

2016

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 2016 Payroll Benchmarking Study."



The 2016 Payroll Benchmarking Report accompanies Australian Payroll Association's annual payroll benchmarking study for Australian employers.

This year's survey received responses from 3,027 organisations representing 1,702,653 employees and 51,467,852 payslips per annum making it 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 2015 and January 2016.

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

In 2016 we have also analysed payroll salary levels by state and industry.

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 your 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,

Tracy Angwin
CEO
Australian Payroll Association

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

Participant Profiles

Australian Payroll Association’s 2016 Payroll Benchmarking survey was completed between December 2015 and January 2016.

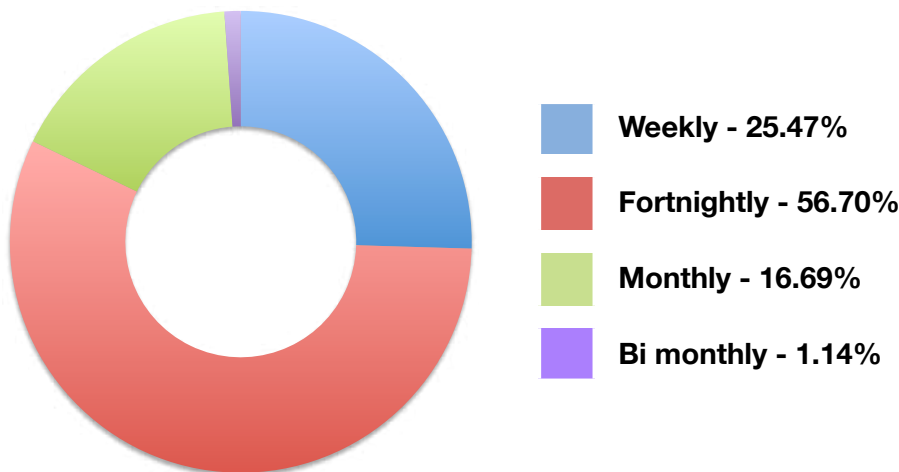
The survey participants represented 5,801 full time equivalent payroll professionals from 3,027 Australian employers.

These payroll professionals collectively pay 1,702,653 employees and produce 51,467,852 payslips per annum.

Over half of the employees working in the surveyed organisations were paid fortnightly, an increase of 7.5% since 2015. Weekly has dropped to 25.47%, the percentage of monthly paid employers went from 15.15% in 2015 to 16.69% in 2016. There are still a small number of employers processing bimonthly pays.

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 also 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.

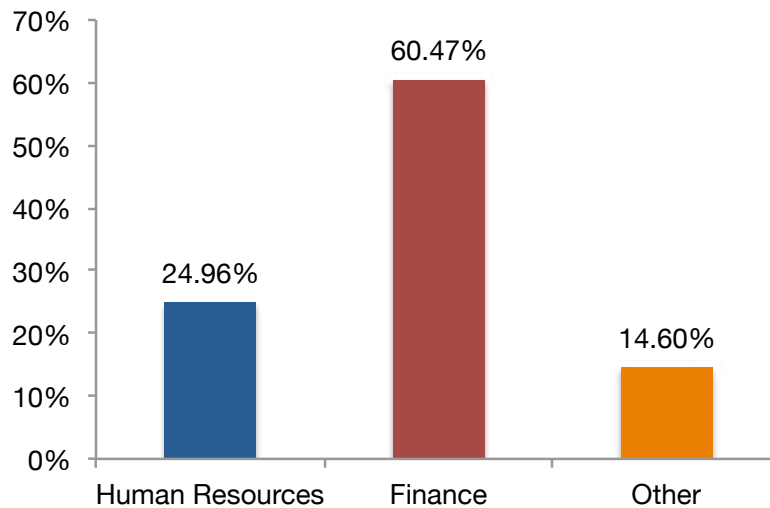
Payroll reporting lines

Overall 60.47% of respondents had payroll reporting to finance. However the trend remains in 2016 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)



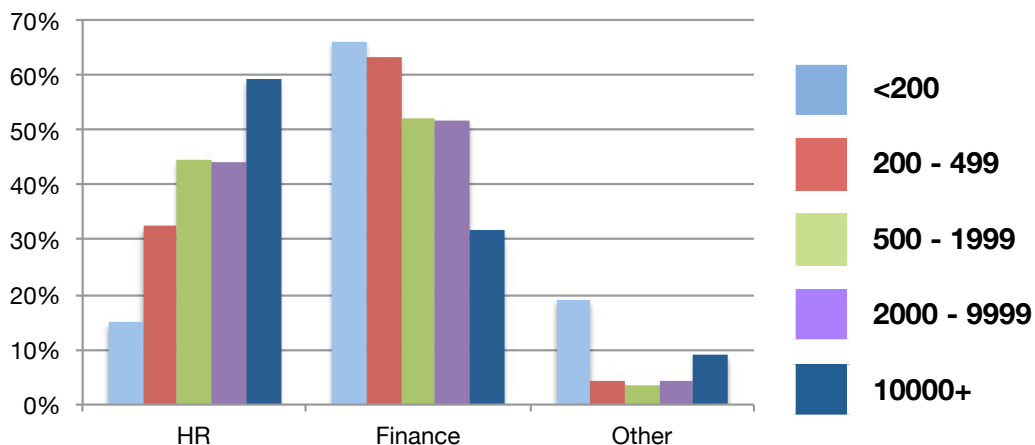
When breaking down the figures by employee numbers it shows that as organisations increase in employee population, the likelihood of payroll reporting to HR increases. The vast majority of very large employers have payroll reporting to HR.

