are confident in their organization's security practices around sensitive information

Survey Statement: You are confident in your organization's security practices regarding sensitive information such as payroll

82%

| 2% | 4% | 12% | 51% | 31% |

0   20   40   60   80   100

■ Strongly disagree   ■ Disagree   ■ Neither agree nor disagree
■ Agree   ■ Strongly agree
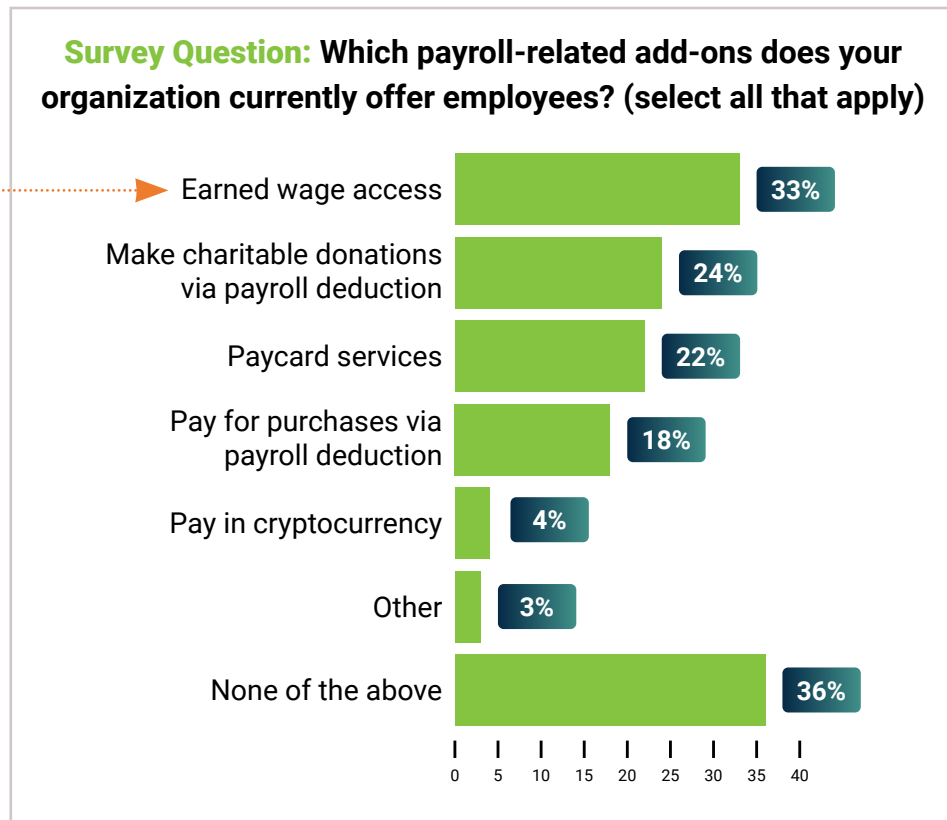
The Interest in Innovative Add-ons

Finding: Two-thirds of organizations offer some form of payroll-related add-on

We asked respondents, "Which payroll-related add-ons does your organization currently offer employees?" None of the specific options are used by a majority. Further, 36% say they do not offer any of the specified payroll-related add-ons.

The most widely selected add-on is earned wage access, a financial service that gives employees access to a portion of the wages they've earned before the end of their payroll cycle. It may also be referred to by terms such as instant pay or on-demand pay. About a third of responding organizations offer earned wage access. This add-on became more popular during the height of the COVID-19 pandemic when millions of employees were under added economic strain. The next most common add-on is charitable donations via payroll deductions, which is offered by nearly a quarter of respondents' organizations.

Earned wage access is the most popular of the payroll-related add-ons

Survey Question: Which payroll-related add-ons does your organization currently offer employees? (select all that apply)

