GLOBAL PAYROLL EFFICIENCY INDEX 2024

Industry benchmarking report of payroll processing KPIs across 130+ countries

Now including employee payments KPI analysis

Published May 2024

Contents

Why the PEI report?

Our Global Payroll Efficiency Index report is compiled every year to give business and payroll practitioners the level of insight they deserve. Standard SLAs like accuracy and timeliness may seem all well and good on the surface, but they don't deliver the full picture of the efficiency of a payroll operation. This is why many organizations may have frustrations with payroll, even when their SLAs are telling them all is well.

This report focuses on a range of more detailed and insightful KPIs, which collectively give payroll teams a deeper understanding of how well their payroll processes are performing, and where they can make improvements.

PEI report sample data

This is the fifth edition of the Global Payroll Efficiency Index, and it's based on data sampled from the organizations we work with all over the world. As well as global-level figures, we have also generated results divided into three regions: the Americas (AMER); Europe, the Middle East and Africa (EMEA); and Asia-Pacific (APAC). The findings are based on analysis of more than one million payslips that CloudPay processed between January 1 and December 31, 2023.

Why standard SLAs aren't enough

Global payroll accuracy consistently runs somewhere around 99.9%, which sounds great when taken at face value. It means that only a very small number of payslips and employees are affected by payroll issues, and this is reflected in the strong performance of standard payroll SLAs.

But what these SLAs and headline figures don't do is explore the amount of time, cost or complexity that is required to achieve those results. It's for that reason that we at CloudPay ensure our solution's data and analytics capabilities stand out above the rest, which has allowed us to chart and develop five KPIs that deliver greater insight into payroll performance. We then benchmark and measure these core KPIs year-on-year, following their progress globally and regionally to allow organizations to compare their performance to overall averages, and identify the areas where their remediation efforts should be concentrated.

99.9%

Our data shows that global payroll accuracy is 99.9%

A new model for payroll efficiency

Countless payroll issues occur every day that can't be measured through standard SLAs. These include, but are by no means limited to: spreadsheet errors; inflexible timelines; language barriers; and a diverse range of stakeholders involved in the process, which can lead to delays and inconsistent data. At CloudPay, we've found that the lack of insight into these issues is largely down to a lack of data collection by payroll vendors, and this is why we have decided to take a different approach.

Our unique KPIs collectively form the basis of a new data model based on standardized formats and workflows, which make it easy to collect payroll data from every part of an organization automatically. Real-time analysis of this data means we can better understand, measure and review processes, and pass the insights on to organizations aiming to improve their own payroll operations.

The KPIs

Our KPIs shine a light on payroll vendor performance, the strength of the relationships they have with their business customers, and the issues that may require remediation efforts or general improvement. The potential issues are highly varied: compromised payroll data; the inability to report at a global level; lacking full global visibility of payroll costs; or fragmented processes preventing the adoption of a continuous improvement strategy.

Alongside these KPIs, for the second year in succession, we have also measured payment timeliness, meaning how many salary payments were made on time within the pay window.

We continue to include pay timeliness in this report to emphasize the importance of integration between payroll and payments, and because of the impact that issues in one can have on the other.

Continued for 2024:

Employee payments KPI analysis

> See 'Payments results' section

The KPIs are:

First-time approvals (FTA):
The percentage of payroll runs that are approved at the first attempt and don't require any changes.

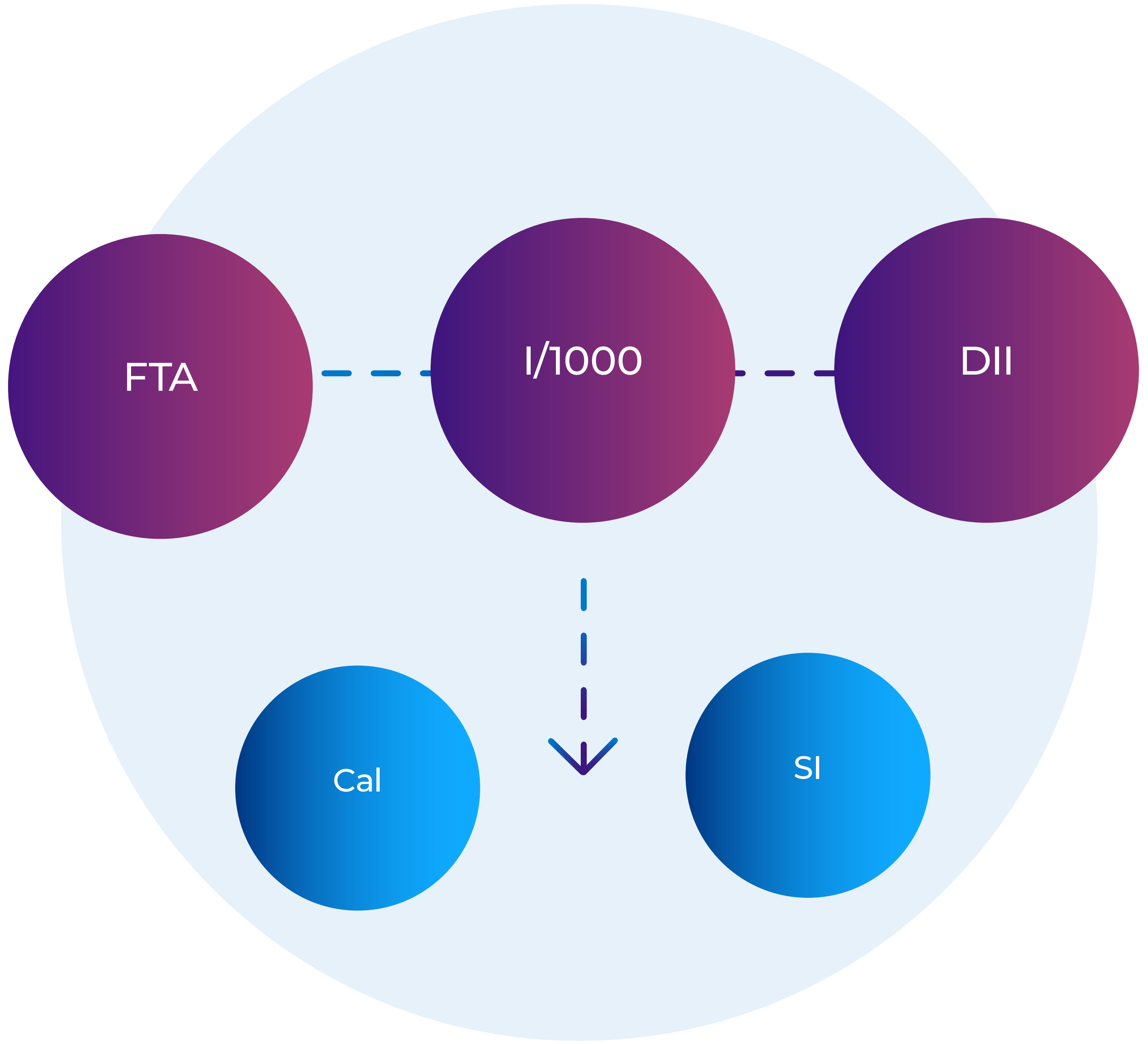
Data input issues (DII):
The proportion of issues caused by mistakes in data input, out of all issues affecting payroll.

Issues per 1000 payslips (I/1000):
The number of payslips affected in each payroll cycle, per thousand issues.

Calendar length (CAL):
The length of time taken to complete a payroll cycle from start to finish (measured in days).

Supplementary impact (SI):
The proportion of payroll runs taking place outside of the normal cycle, out of all payroll runs that take place.

The KPIs' impact:



The three core KPIs (FTA, I/1000 and DII) often set the trend for the remaining two (CAL and SI) – focus on making the core KPIs as efficient as possible and the others will likely follow suit.

Executive summary

2023: The year technology became a payroll efficiency game-changer

The last three editions of this report have all been heavily impacted by external factors around the world: the COVID-19 pandemic; then the impact of The Great Resignation; and then the cost-of-living crisis. Relatively speaking, 2023 was more stable from a business and payroll perspective, and this is reflected in the marginal increases and decreases at global level in all of our KPIs.

However, closer inspection of the results reveals the real story:

FTA	DII	1/1000
↓	↓	↓

This year's results suggest that fewer issues are occurring and that more are getting picked up at the validation stage, reducing stress and disruption for payroll teams and employees alike.

The analysis at a glance

- A holistic view of the KPIs is essential to understand payroll performance
- An end-to-end transformation towards a single, seamless pay experience is vital
- Greater emphasis on integration and insights can drive better payroll timeliness
- Innovation can free up valuable time for the payroll team to add value elsewhere
- Now is the time to make the business case for payroll transformation
- People remain the driving force behind making payroll better, more valuable and more accurate

What's behind declining first-time approvals and issues?

A continued trend towards innovation and technology in payroll, which is giving teams more time and greater capability to identify and address problems, is likely behind these results. In recent years, many organizations have turned to payroll technology to help them weather the storm of the pandemic and the knock-on effects that followed. As the benefits of innovation have been realized, it is increasingly being regarded as a payroll must-have, meaning that the positive impact technology can deliver is becoming more prevalent.

However, the results from this year aren't a huge leap forward from last year. This means there is still scope for further improvements next year as automation, AI and integration become even more widespread (especially in the Americas and in the Asia-Pacific region). Integrating AI into payroll systems allows organizations to reduce the duration of payroll cycles, facilitating the implementation of real-time payroll processing capabilities.

- Innovation becoming a must-have for efficiency
- Still scope for further improvements
- AI to be a key future driver of progress

Navigating modern payroll complexity

Compliance is undoubtedly one of the reasons that progress across the KPIs has been limited this year. Achieving and maintaining payroll compliance has become much harder in recent years due to the rise of flexible and remote work and the variation of payroll regulations from one country to another. Meeting compliance regulations is now a more complicated and time-consuming endeavor for payroll teams, and this is underlining the need for support through technology and expertise.

- Alternative funding options should be explored
- Improved data analytics is bostering compliance
- Automation and standardization are essential

At a time when payroll is becoming more complex, especially for businesses operating in multiple territories that all have their own individual demands and regulations, these technologies will prove vital in maintaining high levels of payroll efficiency and performance.

Uniting payroll and payments

For the second time, payments efficiency data has been included in this report; with payroll and payments so heavily intertwined, and more businesses wanting closer integration between them, the relationship between payroll efficiency and downstream payments processing is critical. Encouragingly, payment timeliness has improved, further underpinning the positive impact unifying pay processes has on decreasing delays and enabling new levels of productivity.

In this report you'll find:

- Detailed country-by-country analysis in our unique PEI Matrix
- Full results for every KPI, including five-year trend data
- Regional-level analysis and trends
- Key takeaways, and what they mean for your organization

The PEI Matrix

The PEI Matrix

For the fourth year in succession, we have featured our unique PEI Matrix in this report, providing unrivaled country-by-country insight into how payroll efficiency can be affected by local conditions or circumstances.

There are a host of factors that can influence payroll performance from one country to the next, but three in particular stand out:

Payroll talent access and availability

The quality and quantity of payroll practitioners can be far greater in some countries than others, while recent turbulence in the job market has added further challenges around talent retention and acquisition.

Payroll complexity

Countries with a straightforward approach to payroll, tax and employment law are far easier to run payroll in, compared to those where things are much more complicated. Reporting, compliance and cultural customs can also add difficulty in this area.

Payroll software maturity

The adoption of innovative payroll software is far more advanced in some countries, whereas others are still having to resort to workarounds or outdated solutions.