HR vs Finance - Employee numbers

(Table 1)

Reporting Line	Employee numbers				
	<200	200 - 499	500 - 1999	2000 - 9999	10000+
HR	14.96%	32.40%	44.65%	44.17%	59.09%
Finance	65.85%	63.13%	51.99%	51.67%	31.82%
Other	19.19%	4.47%	3.36%	4.17%	9.09%

(Figure 3)



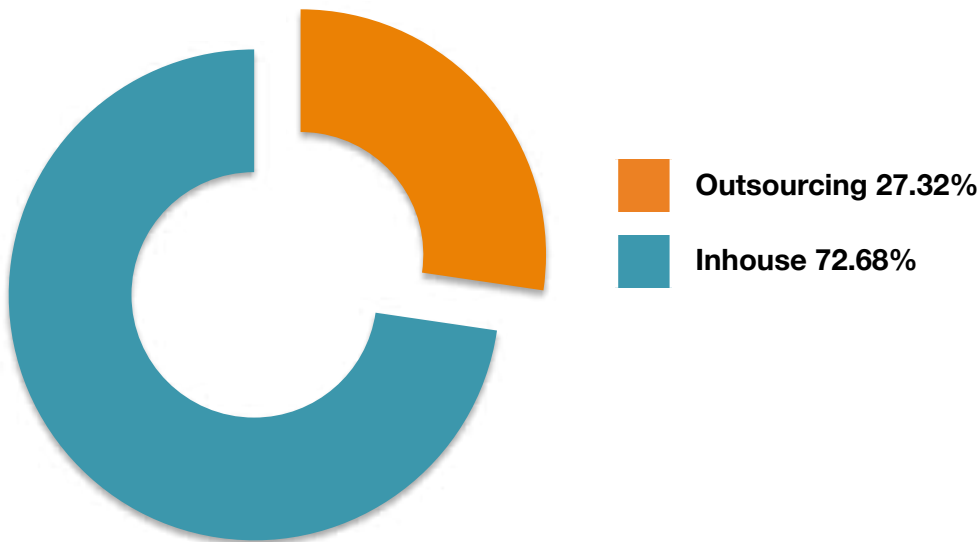
Outsourced vs inhouse payroll

Whilst the majority of Australian employers run an inhouse payroll function we are seeing a trend towards full or partial outsourcing as employee numbers rise. This is in line with trends in the US and Europe.

Outsourced payrolls make up 27.32% of the survey respondents. Two years ago the trend was to outsource or partially outsource payroll for small and very large employers. We are now seeing employers at all levels take up an outsourced or managed payroll function.

Outsourced vs Inhouse payroll

(Figure 4)



Outsourced vs Inhouse payroll - Employee numbers

(Table 2)

	Employee numbers					
	<50	50 - 199	200 - 499	500 - 1999	2000 - 9999	10000+
Outsourced	47.28%	29.53%	14.62%	13.95%	9.57%	23.53%
Inhouse Payroll	52.72%	70.47%	85.38%	86.05%	90.43%	76.47%

With an increasing trend to outsource the payroll function, employers should ensure their outsourcing provider is registered with the Tax Practitioners Board with a Tax Agent or BAS agent as required by TASA regulations. Without this, employers cannot take advantage of ATO safe harbour provisions.