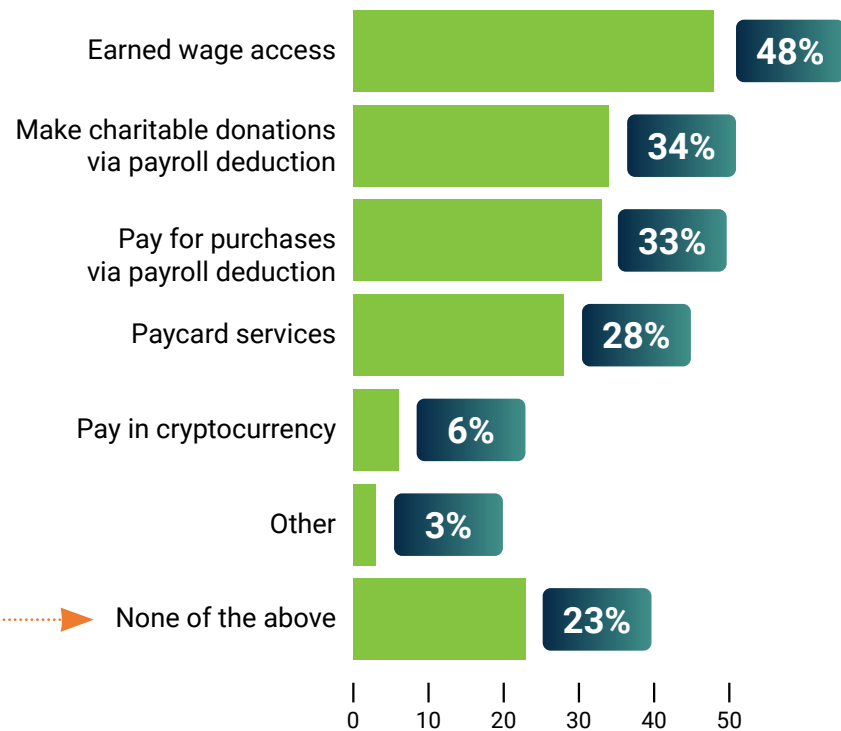| Add-on	Percentage
Earned wage access	33%
Make charitable donations via payroll deduction	24%
Paycard services	22%
Pay for purchases via payroll deduction	18%
Pay in cryptocurrency	4%
Other	3%
None of the above	36%

Finding: Most respondents believe that payroll-related add-ons can have a positive impact on employees

The previous finding showed that earned wage access is the most popular of the complimentary payroll solutions we inquired about, and this finding shows it is also the add-on respondents are most likely to believe has a positive impact on employees (cited by 48%). About a third of participants also cite the ability to pay for purchases via payroll deduction and making charitable donations via payroll deductions.

Survey Question: Which of the following payroll-related add-ons do you feel can have a positive impact on employees? (select all that apply)

Earned wage access	48%
Make charitable donations via payroll deduction	34%
Pay for purchases via payroll deduction	33%
Paycard services	28%
Pay in cryptocurrency	6%
Other	3%
None of the above	23%

Only 23% did not identify any payroll add-ons they felt would have a positive impact on employees

Finding: Respondents' experiences with payroll add-ons are positive

While there is no single payroll add-on used by a majority of organizations, those who use them often have positive experiences. Respondents were asked, "What has been your experience with the add-ons you've used?" Typical responses included:

- positive

- very satisfied

- great

- no issues at all

But there were also some cautionary responses around user adoption, such as:

- not being used as widely by employees as we would like

- positive but not a lot of traction

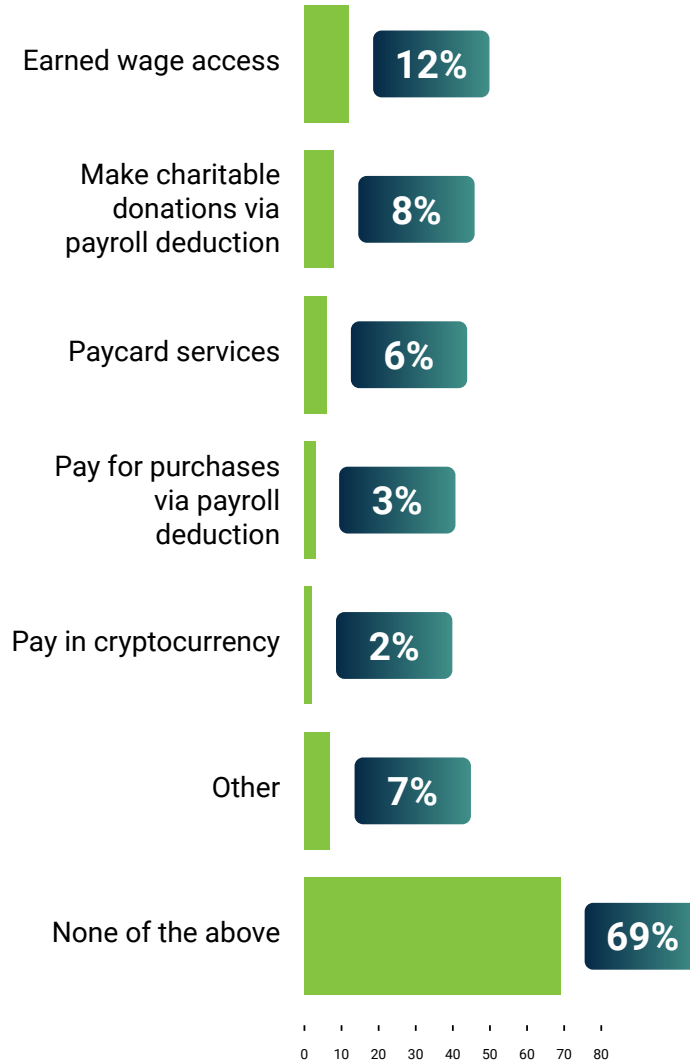- individuals still want hard copies of their pay statements

Finding: A majority (69%) are not planning to assess any payroll-related add-ons over the next year

Despite widely cited positive experiences with complimentary payroll solutions and the belief they can have a positive impact on employees, relatively few respondents express interest in assessing further payroll-related add-ons over the next year. Given the previous findings, it makes sense that the add-on that is most likely to be assessed is earned wage access, though only 12% of respondents say that they will assess it.