The PEI Matrix charts payroll difficulty against first-time approvals (FTA) and issues per 1000 payslips (I/1000) in every country

What we can learn

To generate the matrix, we cross-reference the results of two of our KPIs: first-time approvals (FTA) and issues per 1000 payslips (I/1000).

This cross-referencing enables us to place countries into one of four quadrants:

Least difficult, very efficient

Countries in this quadrant are achieving the best possible results, and at the very least are meeting the expectations for their region. If you operate in one of these countries and your KPIs aren't reaching these levels, then the issue is likely to be within your own organization rather than across the country as a whole.

Least difficult, least efficient

This means payroll is easy to execute, but there is still a lack of efficiency. This may be because of internal difficulties, but could also be because of the time and resources required to run payroll for large volumes of employees in major organizations.

Very difficult, very efficient

These are the countries thriving with their payroll efficiency through the adversity of difficult conditions. If you operate in one of these countries but are not at this efficiency level, it demonstrates that improvements are possible and a higher level can be achieved and maintained.

Very difficult, least efficient

This may look like the 'worst' category to be in on paper, but in reality, it means that there are legitimate reasons why payroll efficiency is a challenge. Nonetheless, businesses in these countries should still look out for improvements wherever possible.

First-time approval analysis

This year we've seen some promising movement among countries where payroll is relatively difficult to run.

Despite the high hurdles, countries like the Netherlands and Switzerland have moved up and out of the bottom right quadrant. Australia and Denmark have also managed to maintain most of their improved efficiency from last year.

Encouragingly, while we didn't see the overall trend of increased efficiency mirrored by countries in the bottom-left quadrant (least difficult, least efficient) last year – the results this year are more positive.

The United States, India and Singapore have all posted marked improvements in efficiency, with Singapore moving up and out of the least efficient quadrant. Although Singapore has the easiest payroll of any country, its FTA score of close to 80% this year is a promising mark of improvement. Improved efficiency across the board this year is likely down to the to increased adoption of technology, which is giving teams more time and a single source of accurate data to work with.

What does this mean?

Seeing even these incremental improvements in efficiency despite ever-increasing global compliance requirements – (and businesses expanding internationally at an ever-increasing pace) – is a testament to the power of innovation, integration and technology. As the Modern Pay Experience of unified pay services, standardization, automation and AI become more widespread, we expect further efficiency gains to be realized by most countries in the years to come.

> Despite having the most difficult payroll of all countries, China remains the most efficient.

Issues per 1000 payslips analysis

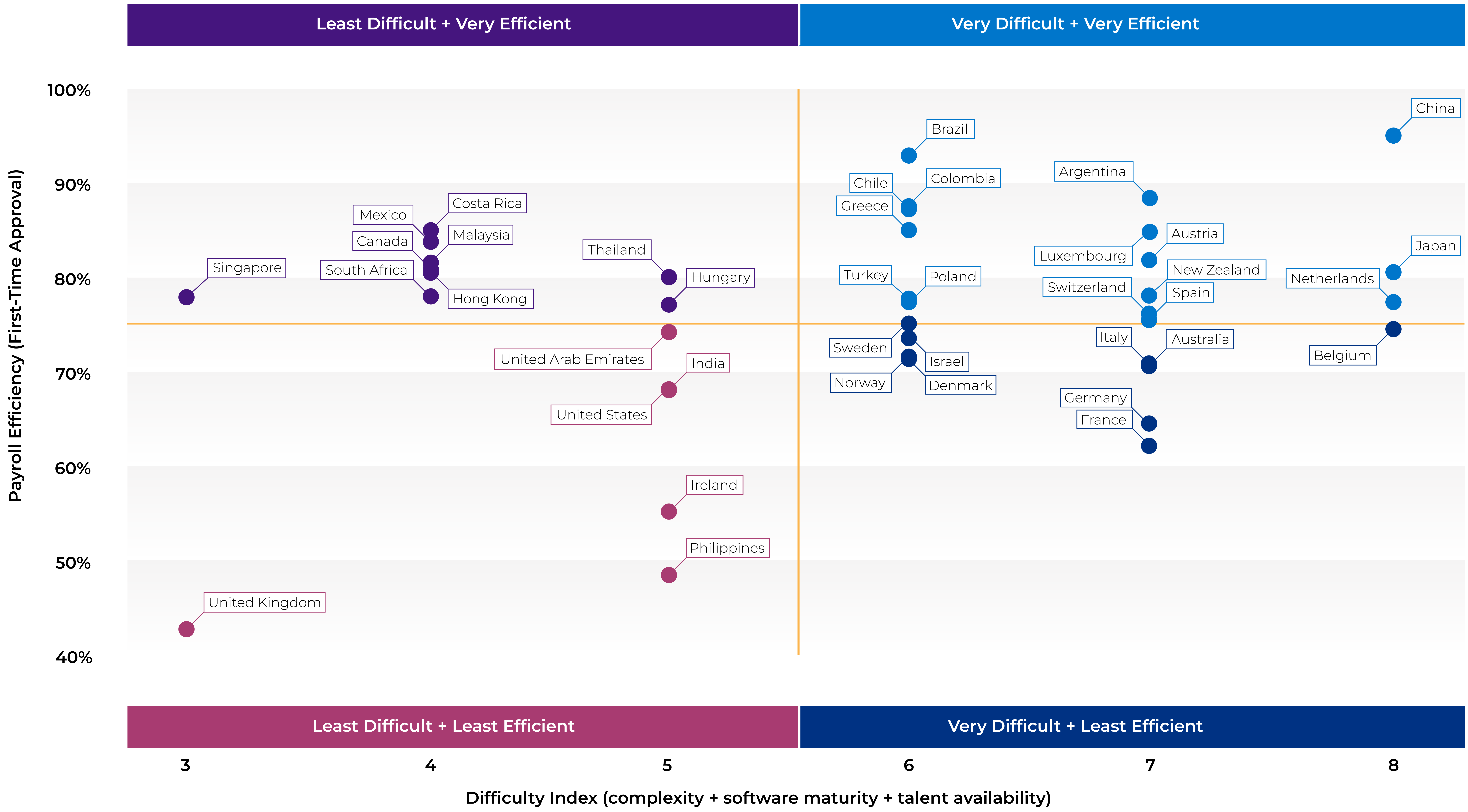
While most countries are still regarded as 'efficient' this year, with less than 20 issues per 1000 payslips, a few more countries have fallen into the bottom half of the matrix.

Interestingly, Greece is one of them despite efficiency improvements in FTA last year. Both FTA and I/1000 have dropped this year, suggesting that a more sustainable and long-term method of improvement remains to be found.

Although China is the most difficult country to run payroll in across both matrices, its I/1000 rate remains one of the lowest, even showing improvements from last year. The United Arab Emirates has also significantly improved its I/1000 rate by shaving off five issues.

Last year we noted that Denmark stood out with a low FTA rate and a higher I/1000 rate. While we hoped to see improvements across the board this year, I/1000 actually increased significantly from 23 to 29. Although Denmark's FTA rate continues to improve incrementally, these high (and growing) issue rates warrant further investigation to diagnose the underlying cause and prevent further increases.

FTA


Least Difficult + Very Efficient
Very Difficult + Very Efficient
Least Difficult + Least Efficient
Very Difficult + Least Efficient
Payroll Efficiency (First-Time Approval)
100%
90%
80%
70%
60%
50%
40%
3
4
5
6
7
8
Difficulty Index (complexity + software maturity + talent availability)
China
Brazil
Chile
Colombia
Greece
Argentina
Austria
Luxembourg
Japan
New Zealand
Netherlands
Switzerland
Spain
Turkey
Poland
Italy
Australia
Sweden
Belgium
Israel
Norway
Denmark
Germany
France
Costa Rica
Mexico
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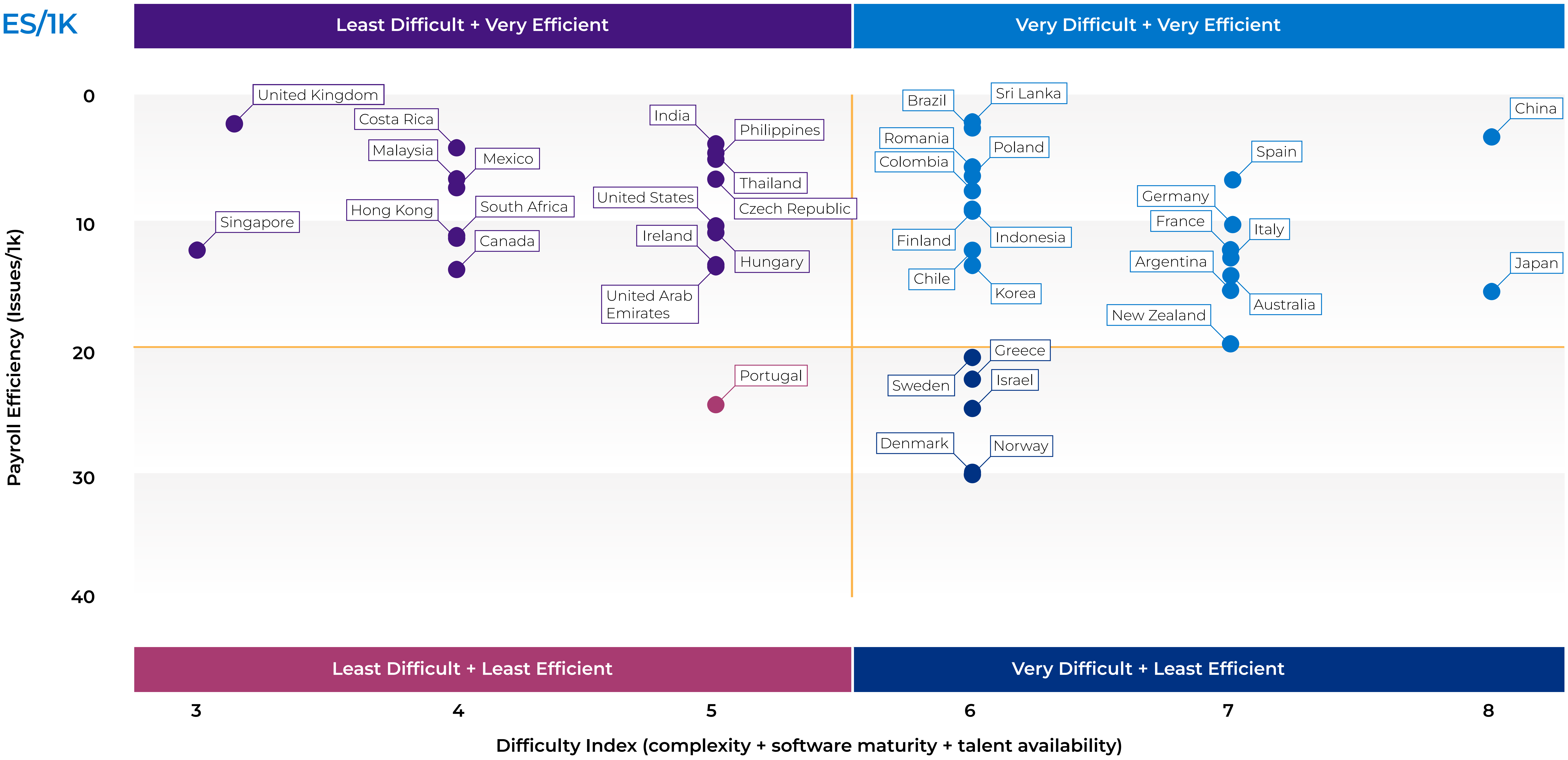
United Kingdom

ISSUES/1K


Least Difficult + Very Efficient
Very Difficult + Very Efficient
Least Difficult + Least Efficient
Very Difficult + Least Efficient
Payroll Efficiency (Issues/1k)
0
10
20
30
40
3
4
5
6
7
8
Difficulty Index (complexity + software maturity + talent availability)
United Kingdom
Costa Rica
Malaysia
Mexico
Singapore
Hong Kong
South Africa
Canada
India
Philippines
Thailand
United States
Czech Republic
Ireland
Hungary
United Arab Emirates
Portugal
Brazil
Sri Lanka
Romania
Poland
Colombia
Finland
Indonesia
Chile
Korea
Greece
Sweden
Israel
Denmark
Norway
Spain
Germany
France
Italy
Argentina
Australia
New Zealand
China
Japan

KPI results

KPI results

First-time approvals

The percentage of payroll runs that are approved at the first attempt and don’t require any changes

Why it matters

The first-time approval (FTA) rate is a good benchmark figure for data input processes, gross-to-net calculations, and their accuracy. A high FTA rate generally means that payroll processes are efficient, that the data involved is of good quality, and that payroll calculations are sound. A low FTA rate means there are improvements that can be made, and those improvements can be measured in future fluctuations in the rate.

