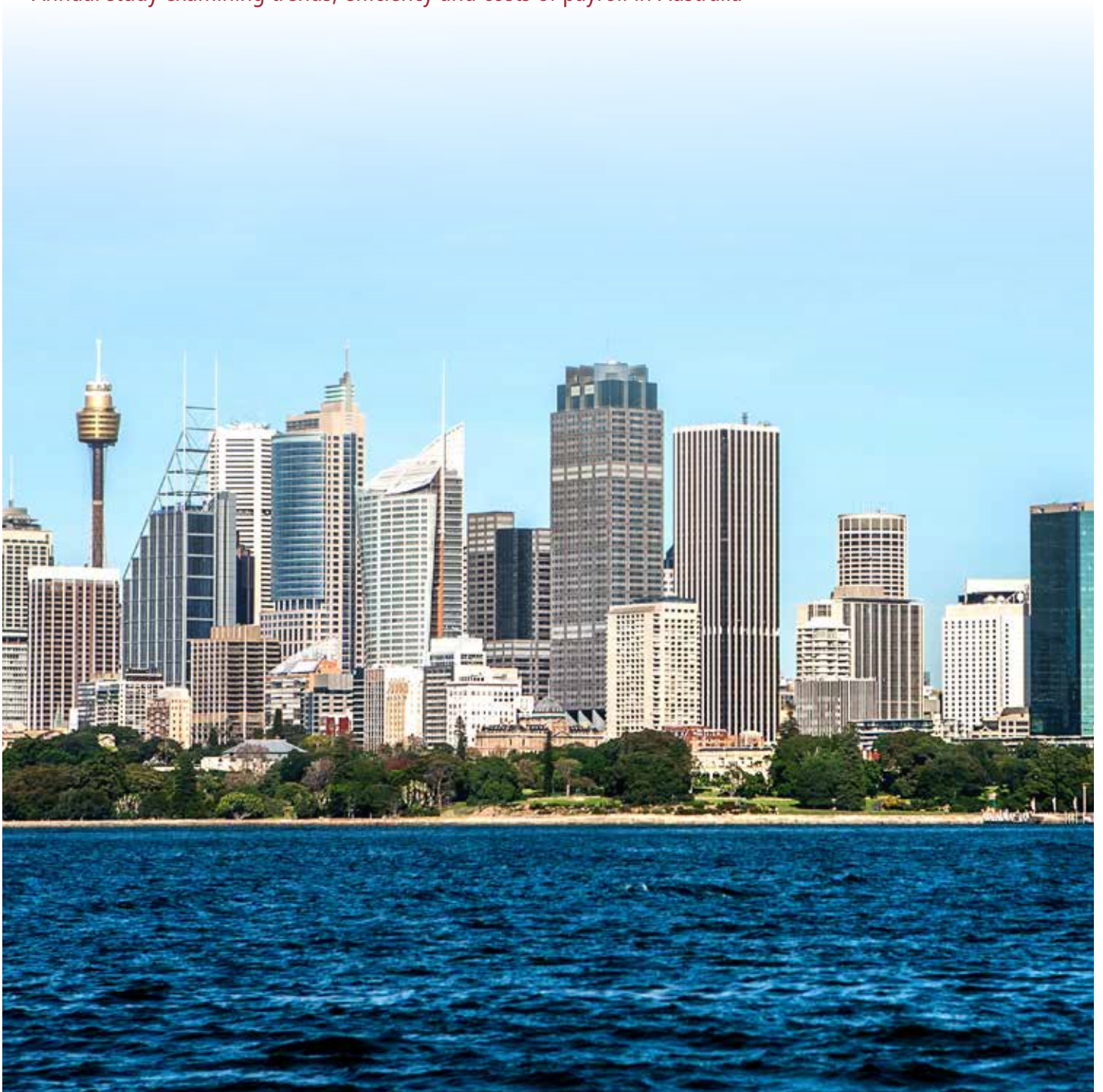


2015

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 2015 Payroll Benchmarking Study."

Introduction

The 2015 Payroll Benchmarking Report accompanies Australian Payroll Association's annual payroll benchmarking study for Australian organisations.

This year's survey received responses from 1741 organisations representing 1,219,351 employees and over 40 million pays 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.

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

In 2015 we have also analysed payroll salary levels by state.

This report provides payroll professionals and employers the opportunity to analyse their own benchmarks in comparison to industry standards.

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

Kind regards,



Tracy Angwin
Executive Director
Australian Payroll Association

To benchmark your own payroll operation, please visit
www.payrollcommunity.com.au/australianpayroll for a complimentary,
high level analysis which will take 10 minutes.

Participant Profiles

Australian Payroll Association’s 2014 Payroll Benchmarking survey was completed between December 2014 and January 2015.

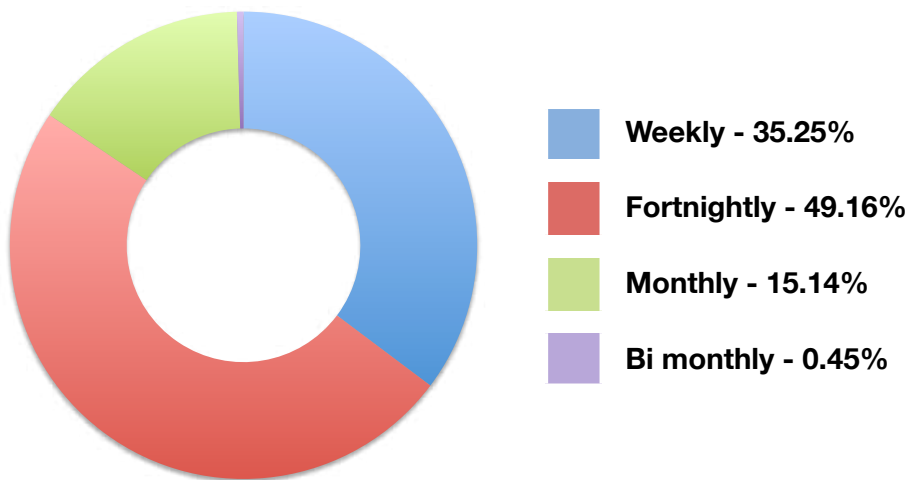
The survey participants represented 3738 full time equivalent payroll professionals from 1741 Australian employers. The average annual salary, including superannuation, across all States/Territories and roles is \$76,728 slightly down on the 2014 result of \$78,856. This seems to be a correction towards the 2012 result of \$73,629.

