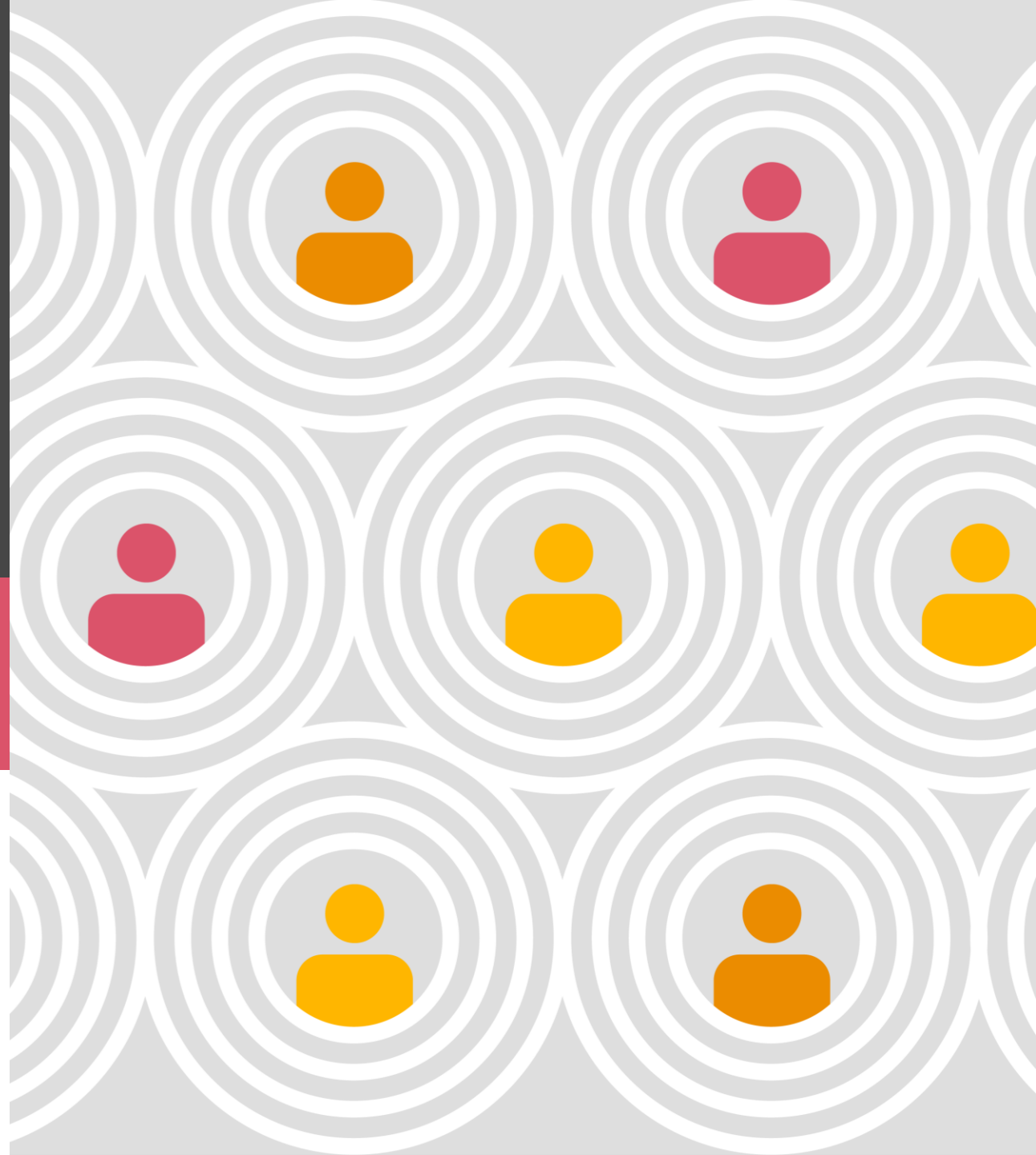


Payroll Study 2024

March 2024
www.pwc.ch/payrollstudy



Executive summary

Payroll is a critical process for well working firms and entities. A successful payroll operation supports efficient processes, ensures compliance, and fosters employee satisfaction and trust.

However, in a world of dynamic transformation and evolving legislation, reporting duties, work mobility and other such factors, many companies in Switzerland – especially small and medium-sized enterprises (SME) – face challenges and concerns regarding their employer obligations, payroll system and processes.

The survey shows that there is significant demand and potential for payroll outsourcing in Switzerland, as well as a need for improvement and innovation in existing payroll operations and processes. However, there are also some barriers and risks that need to be addressed and overcome by both employers and providers of payroll solutions.

We're here to help.

As dedicated payroll experts and global and local payroll provider, we're the ideal sparring partner as you analyse the evolution of the payroll world and explore tailored solutions that align with your unique needs. Don't hesitate to reach out.

Survey results

- ▶ Only one-third of respondents are satisfied with their current payroll system. The prevailing dissatisfaction is mainly due to the necessity of manual entries, inefficiency and lack of support from their system provider.
- ▶ Three-quarters of respondents still do their payroll in-house, although two-thirds of these participants are considering outsourcing to an external provider.
- ▶ The main arguments in favour of outsourcing are seen as cost savings, expertise, efficiency and the fact that the payroll software is hosted and maintained.
- ▶ The main concerns are less flexibility, higher costs, data security and privacy and loss of control.
- ▶ Employers value additional services and benefits from their payroll providers, such as company-specific reporting, support with special cases and the ability to handle all payroll and related tasks such as staff administrative work.
- ▶ Responsiveness and proactive consulting are crucial factors in choosing and retaining a payroll provider.
- ▶ Employers also face internal challenges with regard to their payroll operations. These include a lack of back-up solutions, difficulty finding and retaining payroll experts, keeping up with regulatory changes and complying with reporting obligations in Switzerland and abroad.

Key takeaways



Diverse challenges

Organisations face diverse challenges ranging from system support issues to the digitalisation, compliance with legislative changes and various workforce structures. Understanding these challenges is paramount to crafting targeted solutions.



Payroll outsourcing is an option

There is a growing awareness of alternative approaches to payroll management; a significant proportion of respondents are considering payroll outsourcing, motivated by factors including cost savings, expertise, efficiency and software maintenance costs.



Balancing team sizes

The range of payroll team sizes revealed by the survey reflects a delicate balancing act, with organisations navigating the complexities of payroll with teams ranging from a few dedicated specialists to more extensive operations.



Data security concerns

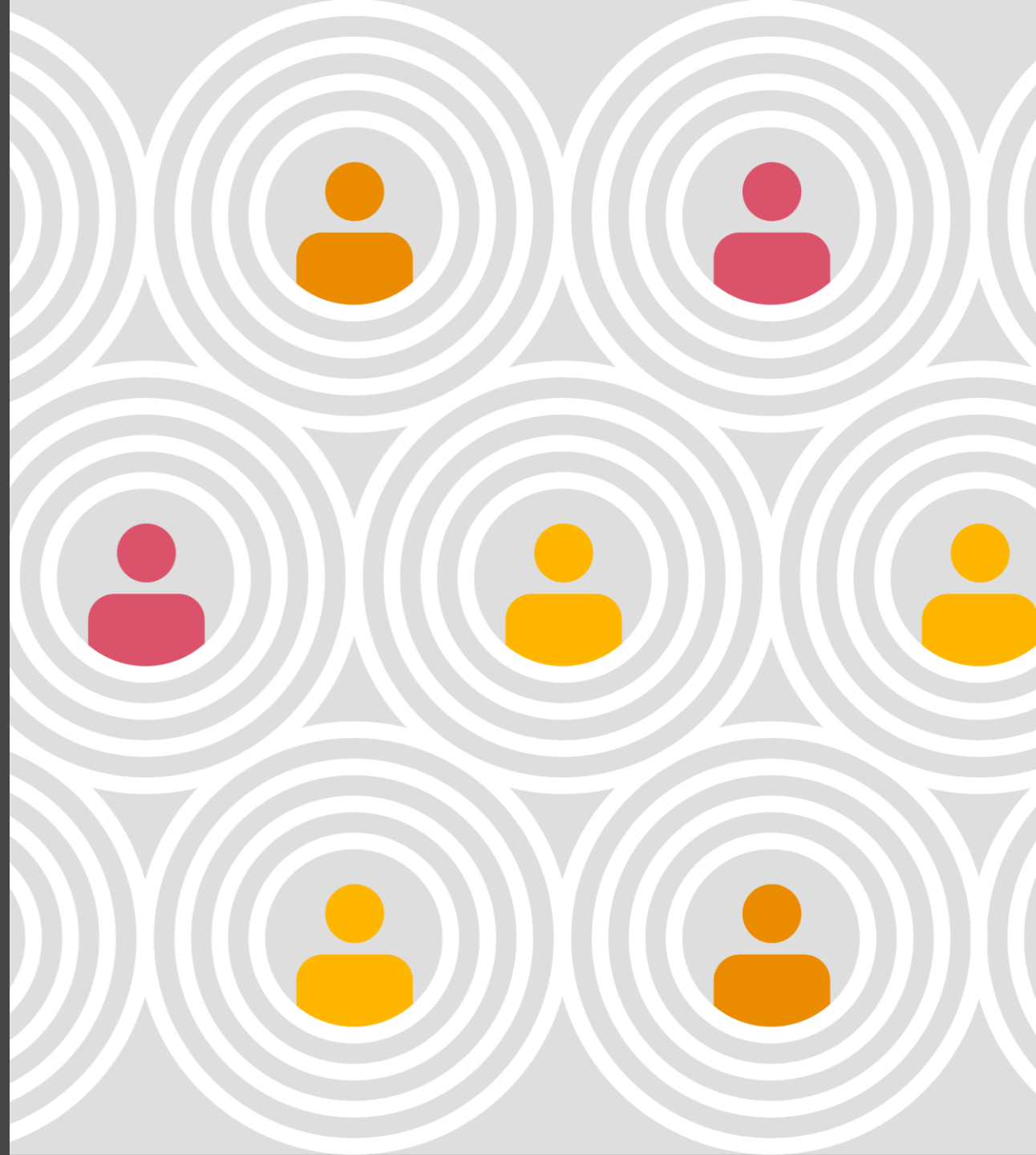
The emphasis on data security and privacy underscores the critical importance of safeguarding sensitive information in an era marked by increasing digitalisation and remote work arrangements.

