

2017

PAYROLL BENCHMARKING REPORT

Annual study examining trends, efficiency and costs of payroll in Australia



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We request that all references made to the report are cited as "Australian Payroll Association 2017 Payroll Benchmarking Study."

Introduction



The 2017 Payroll Benchmarking Report accompanies Australian Payroll Association's annual payroll benchmarking study for Australian employers.

This year's survey received responses from over 2,000 organisations representing 2,248,577 employees and 68,909,348 payslips per annum making it consistently the largest payroll study in Australia.

The survey respondents represented a wide variety of industries, geographical locations, levels of payroll complexity and employee populations and was conducted in December 2016 and January 2017.

The report analyses payroll costs and trends including staffing levels, technology and other costs as well as efficiency benchmarks and market share data.

In 2017 we have also developed salary and industry supplements which are available separately by contacting Australian Payroll Association.

This report provides payroll professionals and employers the opportunity to analyse their own benchmarks in comparison to industry standards, with a view to improving the efficiency and productivity of their payroll operation.

As author of the survey, Australian Payroll Association wishes to acknowledge and thank all payroll professionals and employers that participated in this important industry research.

Kind regards,

A handwritten signature in black ink, appearing to read 'Tracy'.

Tracy Angwin
CEO
Australian Payroll Association

For assistance to benchmark your own payroll operation, please contact benchmarking@aupayroll.com.au.

Participant Profiles

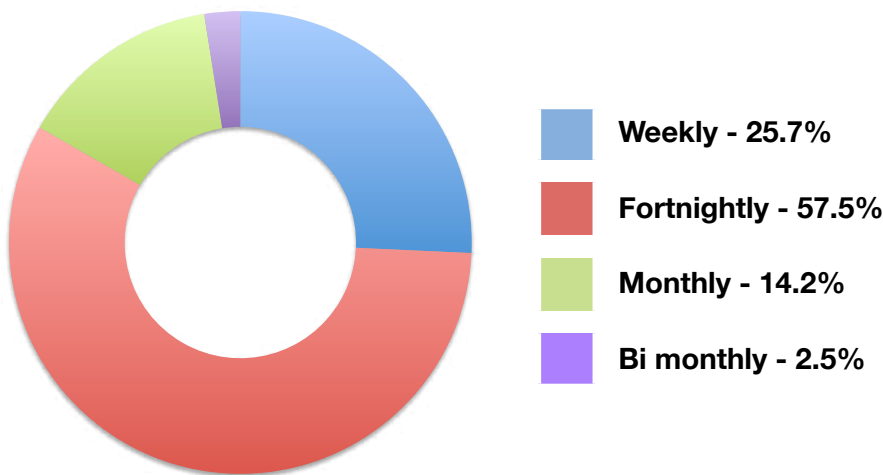
Australian Payroll Association's 2017 Payroll Benchmarking survey was completed between December 2016 and January 2017.

The survey participants represented 2,248,577 employees and survey respondents produce 68,909,348 payslips per annum.

Over half of the employees working in the surveyed organisations were paid fortnightly, an increase of 0.8% since 2016. Weekly is steady at 25.7%, the percentage of monthly paid employers went from 16.69% in 2016 to 14.2% in 2017. Although still a minority, bi-monthly has doubled to 2.5%.

Employee population by pay cycle

(Figure 1)



This report segments respondent organisations into categories based on the number of employees paid.

This gives a view to economies of scale as well as market share statistics for different sized organisations.

We break down costs into per payslip and per employee paid. Per payslip relates to the cost of producing a single pay for an employee in an organisation. Per employee is the total cost to run the payroll operation for a single employee per annum.

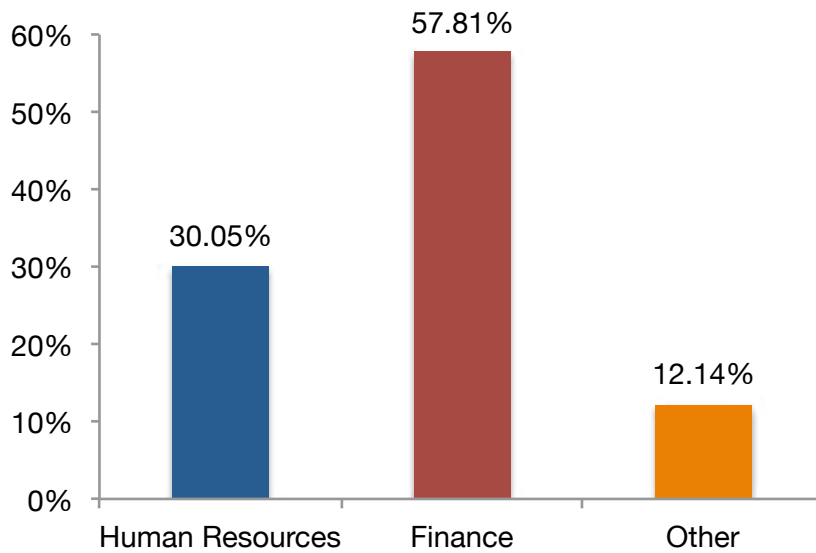
Payroll reporting lines

Overall 57.61% of respondents had payroll reporting to finance which is down from 60.47% in 2016. The trend remains in 2017 that the larger the organisation, the likelihood of payroll reporting to HR increases, especially in organisations with more than 10,000 employees.