These payroll professionals collectively pay 1,155,255 employees and produce 39,077,453 payslips per annum.

Almost half of the employees working in the surveyed organisations were paid fortnightly, slightly up on 2014. Weekly is at 35.25% down from 37.08% in 2014. Monthly went from 12.69% in 2014 to 15.14% in 2015.

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.

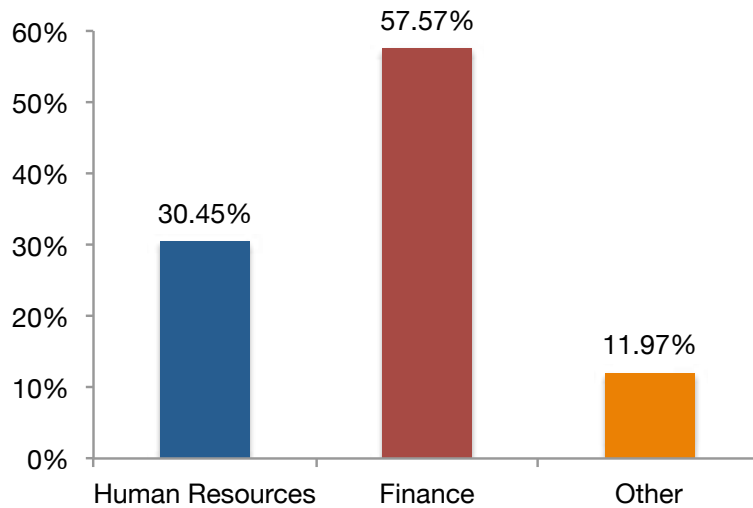
Payroll reporting lines

Overall 57.5% of respondents report payroll to finance. However the trend shows that the larger the organisation, the likelihood of payroll reporting to HR increases.

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

Payroll Reporting Lines

(Figure 2)



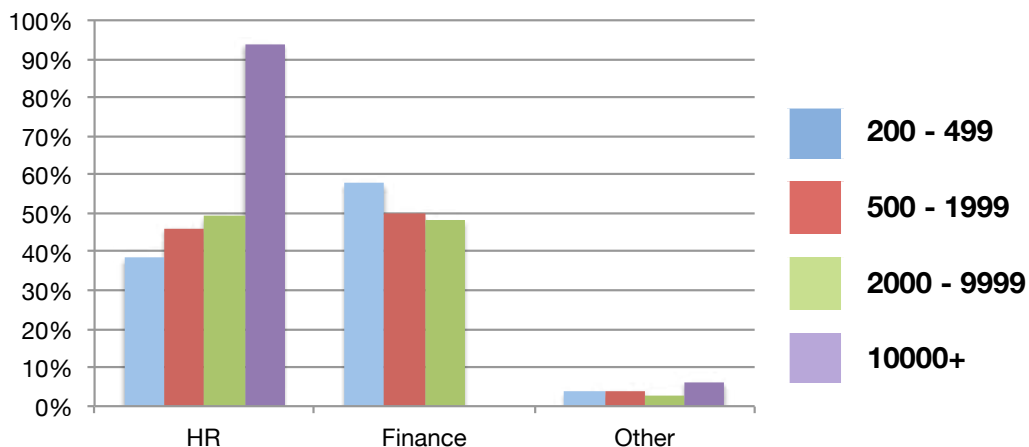
When breaking down the figures by employee numbers it shows that as organisations increase in employee population, the likelihood of payroll reporting to HR increases. The vast majority of very large employers have payroll reporting to HR.

HR vs Finance - Employee numbers

(Table 1)

Reporting Line	Employee numbers			
	200 - 499	500 - 1999	2000 - 9999	10000+
HR	38.44%	46.15%	49.35%	93.75%
Finance	57.66%	49.82%	48.05%	0.00%
Other	3.90%	4.03%	2.60%	6.25%

(Figure 3)



Outsourced vs inhouse payroll

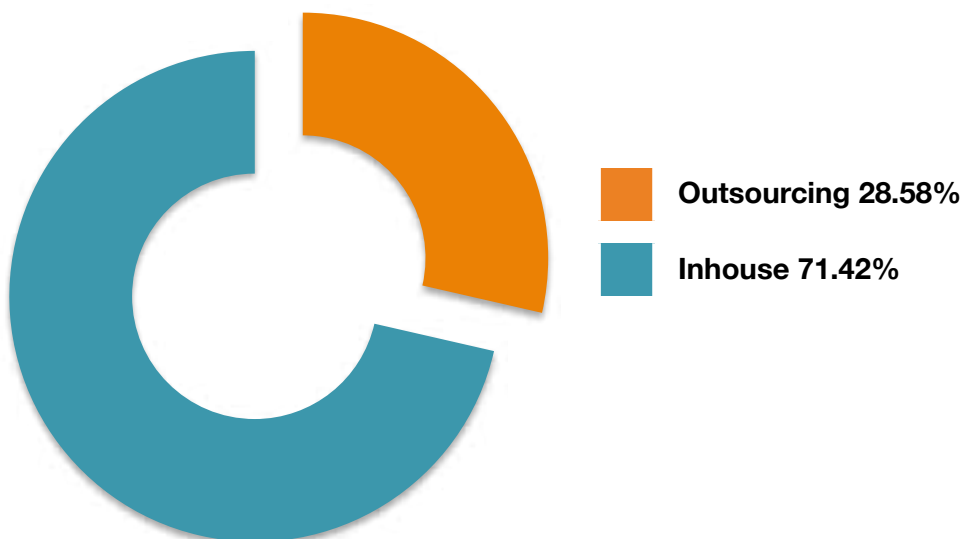
Whilst the majority of Australian employers run an inhouse payroll function there is a slight trend towards outsourcing. This is in line with trends in the US and Europe being towards outsourcing payroll.