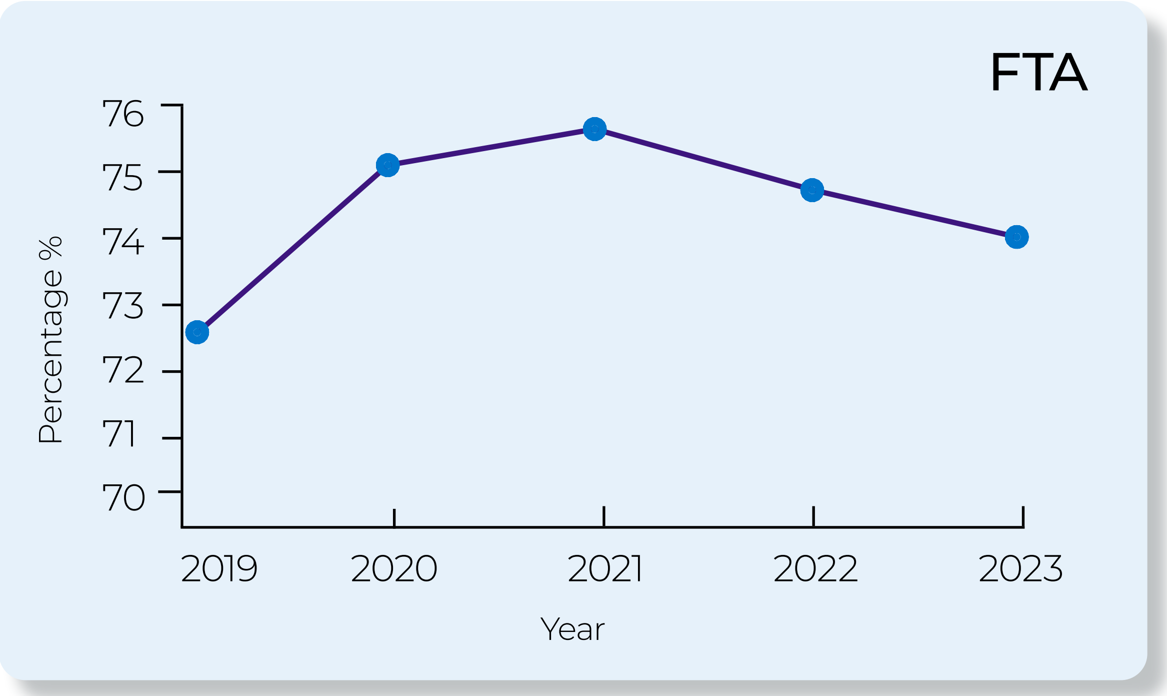
What it means for you

The most likely improvements you will need to make if your FTA rate is low will be in payroll data, the accuracy of data inputs, or within your approval workflows. If the rate is high, these areas are most likely running well, meaning improvements can be focused elsewhere.

5 years of PEI data

FTA from 2019 to 2023

Over the past five years, the PEI report has revealed a shift in the FTA results. Before 2021, the FTA trend was on the rise, but since then, it has been declining. This reversal can be attributed to the post-COVID era and the increased adoption of payroll innovation. As a result, global payroll teams now have access to more up-to-date information and additional time, enabling them to identify potential issues promptly during the initial processing stage.



First-time approvals

The results

Last year was the first time in the history of this report that the global FTA rate dropped.

That trend has continued this year, although by a smaller amount, dropping by 0.55 percentage points to 73.82%, compared to a 0.87% drop last year.

Once again, most of the decline has been fueled by EMEA, which dropped by 1.2% this year following a 2% drop last year. However, this may not necessarily be a bad thing: EMEA is a large region with a high payroll volume, and a region where the adoption of automation and data integration with HCM systems, is likely to be relatively high. This delivers greater efficiency, in turn freeing up more time to run checks and validations, which can result in more issues being detected at the first time of asking.

1.2%

FTA decrease in EMEA from last year

Conversely, AMER has the highest FTA rate, but as you'll read later in this report, also has a high supplemental impact rate; this suggests that payrolls are being approved first-time but without detecting all the issues and errors within them. The contrast between the two regions underlines that a high FTA rate is only good news if payroll accuracy is also high.

APAC has continued its long-term trend of increasing its FTA performance, which may be down to the stability of clear governance, and relatively few technology implementations that cause short-term complexity.

Top FTA

96.77%

Croatia

Bottom FTA

42.69%

United Kingdom

First-time approvals

Country comparison

At 96.77%, Croatia has set a new record for the highest-ever FTA rate recorded in this report, surpassing the previous mark of 96.50% set by Panama four years ago.

It's an especially impressive result given that Croatia has not appeared in the top five before, and payroll is relatively complex there. But the fact that Croatia and Slovenia are both in the top five this year may be down to major efforts to embrace payroll technology and automation across Eastern Europe.

Last year's top-ranked country China is in third place this year. However, a small drop in its rate after three years of improvements (and a top-five ranking in every edition of this report) may suggest that it's gone as far as it can realistically go with FTA improvements.

> The Philippines appears in the bottom five for the fourth consecutive year.

The Philippines appears in the bottom five for the fourth consecutive year, and the United Kingdom and Ireland remain there from last year; both their rates have declined, the UK's by more than 7%. To understand the different stories these FTA results reflect they should be considered alongside DII and I/1000. In the Philippines, low FTA rates are connected to high issue rates, showing overarching payroll struggles. However, low FTA figures in the United Kingdom and Ireland are coupled with declining issue rates, which may instead reflect an increased adoption of technology and innovation over the past few years, giving teams better data, and more tools and time to pick up on outlying errors the first time.

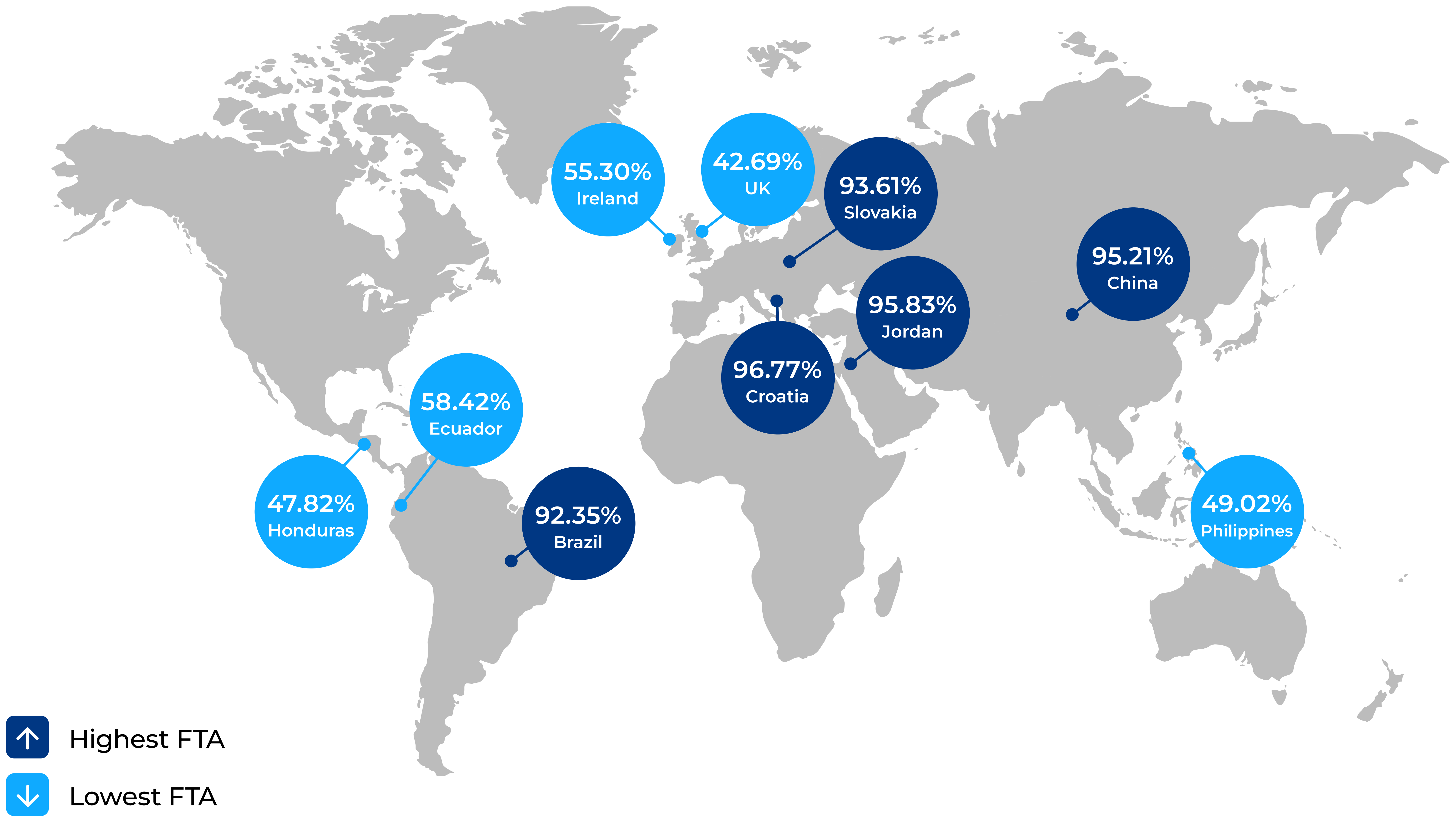
> Croatia has set a new record for the highest-ever FTA rate recorded in this report at 96.77%

First-time approvals

Country comparison

What can you do to improve your performance for this KPI?