There is also a trend for larger organisations to have payroll report to a separate department, often shared services.

Payroll Reporting Lines

(Figure 2)



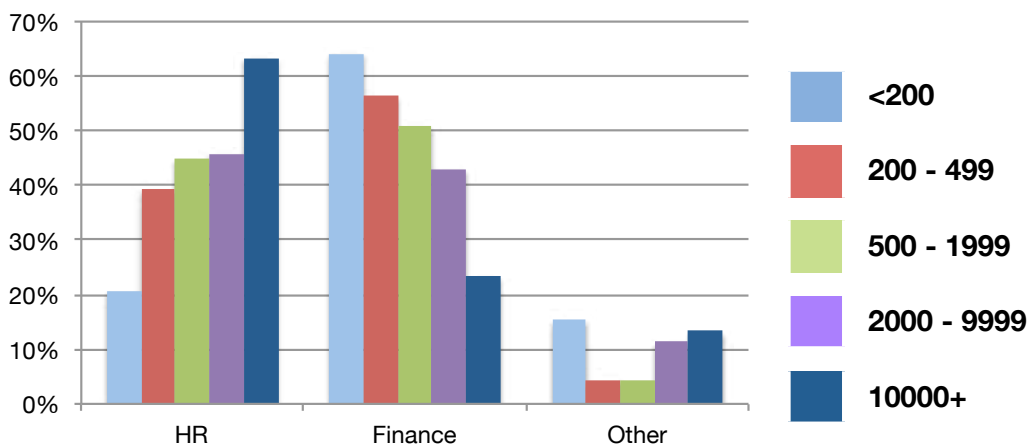
When breaking down the figures by employee numbers it shows that as organisations increase in employee population, the likelihood of payroll reporting to HR increases. The vast majority of very large employers have payroll reporting to HR.

HR vs Finance - Employee numbers

(Table 1)

Reporting Line	Employee numbers				
	<200	200 - 499	500 - 1999	2000 - 9999	10000+
HR	20.7%	39.3%	44.8%	45.7%	63.4%
Finance	64.1%	56.4%	50.7%	42.9%	23.3%
Other	15.2%	4.3%	4.5%	11.4%	13.3%

(Figure 3)



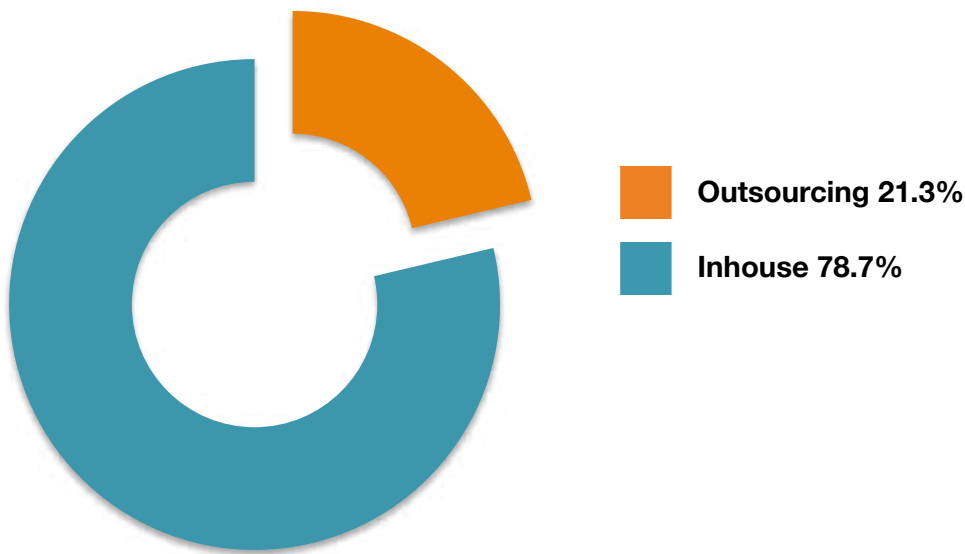
Outsourced vs inhouse payroll

Whilst the majority of Australian employers run an inhouse payroll function we are seeing a general increase in full or partial outsourcing in most employer sizes. This is in line with trends in the US and Europe albeit in smaller numbers.