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A few respondents, 12%, say they will assess an earned wage access payroll add-on

Survey Question: Which payroll-related add-ons is your organization assessing over the next year?
(select all that apply)

Add-on	Percentage
Earned wage access	12%
Make charitable donations via payroll deduction	8%
Paycard services	6%
Pay for purchases via payroll deduction	3%
Pay in cryptocurrency	2%
Other	7%
None of the above	69%

0 10 20 30 40 50 60 70 80

Lessons from Highly Automated Organizations

It is useful to compare organizations with highly automated payroll processes to those that are less automated. To that end, we divided the responses into two cohorts based on their response to the question: "To what degree are compliance processes automated in your organization?"

- Highly automated: Those who answered that compliance processes are automated to a high degree or very high degree

- Less automated: Those who answered that compliance processes are automated to a moderate degree, low degree, very low degree, or not at all.
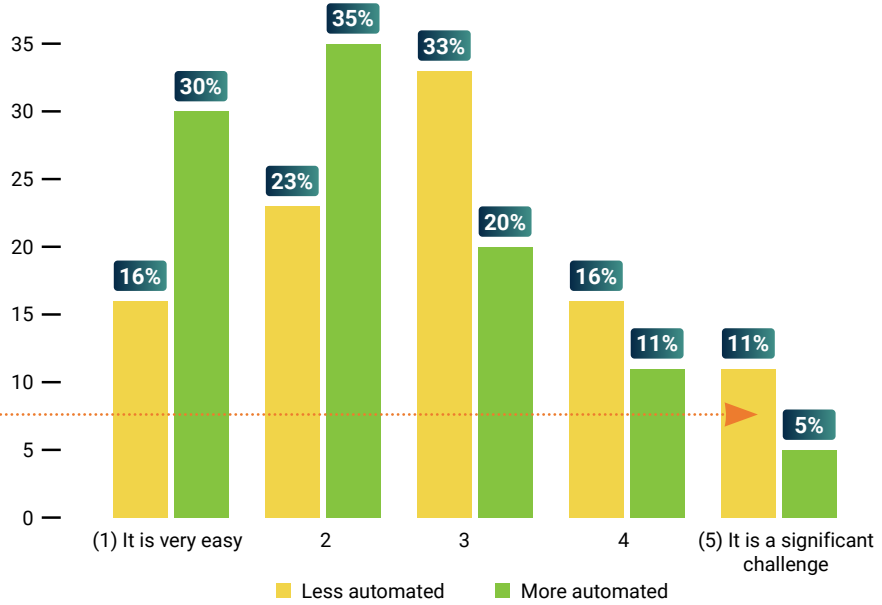
Finding: Organizations with highly automated compliance systems are almost twice as likely as less automated organizations to find compliance very easy

Automation is strongly associated with easier compliance. There are two results supporting this relationship. First, organizations with highly automated compliance systems are almost twice as likely as less automated organizations to find compliance "very easy." Second, organizations with less automated compliance systems are more than twice as likely to find compliance to be a "significant challenge." We believe this data makes a strong case for automating compliance processes.

Survey Question: On a scale of 1 to 5, how challenging is it for your organization to comply with all wage, hour, and taxation policies and regulations? (Note: this includes local, national, and corporate)

Organizations with less automated compliance systems are more than twice as likely to find compliance very challenging

Scale	Less automated	More automated
(1) It is very easy	16%	30%
2	23%	35%
3	33%	20%
4	16%	11%
(5) It is a significant challenge	11%	5%