Agenda

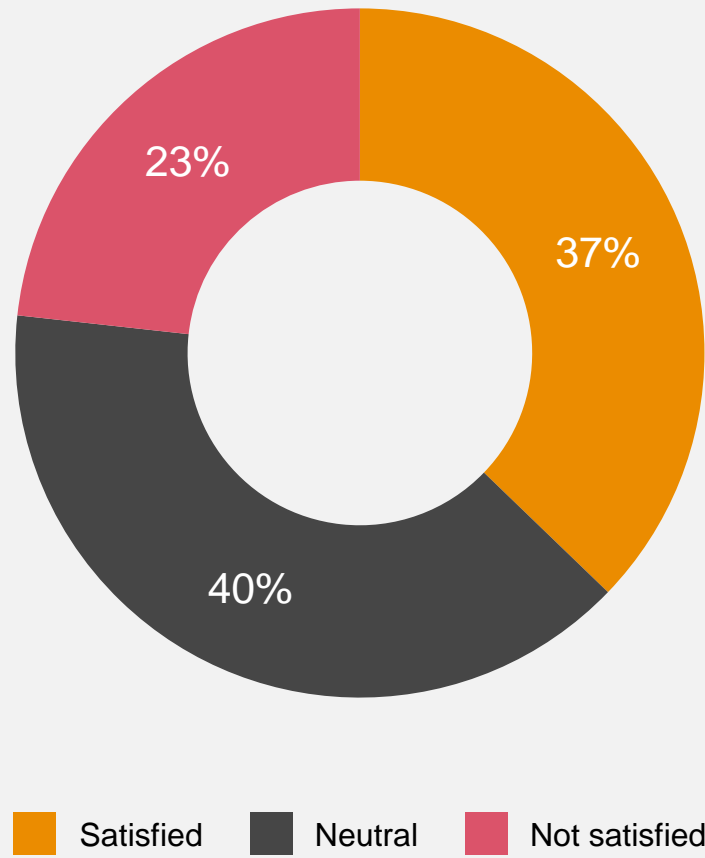
1.	Current payroll set-up: companies report challenges	<u>06</u>
2.	Status quo: in-house payroll versus third-party solution	<u>12</u>
3.	Why change? Motives for outsourcing	<u>16</u>
4.	Your experience	<u>19</u>
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A.	Appendix	<u>44</u>

1

Current payroll set-up: companies report challenges



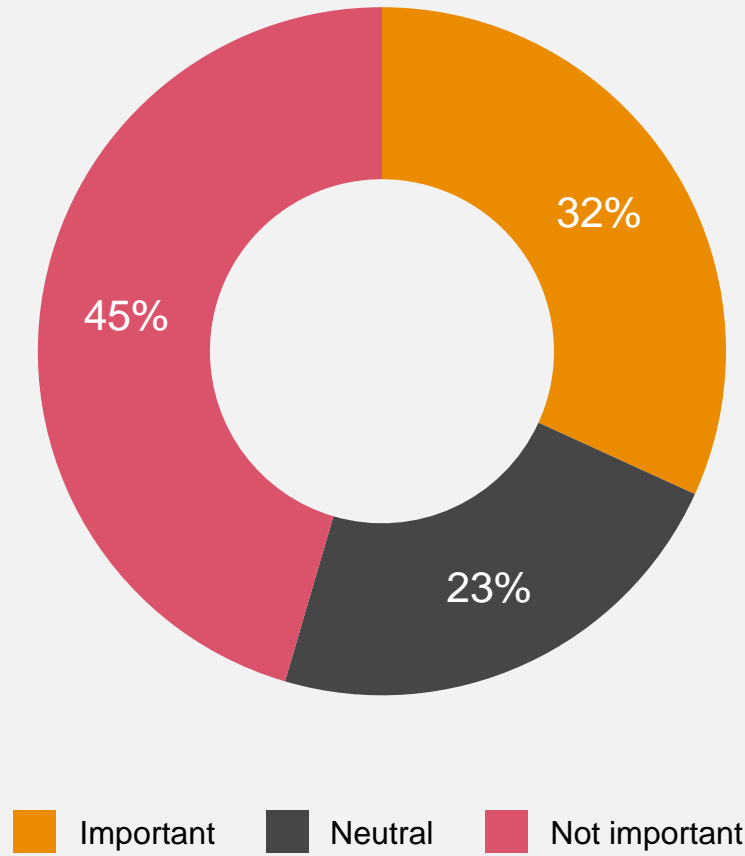
How satisfied are you with your current payroll system?



Satisfaction of current payroll system

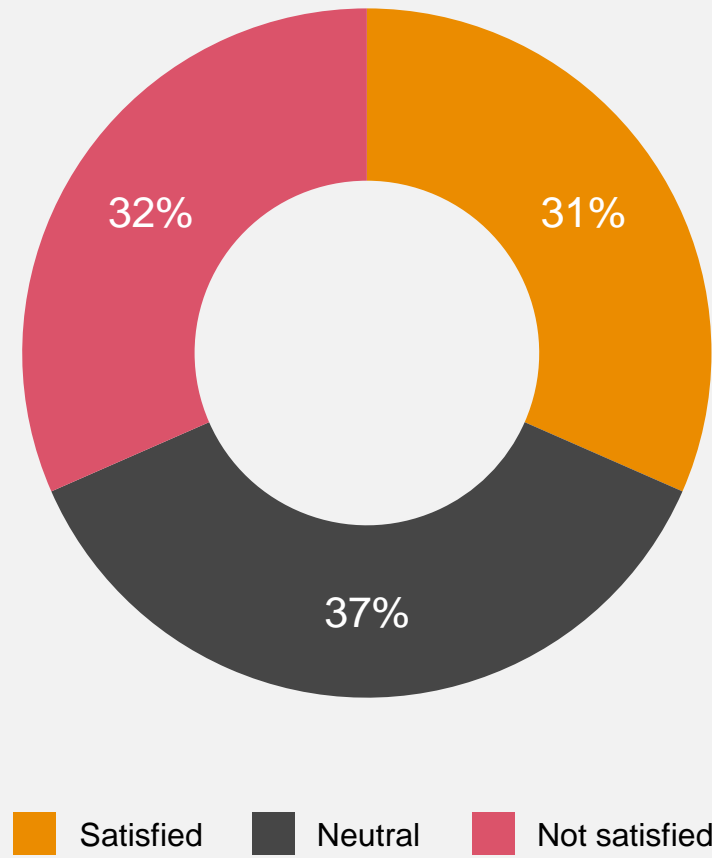
Only one-third of respondents are satisfied with their current payroll system. The prevailing dissatisfaction is mainly due to the necessity of manual entries, inefficiency and lack of support from their system provider.

How important is access to realtime reporting and analytics in your payroll management process?



Real-time reporting and analytics:
Opinions are divided as to whether this is important.

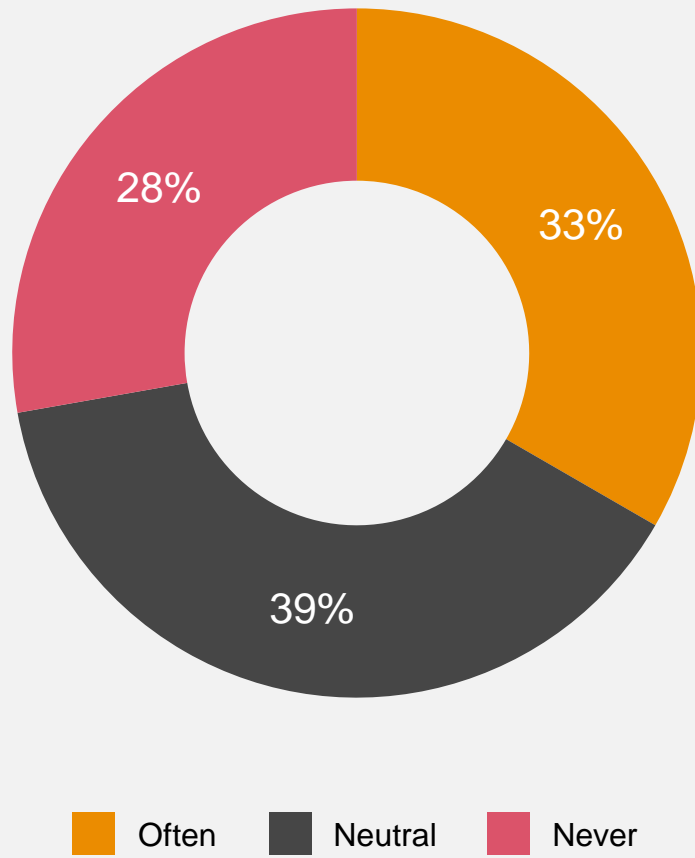
How satisfied are you with the level of accuracy and timeliness of your current payroll system?



Current payroll set-up:

Only a minority of respondents rely on their payroll system without hesitation and that the legal requirements are implemented promptly.

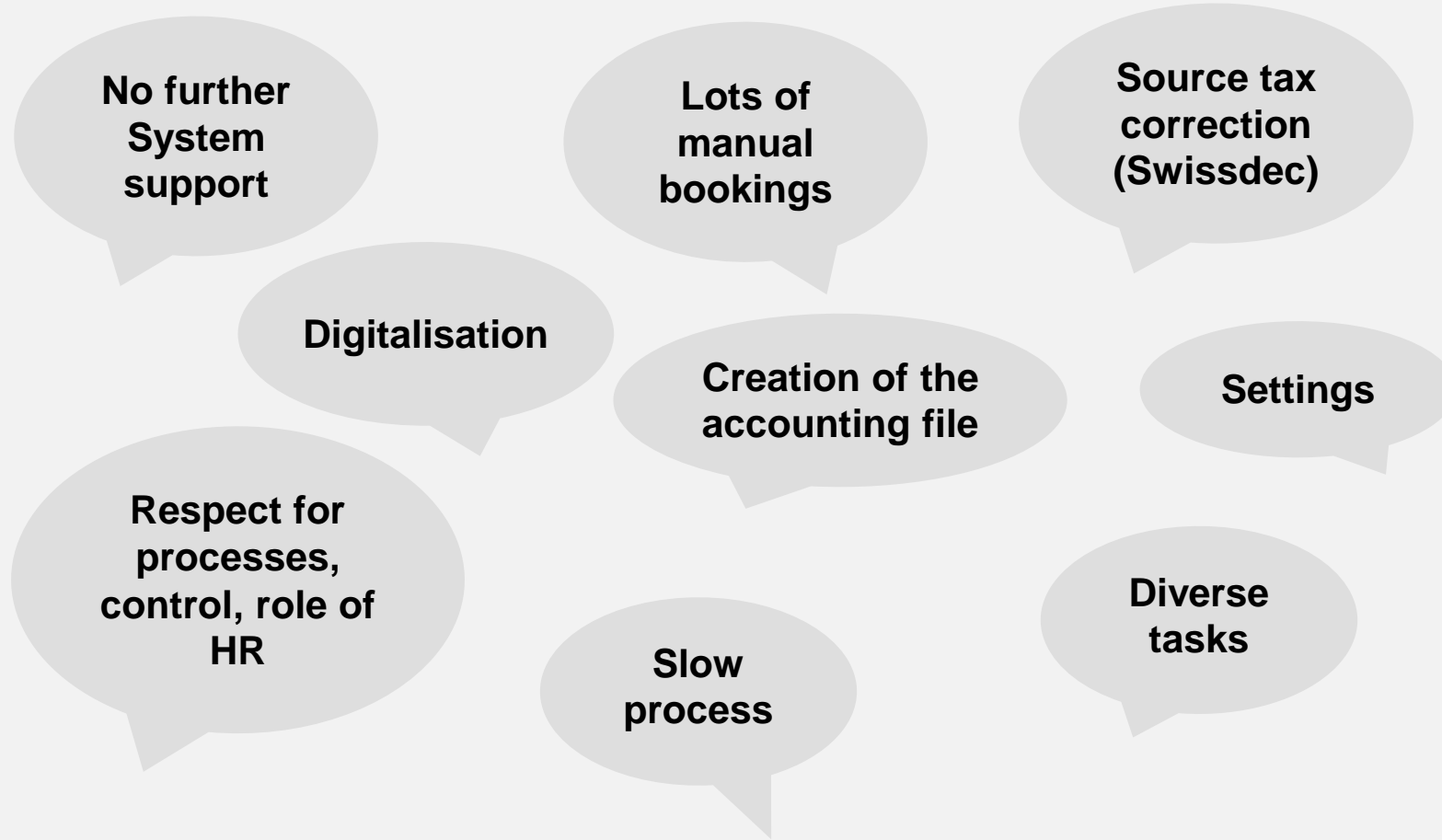
How frequently do you experience payroll errors or discrepancies?



Accuracy, timeliness and errors with your current system?

One third of experience errors.