Outsourced payrolls make up 21.3% of the survey respondents. A payroll outsourcing strategy is particularly popular in employers with less than 200 employees. This is likely to be influenced by the inability to find skilled payroll expertise at a cost that smaller businesses can justify.

Outsourced vs Inhouse payroll

(Figure 4)



Outsourced vs Inhouse payroll - Employee numbers

(Table 2)

	Employee numbers				
	<200	200 - 499	500 - 1999	2000 - 9999	10000+
Outsourced	28%	16.1%	12%	14.3%	21.7%
Inhouse Payroll	72%	83.9%	88%	85.7%	78.3%

We recommend payroll outsource providers ensure their teams are qualified to a minimum standard of Certificate IV in Payroll Administration (www.payroll.edu.au).

Average payroll salary

This table shows the average salary across all payroll roles by industry.

Note: Some not for profit organisations may take advantage of salary package concessions.

Please visit the APA members portal to download payroll salary supplement.

(Figure 5)



Average salary by title (incl super & bonus if applicable)

This table shows the average salary by role across Australia.

(Table 3)

National or Group Payroll Manager	\$131,332
Payroll Manager	\$96,475
Team Leader	\$93,035
Senior Payroll Officer	\$78,695
Payroll Officer	\$67,114

Payroll Staff turnover

The average staff turnover in payroll roles nationally is 12.11% which is slightly lower than the 2016 turnover rate of 12.32%.

Average cost per payslip

Overall the total cost per payslip increased from the last survey with the largest increase being average salary per payslip.

Included in the total costs are:

Salary costs

- payroll staff salaries and wages including superannuation

Technical costs

- payroll, time and attendance and employee self service software and service costs

Other costs

- payroll consulting costs
- payroll recruitment costs
- payroll training costs
- payroll stationery costs
- payroll conference costs
- travel
- memberships

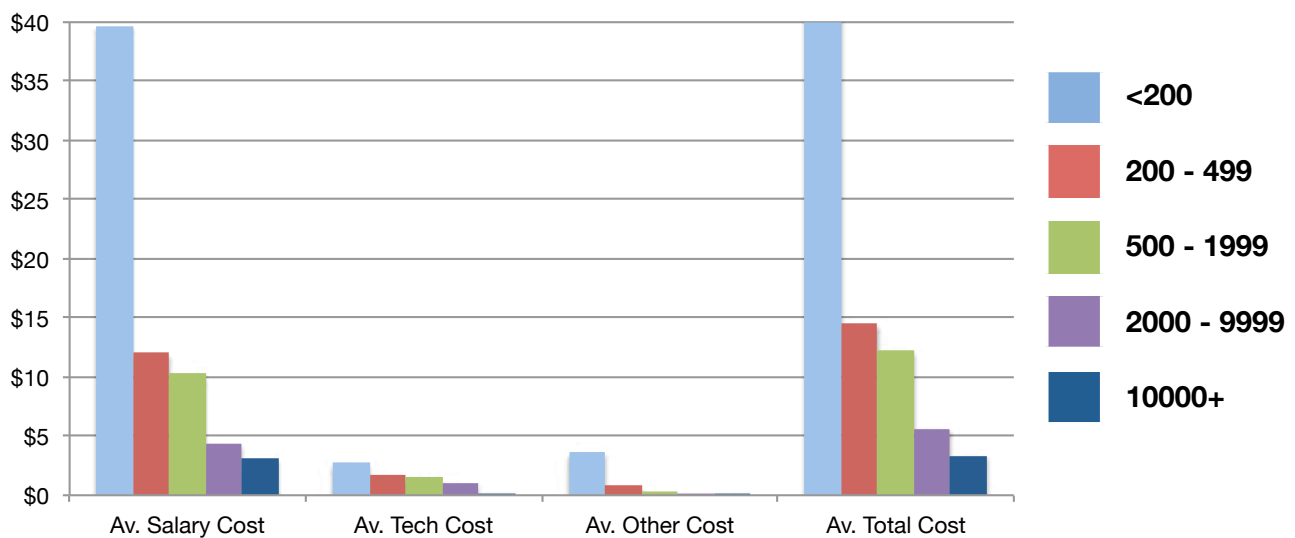
Top performer benchmarks are calculated as an average cost of the top 25% of survey respondents.