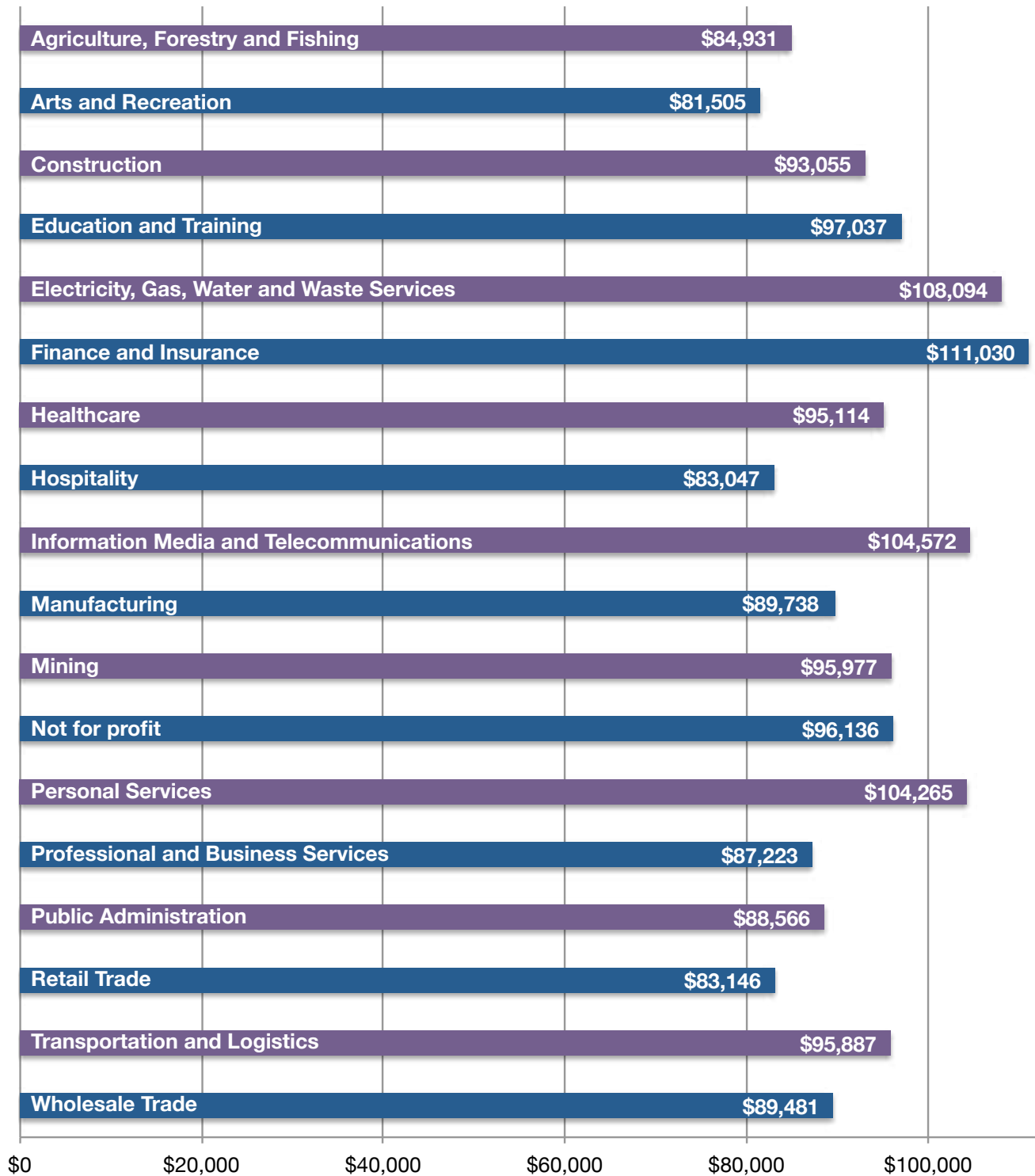
Outsource providers should also ensure their teams are qualified to a minimum standard of Certificate IV in Payroll Administration (www.payroll.edu.au)

Average payroll salary

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

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

(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	\$137,373
Payroll Manager	\$95,144
Team Leader	\$93,310
Senior Payroll Officer	\$77,025
Payroll Officer	\$69,465

Average State salary by title

(Table 4)

	Payroll Officer	Senior Payroll Officer	Team Leader	Payroll Manager	National or Group Payroll Manager
ACT	\$73,629	\$93,200	-	\$91,706	\$118,810
NSW	\$70,702	\$84,053	\$91,643	\$96,935	\$147,534
NT	\$78,517	\$79,500	\$73,488	\$103,887	-
QLD	\$65,995	\$68,604	\$78,831	\$87,476	\$130,488
SA	\$60,117	\$69,552	\$82,067	\$95,705	\$98,649
TAS	\$70,200	\$87,302	\$130,000*	\$92,250	-
VIC	\$69,817	\$73,810	\$88,710	\$97,560	\$145,444
WA	\$73,843	\$74,875	\$132,502*	\$95,287	\$107,413