- Find the root cause for why your payroll runs aren't approved first-time
- Solve the core issues, whether they are upstream (poor/late data) or through data transfer and processing
- Ensure payroll processing staff understand the steps necessary to get the payroll approved first time



KPI results

Data input issues

The proportion of issues caused by mistakes in data input, out of all issues affecting payroll

Why it matters

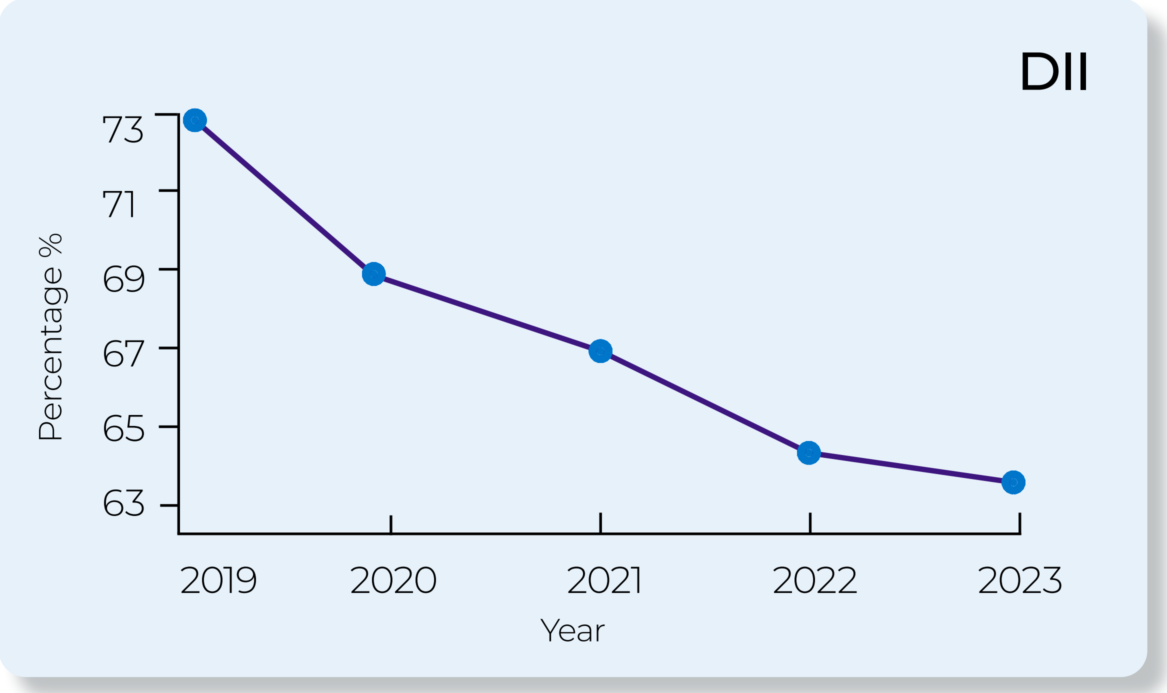
If data input accounts for a high proportion of payroll issues, this could be down to any of a number of problems, such as poor data collection methods, faulty data transfers, or issues further upstream within payroll systems.

What it means for you

End-cycle reports generally identify how many errors are occurring, but don't pinpoint the root cause behind them, whether that's human error, data transfer problems or calculation mistakes. Identifying that cause is essential, as large numbers of data input issues can delay processing and validation, and compress the amount of time available to complete those all-important procedures.

5 years of PEI data DII from 2019 to 2023

The 5-year DII trend demonstrates the concrete advantages of enhanced innovation, automation, and integration in the payroll process. Although there was a temporary slowdown in the decline of DII during the pandemic, the overall downward trajectory since 2019 underscores technology's crucial role in improving payroll accuracy.



Data input issues

The results

Data input issues as a proportion of all issues continue to decline, although at a slower rate than the major 3.6% drop witnessed last year.

A global rate of 63.6% is now 10.1% lower than in the first edition of this report in 2019. This is likely down to a combination of factors. The first is the increased integration between HCM and payroll systems, which decreases the opportunities for data input errors. A second factor could be the changing requirements in different countries and greater payroll complexity, which creates more issues in other areas and accounts for a greater proportion of the total.

The drop this year was entirely driven by a 5.6% decline in EMEA, where greater adoption of automation, integration, and innovation is likely to have a major impact on cutting out issues at the data input stage. The fact that tech adoption has been lower in APAC may be the reason that its DII figure has consistently remained above 70% in every report (rising 3% to 74.5% this year), and remaining well above the other two regions.

Expanding the adoption of new technology in APAC could help drive substantial improvements in the future and help the region break out of this plateau.

While the rate in AMER has risen by 1% to 59.5%, this is encouraging: it means that most of the 10.2% reduction from last year has been retained and is sticking for the longer-term.

5.6%

Reduction in data input issues in EMEA

Lowest percentage

16.66%

Croatia

Highest percentage

94.73%

Venezuela

Data input issues

Country comparison

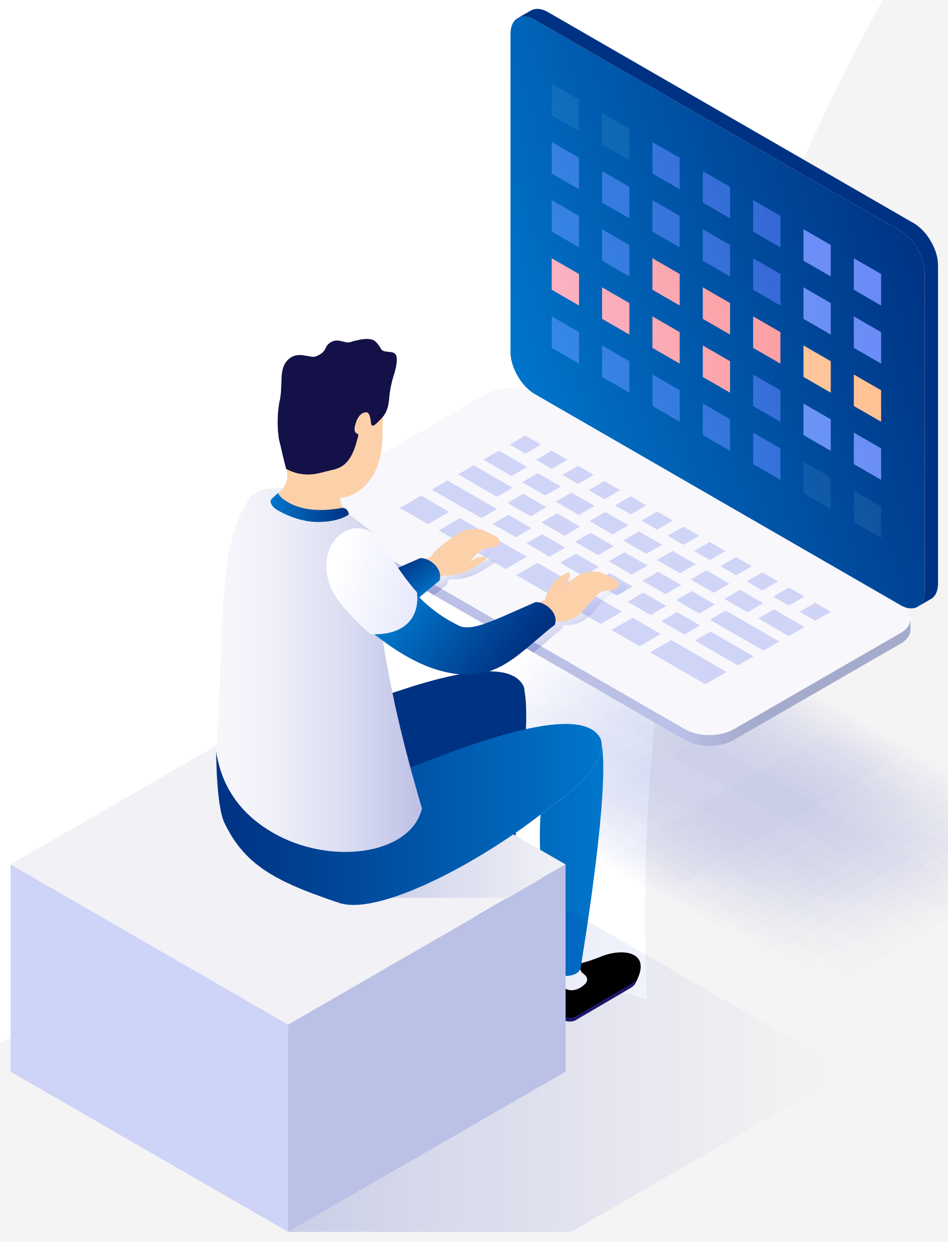
The three top performers in the country rankings for DII have all broken the previous record of 24.39%, set by Norway last year.

Croatia and Egypt are new entrants to the top five, while Portugal holds onto its third place from last year. Although it has dropped to fourth place, Norway's rate has increased only marginally, by 0.45 percentage points. Guernsey's retention of its fifth place from last year means EMEA has locked out the top five.

Despite increases at the regional level in AMER and APAC, no country has registered a 100% DII rate this year, after Guatemala, Venezuela and Serbia all did so last year. However, Venezuela – a country undergoing considerable political and economic turbulence – still tops the list at 94.73%, marginally ahead of China and Singapore. The high rate for China is interesting, given that it also has a high FTA rate: it's possible that there are hardly any issues in other areas, meaning DII represents a high proportion even if low numerically.

Reflecting the regional results, four of the five lowest performers are in the APAC region, which posted a 3% DII increase this year and remains well above the other two regions.

> Croatia posts the lowest percentage of DII, alongside its first-place FTA rate, showing a high level of efficiency and accuracy in the country.



Data input issues

Country comparison

What can you do to improve your performance for this KPI?

- Make note of every method of data supply to payroll processing staff
- Pinpoint which method(s) are causing data input issues
- Track results as improvements are made
- Introduce further integration if possible

Lowest percentages

- Croatia 16.66%
- Egypt 19.04%
- Portugal 21.53%
- Norway 24.84%
- Guernsey 26.31%

Highest percentages

- Venezuela 94.73%
- China 94.34%
- Singapore 94.33%
- Philippines 92.30%
- Hong Kong 88.41%

KPI results

Issues per 1000 payslips

The number of payslips affected in each payroll cycle, per thousand issues

Why it matters

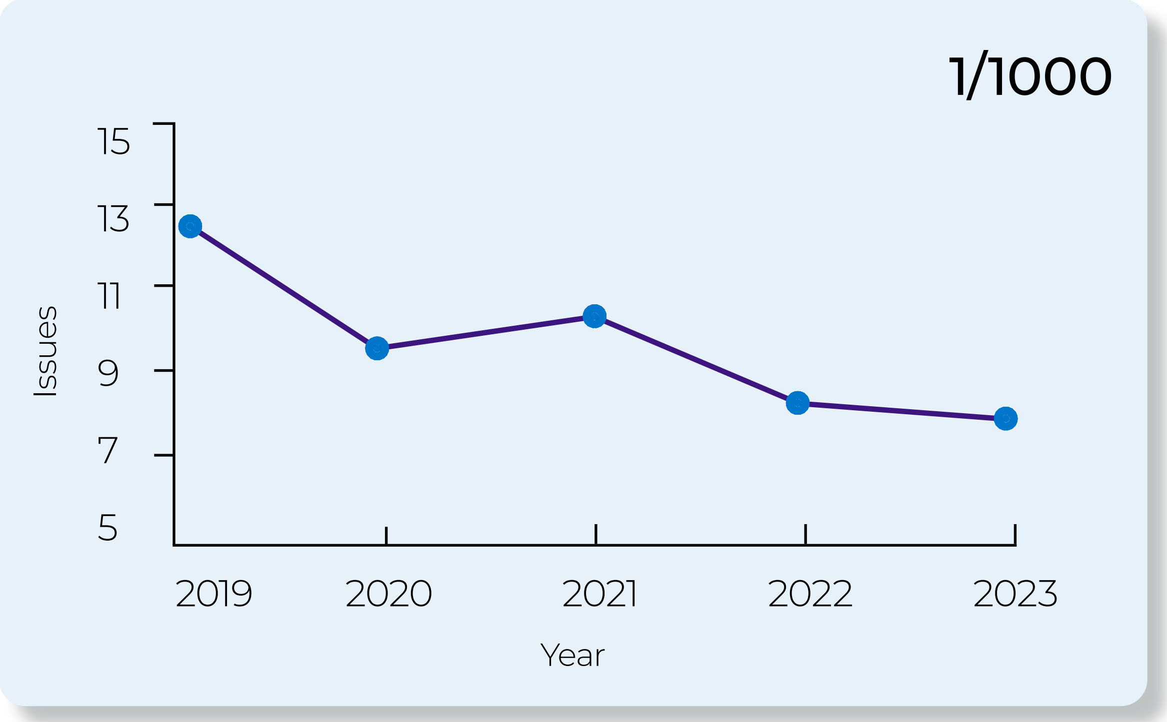
Knowing how many payslips in each cycle contain errors gives clarity on how a payroll system is performing. It can also be useful in measuring the impact of any changes in payroll processes, especially in terms of how they affect employees.