Average payslip cost by cost component and employer size

(Table 4)

	Average Salary Cost	Average Technical	Average Other	Average Total Cost
<200	\$39.69	\$2.72	\$3.64	\$46.05
201-500	\$12.01	\$1.67	\$0.81	\$14.49
501-2000	\$10.36	\$1.57	\$0.25	\$12.18
2001-9999	\$4.33	\$1.08	\$0.19	\$5.60
10000+	\$3.06	\$0.21	\$0.05	\$3.32

(Figure 6)



Top performers are producing payroll at significantly less cost than the average in each employer band.

(Table 5)

Category	Average	Top Performers
Total per payslip < 200 employees	\$46.05	\$10.05
Total per payslip 200-499 employees	\$14.49	\$6.14
Total per payslip 500-1999 employees	\$12.18	\$3.67
Total per payslip 2000-9999 employees	\$5.60	\$2.64
Total per payslip 10000+ employees	\$3.32	\$2.18

Outsourcing costs

The average cost per payslip which is outsourced is \$6.36.

The average inhouse produced payslip cost is \$7.07.

The majority of the financial benefits are in the <200 and 10,000+ employer bands.

The <200 employer band likely benefits from being able to share a resource via an outsourcing company.

The 10,000+ band benefits financially from economies of scale.

Percentage of employers who outsource their payroll, by employer size

(Table 6)

Category	Percentage
< 200 employees	28%
200-499 employees	16.1%
500-1999 employees	12%
2000-9999 employees	14.3%
10000+ employees	21.7%

Average Accuracy rates

To calculate accuracy, we took the number of errors per pay period as a percentage of the total payslips produced. Errors are defined by those requiring recalculation.

The average accuracy rate for all respondents was 98.58%

(Table 7)

Category	Average accuracy rate
< 200 employees	97.11%
200-499 employees	99.26%
500-1999 employees	99.57%
2000-9999 employees	99.55%
10000+ employees	99.65%

Based on this data, large employers (ASX100) are correcting an average of \$3,950,000 of payroll errors annually.

Professional Development

The average number of days provided by employers to their payroll teams for training and professional development is 2.6. This has increased by more than 1 day since 2016, and shows the value that employers put on ensuring their payroll team have access to training on current legislation.

Training as a percentage of salary

Although overall training days have increased, there is a large variation in training as a percentage of salary between employee size bands.

(Table 8)

Category	Training investment as a percentage of payroll team salary
< 200 employees	5.7%
200-499 employees	4.4%
500-1999 employees	1.0%
2000-9999 employees	1.1%
10000+ employees	0.2%

Payroll market share

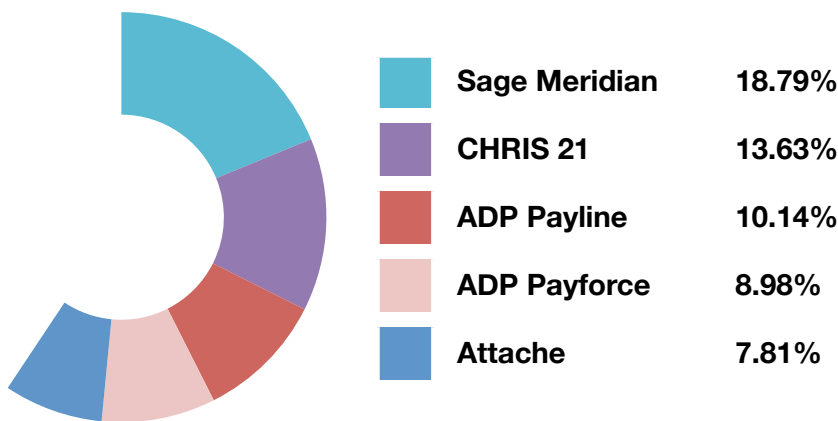
Survey respondents were asked what payroll system they used. If the payroll system wasn't listed, 'other' could be chosen.

The trend we are seeing in market share in 2017 is being shared between more vendors and the prominence of cloud vendors in the top 5 for the first time.

While in the last two years the top five vendors in each category have typically represented 88-95% of the total market share, this year we see this number dropping, showing a move to newer entrants in the Australian market.

Market share top 5: All employee bands

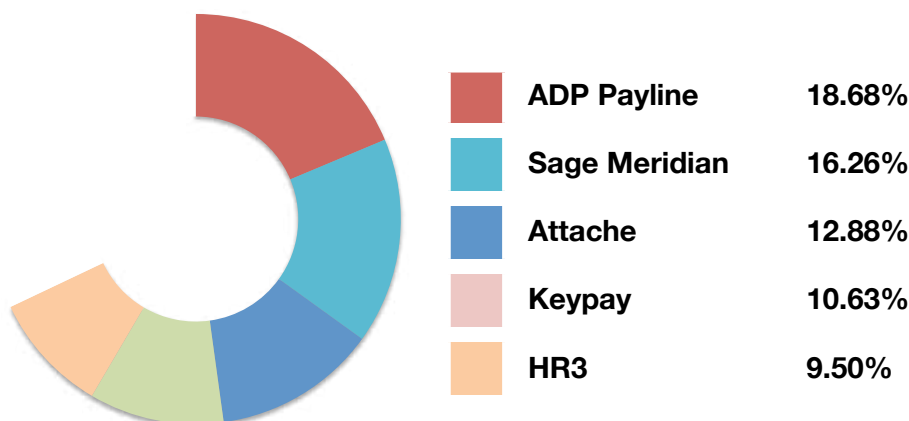
(Figure 7)



Top five payroll products represent **59.35%** of market share overall .