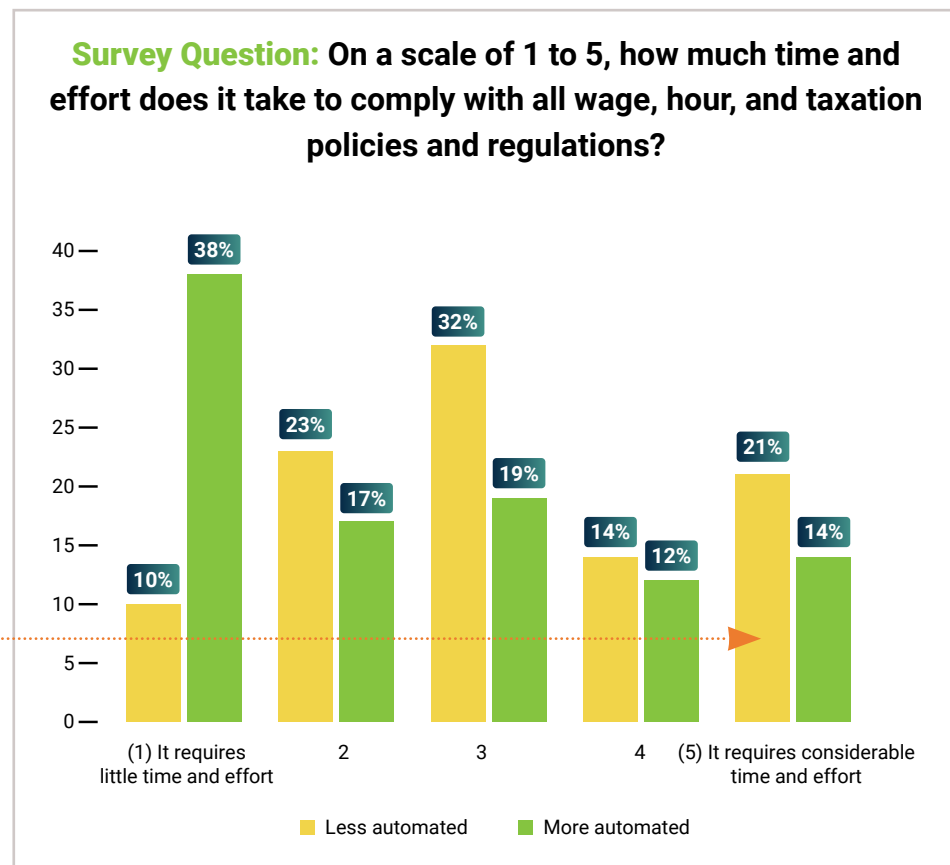Legend: Less automated, More automated

COMPLIANCE

Finding: Highly automated organizations are nearly four times as likely as less automated ones to say compliance takes little time and effort

A look at the time and effort involved in compliance strongly supports the conclusion that automation makes compliance easier. Highly automated organizations are nearly four times as likely as less automated ones to say compliance takes little time and effort. Furthermore, less automated organizations are 50% more likely than highly automated ones to say compliance takes considerable time and effort.

Less automated organizations are 50% more likely than highly automated ones to say compliance takes considerable time and effort

Survey Question: On a scale of 1 to 5, how much time and effort does it take to comply with all wage, hour, and taxation policies and regulations?

Scale	Less automated	More automated
(1) It requires little time and effort	10%	38%
2	23%	17%
3	32%	19%
4	14%	12%
(5) It requires considerable time and effort	21%	14%

■ Less automated ■ More automated

Note: this includes local, national, and corporate

Finding: Automation makes tracking regulatory changes easier at the local, state, and national levels

Automation can potentially help with many parts of the payroll process. The data suggest one area where it helps is in tracking regulatory changes. Organizations that are highly automated are more likely than less automated ones to say their ability to track national regulatory changes is above or well above average. This is true for all three levels of government and is particularly noticeable at the national level, where 77% of highly automated organizations rate themselves as above or highly above average compared to 43% of less automated organizations.

Highly automated organizations are much more likely than less automated ones to say their ability to track national regulatory changes is above or well above average

Survey Question: How would you rank your organization's ability to track regulatory changes at the following levels?

Percent answering "Above average" or "Well above average"

Level	Less automated	More automated
National	43%	77%
State	50%	70%
Local	48%	64%

Editor's Note: "Don't Know" responses were removed

Lessons from Organizations that Find Payroll Compliance Easy

Some organizations say it is easy to comply with all wage, hour, and taxation policies and regulations. We compared these organizations to ones that find compliance harder by breaking the respondents into two cohorts based on their responses to the question: *"On a scale of 1 to 5, how challenging is it for your organization to comply with all wage, hour, and taxation policies and regulations?"*

- **Easy to comply:** Those who answered 1 or 2 on a 5-point scale where 1 equals "It is very easy" to comply