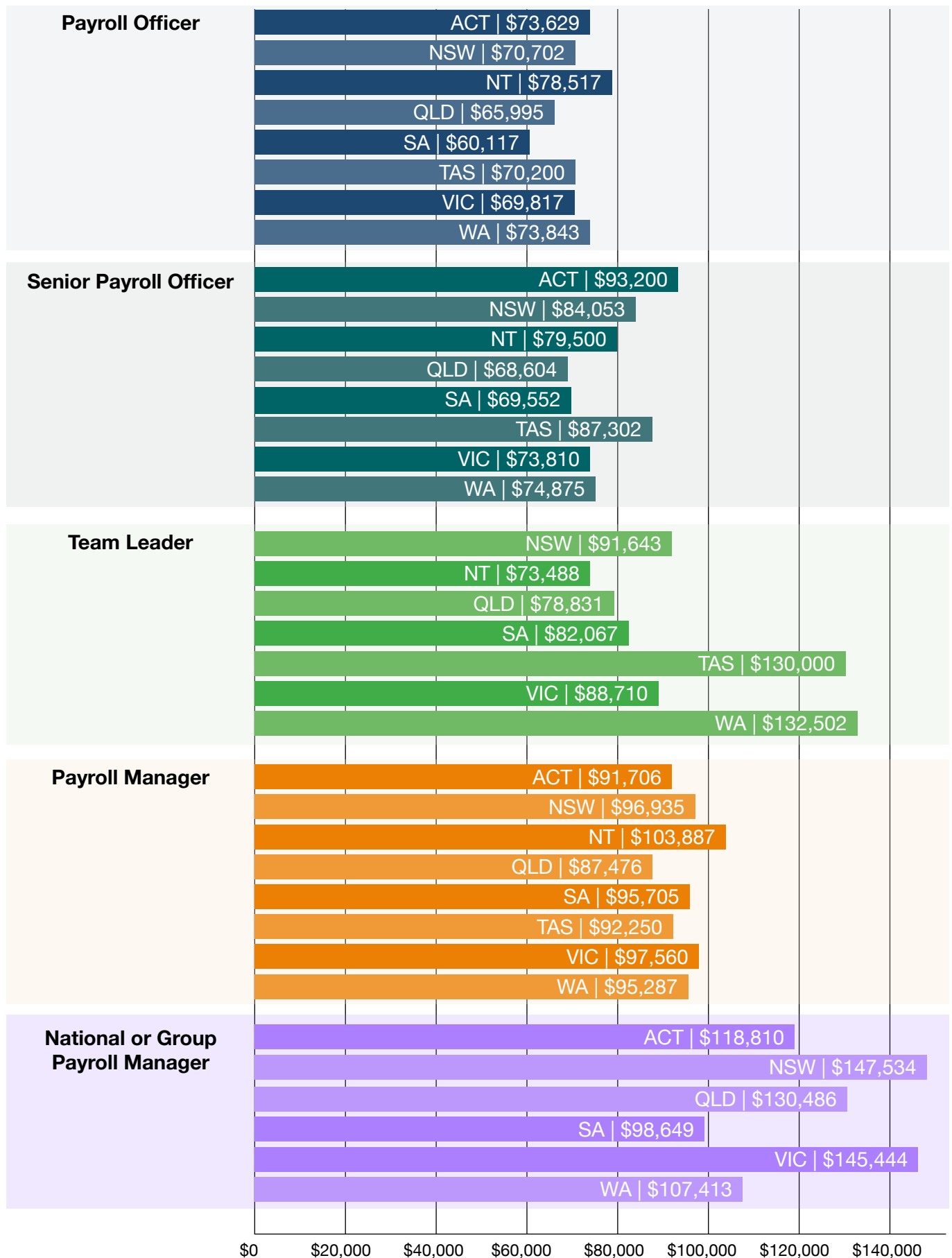
* this figure may be influenced by large payroll shared services operations in this state.

Payroll Staff turnover

The average staff turnover in payroll roles nationally is 12.32%.

Salary by title by state

(Figure 6)



* this figure may be influenced by large payroll shared services operations in this state.

Average cost per payslip and employee paid

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

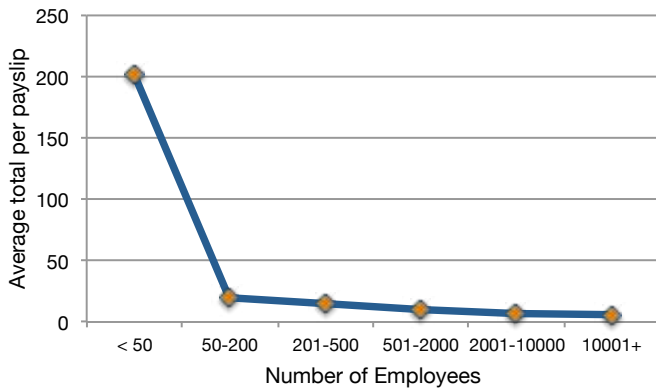
Top performer benchmarks are calculated as an average cost of the top 25% of survey respondents.

The average costs per payslip for Australian employers with more than 50 staff is:

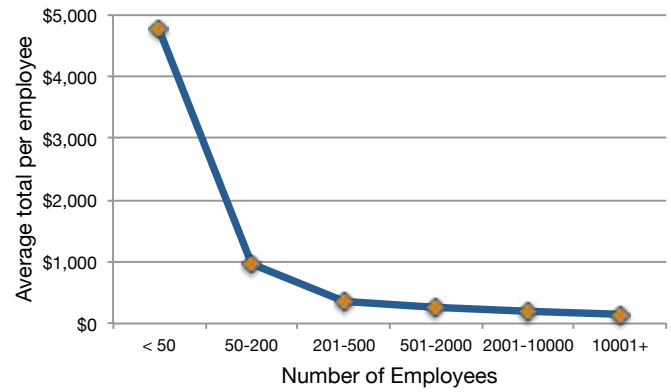
(Table 5)

	2016
Average technical per payslip	\$4.13
Average salary per payslip	\$11.52
Average other per payslip	\$0.73
Average total per payslip	\$16.38

(Figure 7)



(Figure 8)



Costs have been broken down by employer size due to the large number of employers that completed the survey.

The average cost per payslip by employer size is:

(Table 6)

Category	Average	Top Performers
Total per payslip < 50 employees	\$202.41	\$22.28
Total per payslip 50-200 employees	\$19.56	\$10.82
Total per payslip 201-500 employees	\$15.06	\$5.58
Total per payslip 501-2000 employees	\$9.74	\$4.48
Total per payslip 2001-10000 employees	\$7.43	\$2.89
Total per payslip 10001+ employees	\$5.98	\$2.35

The average annual cost per employee paid by employer size is:

(Table 7)

Category	Average	Top Performers
Average total per emp paid < 50 employees	\$4,766.03	\$797.34
Average total per emp paid 50-200 employees	\$956.33	\$436.16
Average total per emp paid 201-500 employees	\$370.27	\$223.78
Average total per emp paid 501-2000 employees	\$254.19	\$158.08
Average total per emp paid 2001-10000 employees	\$192.61	\$97.90
Average total per emp paid 10001+ employees	\$149.85	\$77.56

Cost of payroll < 50 employees

Costs in the under 50 employee range are much higher than average as expected. This is due to the inability to get any worthy economies of scale from small payrolls. Therefore the salary costs are much greater than other employer sizes, even when the salaries are pro-rated to the number of hours spent on payroll. The argument for outsourcing purely on a cost basis is clear at this employer level.