Market share top 5: <200

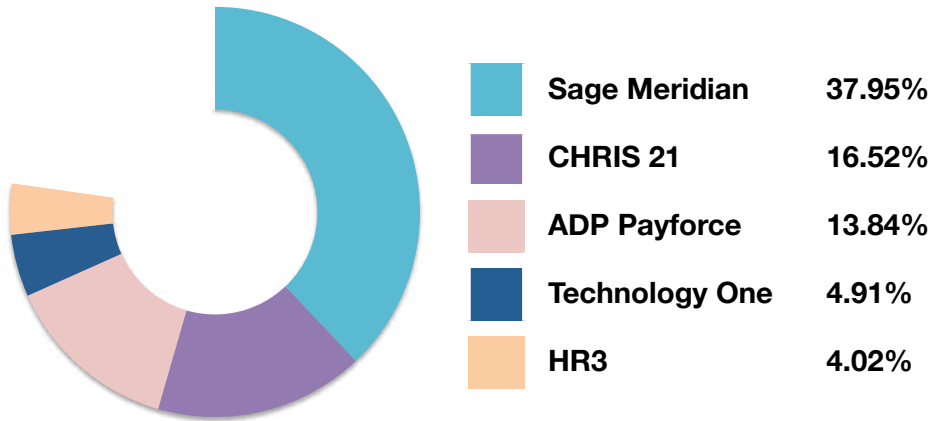
(Figure 8)



Top five payroll products represent **67.95%** of market share in this category.

Market share top 5: 200-499

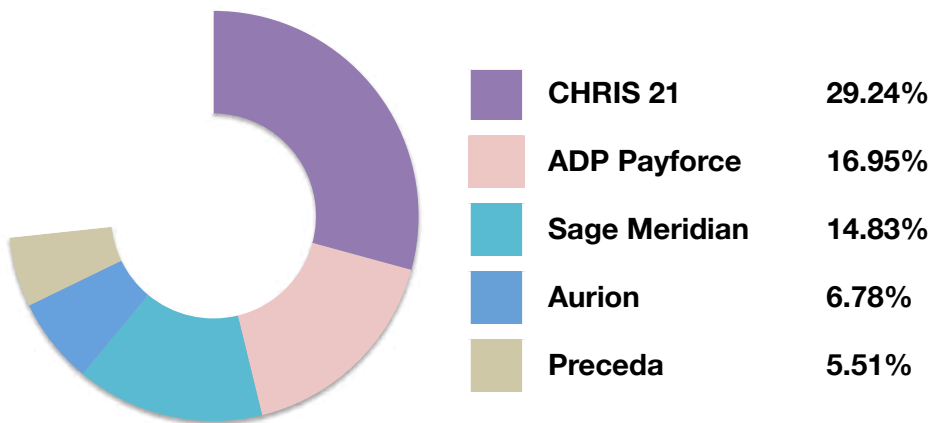
(Figure 9)



Top five payroll products represent **77.24%** of market share in this category.

Market share top 5: 500-1999

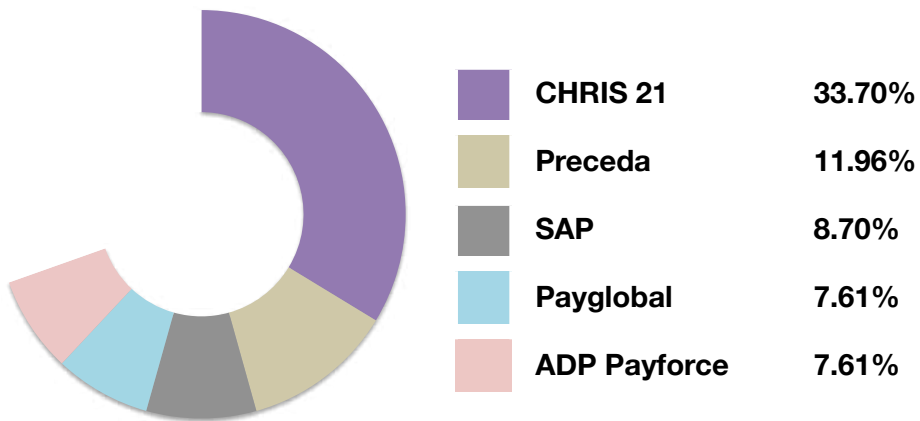
(Figure 10)



Top five payroll products represent **73.31%** of market share in this category.