What it means for you

This KPI can indicate the level of accuracy within payroll processes far better than many commonly used SLAs. The differences between stronger and weaker performers in this metric tend to be much bigger, while its representation as a simple number makes it very easy for all stakeholders to understand.

5 years of PEI data I/1000 from 2019 to 2023

Similar to DII, the I/1000 trend over the past five years mirrors the positive impact that more streamlined and integrated payroll operations are having on data accuracy and processing. Although there was a temporary blip during the COVID years, the steady decline in the I/1000 metric is a clear indication that technology is playing a significant role in streamlining global payroll processes.



Issues per 1000 payslips

The results

Globally, issues per 1000 payslips have fallen for the second consecutive year and, despite the surprise increase in 2021, the global rate is now 35% lower than it was in the first report in 2019.

This is good news as it shows that higher quality data is resulting in fewer issues arising in calculation processes.

Over the last few years, AMER and APAC have generated fairly consistent results. The improvement at global level has come partly from major advances in EMEA, which started with the most issues: a drop of 0.43 this year and 3.44 last year means it has now overtaken AMER and is catching up to APAC.

The fact that all three regions posted either very small increases or decreases this year, and that their figures are now all fairly similar, suggests that progress might have plateaued. From this point, it might be difficult to make any more significant improvements without further innovation.

APAC posted a small increase of 0.1, but remains the best performer for the fourth year in a row, suggesting that there isn't much more room for improvement beyond the current position. APAC was the only region to post an increase this year, while the improvements in EMEA mean that AMER remains the lowest performing region in this metric.

35%

Global reduction since 2019

Lowest I/1000 rate

2.4

Sri Lanka

Highest I/1000 rate

67.8

Jersey

Issues per 1000 payslips

Country comparison

Serbia and Brazil appear in the top five for lowest I/1000 again, as they did last year, and are joined by Sri Lanka, China and the United Kingdom.

Sri Lanka's leading figure of 2.4 would have only been good enough for fifth place last year, despite an overall decrease in the global average.

The UK's fourth position is interesting, given its position with the lowest FTA rate: if approvals are taking multiple attempts, but overall issues are low, it may mean that payroll processes are extremely thorough and diligent.

Jersey has re-entered the bottom five, having escaped it last year, with a high rate of 67.8; it should be remembered, however, that Jersey is a small territory meaning individual problems may skew these figures somewhat. Norway is third having topped the high-issues list last year, but has managed to make an improvement of 3.4.

EMEA almost locks out the bottom five, with Luxembourg and Denmark appearing for the fourth year in a row, demonstrating that the region still has some work to do to fully catch up with AMER and APAC.

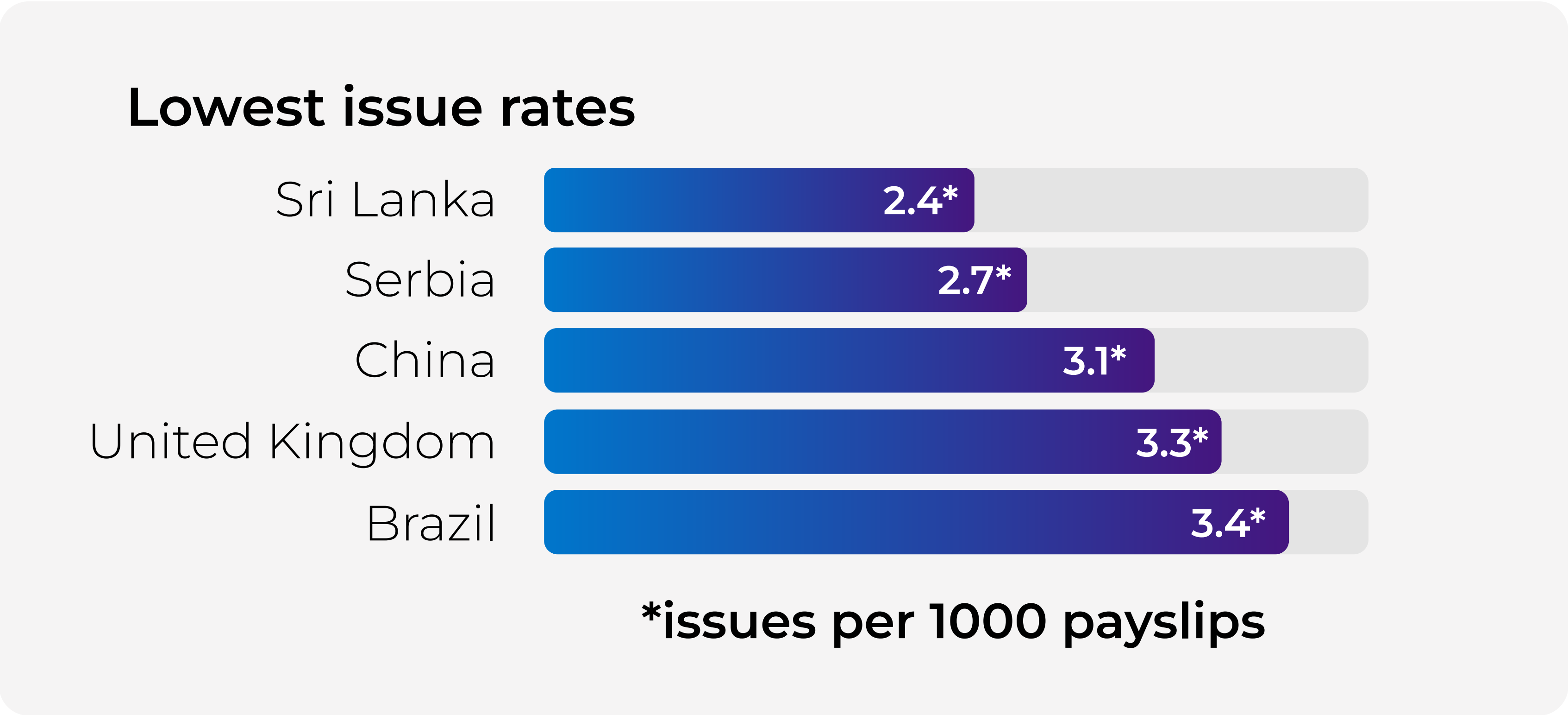
> Honduras, with 36.7 issues, is the only non-EMEA country in the bottom five.

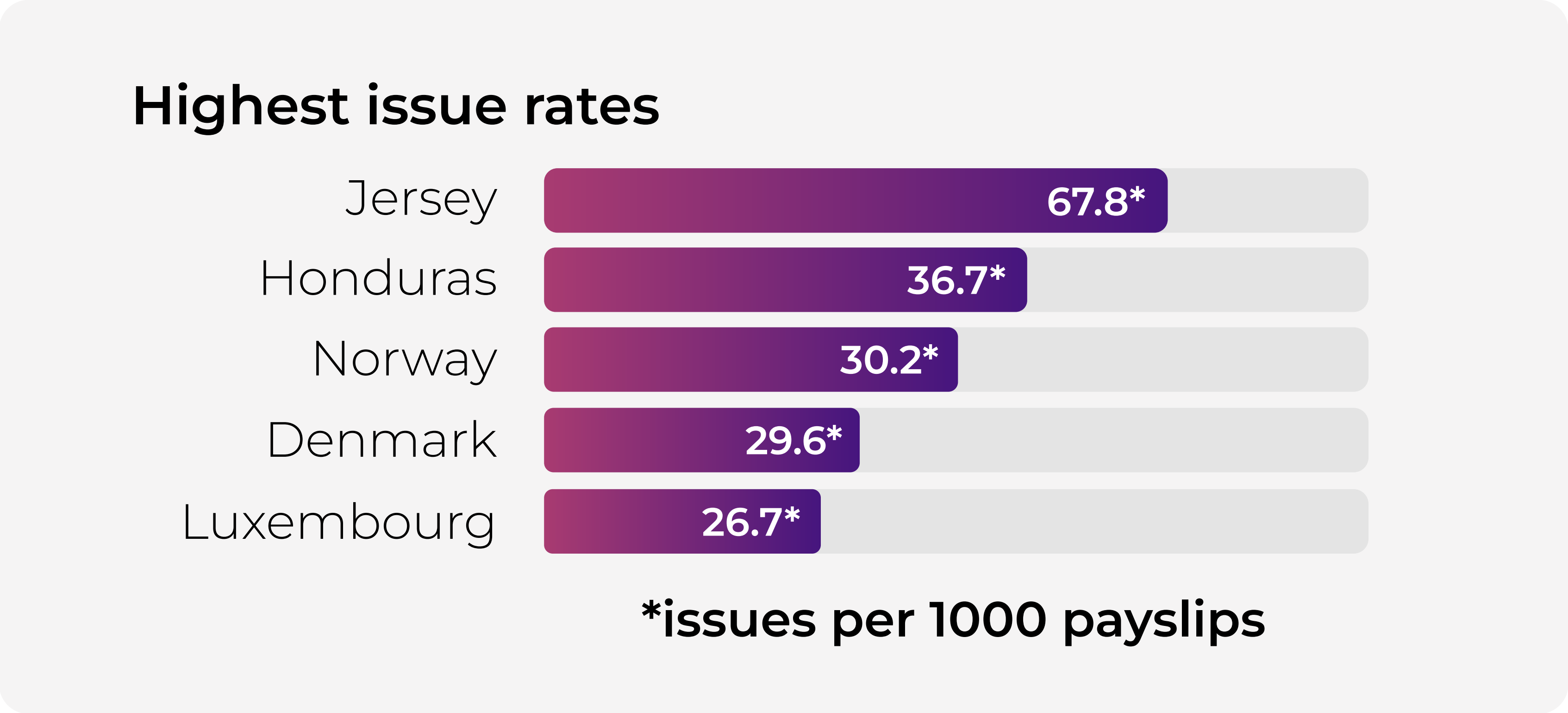
Issues per 1000 payslips

Country comparison

What can you do to improve your performance for this KPI?