(Table 8)

Average technical cost per payslip	\$6.64
Average salary cost per payslip	\$188.70
Average other cost per payslip	\$7.07
Average total cost per payslip	\$202.41

(Table 9)

Average annual technical cost per employee paid	\$152.11
Average annual salary cost per employee paid	\$4,467.78
Average annual other cost per employee paid	\$146.14
Average annual total cost per employee paid	\$4,766.03

Cost of payroll 50-200 employees

In this range the person responsible for payroll is typically not working full time and therefore costs may be higher than average per payslip and per employee paid. However they are significantly lower than the < 50 employee category.

(Table 10)

Average technical cost per payslip	\$3.17
Average salary cost per payslip	\$15.64
Average other cost per payslip	\$0.75
Average total cost per payslip	\$19.56

(Table 11)

Average annual technical cost per employee paid	\$71.22
Average annual salary cost per employee paid	\$865.55
Average annual other cost per employee paid	\$19.56
Average annual total cost per employee paid	\$956.33

Cost of payroll 201-500 employees

At this level many employers have a full time payroll professional responsible for payroll.

(Table 12)

Average technical cost per payslip	\$1.78
Average salary cost per payslip	\$12.74
Average other cost per payslip	\$0.54
Average total cost per payslip	\$15.06

(Table 13)

Average annual technical cost per employee paid	\$40.06
Average annual salary cost per employee paid	\$314.17
Average annual other cost per employee paid	\$16.03
Average annual total cost per employee paid	\$370.27

Cost of payroll 501-2000 employees

A large proportion of survey respondents fall into this category and many have a team of payroll professionals. Salary costs in particular are reducing due to economies of scale.

(Table 14)

Average technical cost per payslip	\$1.19
Average salary cost per payslip	\$8.35
Average other cost per payslip	\$0.20
Average total cost per payslip	\$9.74

(Table 15)

Average annual technical cost per employee paid	\$29.65
Average annual salary cost per employee paid	\$219.82
Average annual other cost per employee paid	\$4.72
Average annual total cost per employee paid	\$254.19

Cost of payroll 2001 – 10,000 employees

In this category, cost trends continue to fall in technology, salary and other costs. However salary cost is reducing more when compared to technical cost, suggesting that labour saving technology is being widely employed at this level.

(Table 16)

Average technical cost per payslip	\$1.46
Average salary cost per payslip	\$5.77
Average other cost per payslip	\$0.20
Average total cost per payslip	\$7.43

(Table 17)

Average annual technical cost per employee paid	\$39.63
Average annual salary cost per employee paid	\$148.44
Average annual other cost per employee paid	\$4.54
Average annual total cost per employee paid	\$192.61

Cost of payroll 10,001+ employees

Although not a large section of the employer community in Australia, employers with more than 10,000 employees benefit from both economies of scale and implementing technology to minimise the payroll production cost.

(Table 18)

Average technical cost per payslip	\$0.92
Average salary cost per payslip	\$4.96
Average other cost per payslip	\$0.10
Average total cost per payslip	\$5.98

(Table 19)

Average annual technical cost per employee paid	\$21.17
Average annual salary cost per employee paid	\$126.29
Average annual other cost per employee paid	\$2.40
Average annual total cost per employee paid	\$149.85

Outsourcing costs

The percentage of employers who outsourced their payroll to a third party rather than having the process managed inhouse, based on survey results is:

(Table 20)

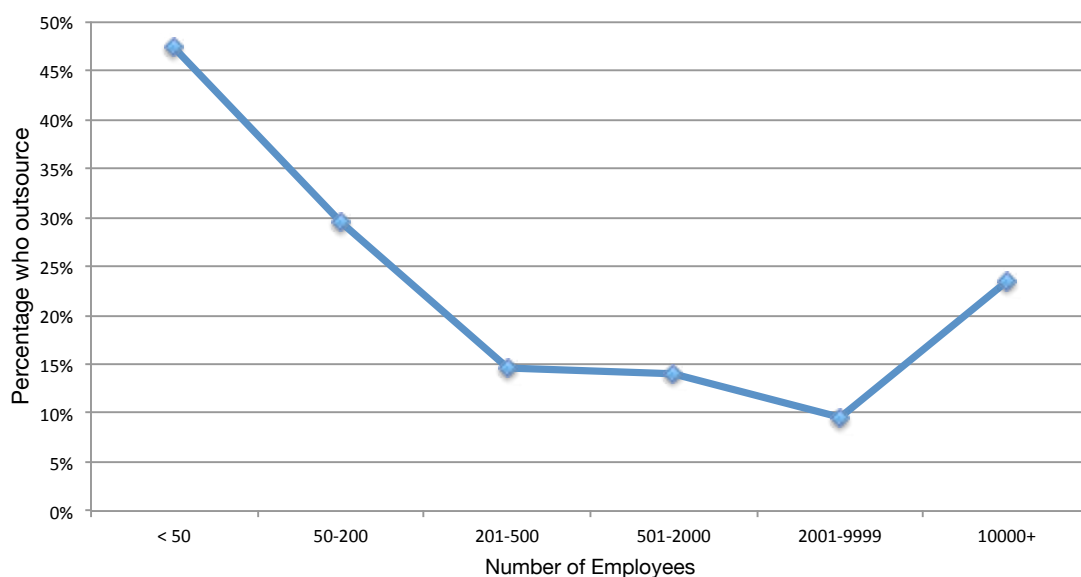
< 50 employees	47.28%
50-200 employees	29.53%
201-500 employees	14.62%
501-2000 employees	13.95%
2001-9999 employees	9.5%
10000+ employees	23.53%