Could you please specify what issues you already encountered

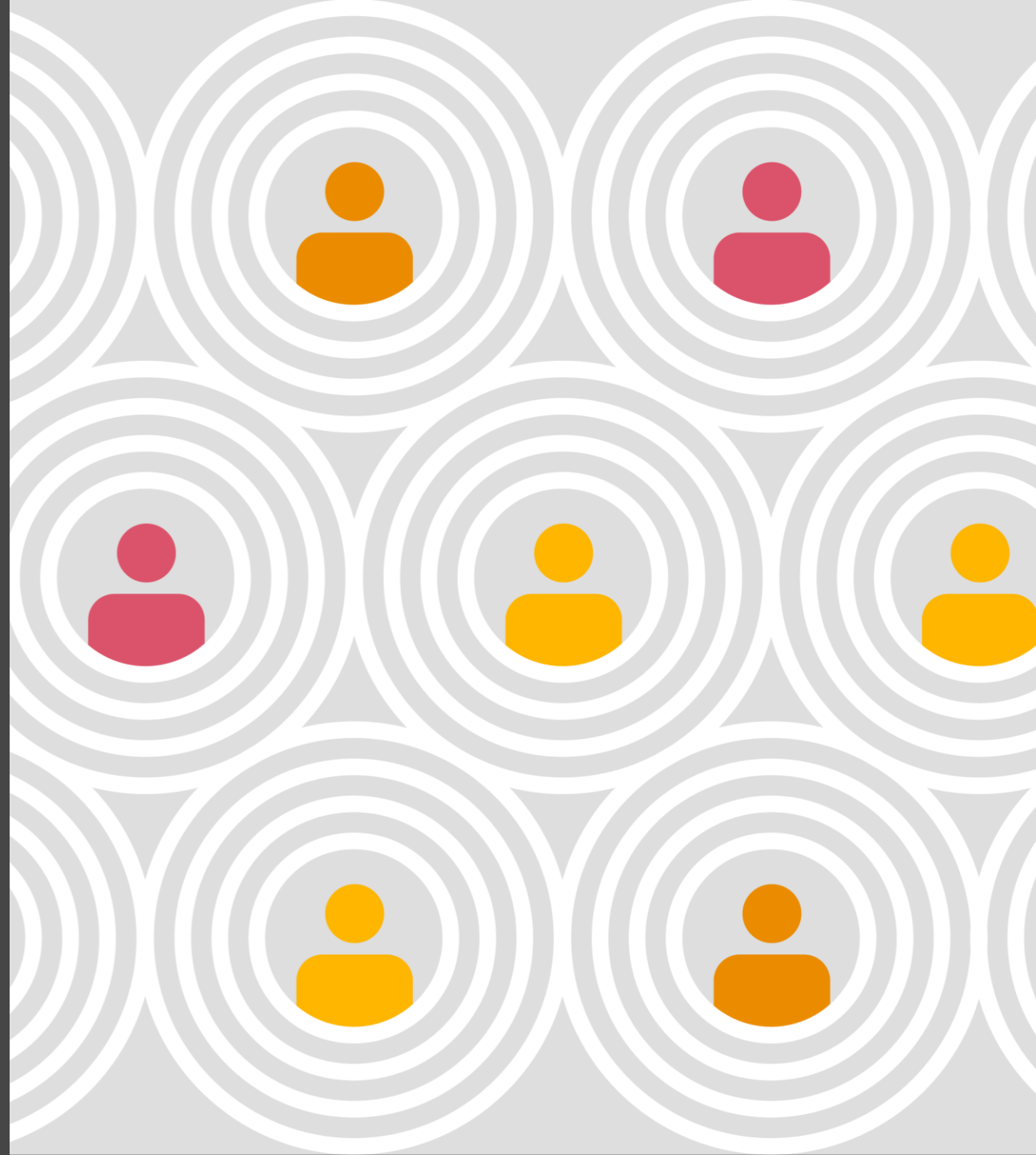


Underwhelming enthusiasm, with diverse and common challenges:

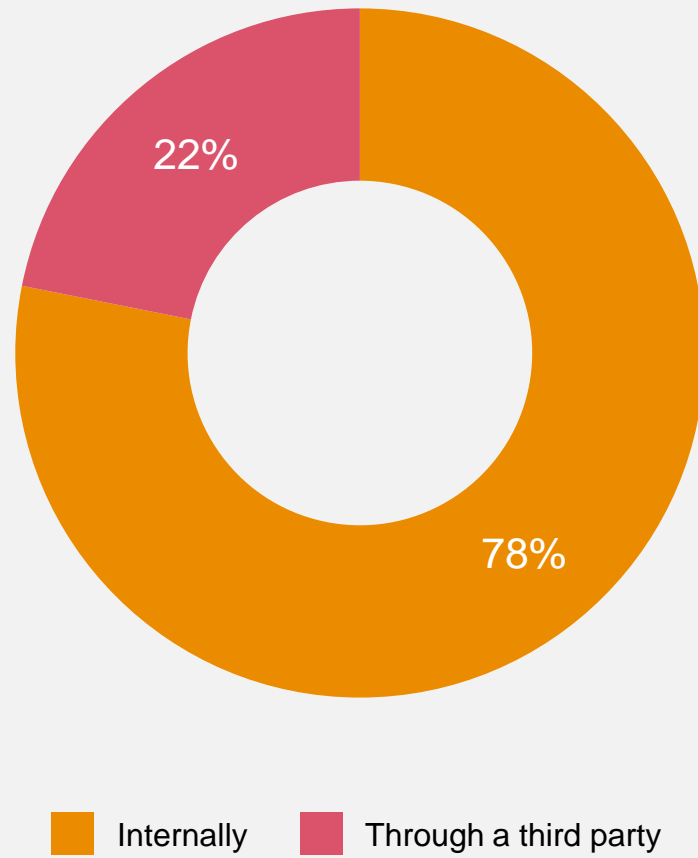
Almost half of respondents are unsatisfied with their payroll solution but interestingly have not changed.

2

Status quo:
in-house payroll
versus third-party
solution



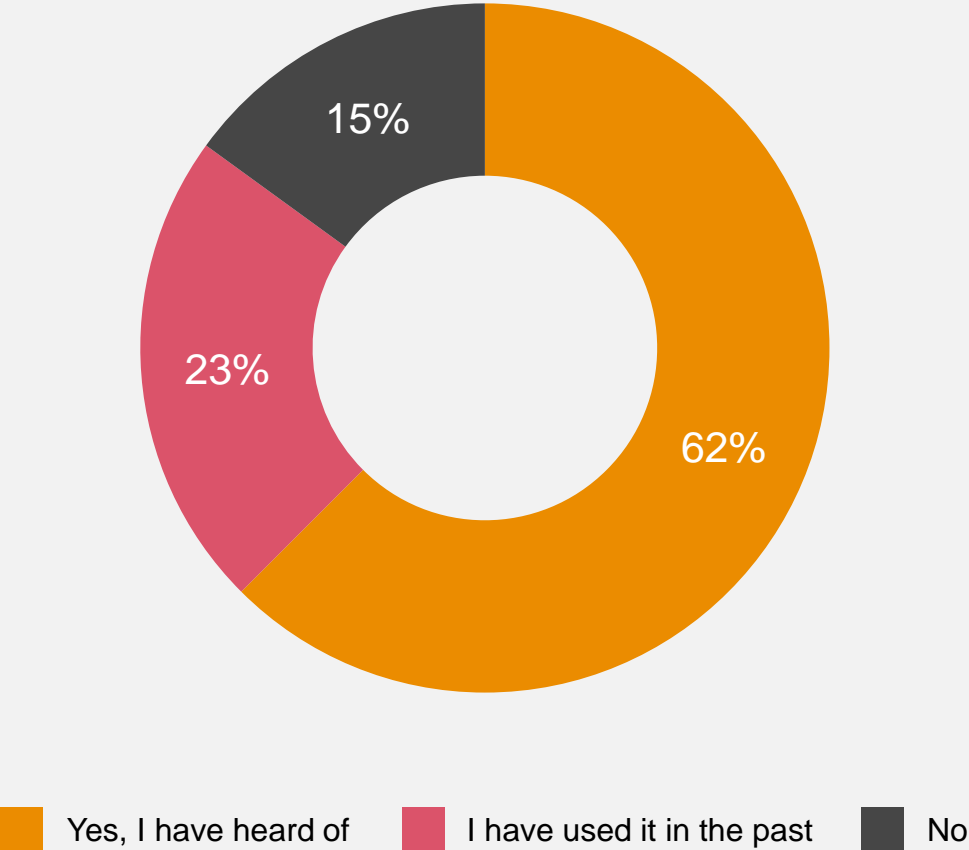
Do you handle the payroll internally or through a third party?



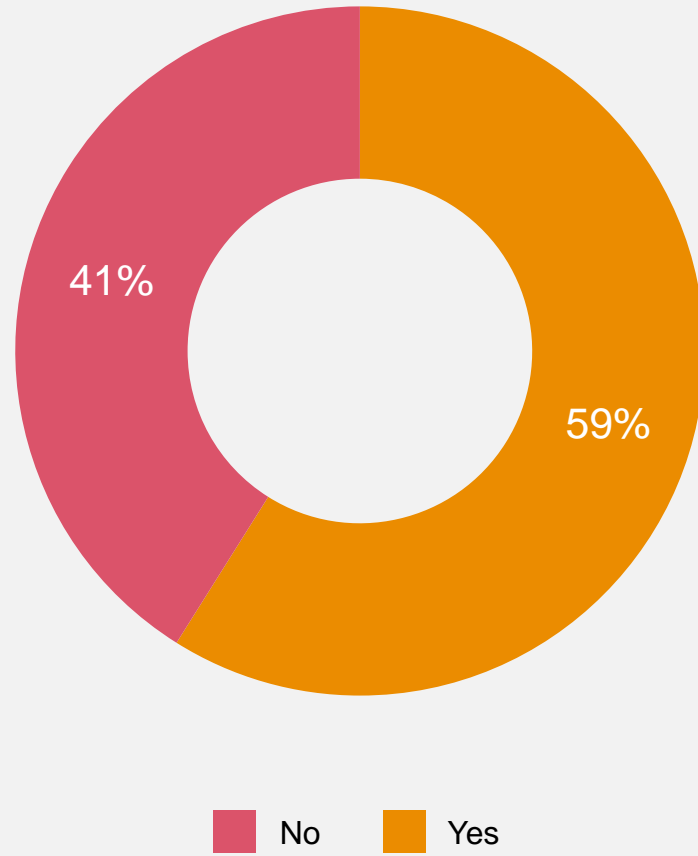
Handling Payroll:

Three-quarters of respondents still do their payroll in-house, although two-thirds of these participants are considering outsourcing to an external provider.

Are you familiar with the concept of payroll outsourcing or Payroll Managed Services?



Have you ever considered outsourcing your payroll tasks?