- Perform a trend analysis to identify any countries that have particularly high rates
- Dig into why these errors are occurring: training, unclear requirements, poor data quality, or complex manual calculations





KPI results

Calendar length

The length of time taken to complete a payroll cycle from start to finish (measured in days)

Why it matters

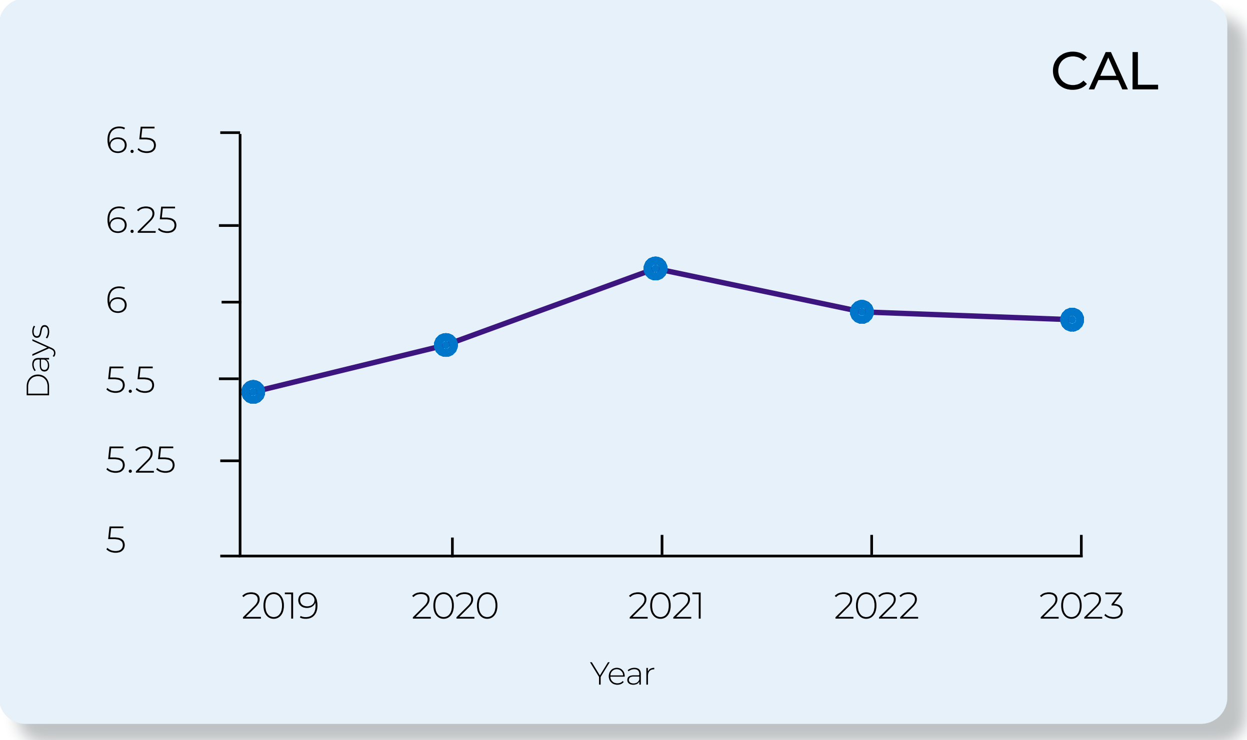
The length of time it takes to complete a payroll cycle from start to finish can be influenced by many different factors, so it's an important metric to quantify. For example, the result can be affected by data accuracy, subject matter expertise, or the level of system integration.

What it means for you

Calendar length is a direct measurement of payroll process efficiency. Any new efficiencies implemented should naturally save the payroll team time, meaning that this metric should immediately start coming down. The scale of the potential savings can be substantial: for example, system integrations supporting fully automated data transfer, and Robotic Data Validation, can cut whole days off the calendar length figure.

5 years of PEI data
CAL from 2019 to 2023

The pandemic's disruptive impact was most evident and long-lasting in the calendar length metric. However, the situation is improving as calendar length has begun decreasing over the past few years, reflecting the benefits of increased technology adoption leading to shorter payroll runs.



Calendar length

The results

Calendar length has remained static globally, but the regional picture is much more varied.

In APAC, it has reduced by 1.9 days to 4.1, while AMER and EMEA have both posted increases of 1.7 days, to 5.8 and 8.2 respectively. The changes mean that APAC has the shortest calendar length instead of AMER for the first time.

However, it is possible to have too much of a good thing. APAC's major reduction in calendar length, combined with its increases in DII and I/1000, suggests that its payroll cycles might now be too short and that checks and validations are being rushed or bypassed, leading to more data issues creeping in. The opposite of this is occurring in EMEA, where calendar length is much longer, FTA is lower but DII is also lower, suggesting that countries in this region are devoting much more time, resources and technology to improving accuracy.

Meanwhile, calendar length in AMER has risen by more than 60% in just three years; this may be down to major changes in how payroll is approached in the region. Many countries and organizations have moved away from weekly or bi-weekly pay towards monthly payroll cycles. Much of this is down to greater adoption of on-demand pay, which means that although employees can access money more regularly, employers still only need to run the payroll once a month. Less frequent cycles mean payroll teams have more time to complete payroll runs properly; in the long term, this may help the region bring down its consistently high supplemental impact rate.

1.9 day

Reduction in APAC calendar length

Shortest calendar length

2.6

Venezuela

Longest calendar length

9.9

Belgium

Calendar length

Country comparison

Despite having one of the highest I/1000 rates, Norway is fifth for longest calendar length.

This suggests that running payroll there is particularly complicated, which is entirely possible given the complex income tax structure, and the heavy influence of collective bargaining in varying working arrangements and conditions. Of last year's longest five calendar length countries, only Pakistan remains.

The shortest five are the same five AMER countries from last year, albeit in a different order – even though APAC's overall average is now lower than AMER's. That suggests that these five countries – Venezuela, Bolivia, Brazil, the United States and Canada – have exceptionally short calendar lengths for the region. Venezuela's position with the shortest calendar length, the highest proportion of data input issues, and a relatively low FTA rate of 81.6% suggests that payroll teams in the region are perhaps experiencing some difficulties.

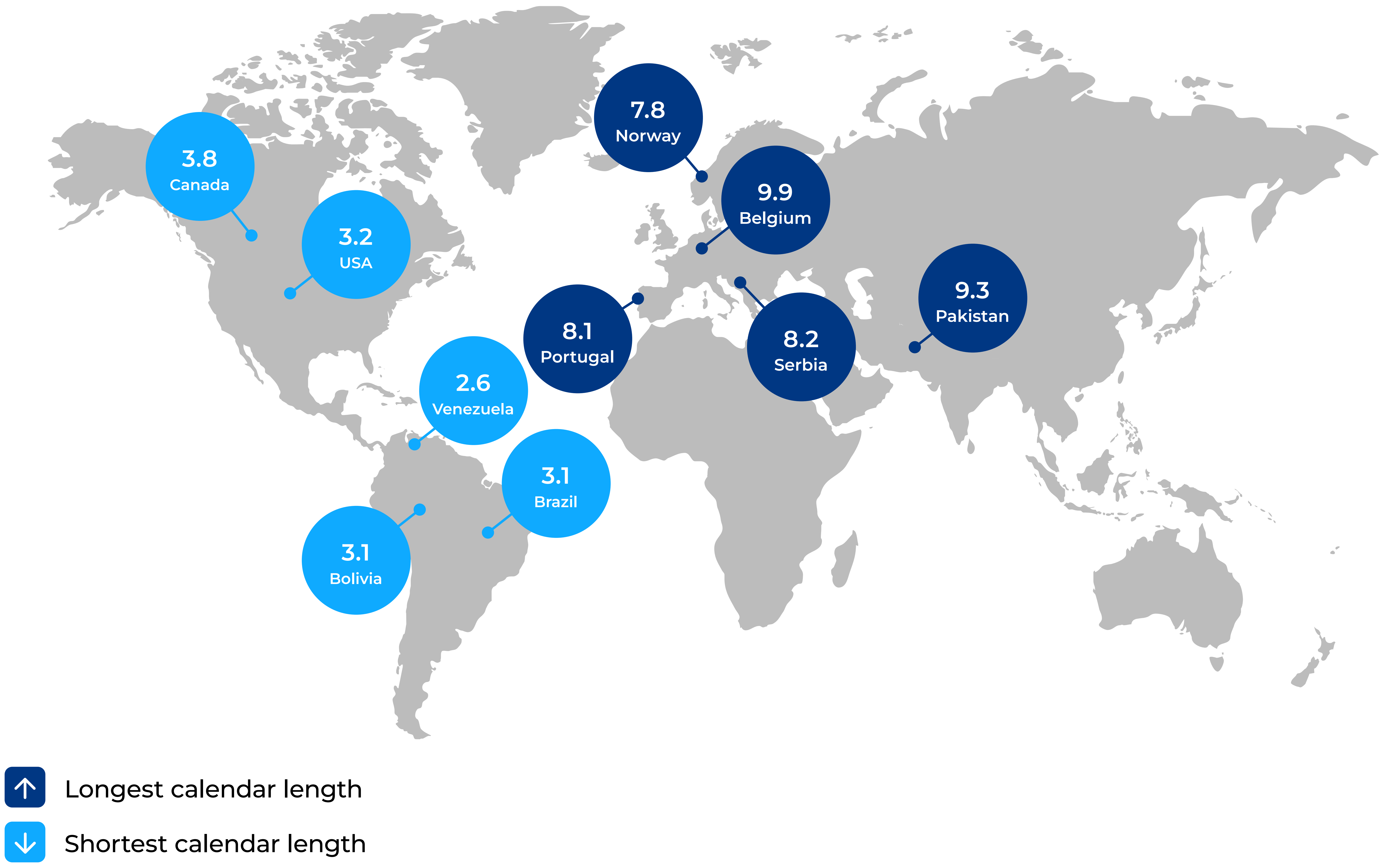
> The shortest five calendar lengths come from the same five AMER countries as last year.

Calendar length

Country comparison

What can you do to improve your performance for this KPI?

- Break down your calendar into smaller, more digestible steps
- Assess ways to automate calculations and validations
- Consider integrations that can help to speed up inputs



KPI results

Supplemental impact

The proportion of payroll runs taking place outside of the normal cycle, out of all payroll runs that take place

Why it matters

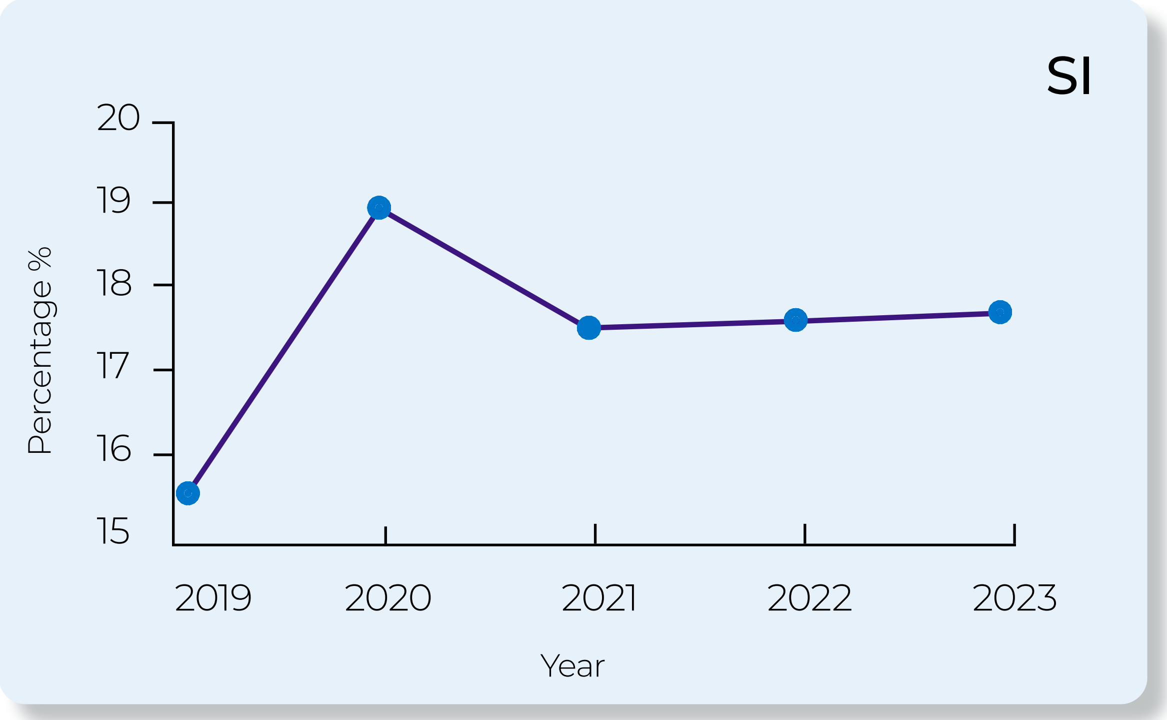
If a payroll team has to carry out a large number of supplemental runs outside of regular payroll cycles, the whole process of payroll becomes more expensive and cumbersome than it needs to be. This can have a real impact on the overall bottom line of a business – given that as much as 60% of a typical business's costs are in its payroll – as well as the employee experience, as employees have to wait for a supplemental run to be paid correctly.