(Table 21)

Outsourcing Costs vs Inhouse Payroll	Outsourcing	Inhouse
Average outsourcing per payslip < 50 employees	\$79.79	\$135.73
Average outsourcing per payslip 50-200 employees	\$27.20	\$33.13
Average outsourcing per payslip 201-500 employees	\$16.77	\$15.07
Average outsourcing per payslip 501-2000 employees	\$10.06	\$9.65
Average outsourcing per payslip 2001-9999 employees	\$8.70	\$6.70
Average outsourcing per payslip 10000+ employees	\$5.77	\$6.03

Percentage of employers who outsource

(Figure 9)



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 reported accuracy is as follows:

(Table 22)

<1000 payslips per annum	96.76%
100-10,000 payslips per annum	98.99%
10,000 - 100,000 payslips per annum	99.65%
100,000+ payslips per annum	99.61%

The average accuracy rate for all respondents was 98.91%

Professional Development

The average number of days provided by employers to their payroll teams for training and professional development is 1.38.

Payroll market share

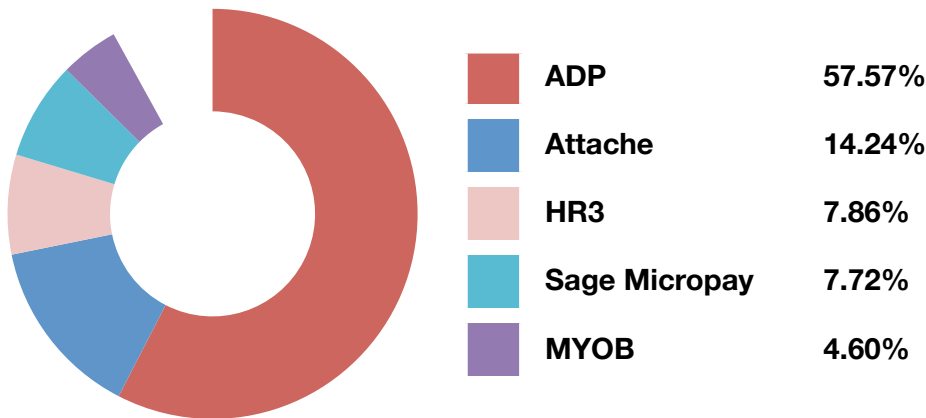
Survey respondents were asked what payroll system they used and had a choice of over 40 products. If the payroll system wasn't listed, 'other' could be chosen.

The main trend we are seeing in market share in 2016 is the increase in vendors in the marketplace.

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: <50

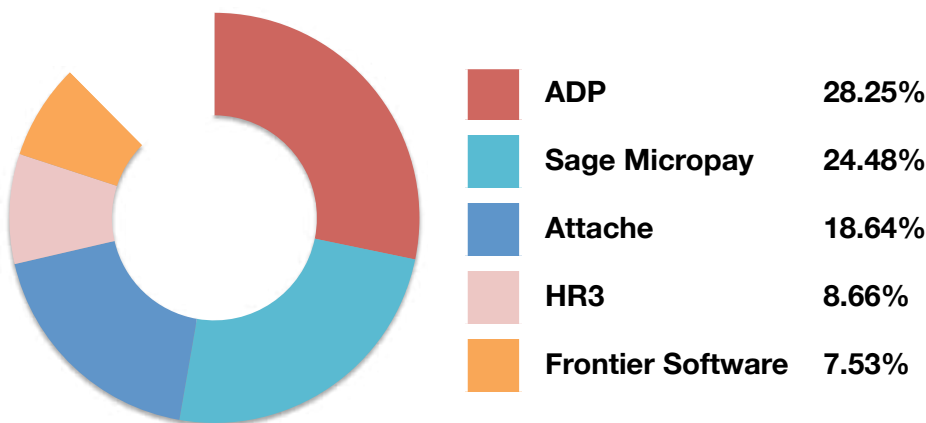
(Figure 10)



Top five payroll products represent **91.99%** of market share in this category.