Outsourced payrolls make up 28.58% of the survey respondents up from 25.4% in 2014. Having an outsourced payroll function has been more prevalent at the less than 200 employee and the over 10,000 employee ranges. However in 2015 we are seeing the number of employers with 500-1999 employees that outsource payroll is almost double to 22.5% (from 11.5% in 2014).

There has also been an increase in the 2000-9999 bracket (5.4% in 2014 to 13.79% in 2015) and a slight increase in 200-499 and 10000+ employee categories.

Outsourced vs Inhouse payroll

(Figure 4)



Outsourced vs Inhouse payroll - Employee numbers

(Table 2)

	Employee numbers			
	200-499	500-1999	2000-9999	10000+
Outsourced	19.50%	22.51%	13.79%	33.33%
Inhouse Payroll	80.50%	77.49%	86.21%	66.67%

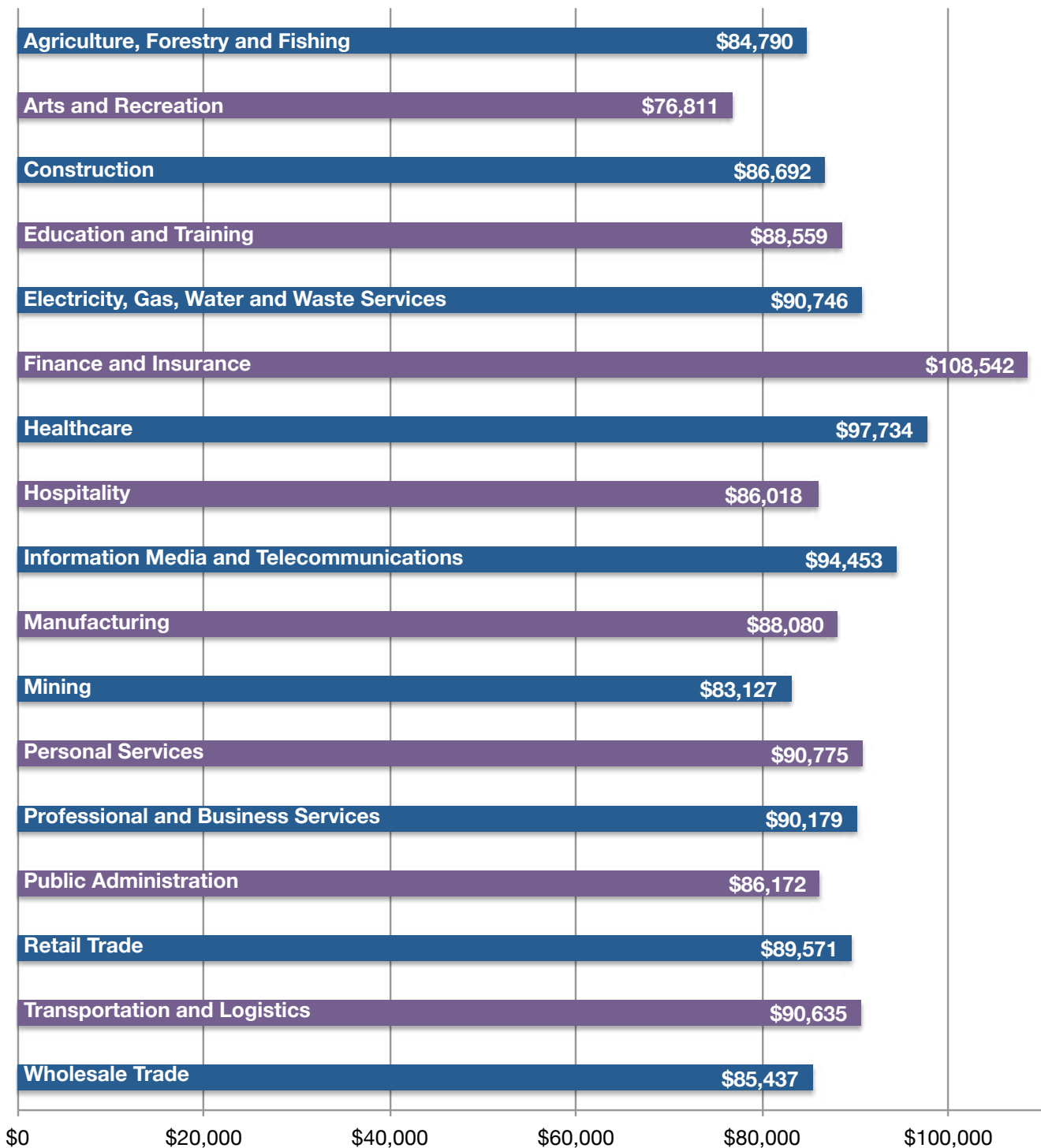
Average payroll salary

The average salary (including superannuation) of a payroll professional has decreased from \$78,856 (APA 2014 Payroll Benchmarking Report) to \$76,728. This is likely a market correction as the 2012 average salary was \$73,629.

The average salary (including superannuation) for a Payroll Manager with a payroll of more than 500 employees has decreased to \$123,309 from \$127,166 nationally with additional variances between states.

However there are significant variances between industries. The lowest average payroll salary is \$76,811 in the Arts and Recreation industry. The highest average payroll salary is \$108,542 in the Finance and Insurance industry.

(Figure 5)



Significant differences exist between employer size.