What it means for you

The ideal supplemental rate isn't necessarily zero, as circumstances vary and there will always need to be scope for some flexibility within payroll. However, exploring ways to keep the rate to an acceptable level should be a constant effort; improved management and better data quality are two major areas where improvements are often found.

5 years of PEI data SI from 2019 to 2023

The pandemic undoubtedly disrupted operations, leading to the significant 2020 spike seen in SI. However, levels of SI are gradually returning to pre-pandemic norms. As innovative solutions help eliminate errors that necessitate supplemental runs, we anticipate further improvements; however, cultural and regulatory factors may also influence SI rates. While technological advancements can streamline processes, the unique challenges posed by cultural context and regulations suggest that SI will remain a relevant factor in payroll operations.



Supplemental impact

The results

After stagnation last year, there have been more significant movements in SI this time around across all three regions, despite the incremental rise of 0.49% in the global figure.

AMER has brought its rate down by 0.81% after a small rise last year, but remains far higher than the other two regions. This is largely due to the cultural expectation, in the United States in particular, of doing supplemental runs to correct even the most minor of mistakes. EMEA has similarly posted a decrease – 1.09% – after going up slightly in the 2022 data.

Unlike AMER, errors in the EMEA region tend to be rectified within the following payroll cycle rather than through a supplemental run, which could contribute to why its SI rate is much lower. The longer calendar length and greater time taken in EMEA to complete payroll also likely contribute to the lower rate.

The substantial increase in APAC (2.29%) could be down to newly-introduced extra complexity in payroll regulations in many countries across the region. It's also worth remembering that FTA is high, but DII is also high and calendar length has become much shorter. This all points to more data issues falling through the cracks, which then have to be remediated with supplemental runs.

1.09%

Decrease in EMEA since last year

Lowest supplemental impact

0%

Croatia, Jordan and Bulgaria

Highest supplemental impact

75.03%

Brazil

Supplemental impact

Country comparison

Three countries – Croatia, Jordan and Bulgaria – have reported a supplemental impact rate of zero this year; only Pakistan did so last year.

EMEA has locked out the top five in this metric, underlining the region's improvements this year, and the increase in SI across many APAC countries.

Once again, the five countries with the highest supplemental impact are all South American. Brazil retains the top spot for the fifth consecutive year, with its rate creeping back up above 75%. The only country to drop out of the highest five is Paraguay, and it only did so marginally: nevertheless, its rate of 50% is an improvement of more than 4.7% on last year.

> After dropping three percentage points last year, Brazil's SI rate moves back up above 75% this year.

Colombia replaces Paraguay in fifth place, despite making its own small improvement of 0.24%. That both countries posted these improvements demonstrates that there are green shoots of progress being made in AMER.

0%

Supplemental impact in Croatia, Jordan and Bulgaria this year

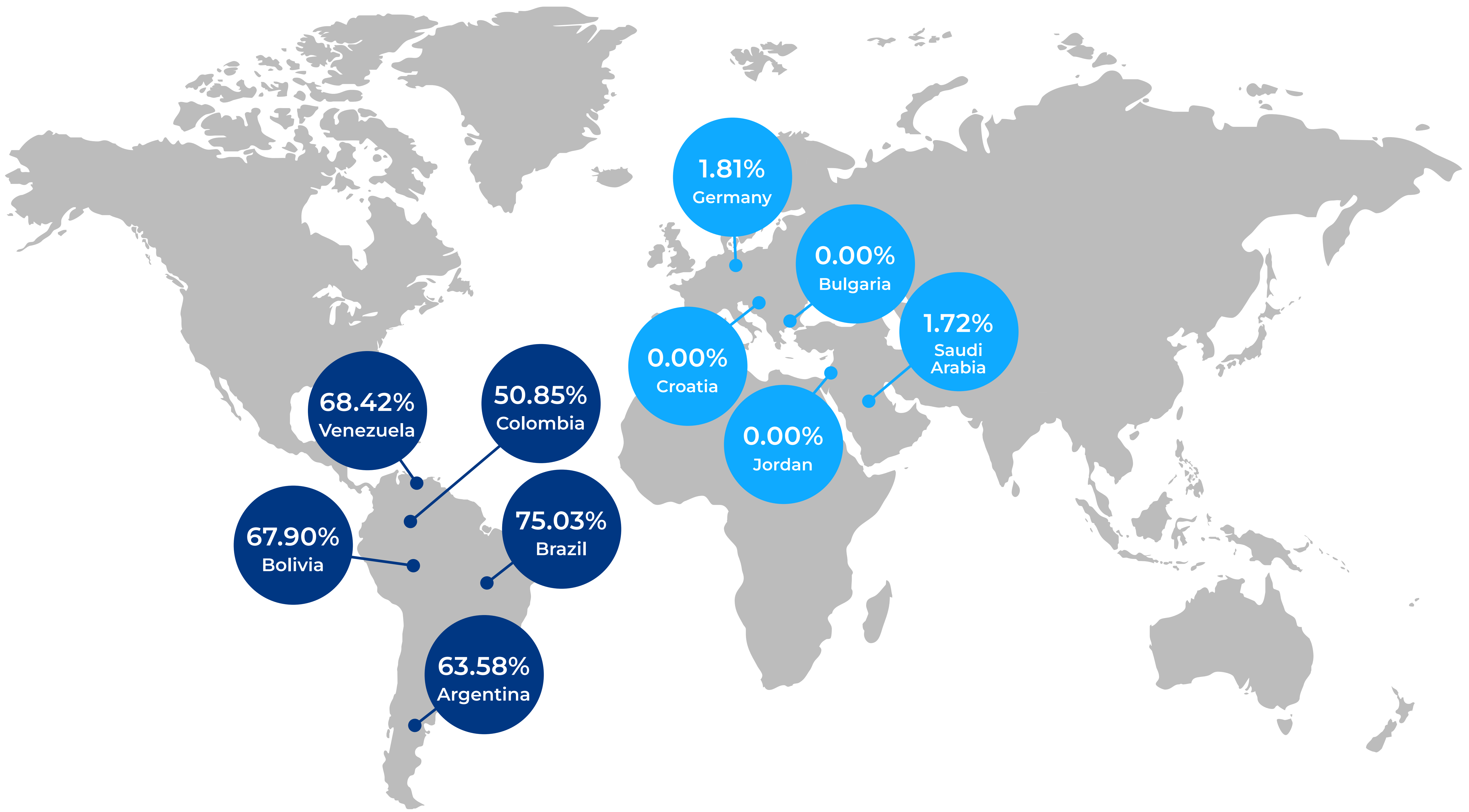
> For the third year in a row, all countries in the bottom five for supplemental impact are South American

Supplemental impact

Country comparison

What can you do to improve your performance for this KPI?

- Take note of any country-specific requirements that may be generating supplemental runs
- Explore ways to improve business processes to reduce off-cycle runs (e.g. for bonuses, commission, etc.)



Highest supplemental impact

Lowest supplemental impact

Payments

The role of payment processes is crucial to understanding the full story of the PEI report.

This is the second time we've included a payments section to recognize the vital importance of the relationship between payroll and payments processes, even though they are still commonly run as separate functions. Often one is taken care of by a managed service provider, while the other is run in-house, which can significantly impact efficiency.

However, many companies are now investing in transformation to streamline processes, boost efficiency, and enhance the employee experience. And unified pay solutions, which enable enterprises to consolidate global payroll and payments under a single umbrella, are uniquely situated to advance all three of these objectives. These solutions also encompass initiatives promoting financial well-being and flexible pay options such as pay on-demand, allowing employees real-time access to their earned wages.

As organizations seek to navigate the complexities of cross-border transactions and diverse regulations, they're turning to global payroll partners for assistance. With more customers looking for providers like CloudPay to facilitate payments processes alongside payroll, the role of payment timeliness and accuracy in payroll efficiency can no longer be overlooked.

Any inefficiencies within payroll procedures that result in delays will subsequently affect treasury operations. And since pay dates typically remain fixed, any delays in payroll can significantly limit the time treasury teams have to execute funding and payment activities. This might mean that treasury teams have to resort to urgent fundraising methods that come with extra costs and processing demands. In the worst-case scenario, these delays could result in missed payment deadlines, which have a proven damaging impact on employee satisfaction and consequently affect talent attraction and retention efforts.

99.28%

of payments made on time

Last year, global treasury teams met payment deadlines in 99.02% of cases, revealing that while the vast majority of payments were made on time, there were still improvements to be made. Our experience shows that unifying payroll and treasury functions eliminates delays in the process, and that innovations like instant payments and alternative funding options can free up extra breathing space within the payroll calendar.

As we've seen throughout the report, the increasing adoption of technology, including solutions connecting payroll and payments functions, has improved accuracy and increased efficiencies for global payroll teams. Encouragingly, we've seen a similar impact on payments with a 0.26% improvement in payment timeliness at 99.28%. With such small gains left to be made, this strong progress shows the real potential for innovation to drive end-to-end improvements across the entire pay process.

0.26%

improvement from last year

How can you improve payment timeliness?

- Make sure lead times for payments are factored into the payroll calendar
- Ensure all geographical implications on the payment process are accounted for (e.g. someone in one time zone approving a payroll in another) and adjust for any consequent delays from diagnosing the underlying cause to prevent further increases

Regional analysis

Regional analysis

AMER

The stand-out result for AMER in this year's report is its substantial increase in calendar length of 1.7 days, reaching a regional average of 5.8 days.

This is likely to be down to an accelerating shift towards monthly pay cycles, as well as on-demand pay which also only requires one payroll cycle a month: this lower frequency means that payroll teams have the time and space to complete payroll runs more thoroughly.

> We saw a 1% increase in data input issues for the Americas after a 10% decrease last year.

Data input issues increased by 1%, retaining most of the 10.20% decrease posted last year, and while FTA marginally reduced again this year (by 0.41%), it retains the best FTA rate of all three regions. Further improvements have been posted through a small decrease in issues per 1000 payslips (0.26), and in a declining supplemental impact rate (by 0.81%), although the latter remains comparatively high.

82.06%

FTA rate for AMER, the highest of all regions

Regional analysis

EMEA

Despite posting the biggest decline in FTA (1.2%) and a significant increase in calendar length (1.7 days), EMEA posted stronger performances in the other three KPIs, helping the region to a stronger overall performance than last year.