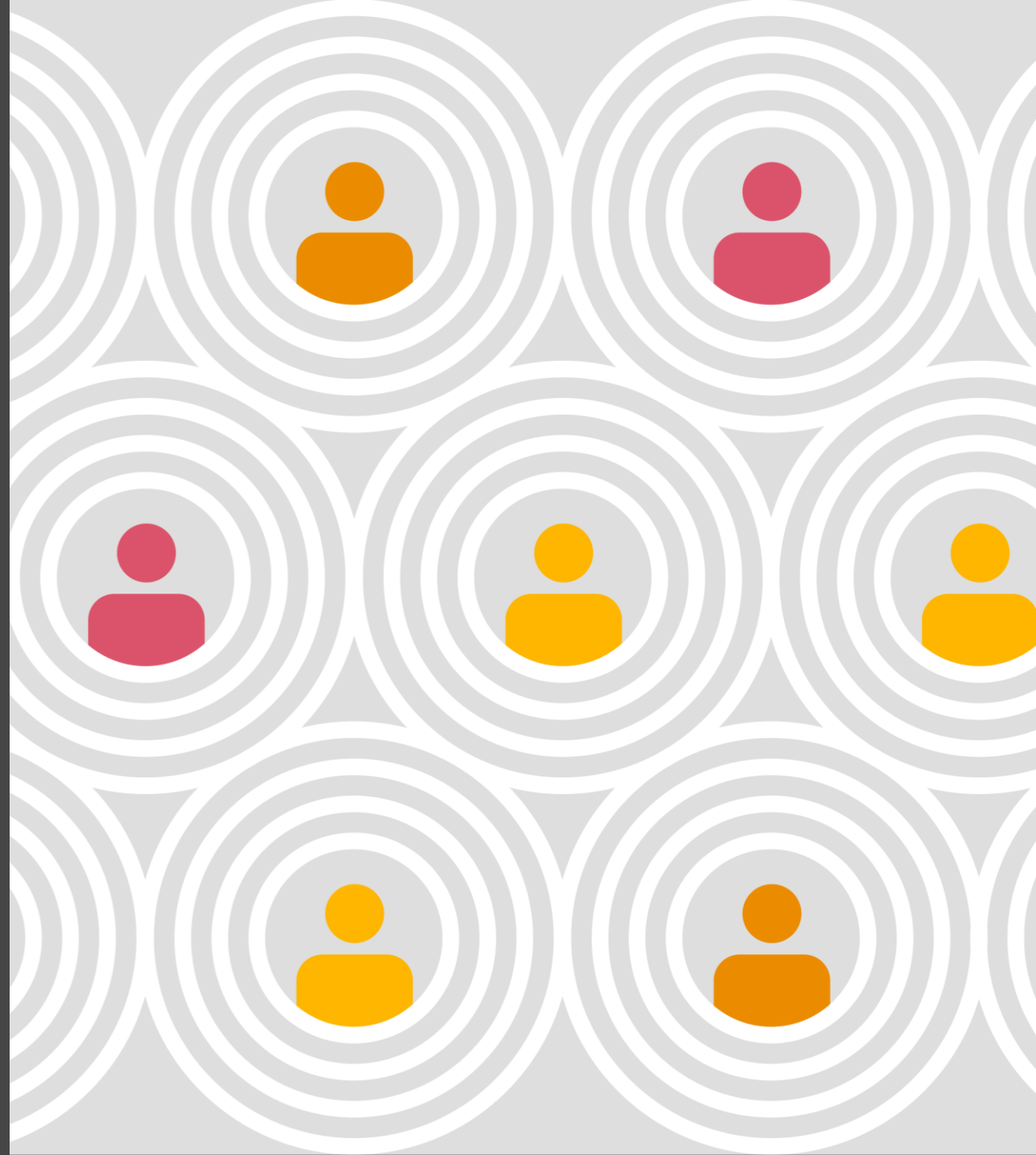


Payroll solutions:

A significant majority currently handle payroll internally, but many are aware of and open to outsourcing.

3

Why change? Motives for outsourcing



A: What are the primary reasons for considering or implementing payroll outsourcing?

B: What factors do you consider when choosing a payroll outsourcing provider?

A

**Cost
savings**

Efficiency

**Payroll Software
Maintenance Cost
and Regulatory
Updates**

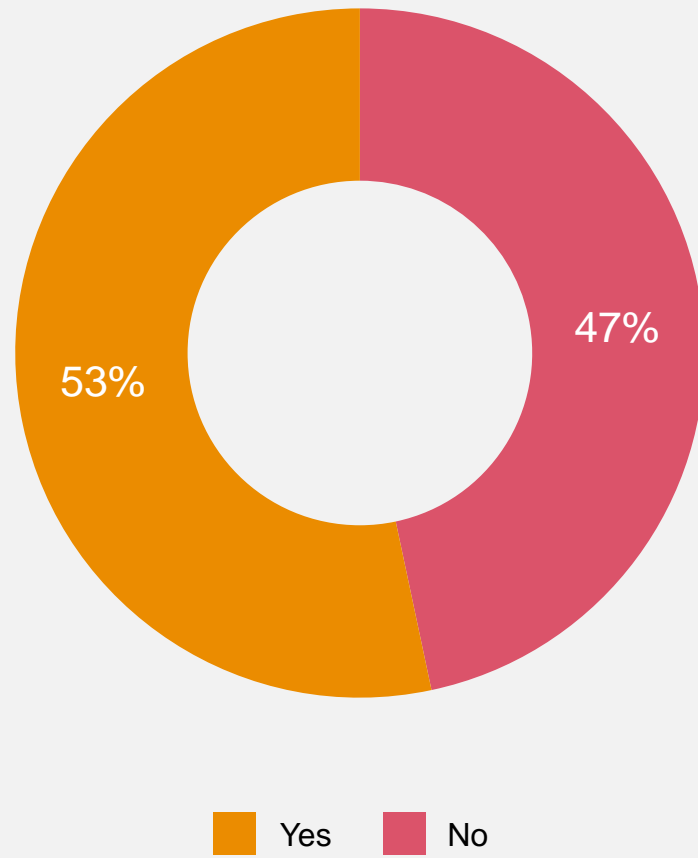
B

**Report
quality/price**

Motives and selection criteria:

The main arguments in favour of outsourcing are seen as cost savings, expertise, efficiency and the fact that the payroll software is hosted and maintained.

Do you have internally a back-up solution for your payroll operation?

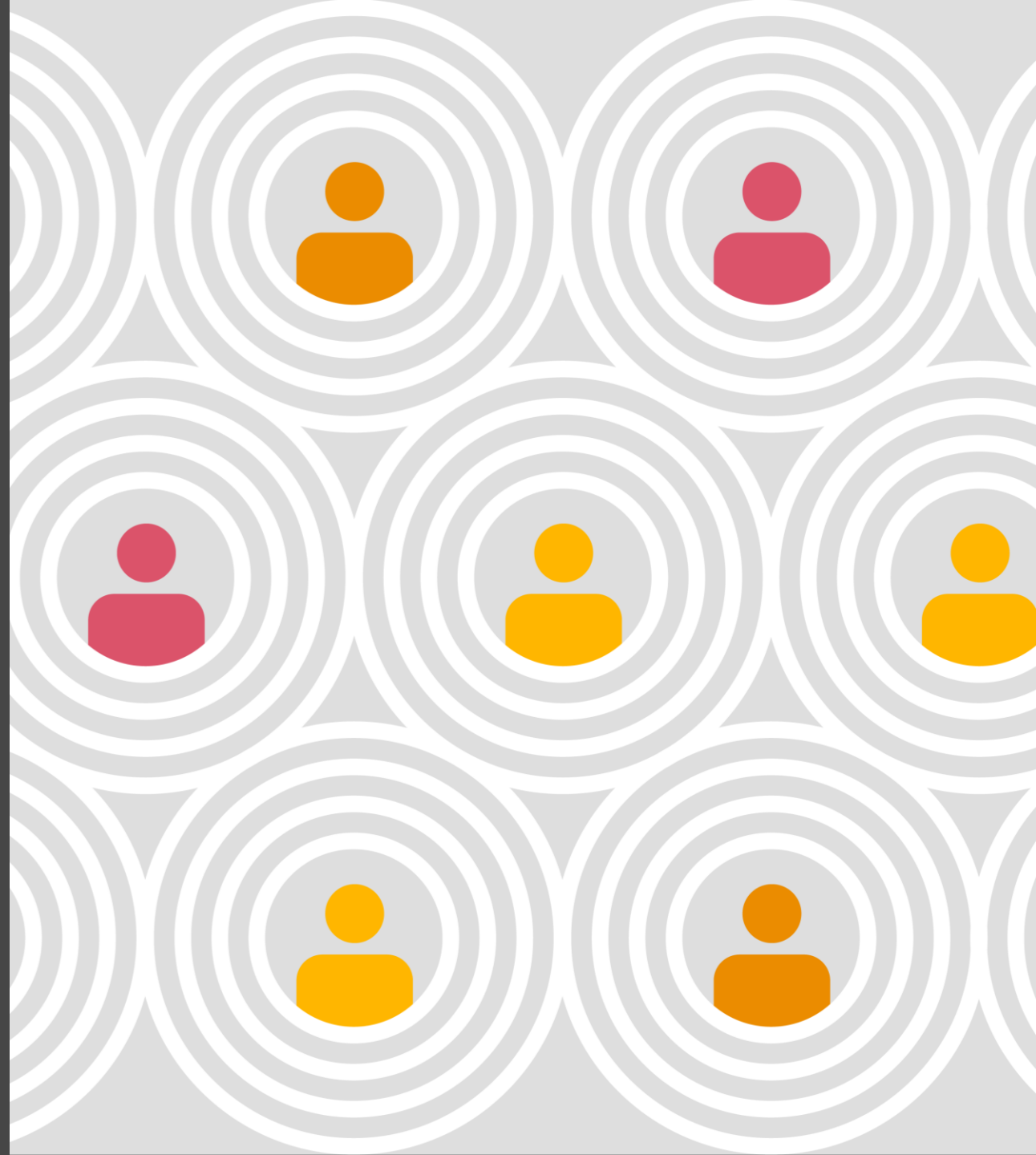


Back-up?

Half of respondents have an internal back-up solution, half don't.

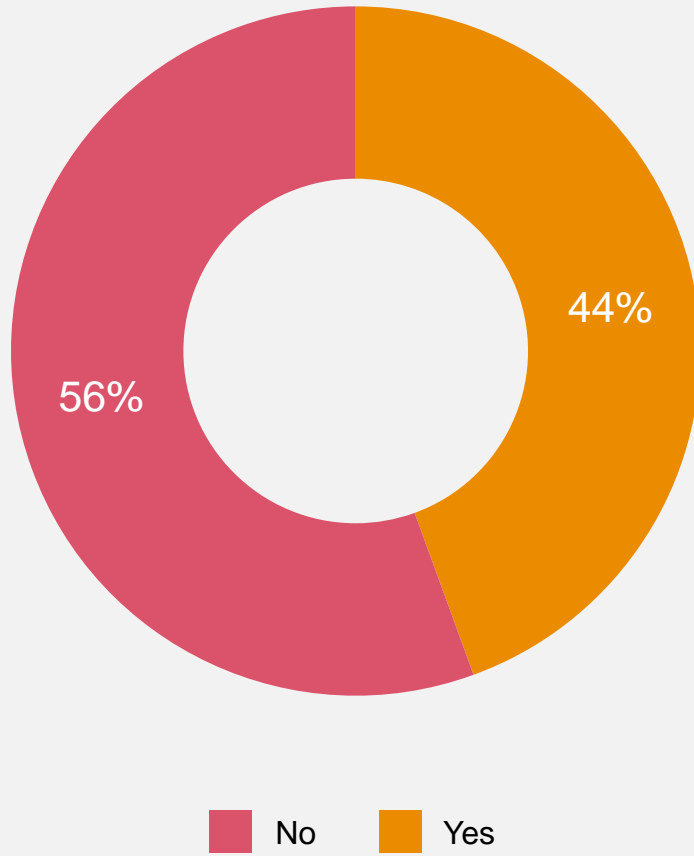
4

Your experience



A: Have you ever used payroll services? B: Please share your experience

A



B

"If there is no payroll sponsor within the company, it will be difficult to work. Because the external service provider must have the right information at the right time. By outsourcing less flexibility on last minute modifications."

Real-world experiences:

Less than half of respondents have tried external payroll solutions, and some have reported problems.

What concerns or reservations do you have about outsourcing your payroll?

**Worse
experience**

**Less
flexibility**

**Hiring
expensive
consultants**

**Time issues,
data leaks**

**Complexity of
internal
circumstances**

Desired additional features or services:

The main concerns are less flexibility, higher costs, data security and privacy and loss of control.

Which tasks are you most interested in outsourcing?