(Table 3)

Average payroll salary < 50 employees (pro rated if necessary)	\$83,242
Average payroll salary 50-200 employees	\$82,848
Average payroll salary 201-500 employees	\$90,930
Average payroll salary 501-2000 employees	\$105,083
Average payroll salary 2001-10000 employees	\$133,214
Average payroll salary 10001+ employees	\$130,167

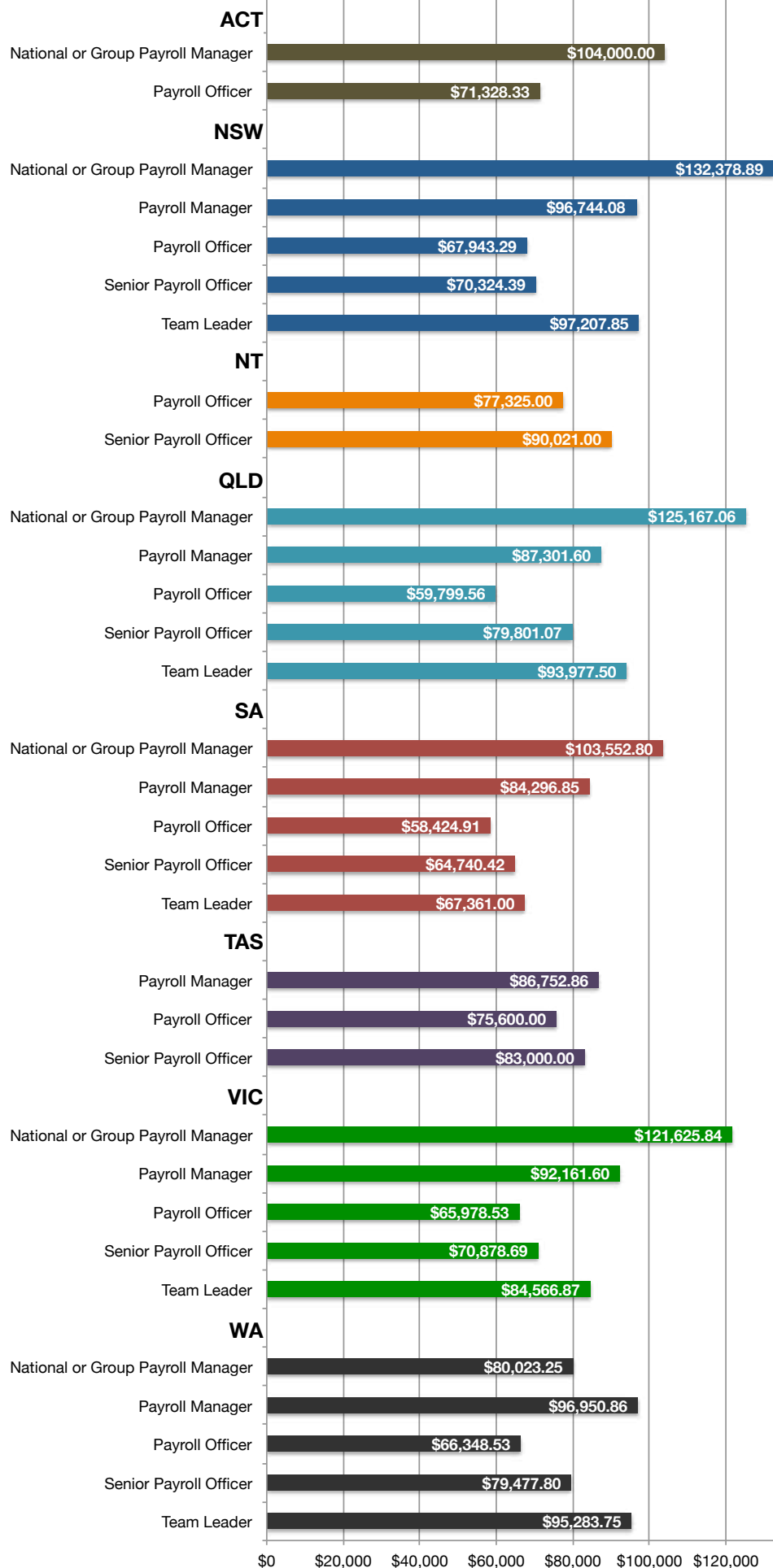
Comment

The last 12 months has seen a slight “softening” of salaries across the board with this trend primarily based on an oversupply of talented payroll professionals pushing salaries down. General expectation is that the recent increase in demand for Payroll specialists will see this correct itself over the next 12 months. In saying that there will always be examples of organisations prepared to pay a premium for specific skillsets within the broader Payroll sector.

Another encouraging market observation is the increased emphasis by employers on Payroll Qualifications and the use of Payroll Knowledge Assessments in the appointment process. This will only continue to have a positive effect on salaries and assist Payroll Professionals to get the increased recognition and reward for the specialised technical expertise they provide to organisations.

Andy Thompson
Recruitment Director
Australian Payroll Association

Salary by title by 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 200 staff is:

(Table 4)

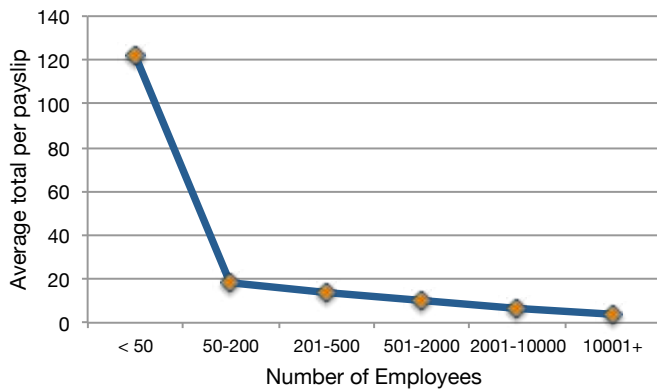
	2015	2014
Average technical per payslip	\$1.38	\$2.21
Average salary per payslip	\$9.78	\$8.19
Average other per payslip	\$0.19	\$0.71
Average total per payslip	\$11.35	\$11.11

The average cost per employee paid for Australian employers with more than 200 staff is:

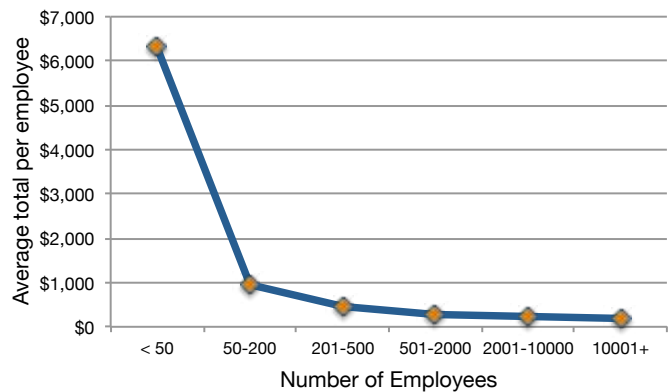
(Table 5)

	2015	2014
Average technical per employee paid	\$33.87	\$53.33
Average salary per employee paid	\$253.92	\$207.40
Average other per employee paid	\$5.32	\$16.59
Average total per employee paid	\$293.10	\$277.32

(Figure 7)



(Figure 8)



All costs have been broken down by employer size due to the large number of employers that completed the survey. In 2015 there is a smaller gap between the category average and the top performers.