Market share top 5: 2000-9999

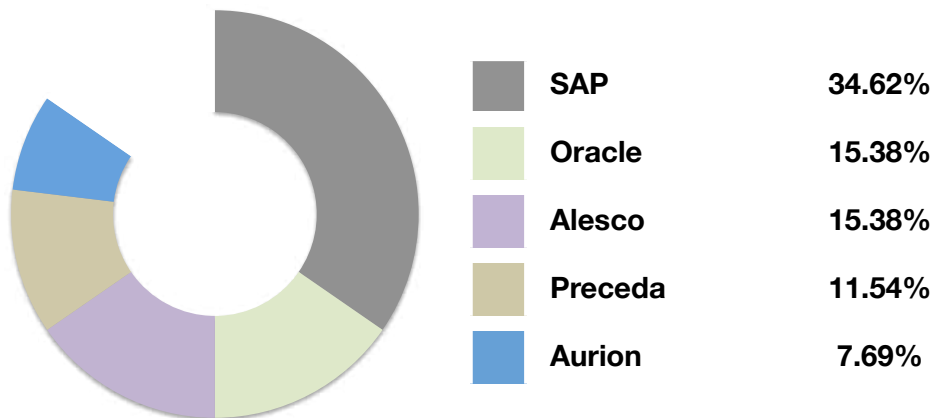
(Figure 11)



Top five payroll products represent **69.58%** of market share in this category.

Market share top 5: 10,000+

(Figure 12)



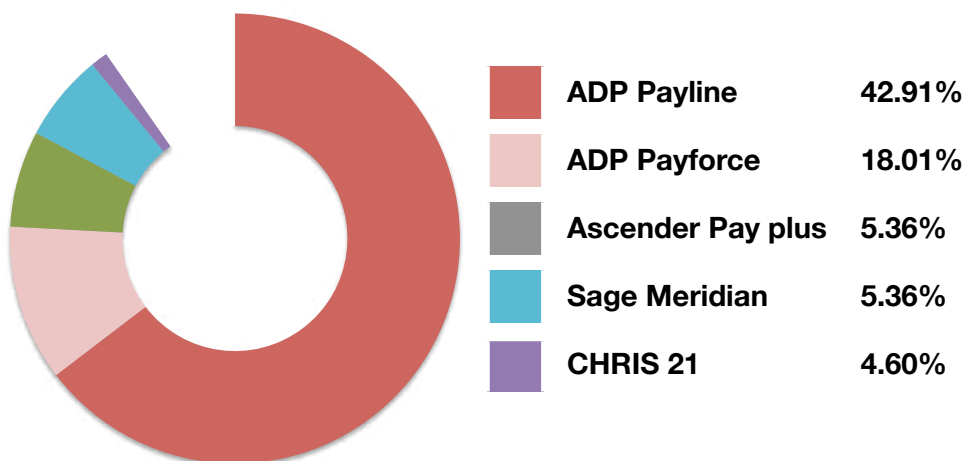
Top five payroll products represent **84.61%** of market share in this category.

Outsourcing market share

Overall, the top five outsourcing products by market share have a total of **76.24%** of the market.

Outsourcing Market share top 5

(Figure 13)

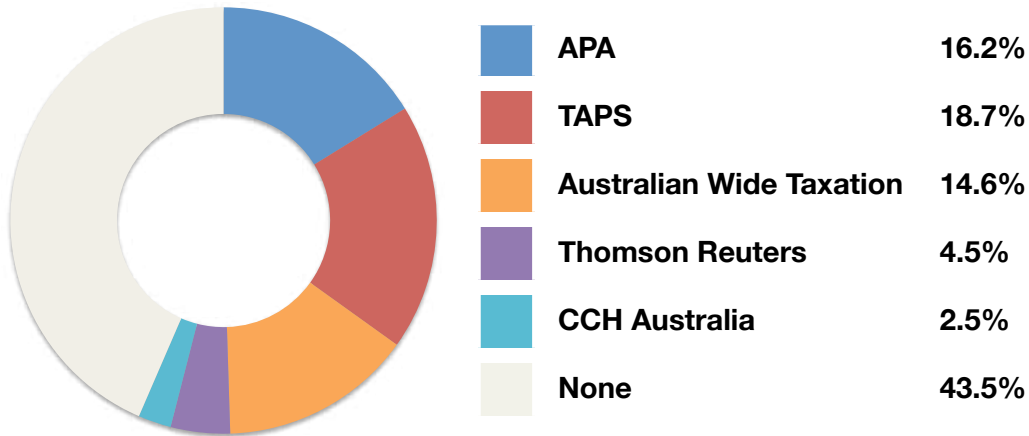


Payroll support organisations market share

Market share between Australian Payroll Association (APA) and the Association for Payroll Specialists (TAPS) is closing with market maturity. Both organisations have increased market share from 2016. Although 43.5% of employers currently have no external payroll support, this has significantly reduced from 51.46% in 2016. Those who have not engaged external payroll support are taking an unnecessary compliance risk.