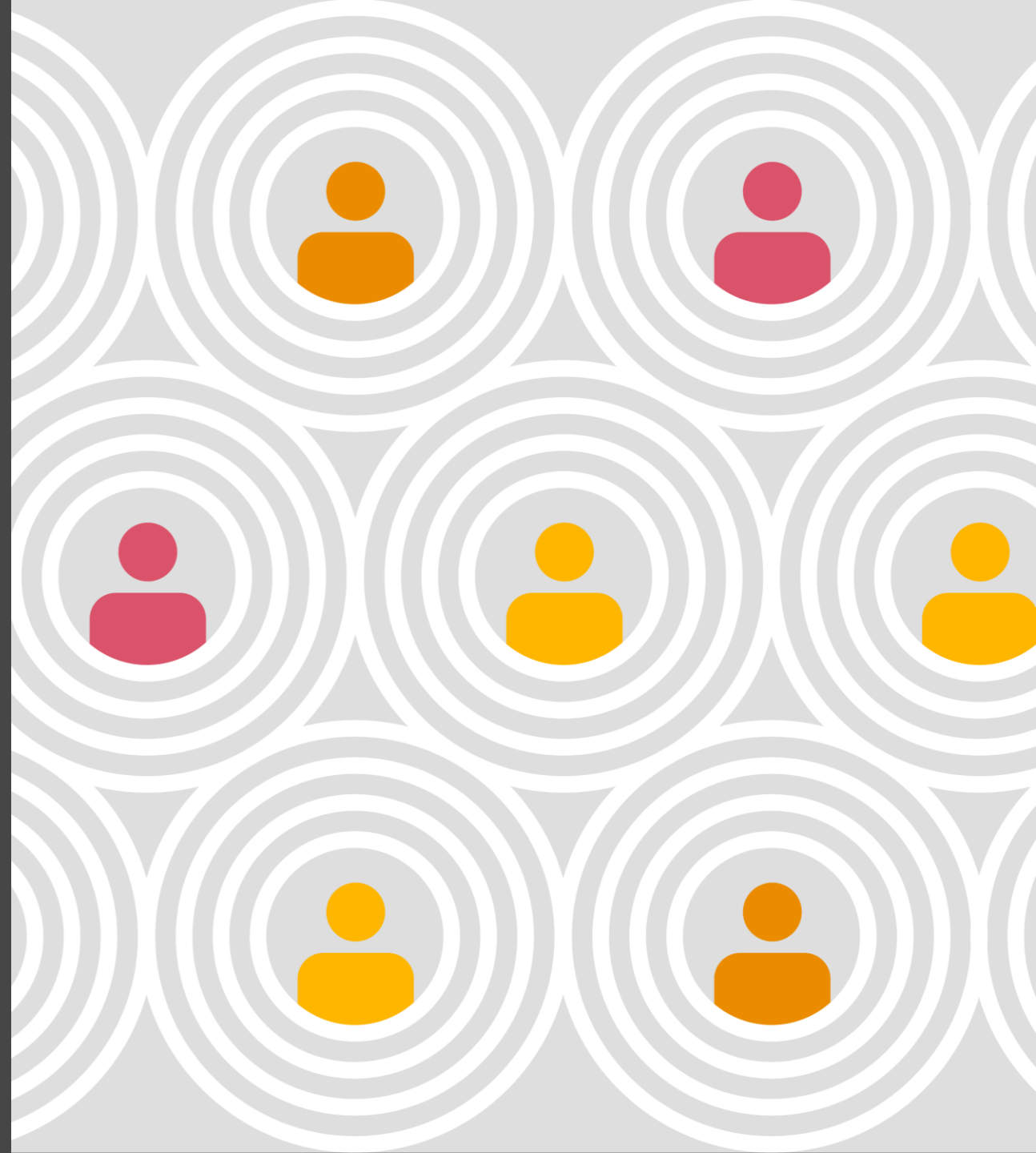
* Register/deregister employees with social security/tax authority, family allowance application etc.

What to outsource:

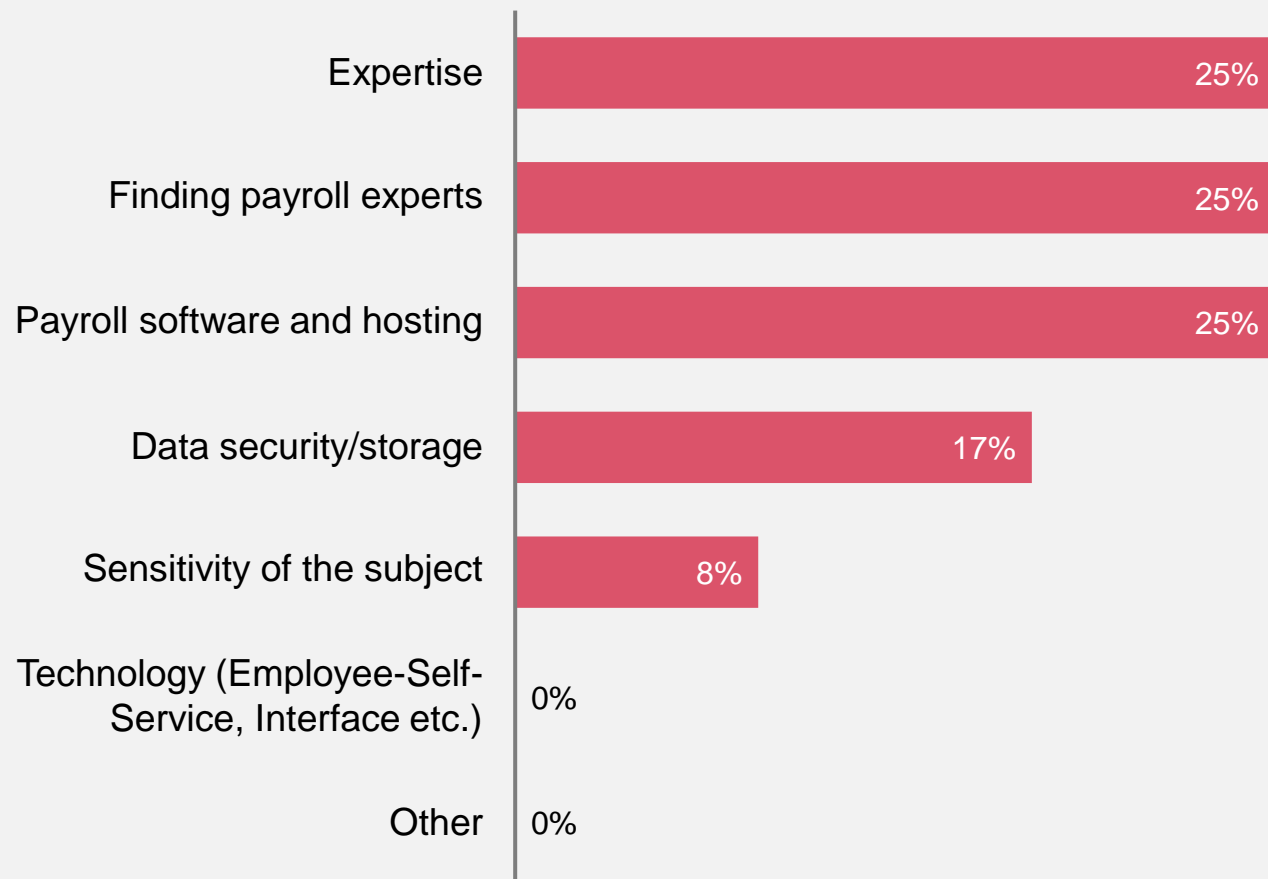
Wish lists include tasks like payroll calculations, administrative tasks, and support with special cases, showcasing a diverse range of potential outsourcing opportunities; a small number of tasks are considered off-limits.

5

To outsource or not
to outsource?



What were the main reason for outsourcing the payroll?



Main reasons for outsourcing:

The deciding factors included expertise, data security and storage, personal sensitivity, software and hosting, and technology – plus a responsive payroll provider able to advise proactively.

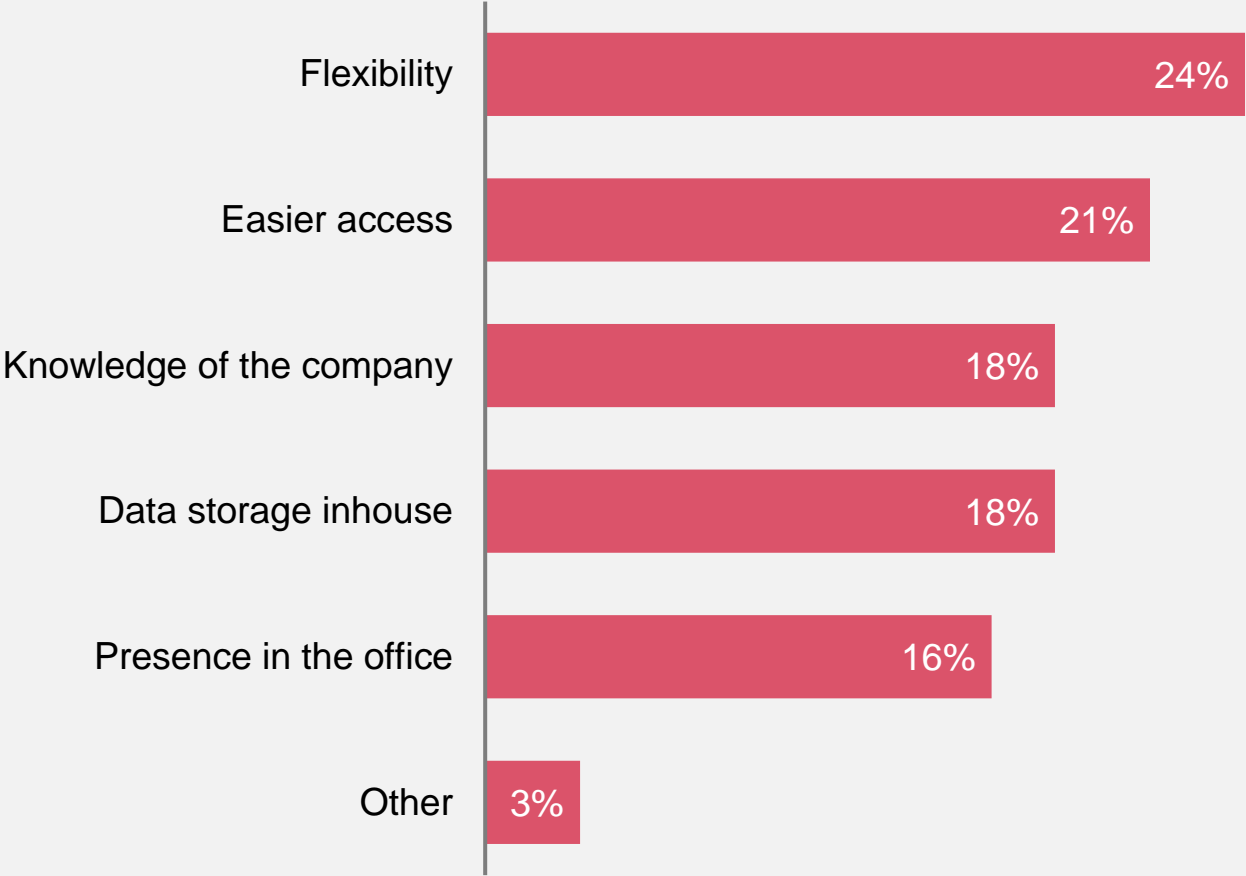
What should the service offering of an external provider include and is crucial to you for a successful collaboration?