The average cost per payslip by employer size is:

(Table 6)

Category	Average	Top Performers
total per payslip < 50 employees	\$121.57	\$70.29
total per payslip 50-200 employees	\$18.43	\$15.34
total per payslip 201-500 employees	\$13.66	\$11.44
total per payslip 501-2000 employees	\$10.32	\$9.41
total per payslip 2001-10000 employees	\$6.89	\$6.30
total per payslip 10001+ employees	\$3.66	\$2.40

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

(Table 7)

Category	Average	Top Performers
Average total per emp paid < 50 employees	\$6,322.00	\$3,654.92
Average total per emp paid 50-200 employees	\$942.53	\$732.03
Average total per emp paid 201-500 employees	\$444.22	\$354.08
Average total per emp paid 501-2000 employees	\$292.93	\$270.24
Average total per emp paid 2001-10000 employees	\$232.43	\$199.18
Average total per emp paid 10001+ employees	\$167.80	\$85.21

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	\$3.35
Average salary cost per payslip	\$113.44
Average other cost per payslip	\$4.78
Average total cost per payslip	\$121.57

(Table 9)

Average annual technical cost per employee paid	\$174.29
Average annual salary cost per employee paid	\$5,899.02
Average annual other cost per employee paid	\$248.69
Average annual total cost per employee paid	\$6,322.00

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	\$1.67
Average salary cost per payslip	\$15.70
Average other cost per payslip	\$1.06
Average total cost per payslip	\$18.43

(Table 11)

Average annual technical cost per employee paid	\$84.29
Average annual salary cost per employee paid	\$803.27
Average annual other cost per employee paid	\$54.97
Average annual total cost per employee paid	\$942.53

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	\$2.46
Average salary cost per payslip	\$10.16
Average other cost per payslip	\$1.04
Average total cost per payslip	\$13.66

(Table 13)

Average annual technical cost per employee paid	\$75.47
Average annual salary cost per employee paid	\$356.35
Average annual other cost per employee paid	\$12.40
Average annual total cost per employee paid	\$444.22

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	\$2.07
Average salary cost per payslip	\$7.98
Average other cost per payslip	\$0.27
Average total cost per payslip	\$10.32

(Table 15)

Average annual technical cost per employee paid	\$62.09
Average annual salary cost per employee paid	\$222.93
Average annual other cost per employee paid	\$7.90
Average annual total cost per employee paid	\$292.92

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	\$1.94
Average salary cost per payslip	\$4.67
Average other cost per payslip	\$0.28
Average total cost per payslip	\$6.89

(Table 17)

Average annual technical cost per employee paid	\$62.78
Average annual salary cost per employee paid	\$158.30
Average annual other cost per employee paid	\$11.35
Average annual total cost per employee paid	\$232.43

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	\$1.45
Average salary cost per payslip	\$1.79
Average other cost per payslip	\$0.42
Average total cost per payslip	\$3.66

(Table 19)

Average annual technical cost per employee paid	\$64.29
Average annual salary cost per employee paid	\$81.73
Average annual other cost per employee paid	\$21.78
Average annual total cost per employee paid	\$167.80

Outsourcing costs

Approximately 28% of employers outsourced their payroll to a third party rather than having the process managed inhouse, based on survey results.

At all employer sizes, the cost of outsourcing was less than the cost of providing payroll services inhouse. This is assisted by the growth in payroll offshoring.

At the less than < 50 employee bracket, the cost savings in outsourcing are compelling. As organisations get larger, and as economies of scale and technology are implemented, the differential cost between outsourcing and inhouse payroll processing decreases. The cost savings of outsourcing should always be weighed up against any impact to internal customer service, governance and control.

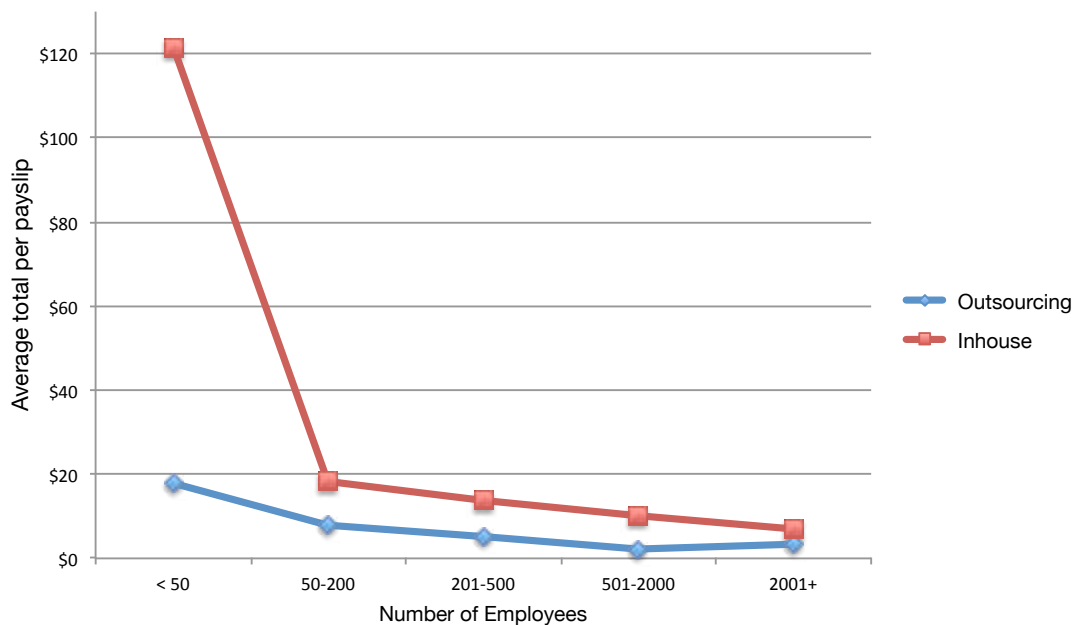
(Table 20)