Market share top 5: 51-199

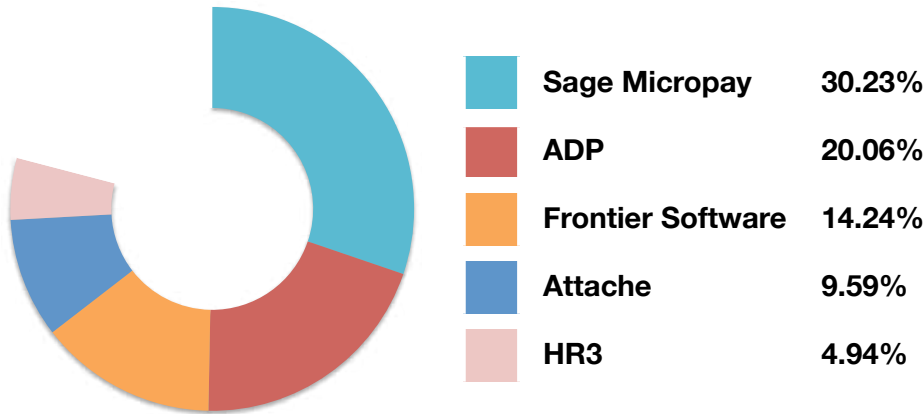
(Figure 11)



Top five payroll products represent **87.56%** of market share in this category.

Market share top 5: 200-499

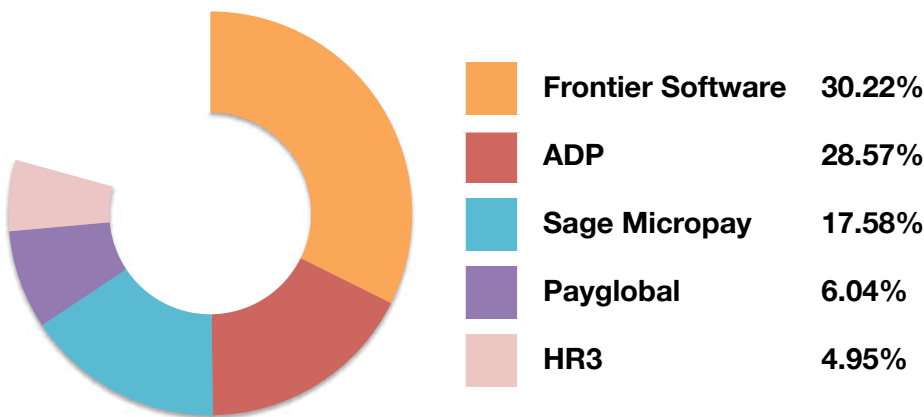
(Figure 12)



Top five payroll products represent **79.06%** of market share in this category.

Market share top 5: 500-1999

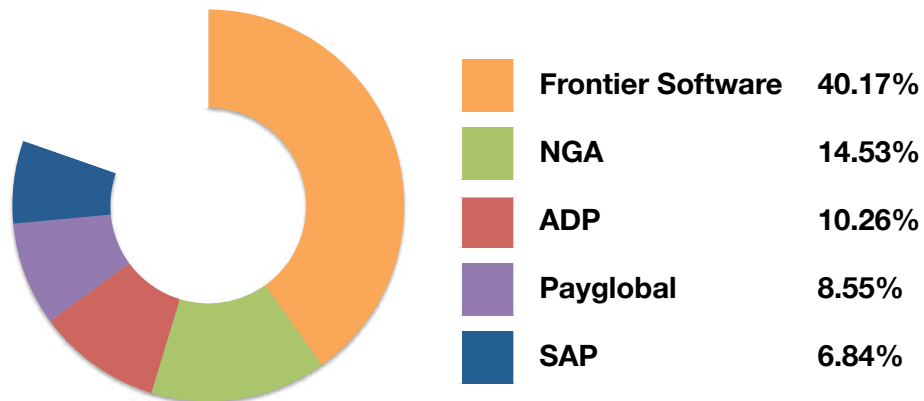
(Figure 13)



Top five payroll products represent **87.36%** of market share in this category.

Market share top 5: 2000-9999

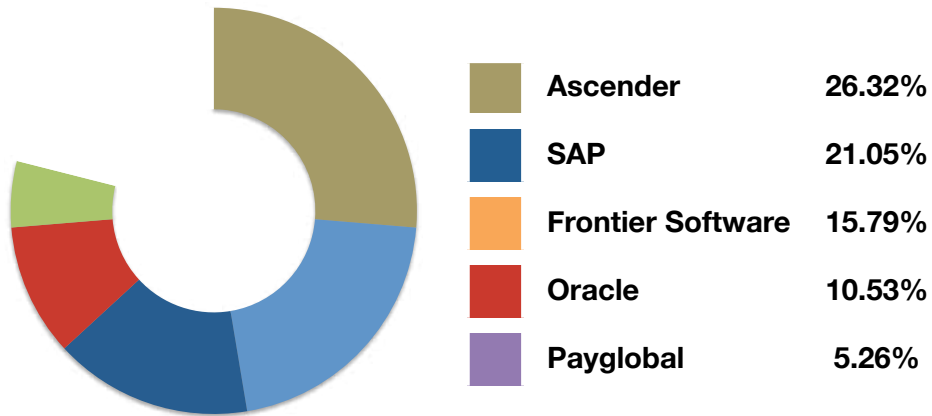
(Figure 14)



Top five payroll products represent **80.35%** of market share in this category.