- **Challenging to comply:** Those who answer 3, 4, or 5 on a 5-point scale where on a 5-point scale where 5 equals "It is a significant challenge" to comply.
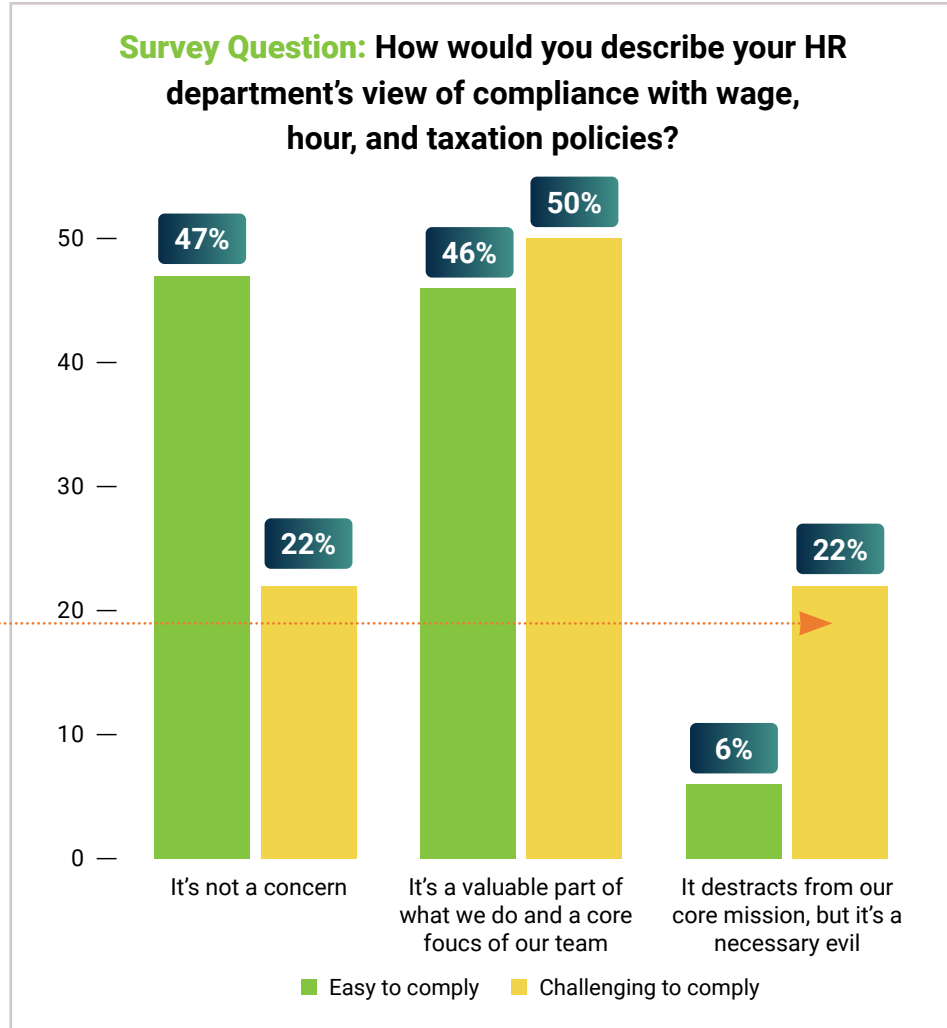
Finding: Organizations, where compliance is challenging, are nearly four times as likely to say it distracts from their core mission

It's important to ask whether compliance is so challenging that it actually distracts HR from its core mission. Nearly one-quarter of organizations that find compliance challenging says it does. That is nearly four times higher than in organizations that find compliance easy.

If compliance is in fact distracting HR from its core mission, then that is a powerful argument for investing in improved processes.

Survey Question: How would you describe your HR department's view of compliance with wage, hour, and taxation policies?

Nearly one-quarter of organizations that find compliance challenging says it distracts from their core mission

	Easy to comply	Challenging to comply
It's not a concern	47%	22%
It's a valuable part of what we do and a core foucs of our team	46%	50%
It destracts from our core mission, but it's a necessary evil	6%	22%

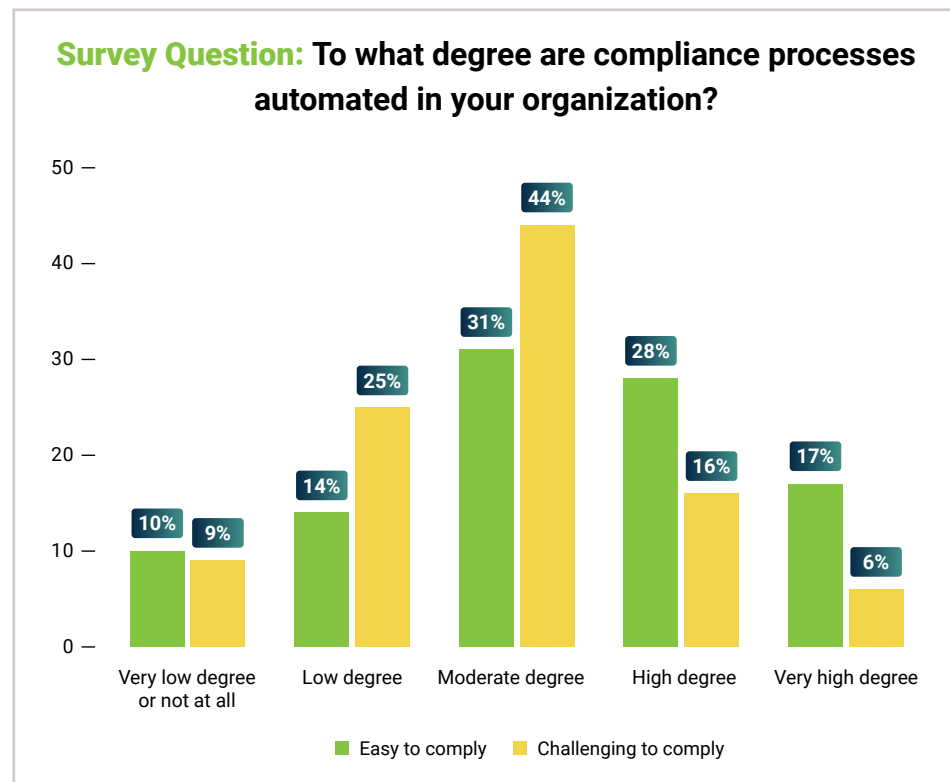■ Easy to comply   ■ Challenging to comply