Outsourcing Costs	Outsourcing (excludes Salary costs)	Inhouse
Average outsourcing per payslip < 50 employees	\$17.72	\$121.57
Average outsourcing per payslip 50-200 employees	\$7.99	\$18.43
Average outsourcing per payslip 201-500 employees	\$4.99	\$13.66
Average outsourcing per payslip 501-2000 employees	\$2.22	\$10.32
Average outsourcing per payslip 2001+ employees	\$3.15	\$6.89

(Table 21)

Outsourcing Costs	Outsourcing (excludes Salary costs)	Inhouse
Average outsourcing per emp paid < 50 employees	\$422.62	\$6322.00
Average outsourcing per emp paid 50-200 employees	\$172.12	\$942.53
Average outsourcing per emp paid 201-500 employees	\$101.12	\$444.22
Average outsourcing per emp paid 501-2000 employees	\$51.74	\$292.93
Average outsourcing per emp paid 2001+ employees	\$82.01	\$232.43

(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	98.45%
100-10,000 payslips per annum	98.59%
10,000 - 100,000 payslips per annum	98.39%
100,000+ payslips per annum	98.43%

The average accuracy rate for all respondents was 98.5%

Payroll market share

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

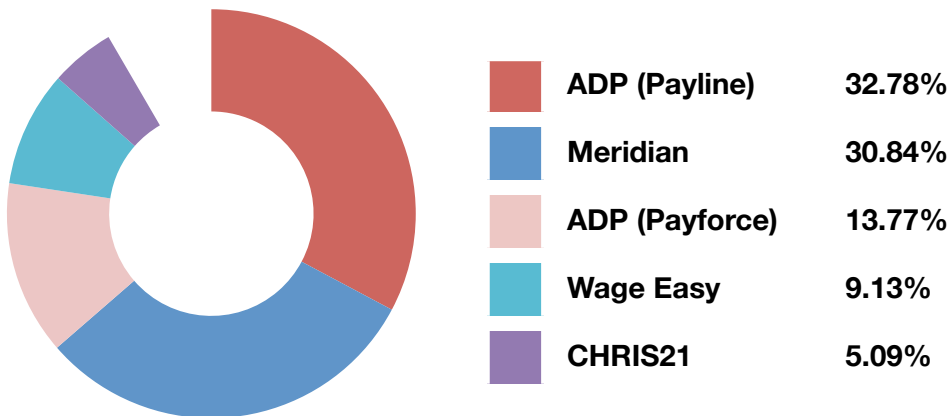
With employers in the 200-499, 500-1999 and 2000-9999 categories, the five products with the most market share made up more than three quarters of the total market.

At the 10,000+ category, the top five products made up over 90% of total market share.

The nine products that are most prevalent in the top five for all categories are ADP Payforce, CHRIS21, Meridian, NGA Preceda, Oracle, Payglobal, SAP, Talent2 Alesco and TechnologyOne.

Market share top 5: 200-499

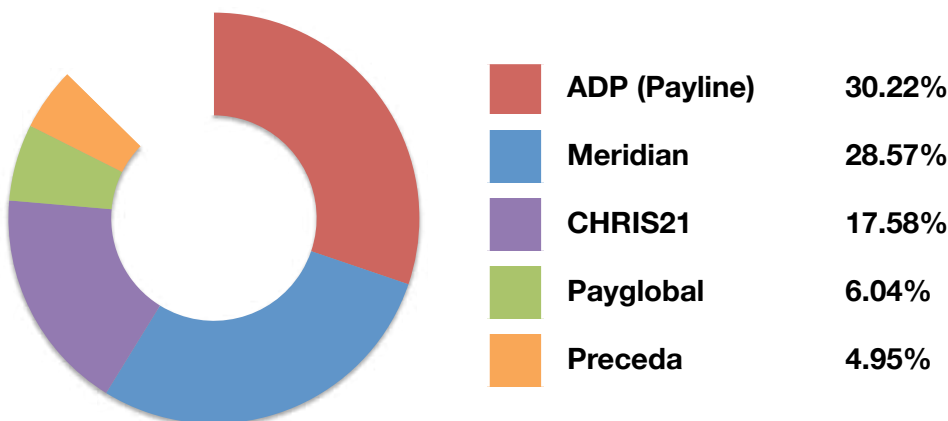
(Figure 10)



Top five payroll products represent 91.61% of market share in this category.

Market share top 5: 500-1999

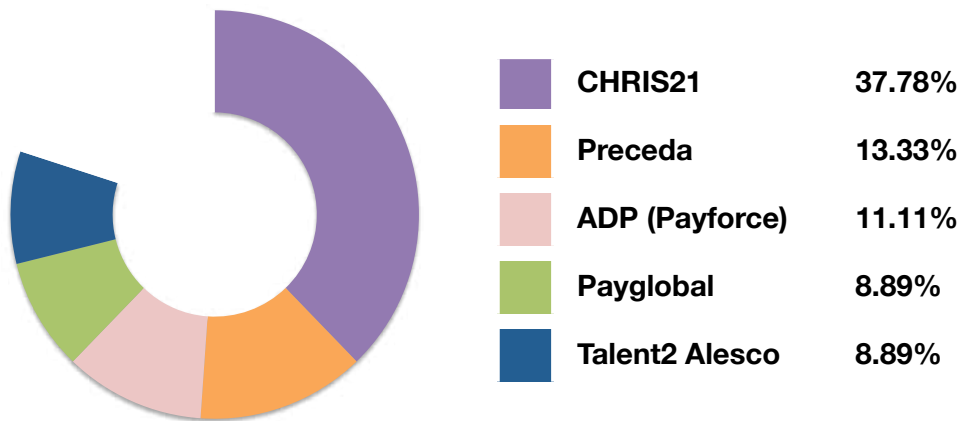
(Figure 11)