Market share top 5: 10,000+

(Figure 15)



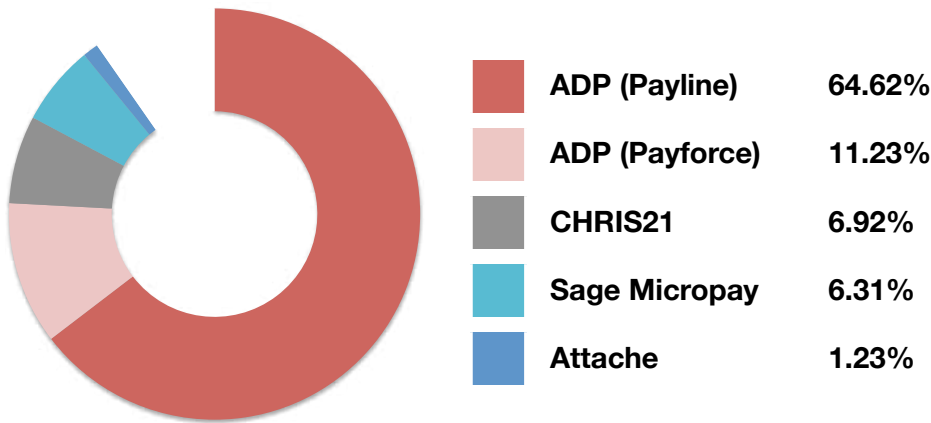
Top five payroll products represent **78.95%** of market share in this category.

Outsourcing market share

Overall, the top five outsourcing products by market share have a total of **90.31%** of the market.

Outsourcing Market share top 5

(Figure 16)



Trends

In 2016 we have seen the cost of delivering the payroll function increase slightly, with both small increases to staffing costs as well as investment in technology.

However we are seeing top performing organisations invest in best practice processes. This provides for a low cost payroll operation while providing increased intelligence to the business as well as an increased level of corporate governance and low risk.

Whilst the average figures for each employer size remain similar to past years results, the cost of the payroll function for top performers ranges from 11% to 55% of the average for the category.

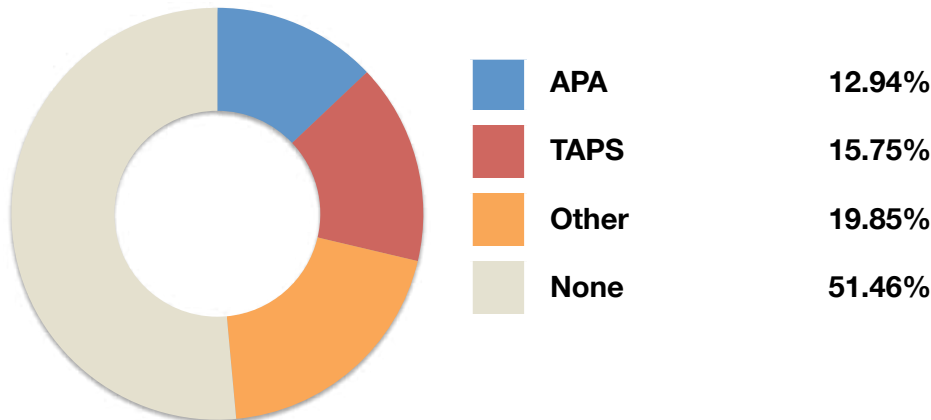
Employers with more than 2000 employees who are top performers are producing payroll at 38 to 39 percent of the cost of their average counterparts. This means even if your organisation is around the average benchmark, with improvement to the people, technology and process components of your payroll operation, there is much value yet to be extracted. Over an employee population of 2000 or more, the financial impacts can be material.

Payroll support organisations market share

Market share between Australian Payroll Association (APA) and the Association for Payroll Specialists (TAPS) is closing with market maturity. However it remains a concern that 51.46% of employers have no external advisory regarding payroll, so are taking unnecessary compliance risk.

Payroll support organisations market share

(Figure 17)



Qualified payroll staff figures

The vast majority of payroll professionals remain without a payroll qualification.

Those who are qualified with a Certificate IV in Payroll Administration or Diploma of Payroll Management are paid on average \$7130 more than those who are not.

Percentage of qualified payroll professionals

(Table 23)

Certificate IV in Payroll Administration	2.8%
Diploma of Payroll Management	3.6%

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

FTE per 1000 employees

The 2016 payroll benchmarking study confirms that more payroll staff are required the higher the frequency of producing payroll.

For weekly paid employees, the ratio of payroll staff to employees paid is smaller than with fortnightly or monthly pays. For weekly payrolls, 363 employees on average are paid by one full time equivalent payroll professional. This is equal to 1000 weekly employees requiring on average 2.75 payroll professions for that payroll.

For fortnightly payrolls, 437 employees on average are paid by one full time equivalent payroll professional. This is equal to 1000 fortnightly employees requiring on average 2.29 payroll professions for that payroll.

For monthly payrolls, 635 employees on average are paid by one full time equivalent payroll professional. This is equal to 1000 monthly employees requiring on average 1.57 payroll professions for that payroll.

FTE per 1000 staff

(Table 24)

Weekly	2.75
Fortnightly	2.29
Monthly	1.57

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 contact 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.

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 kylie@austpayroll.com.au 02 8096 9150	Andy Thompson andy@austpayroll.com.au 02 8096 9154	Tracy Angwin 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