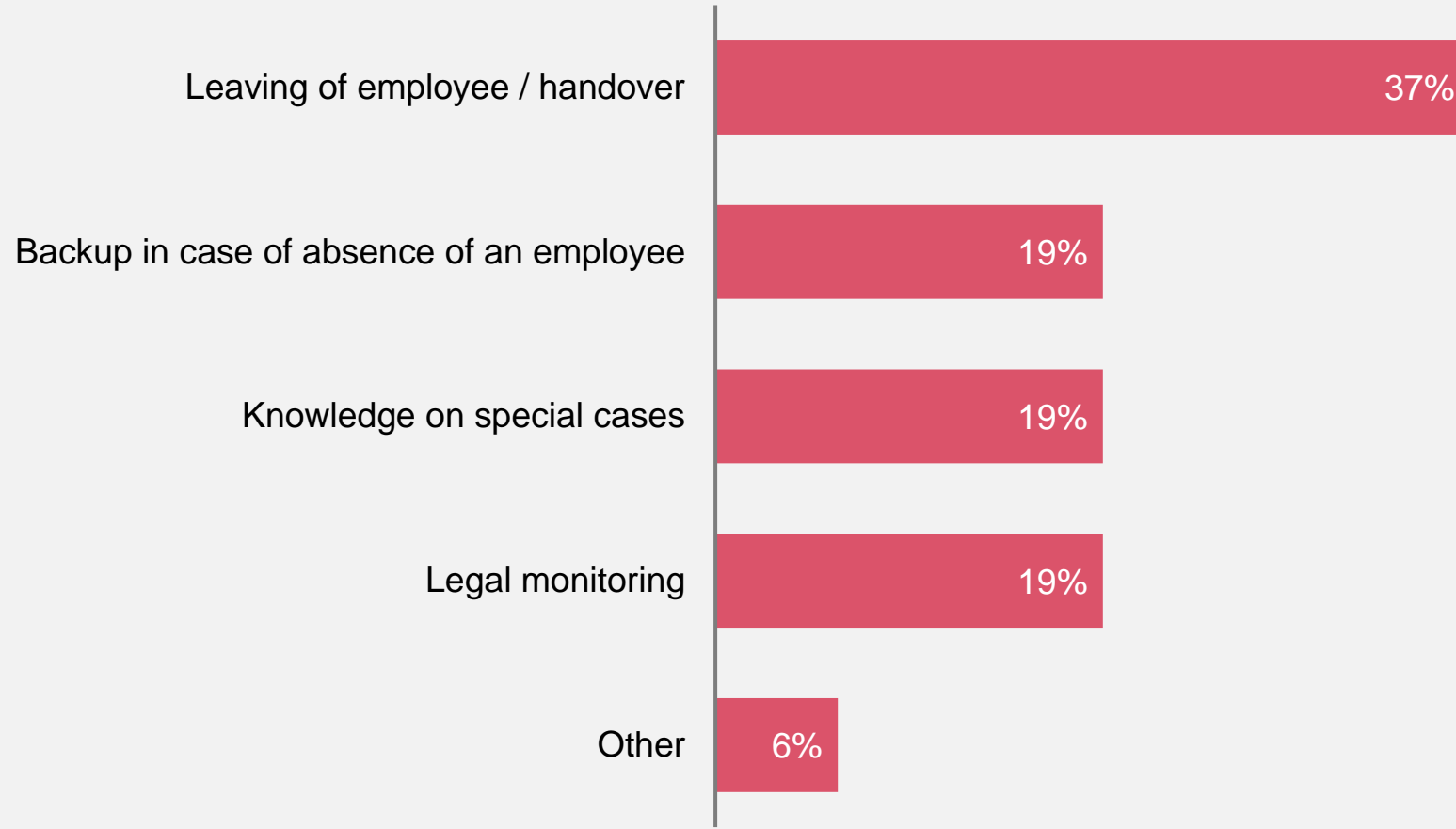
Service offerings of external provider:

Responsiveness and proactive consulting are crucial factors in choosing and retaining a payroll provider.

What are for you the main advantages of managing payroll in-house?



What are in your opinion the main disadvantages of managing payroll in-house?



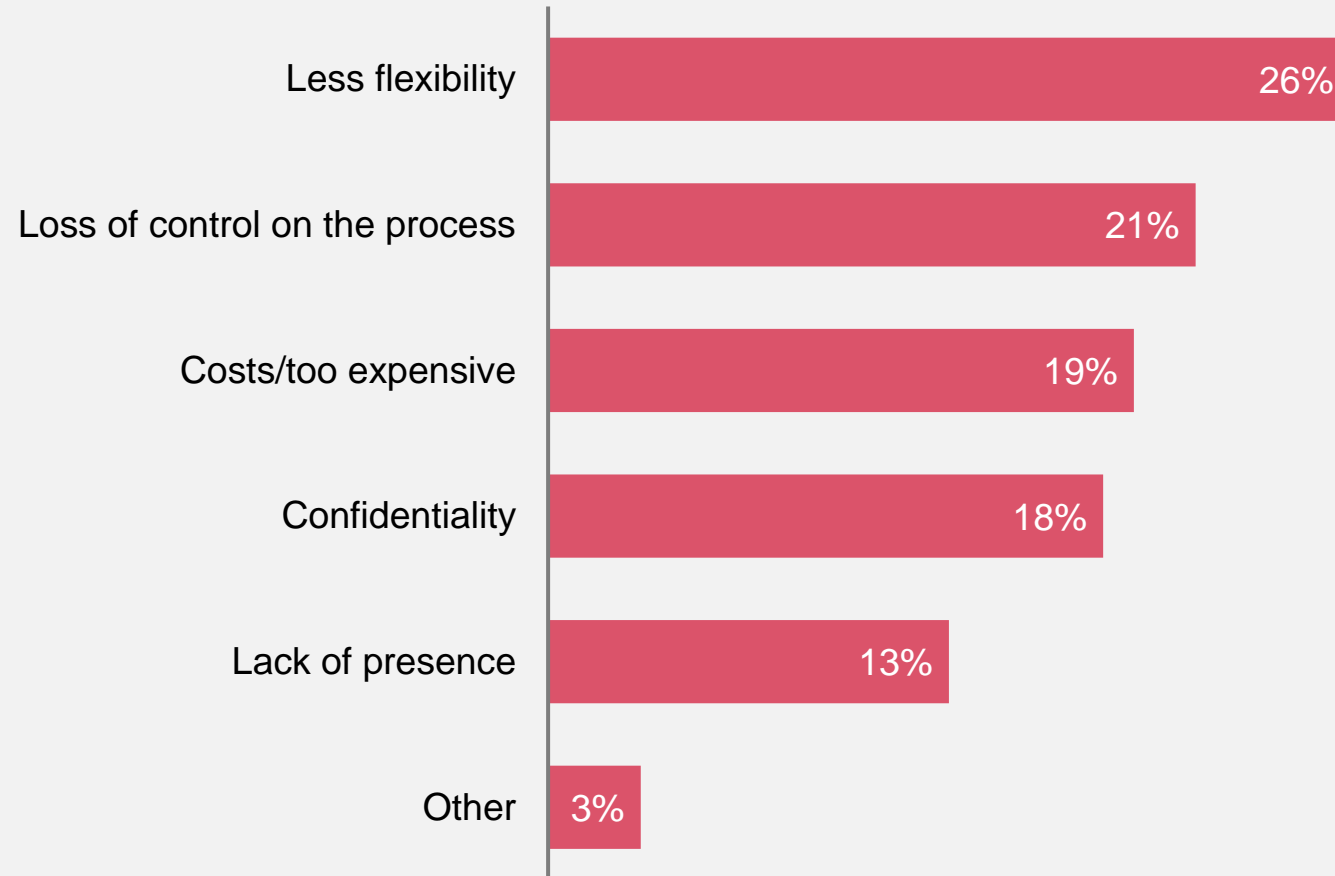
What do you consider to be the main advantages of payroll outsourcing?



Advantages of payroll outsourcing:

Employers also face internal challenges with regard to their payroll operations. These include a lack of back-up solutions, difficulty finding and retaining payroll experts, keeping up with regulatory changes and complying with reporting obligations in Switzerland and abroad.

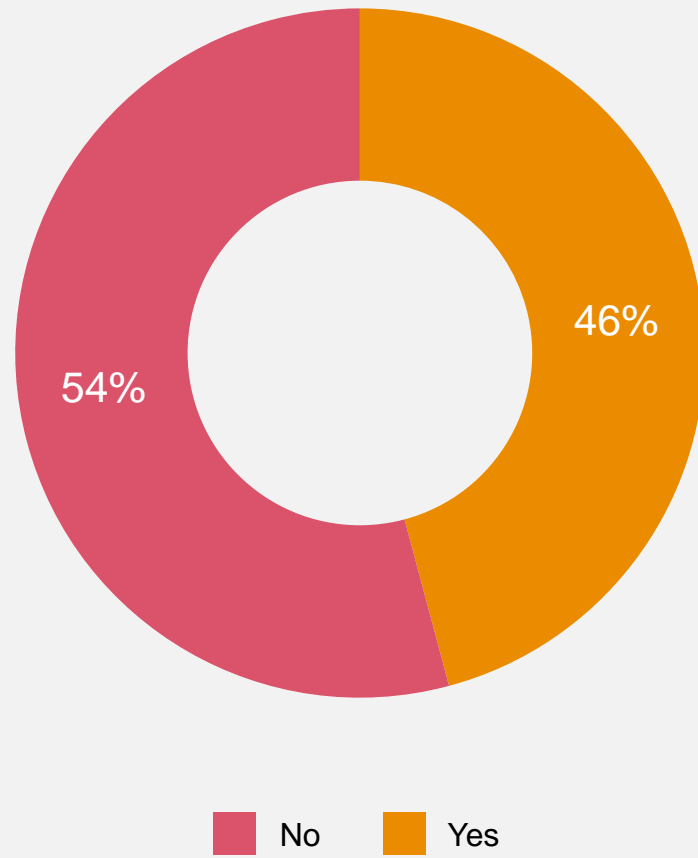
What do you consider to be the main downside of outsourcing payroll tasks?



Pros and cons:

The main concerns are less flexibility, higher costs, data security and privacy and loss of control.

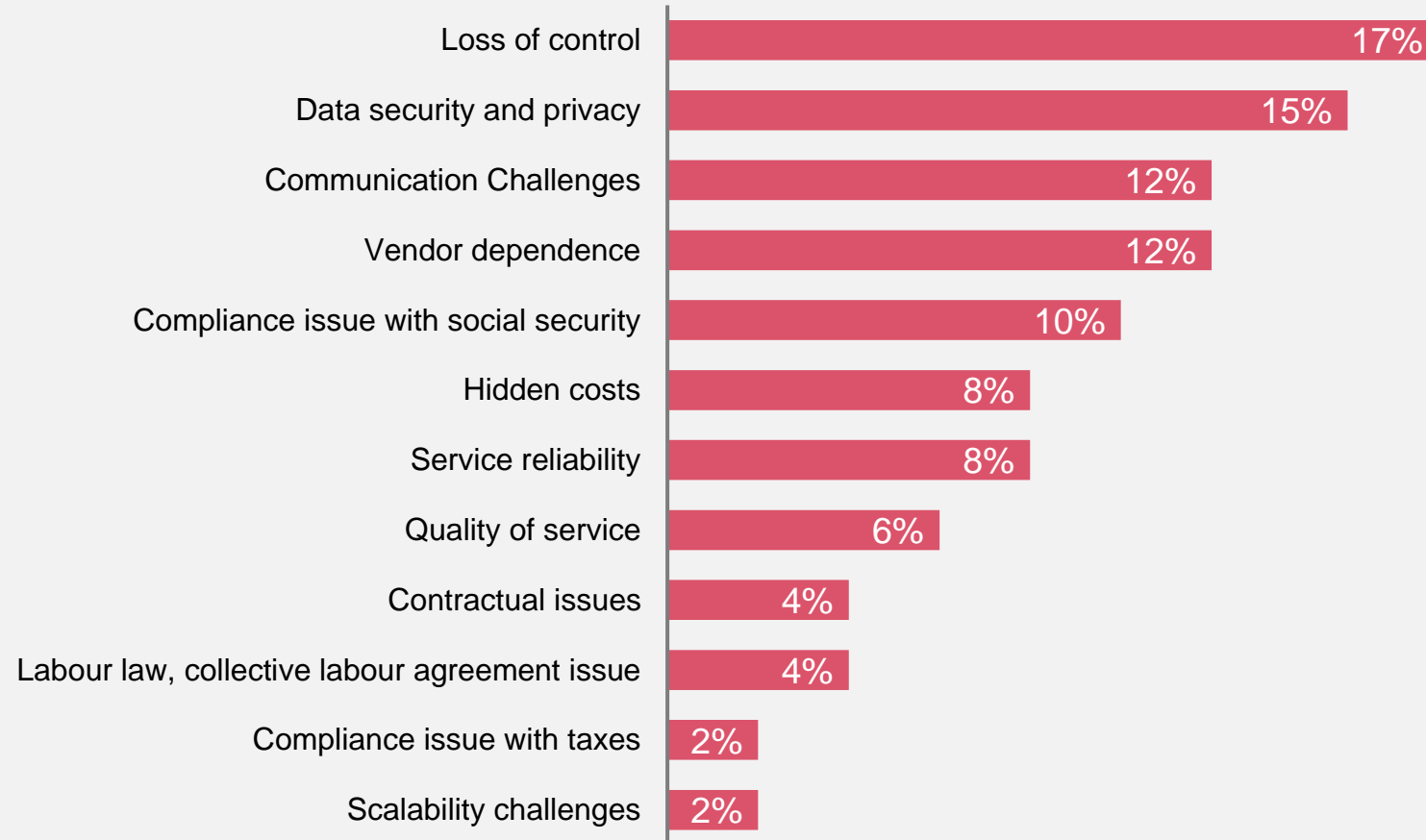
Have you ever requested a payroll outsourcing fee quote to compare the costs?