Finding: Organizations that find compliance easy are almost three times as likely to be highly automated as those who find compliance challenging

Organizations that find compliance challenging are less likely to be automated than those that find compliance easy. In fact, organizations that find compliance easy are almost three times as likely to be very highly automated as those who find compliance challenging (17% vs 6%). At the other end of the automation spectrum, organizations that find compliance challenging are more likely to have a low or very low degree of automation (34% vs 24%). These findings suggest that one of the reasons organizations find compliance challenging is the lack of automation.

Organizations that find compliance challenging are more likely to have a low or very low degree of automation

Survey Question: To what degree are compliance processes automated in your organization?

	Easy to comply	Challenging to comply
Very low degree or not at all	10%	9%
Low degree	14%	25%
Moderate degree	31%	44%
High degree	28%	16%
Very high degree	17%	6%

Lessons from Secure Organizations

We divided respondents into two "security" cohorts based on their response to the statement: "You are confident in your organization's security practices regarding sensitive information such as payroll."

- **Secure:** Those who agree or strongly agree they are confident in their security

- **Less Secure:** Those who disagree, strongly disagree, or neither agree nor disagree that they are confident in their security

Finding: Organizations that have good security are more likely than less secure organizations to see compliance as a valuable activity

One reason some organizations are more secure may be that they have a positive attitude to compliance. Organizations that have good security are more likely to see compliance as a valuable activity than organizations that are less secure (49% vs 39%). Similarly, organizations that have good security are less likely to see compliance as a necessary evil than organizations that are less secure (12% vs 19%). It may be that good security starts with a good attitude.

Nearly one in five less secure organizations consider compliance a necessary evil

Survey Question: How would you describe your HR department's view of compliance with wage, hour, and taxation policies?

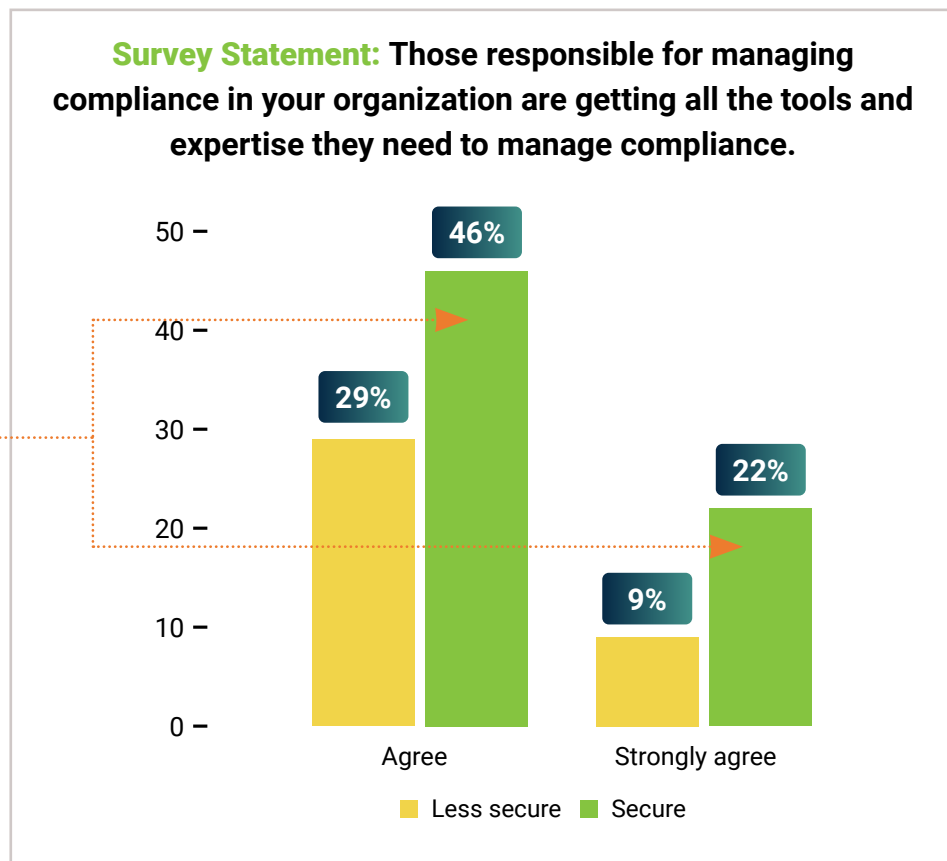|	It's a valuable part of what we do and a core focus of our team	It distracts from our core mission, but it's a necessary evil
Less secure	39%	19%
Secure	49%	12%

Less secure · Secure

Finding: Less secure organizations are also less likely to say they have the tools and expertise they need to manage compliance

One reason that some organizations are less secure may be that they lack the tools and expertise they need to manage compliance. Only 38% of less secure organizations agree or strongly agree that they have the tools and expertise they need. This compares to 68% of secure organizations.