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

Market share top 5: 2000-9999

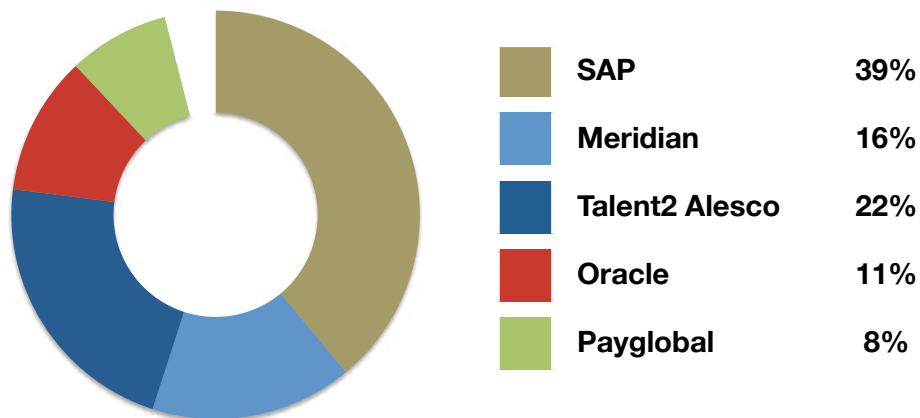
(Figure 12)



Top five payroll products represent 80% of market share in this category.

Market share top 5: 10,000+

(Figure 13)



Top five payroll products represent 96% of market share in this category.

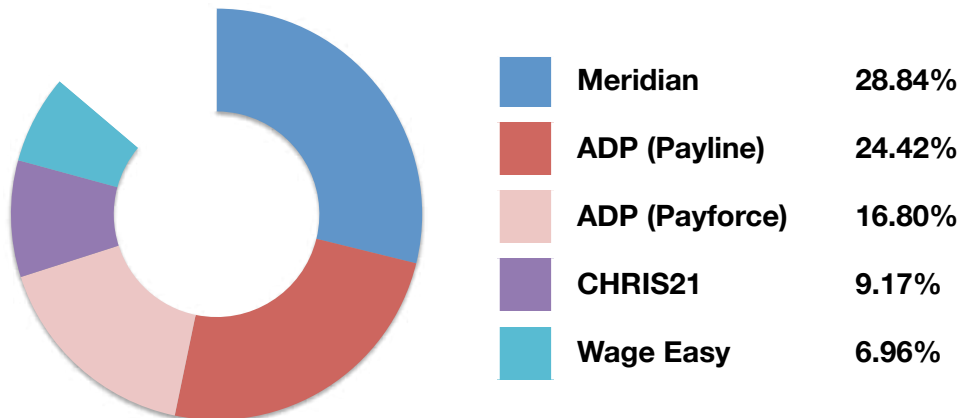
Outsourcing market share

A big mover in outsourcing for 2015 is Meridian, going from 5.2% in 2014 to 28.84% in 2015. Wage Easy has replaced Talent 2 at the number 5 spot.

Overall, the top five outsourcing products by market share have a total of 86.19% of the market.

Outsourcing Market share top 5

(Figure 14)



Outsourcing percentages by employer size

(Table 23)

Employees	Outsource percentages - Do you outsource?				
	0 - 200	200 - 499	500 - 1999	2000 - 9999	10000+
Yes	40.93%	15.79%	10.76%	14.93%	36.36%
No	59.07%	84.21%	89.24%	85.07%	63.64%

Trends

At Australian Payroll Association we are seeing trends away from payroll as being a back office business cost. Organisations are looking to cut costs where possible however, are looking for efficiency gain.

The utilisation of mobile and cloud computing as well as big data will be the key to improvements in payroll benchmarking in 2015 and beyond.

We are starting to see a definite trend towards outsourcing in all employee sizes compared to 2014 where the majority of employers who outsourced their payrolls had less than 200 employees or more than 10,000.

Australian Payroll Association believes that the coming year will see a focus on both payroll technology and services to ensure efficiency and good governance.

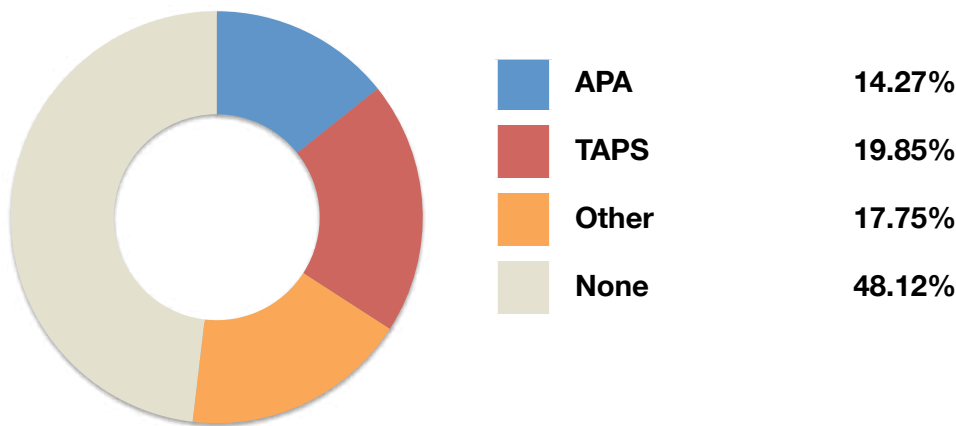
Payroll Association market share

Thankfully the percentage of organisations that have no external payroll support has decreased from 53.5% in 2014 to 48.12% in 2015. However the fact remains that almost half of the organisations surveyed are taking a compliance risk in relation to payroll.

Interestingly the gap between the top two providers (APA and TAPS) is narrowing with a 9.8 point gap in 2014 decreasing to a 5.58 point gap in 2015.