Percentage of employers supported by payroll support organisations

(Figure 14)



Qualified payroll staff figures

The vast majority of payroll professionals remain without a payroll qualification. In total 6.2% of payroll professionals have a competency based payroll qualification. Employers are starting to ask for these qualifications in their job advertisements, making qualified payroll staff in high demand.

This demand has resulted in those who are qualified with a Certificate IV in Payroll Administration or Diploma of Payroll Management being paid on average \$12,567 more than those who are not.

The average salary for Certificate IV in Payroll Administration graduates is \$86,281 including superannuation.

The average salary for Diploma of Payroll Management graduates is \$114,187 including superannuation.

Percentage of qualified payroll professionals

(Table 9)

Certificate IV in Payroll Administration	3.25%
Diploma of Payroll Management	2.95%

For more details about these qualifications, please visit Australian Payroll Institute at www.payroll.edu.au

Investment in Payroll

Average likelihood of employers surveyed who plan to invest in payroll automation in the next 12 months.

(Table 10)

Category	Percentage
< 200 employees	26.6%
200-499 employees	35.2%
500-1999 employees	43.1%
2000-9999 employees	55.6%
10000+ employees	80.1%

Average likelihood of employers surveyed who plan to invest in payroll process improvement in the next 12 months.

(Table 11)

Category	Percentage
< 200 employees	39.6%
200-499 employees	51.5%
500-1999 employees	57.8%
2000-9999 employees	73.2%
10000+ employees	80.9%

Average likelihood of employers surveyed who plan to invest in payroll technology in the next 12 months.

(Table 12)

Category	Percentage
< 200 employees	28.2%
200-499 employees	35.2%
500-1999 employees	41.7%
2000-9999 employees	52.3%
10000+ employees	71.5%

Single Touch Payroll

Single Touch Payroll is introduced on 1 July 2017 and is compulsory from 1 July 2018.

Percentage of employers surveyed who have a plan to meet Single Touch Payroll introduction of 1 July 2017.

(Table 13)

Category	Percentage	
	Yes	No
All employers	24.3%	75.7%
< 200 employees	21.2%	78.8%
200-499 employees	22.3%	77.7%
500-1999 employees	31.7%	68.3%
2000-9999 employees	30.2%	69.8%
10000+ employees	27.8%	72.2%

International payroll

We have seen a rise in Australian based payroll teams processing payrolls for other countries and regions.

Of all employers surveyed, 17.2% manage an international payroll outside Australia. Of those who managed international payroll, New Zealand is the most common country to process from Australia.

Breakdown by region:

(Table 14)

New Zealand	45%
Asia	22.1%
United Kingdom	9.3%
USA/Canada	9.3%
Pacific Islands	4.6%
Rest of Europe	3.9%
Middle East	2.5%
South America	1.9%
Africa	1.7%

Where to from here?

Payroll benchmarking is a balancing act between the need for governance and compliance in the payroll function versus the cost of delivery. It's only at the intersection of compliance and efficiency that organisations can rest easy that they have a highly valued payroll operation that is providing tangible value to their organisation.

There are only three things that cause payroll problems. It's only when you have all three areas working together as best practice that you can find that payroll intersection. The three problem areas are People, Processes and Technology.

If two or more of these areas are substandard, you can have any combination of problems in your payroll that typically puts an organisation at financial, governance and compliance risk.

People

Without the right people in your payroll team, it is impossible to deliver a high quality payroll operation. Good payroll people are hard to find, they expect and deserve high wages and are generally not looking for new jobs because they are being actively retained by their employer.

The best payroll professionals are qualified, preferably with a Certificate IV in Payroll Administration or Diploma of Payroll Management, have great attention to detail, see customer service as a critical part of doing their job well, accept accountability, understand the need for discretion, are process driven and are always thinking about continuous improvement.

Most payroll mistakes are made because the payroll team genuinely don't have the knowledge or training that they require to do their job. Regular training is critical as payroll legislation, thresholds and rates change every year.