More than two-thirds of secure organizations agree or strongly agree that they have the tools and expertise they need to manage compliance

Survey Statement: Those responsible for managing compliance in your organization are getting all the tools and expertise they need to manage compliance.

- Less secure
- Secure

Finding: Less secure firms are almost twice as likely as secure ones to have faced a security breach in the past two years

The sense that there is a lack of security is not just theoretical. Less secure firms are almost twice as likely as secure ones to have faced a security breach in the past two years. Of course, that breach may be one reason why they report feeling less secure. However, the implication is that poor security increases the risk of breaches and hence it is an issue to be taken seriously.
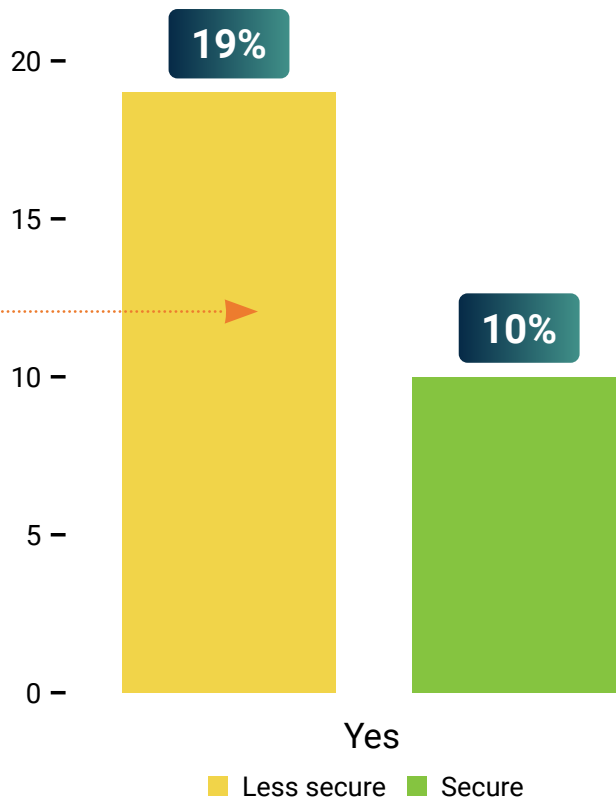
One in five less secure firms faced a security breach in the past two years

Survey Question: Was your company impacted by attendance, scheduling, and payroll system security breaches in the past two years?

19%

10%

20

15

10

5

0

Yes

■ Less secure ■ Secure

Finding: Secure organizations are more likely to react when they learn other organizations have had a breach

This study suggests that secure organizations tend to be more vigilant than less secure ones. Nearly half of the secure organizations (46%) audited or reviewed their business continuity, security, and privacy policies in response to learning about breaches in other organizations. That is far higher than in less secure organizations, where less than a third (28%) responded when learning about breaches in other organizations.

Survey Question: Did learning about other organizations' security breaches trigger your organization to audit or review your own business continuity, security, and privacy policies?
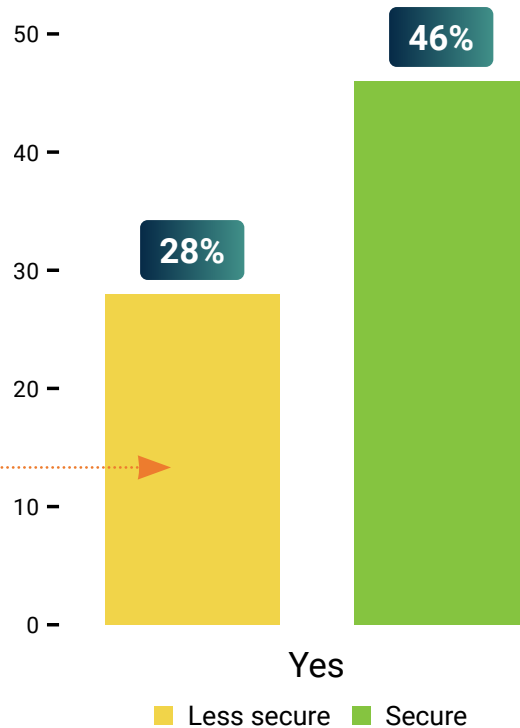
Fewer than a third of less secure organizations responded when they learned about other organizations' security breaches

| | 46% |
| 28% | |

50 —
40 —
30 —
20 —
10 —
0 —

Yes

◼ Less secure ◼ Secure

Finding: Less secure organizations are twice as likely as secure ones to let payroll professionals use their own devices

It is rare for organizations to let payroll professionals use their own devices for payroll-related tasks. In fact, fewer than 10% do. Nevertheless, there is a notable difference between more and less secure organizations. Less secure organizations are more than twice as likely as secure ones to let payroll professionals use their own devices (9% vs 4%).