A decline of 5.6% in DII means it's now the highest-performing region in this metric, while I/1000 has reduced for the second consecutive year as EMEA continues to catch up to the other regions. Not only does EMEA now have the lowest SI rate, it also strengthened that position by posting a 1.09% decline this year.

1.2%

decline in first-time approvals

The decreasing FTA rate has been partially fueled by major year-on-year drops in a number of countries, notably Belgium (5.84%), Portugal (7.75%) and the United Arab Emirates (3.26%). However, as stated elsewhere in this report, this may point to greater diligence and rigor in payroll checks and validations thanks to time freed up by automation, integration and innovation, rather than being caused by specific problems.

5.6%

decline in DII

Regional analysis

APAC

APAC's star performance relative to the other regions last year has not carried over into this year.

While there was a small increase in FTA (0.76%) and a substantial decrease in calendar length (by 1.9 days), performance in the other three KPIs has regressed.

Its performance in DII continues to be relatively unstable, a 2.5% decrease last year being followed by a 3% increase this year, mirroring similar fluctuations in previous reports. SI has increased significantly by 2.29%, and while there was a marginal increase of 0.1 in I/1000, APAC remains the best performer of the three regions in this metric.

2.29%

increase in supplemental impact

It may be that the drop in performance in these KPIs is because the calendar length has become too short and many payroll runs are being rushed, with errors being made as a result. It underlines the fact that there needs to be a balance between speed and accuracy when it comes to completing payroll processes and validations.

3%

increase in data input issues

Conclusion

Conclusion

Joining the dots of the Modern Pay Experience

Perhaps the biggest theme in this year's report is one of interconnectivity.

Whether it's a variety of issues likely caused by the shortened calendar length in APAC, or the greater use of technology leading to longer and more diligent processes in EMEA, positive or negative impacts in one area can have significant consequences in many others.

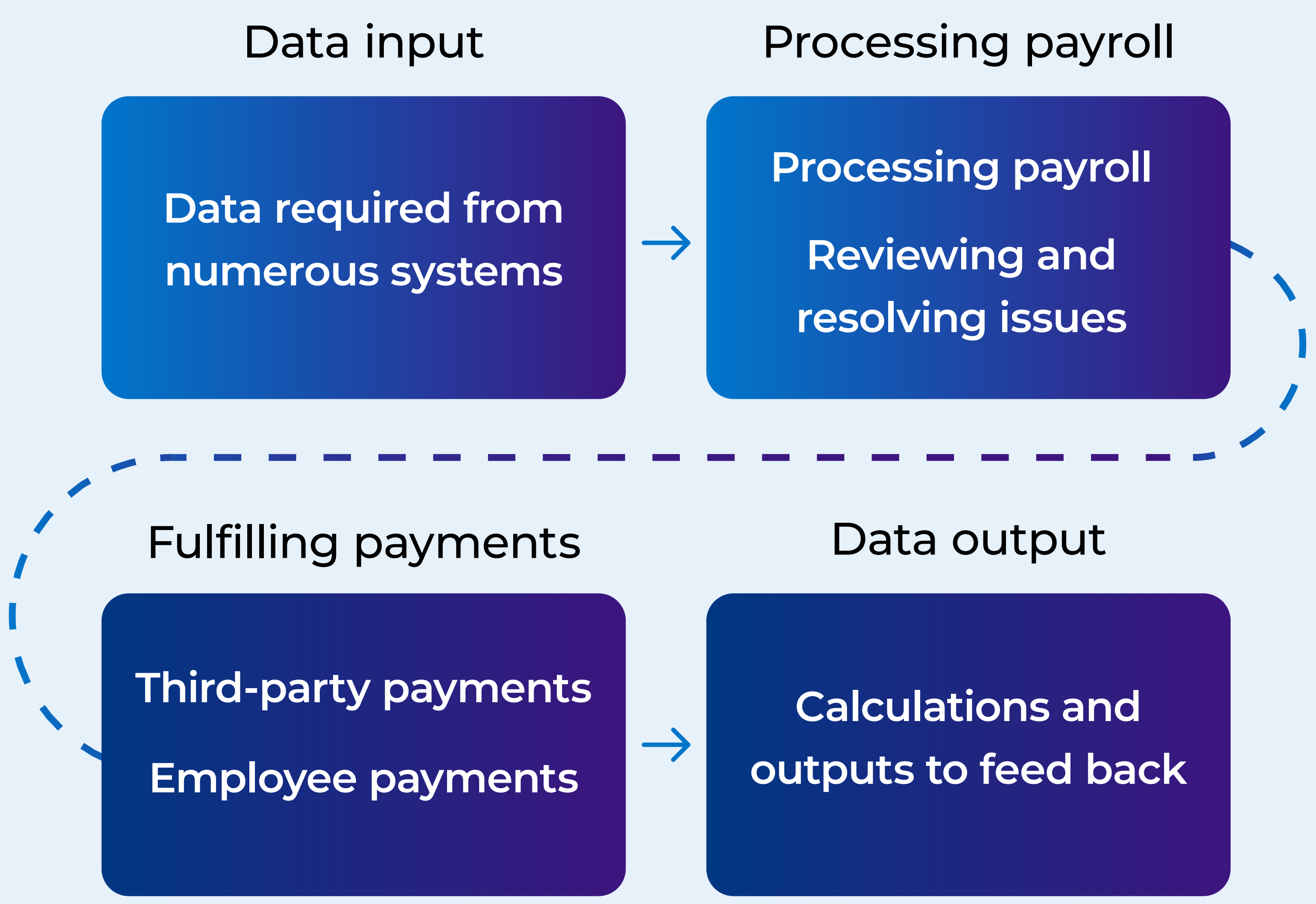
The value of unified pay solutions

Now more than ever, integration is key to effective payroll delivery, as well as solving the pressing issue of addressing compliance complexity in the long term. This report demonstrates how connecting different functions through HCM integration, bringing payroll and payments under a single umbrella and adopting AI technology, can support better payroll efficiency.

Making modern pay seamless

In the long term, the best way to make pay processes faster, more flexible, and more certain is to connect each function to allow for:

- A seamless flow of data and processes through HCMs, payroll and payments
- Maintaining full compliance with all relevant regulations
- Ensuring all employees are paid correctly, on time, every time, across all regions



Conclusion
6 key takeaways

1
A holistic view of all the KPIs is essential for understanding the true picture of payroll performance.

2
The instability of recent years has made it easier for payroll teams to make the business case for investing in transformation.

3
End-to-end transformation should be a critical area of focus, as having a single, seamless Modern Pay Experience is key to unlocking further efficiencies.

4
A greater emphasis on integrated processes and enhanced payroll metrics can drive further improvements in payroll timeliness.

5
The available time of the payroll team is valuable, and innovation can free up more of that time to devote to improving efficiency and productivity.

6
The importance of people can't be forgotten. From CloudPay experts to local payroll teams, people are the driving force behind making improvements and generating more value.

The sixth takeaway is particularly important to us at CloudPay.

What we do is about so much more than our leading payroll technology: we recognize the importance of people in payroll transformation, and how they're essential in unlocking the business advantages of automation and tech.

So while a single, unified, global platform for payroll and related functions is a core part of modern payroll, understanding your payroll function performance, and identifying where improvements can be made, is the first crucial step to making the Modern Pay Experience a reality. And that's where the CloudPay team comes in, to provide you with expert knowledge and tailored solutions – ensuring you unlock all the benefits of your payroll technology investment.

The numbers

Metrics by region

Region	First-time approval	Data input issues	Issues per 1,000 payslips	Calendar length	Supplemental impact
AMER	82.06%	59.5%	9.71	5.8	35.62%
APAC	78.57%	74.5%	7.53	4.1	13.06%
EMEA	67.91%	57.8%	8.56	8.2	12.72%

First-time approval

Percentage of gross-to-net calculations approved upon initial review

Highest rates*	
Croatia	96.77%
Jordan	95.83%
China	95.21%
Slovakia	93.61%
Brazil	92.35%
Taiwan	91.22%
Jersey	90.38%
Cyprus	90.14%
Argentina	88.80%
Colombia	87.71%

Lowest rates	
United Kingdom	42.69%
Honduras	47.82%
Philippines	49.02%
Ireland	55.30%
Ecuador	58.42%
Nicaragua	58.73%
El Salvador	59.25%
Guatemala	60.65%
France	61.87%
Germany	64.24%

*Highest and lowest for all metrics include only countries with a minimum of 1,000 payslips per cycle

The numbers

Data input issues

Percentage of data errors caused by incorrect or incomplete customer data entry

Highest percentages	
Venezuela	94.73%
China	94.34%
Singapore	94.33%
Philippines	92.30%
Hong Kong	88.41%
United Kingdom	87.85%
Bolivia	85.71%
Chile	82.65%
Serbia	80.00%
Ireland	79.31%

Lowest percentages	
Croatia	16.66%
Egypt	19.04%
Portugal	21.53%
Norway	24.84%
Guernsey	26.31%
Luxembourg	27.58%
Greece	31.93%
Bulgaria	36.11%
Indonesia	36.55%
Belgium	36.82%

Issues per 1,000 payslips

Number of data issues identified for every 1,000 payslips processed

Highest issue counts	
Jersey	67.8
Honduras	36.7
Norway	30.2
Denmark	29.6
Luxembourg	26.7
Portugal	24.8
Israel	24.7
Greece	22.3
Paraguay	21.5
Sweden	20.8

Lowest issue counts	
Sri Lanka	2.4
Serbia	2.7
China	3.1
United Kingdom	3.3
Brazil	3.4
Bahrain	3.5
Costa Rica	3.7
India	3.9
Croatia	4.7
Philippines	5.4

The numbers

Calendar length

Number of days required to complete payroll processing (from lock to approval)

Longest calendar windows	
Belgium	9.9
Pakistan	9.3
Serbia	8.2
Portugal	8.1
Norway	7.8
Netherlands	7.8
France	7.8
Israel	7.6
Sri Lanka	7.6
Italy	7.5

Shortest calendar windows	
Venezuela	2.6
Bolivia	3.1
Brazil	3.1
United States	3.2
Canada	3.8
Singapore	3.9
Cyprus	4.4
Argentina	4.5
New Zealand	4.5
Croatia	4.5

Supplemental impact

Percentage of payroll runs completed as supplemental runs

Highest percentages	
Brazil	75.03%
Venezuela	68.42%
Bolivia	67.90%
Argentina	63.58%
Colombia	50.85%
Paraguay	50.00%
Ecuador	47.19%
Spain	41.57%
Guatemala	40.98%
Peru	38.58%

Lowest percentages	
Croatia	0.00%
Jordan	0.00%
Bulgaria	0.00%
Saudi Arabia	1.72%
Germany	1.81%
Lithuania	1.92%
Philippines	1.94%
Bahrain	2.04%
Czech Republic	2.59%
Jersey	2.88%

About this report

The Global Payroll Efficiency Index examines the payroll process using new metrics that, when understood and measured, can help multinational companies benchmark and optimize their payroll performance and costs.

For this fifth edition of the Global Payroll Efficiency Index, we sampled data from multinational entities across the AMER, APAC, and EMEA regions, and from more than one million payslips generated between January 1 and December 31, 2023.

The next edition of the PEI Report, based on payroll data from 2024, will be published in Spring 2025.

About CloudPay

CloudPay is on a mission to modernise the pay experience and turn pay into a business advantage. Our integrated portfolio of payroll, payments and pay on-demand solutions are delivered through a single cloud-based platform that can be deployed anywhere in the world. By unifying payroll, treasury and HCM functions and leveraging the latest technology, we transform pay processes, making them fast, flexible and certain.

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