The most valuable and sought after skills for payroll professionals now and in the future is a solid sense of customer service. Many payroll professionals are very competent at a technical level, but without the ability to communicate, that knowledge is unable to be shared widely in the business.

Technology

Not so long ago the most technologically advanced employers were using Bundy clocks and cards. These were being 'extended' in the pay office and keyed into payroll systems.

These days technology is being developed at a rate unlike we have ever seen before. There is now payroll technology which uses wireless internet services and geotracking to those being delivered on handheld devices and smart phones. The key is to use technology that works with the specific requirements of your organisation and not just for technology's sake.

Processes

Contrary to popular opinion relating to just 'doing the pays', a payroll process should be developed and constantly improved to consider risk, fines, efficiency and governance. If your processes aren't structured, the best people and technology won't provide you with the payroll outcomes you are looking for.

All these three things have an effect on compliance and efficiency in your payroll operation. Once all are in alignment you are best placed to maximise all three areas of payroll and turn a business cost into an operational asset.

How can Australian Payroll Association help you?

Our goal is to support Australian businesses to ensure compliance and efficiency in the payroll operation. We believe that payroll can offer tangible value if delivered correctly.

Australian Payroll Association specialises in:

Comprehensive payroll support and advice

Our members have access to our payroll helpline as well as our online portal of payroll best practice guides and resources.

Specialist payroll consulting

We can provide advisory services and recommendations for all payroll challenges.

We regularly complete Payroll Process Audits and Payroll Compliance Audits for some of Australia's largest employers, saving them millions of dollars per annum by improving the quality and efficiency of their payroll operations.

We also work with organisations to evaluate and select payroll technology to ensure you get the best fit for your requirements.

Specialist payroll recruitment

When you can't find the right people for your payroll team, we can assist by leveraging our contacts to find you someone who fits. We never advertise, so exercise complete discretion in our recruitment processes.

Nationally Accredited payroll qualifications

The Certificate IV in Payroll Administration and Diploma of Payroll Management are the industry standard in payroll education. They are the only payroll qualifications on the Australian Qualifications Framework, can be started at any time and are delivered via an online learning portal.

Practical payroll training

Whether online, onsite or in a classroom, Australian Payroll Association provides payroll training from Fundamentals to Masterclass.

We often deliver bespoke payroll training based on your industry, organisation and knowledge gaps.

Payroll knowledge assessments

Want to understand your current payroll capability? Our online payroll knowledge test will discover where the training needs in your team are.

Payroll events

Our annual conference is the largest payroll event in Australia and provides for both strategic and technical payroll topics. This year it is being held on 20 October 2017 at the International Convention Centre in Sydney.

For more details or to sign up for our free weekly payroll newsletter, please visit www.austpayroll.com.au

About Australian Payroll Association

Australian Payroll Association (APA) provides membership advisory services, education and specialist recruitment and consulting services for Australian employers.

Please contact the following people for further information on any of our services:

Membership, Qualifications, online and onsite learning	Payroll recruitment and knowledge assessment	Benchmarking report, payroll consulting, industry partnerships and media
Kylie Robertson General Manager kylie@austpayroll.com.au 02 8096 9150	Andy Thompson Recruitment Director andy@austpayroll.com.au 02 8096 9154	Tracy Angwin CEO tracy@austpayroll.com.au 02 8096 9152
www.austpayroll.com.au		

Client testimonials

“APA have been an excellent support service when dealing with payroll situations that are out of the normal day to day function. Their response times are in most cases instant, and all the staff are a pleasure to deal with.

They beat any competitor ‘hands down’ and come highly recommended by our organisation. It is great to know that payroll professionals can be part of such a valued and trusted association!”

Gina Tsotra, HUGO BOSS Australia Pty Ltd

I would recommend Australian Payroll Association to any business that wants to ensure they are kept up to date with changes relating to legislation, taxation, industrial relations and more.

They offer access to the latest information, training, best practice and many more resources when we need them. I believe Australian Payroll Association is at the forefront of the payroll profession and believe they offer indispensable learning opportunities.

Their support is unrivalled and I have full confidence in their advice, knowledge and experience within the payroll arena.”

William Withers, Campbell Arnotts

“I’ve been extremely happy with the payroll services provided by APA and would thoroughly recommend them for their high ongoing levels of customer service.”

Susan Smith, Reject Shop Limited

“The Australian Payroll Association provides a valuable resource to all Payroll Professionals with their regular updates to a range of payroll and employment related issues presented to us. I rely on the excellent service provided by APA to inform me of the many changes and issues facing our industry.”

Damian Membry, Monash University

“APA are an impressive team which delivers on their promises and are stand out performers in the Payroll sector.”

Diane Davis, Energex Ltd

Our payroll expertise, your peace of mind