Survey Question: In your organization, do payroll professionals use company-provided computers or cell phones for payroll-related tasks? (e.g., cell phone to check pay stubs, laptop to record life event changes, etc.)

9%

4%

No, payroll professionals use their own devices

- Less secure   - Secure

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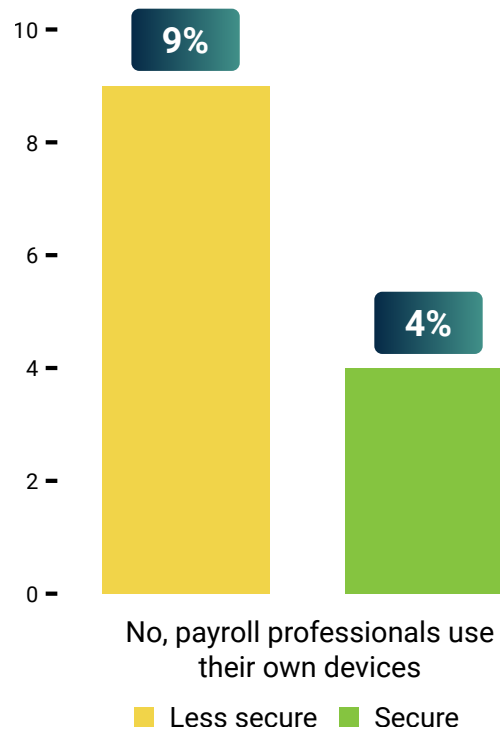
Key Takeaways

Below are suggestions for organizations that aspire to improve payroll security, regulation, and innovation.

1 **If an organization is struggling with payroll processes, it might have outgrown its current implementation.** Payroll is challenging. However, it is also so important that systems and processes are developed so that it feels reasonably "easy." Failing to achieve this creates a risk of errors, distractions from HR's core mission, and security breaches. If an organization struggles, it should conduct an audit to determine its primary problems and then put together a thoughtful plan to address those problems. Struggling organizations may also wish to bring in experts from outside the organization to troubleshoot and provide guidance.

2 **Automation is a powerful tool that can improve many aspects of payroll.** This study suggests that well-implemented automation can reduce the effort it takes to do payroll, improve the ability to track regulatory changes, and increase security. If your organization's payroll processes are not well automated, then begin investigating automation solutions with technology providers and peers from other organizations.

3 **Pay attention to the payroll implications of remote work.** Normally the debate about remote work is framed around the desires of workers versus the desires of managers. However, there can be important pragmatic implications for payroll if people are working remotely, particularly if they have moved to a different state or are nomadic and so frequently move around. This does not mean organizations should discourage remote work. It means that organizations must ensure the processes are in place so that the organization remains compliant in a changing work landscape.

4 **Be sure you are tracking regulatory changes at various levels of government.** Keeping up with regulatory changes at multiple levels of government is one of the big challenges of payroll. Make sure your organization has the tools, time, and expertise to keep up to date. If HR lacks the resources it needs to track regulatory changes, then that should be flagged as an urgent compliance issue. Seek out experts, partners and information resources to help stay abreast of legal and compliance issues associated with various levels of government.

5 **Find the right payroll provider.** Different payroll providers have different strengths. If you are dissatisfied with your provider, don't hesitate to look at others to see what they can offer. We think that the best source of insight is to have in-depth conversations with your peers in other companies about their providers so that you develop a detailed understanding of the pros and cons of each vendor and how that would play out in your context. Also, engage in a careful process of due diligence in selecting a provider. Don't take shortcuts.

6 **Look for payroll-related add-ons that can give organizations a competitive advantage in recruitment and retention.** This study suggests, for example, that the more organizations are offering or looking at the possibility of offering financial wellness tools such as earned wage access, the happier their employees are. Especially in times of economic stress, organizations may be able to help retain and even recruit employees more easily by offering such add-ons.

7 **Make sure leadership understands and appreciates the criticality of what payroll teams deliver to the business.** Payroll is not a glamorous area, and you typically only hear from employees or managers when something has gone wrong. Leaders need to ensure the payroll team is recognized for the value their expertise and dedication brings to the organization. Payroll professionals also need to understand their own importance and take pride in their contribution even when others take them for granted.

8 **Prioritize security.** Even though security breaches are relatively rare, their impact is usually significant on a whole host of factors, from disrupting work to lowering morale to damaging the organization's reputation. If you are not confident that your organization's payroll is highly secure, then consider revamping policies, increasing training, and/or changing your payroll provider.

About Greenshades

Greenshades Software is a leader in payroll, tax, HR, and compliance software. Greenshades delivers an independent, unified, cloud-based platform with personalized support from an experienced team to a diverse range of businesses. With 20 years of experience, 4,000+ clients and growing, and with an average client tenure of 11 years, Greenshades can transform your payroll, tax, and HR challenges into strategic opportunities.

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