Payroll Association Market share

(Figure 15)



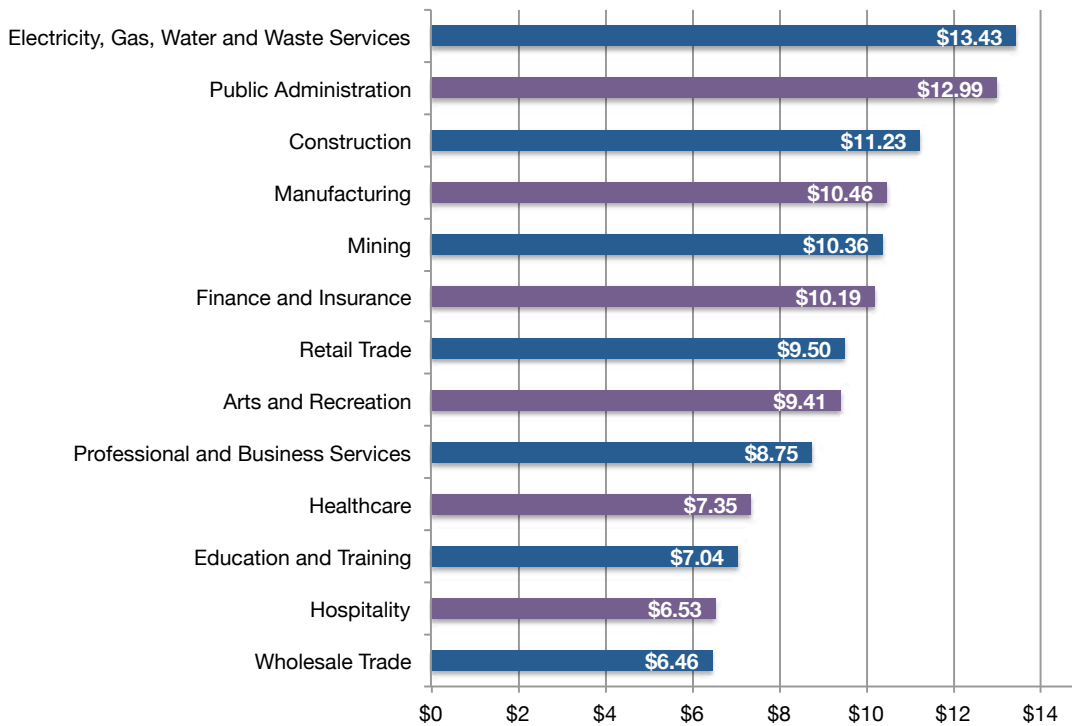
Market share by employer size

(Table 24)

	Employee numbers			
	200-499	500-1999	2000-9999	10000+
APA	10.38%	16.07%	27.78%	17.65%
TAPS	18.24%	27.21%	28.70%	35.29%
Other	16.35%	18.03%	16.67%	11.76%
None	55.03%	38.68%	26.85%	35.29%

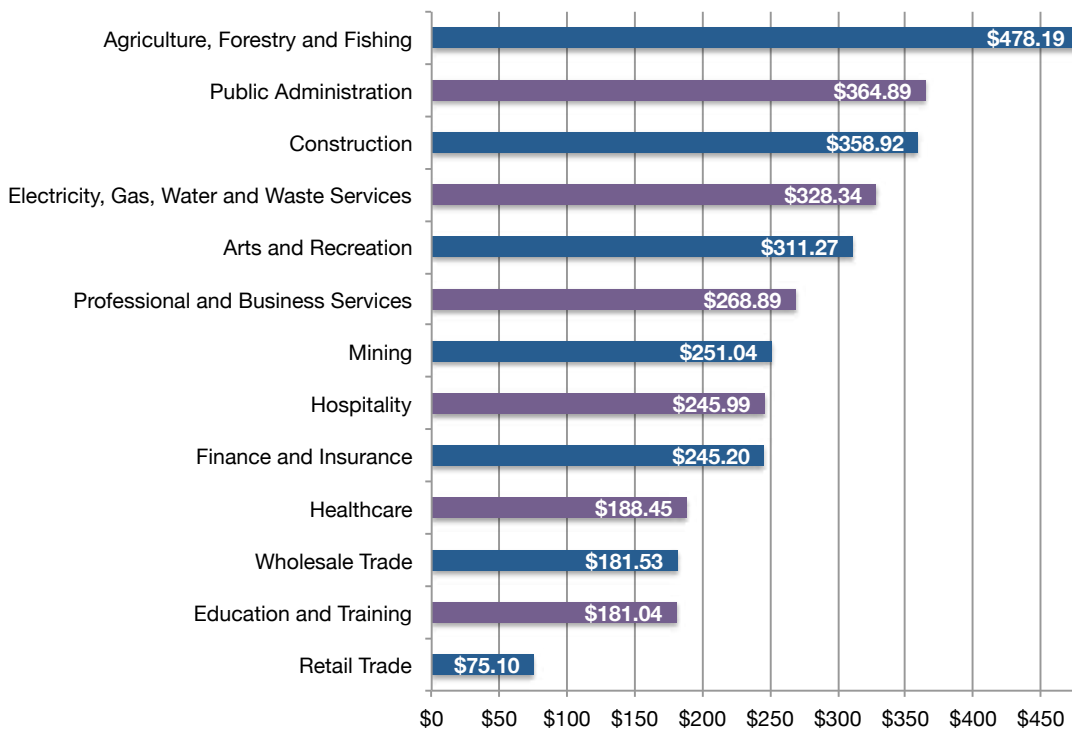
Average payslip cost by industry

(Figure 16)



Average cost per employee paid by industry

(Figure 16)



FTE per 1000 employees

Very similar to 2014, the benchmarking study showed on average there are 2.36 full time equivalent payroll staff per 1000 employees paid.

For weekly paid employees, the ratio of payroll staff to employees paid is much smaller. For these payrolls, 275 weekly employees on average are paid by one full time equivalent payroll professional.

For fortnightly paid employees the ratio is 550 employees per full time equivalent payroll professional.

For monthly payroll, one full time equivalent payroll professional is paying on average 1192 employees.

FTE per 1000 staff

(Table 25)

Weekly	3.64
Fortnightly	1.82
Monthly	0.84

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 a 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