What about the costs?

Respondents are divided on whether payroll outsourcing is more or less cost-effective, reflecting a range of views on the economic implications; half have been quoted a fee for an external solution, more than half have not.

What do you consider the main compliance or legal risks associated with payroll outsourcing?

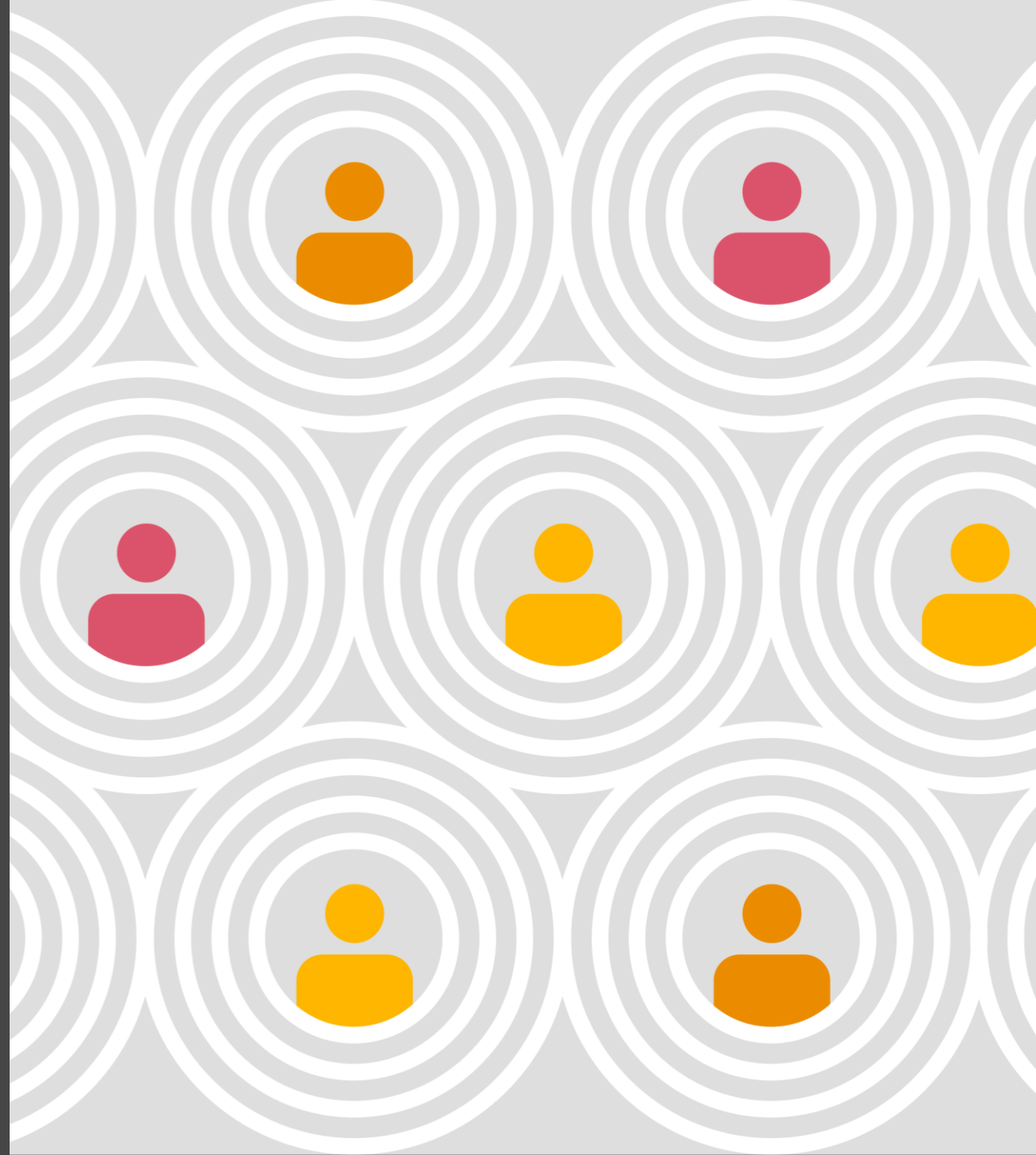


Perceived risks:

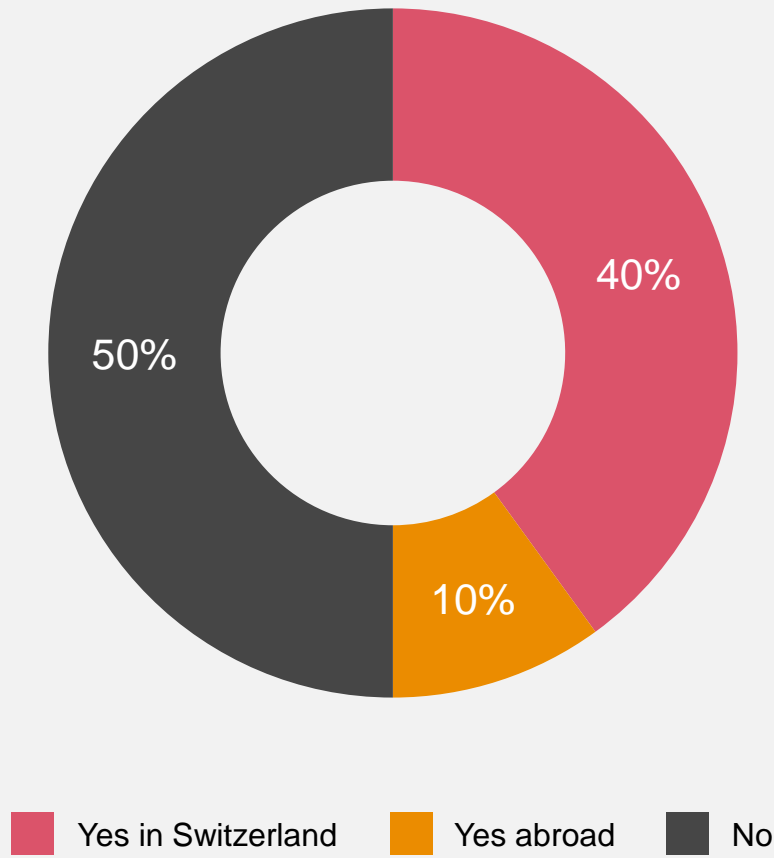
Respondents identify various compliance and legal risks associated with payroll outsourcing, including data security, vendor dependence and communication challenges.

6

The rules:
compliance can be
a problem



Do you currently face issues with the employer reporting obligations in your own jurisdiction or abroad (e.g. social security, withholding tax, employment law)

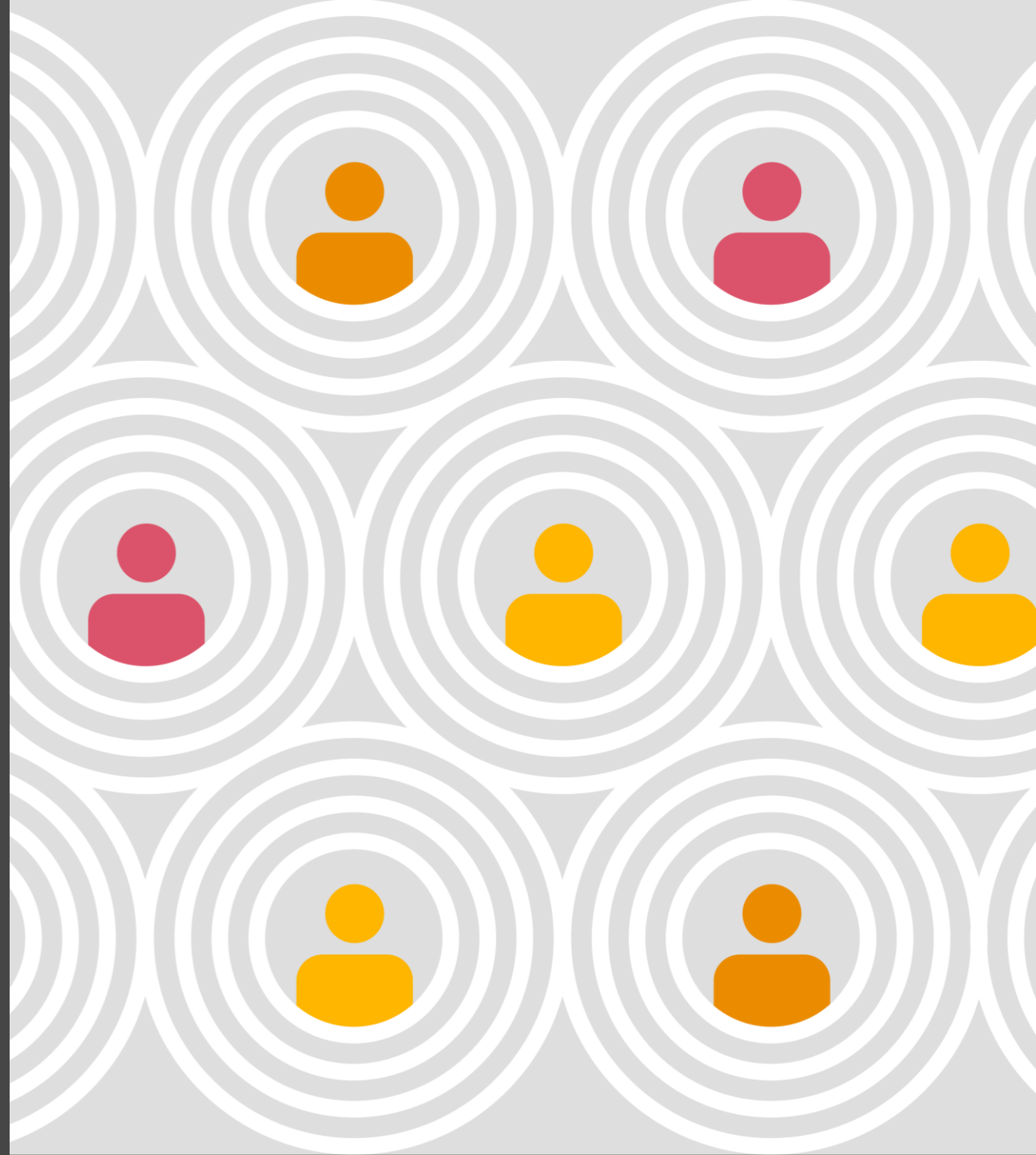


Keeping up with reporting obligations and changes in the rules?

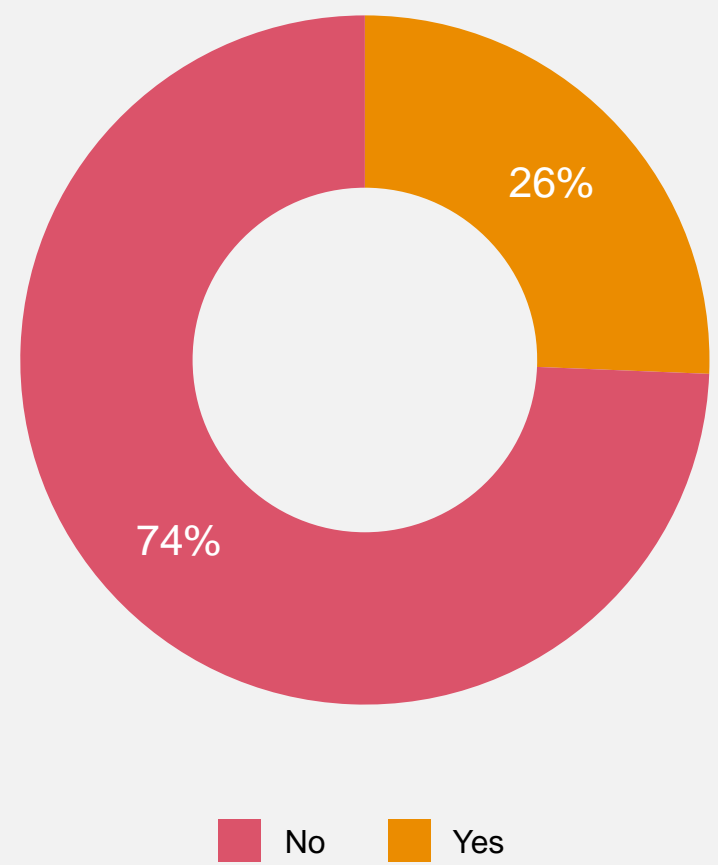
Some have problems, some don't, and respondents have different preferences for staying up to speed and compliant.

7

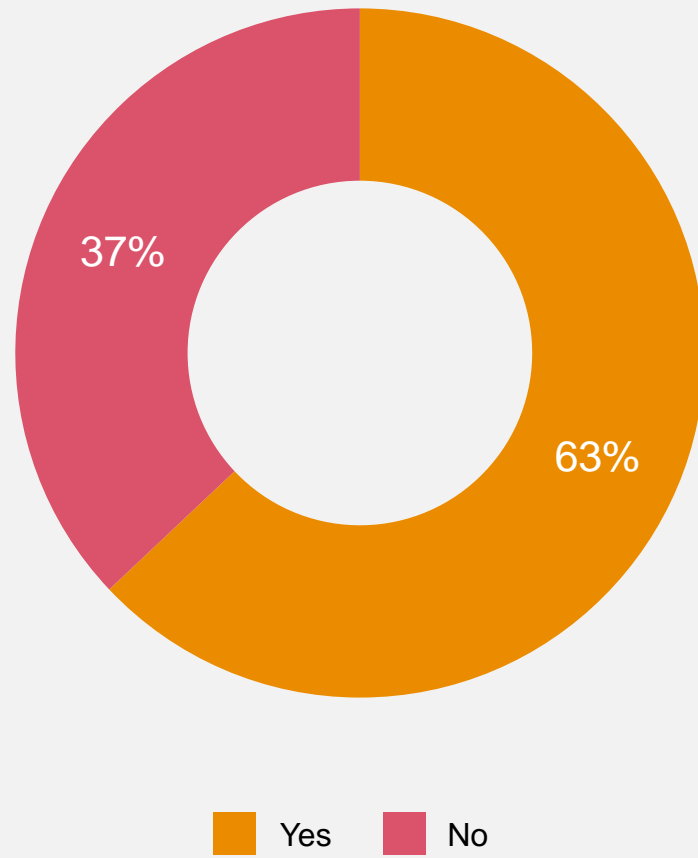
Data security: a big concern



Is data management a concern for you in terms of data security?



Do you store the documents online ie. do you have an online employee dossier?

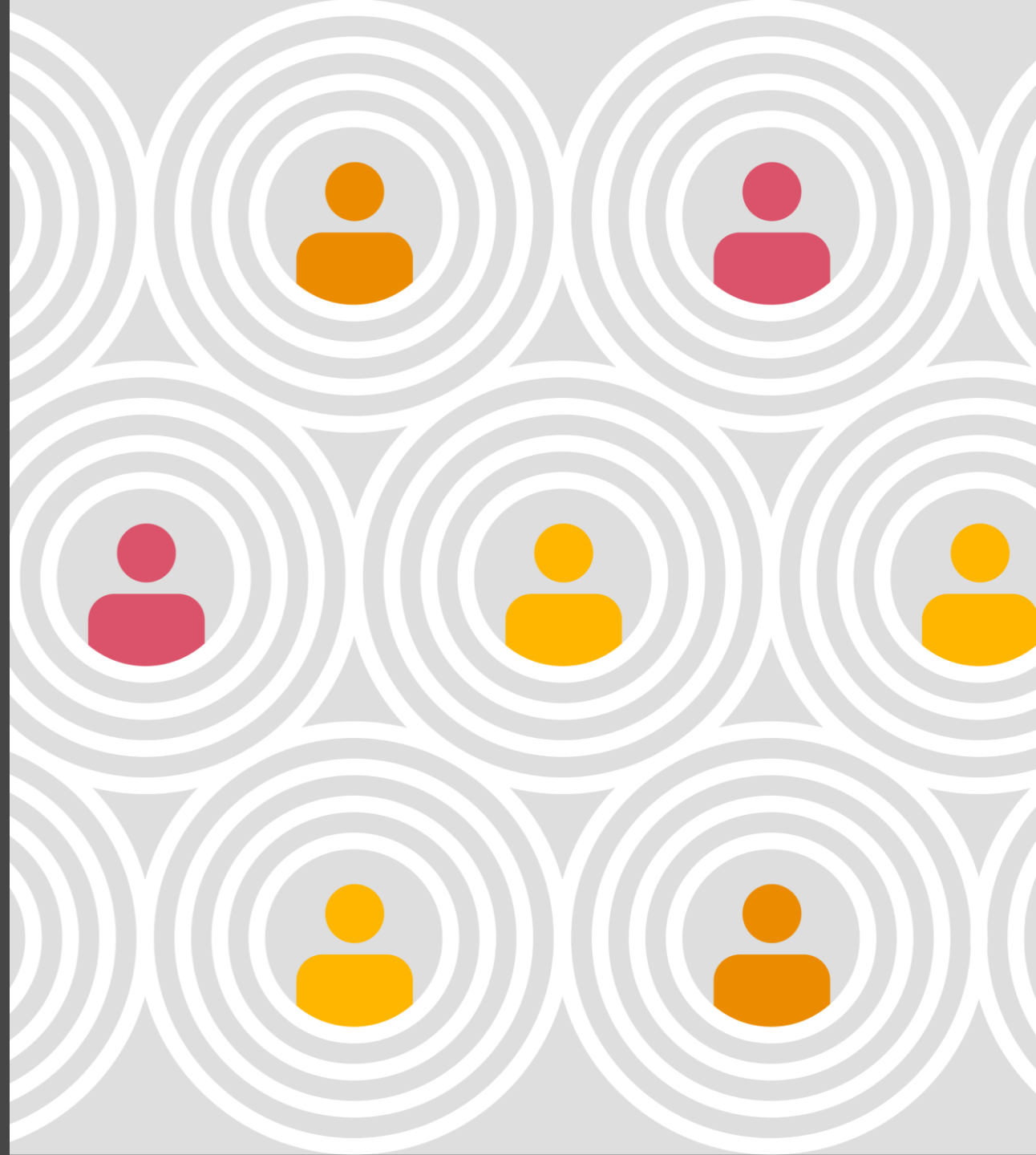


Data management and security:

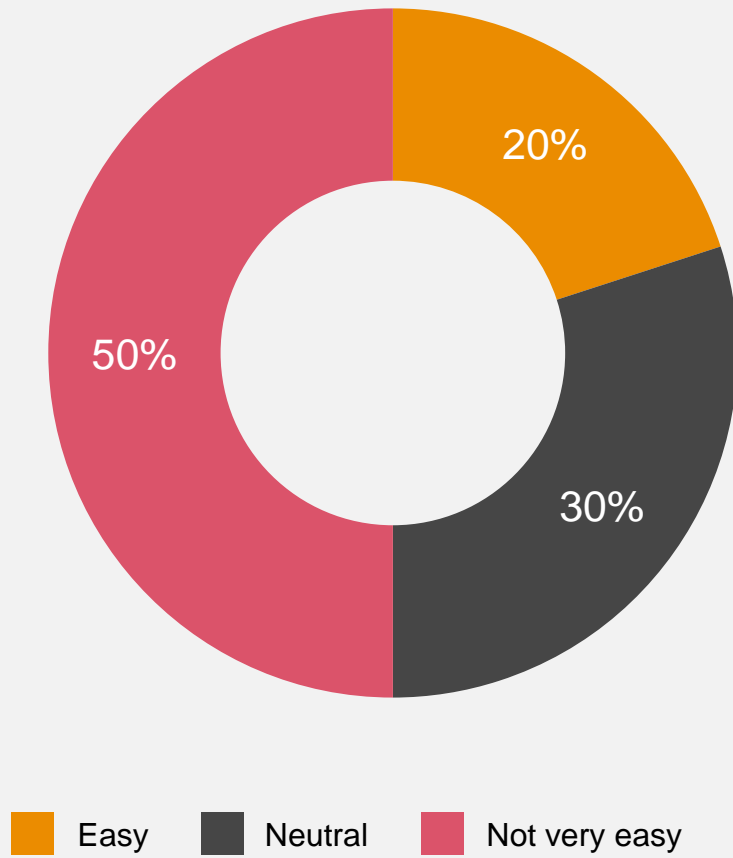
This is a concern for a sizeable minority, with some storing documents online and having online employee dossiers.

8

The broader context

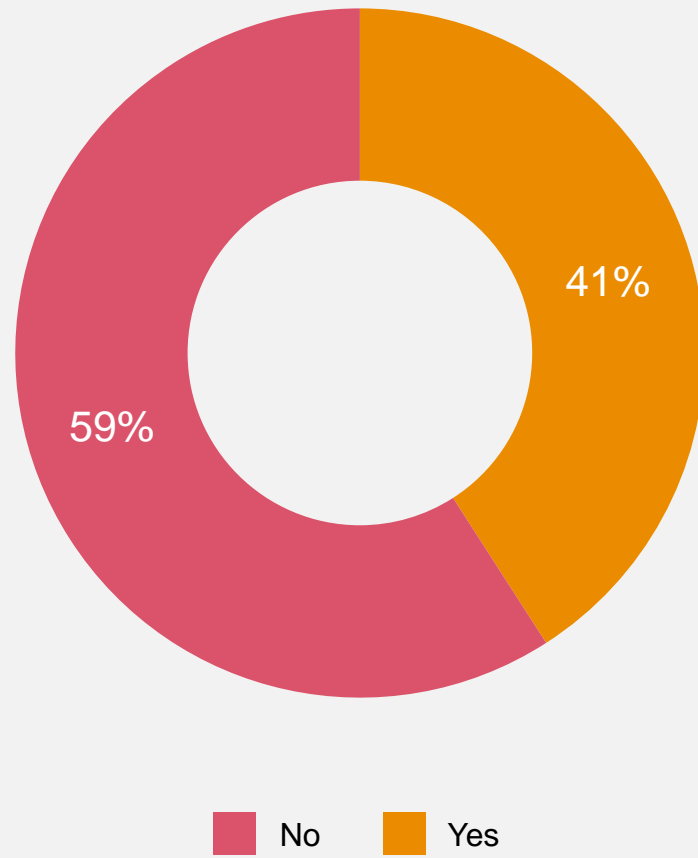


How easy is it for you to recruit qualified payroll staff (e.g. for the coordination of suppliers or inhouse payroll processes)?



Recruiting payroll staff:
Half have experienced problems.

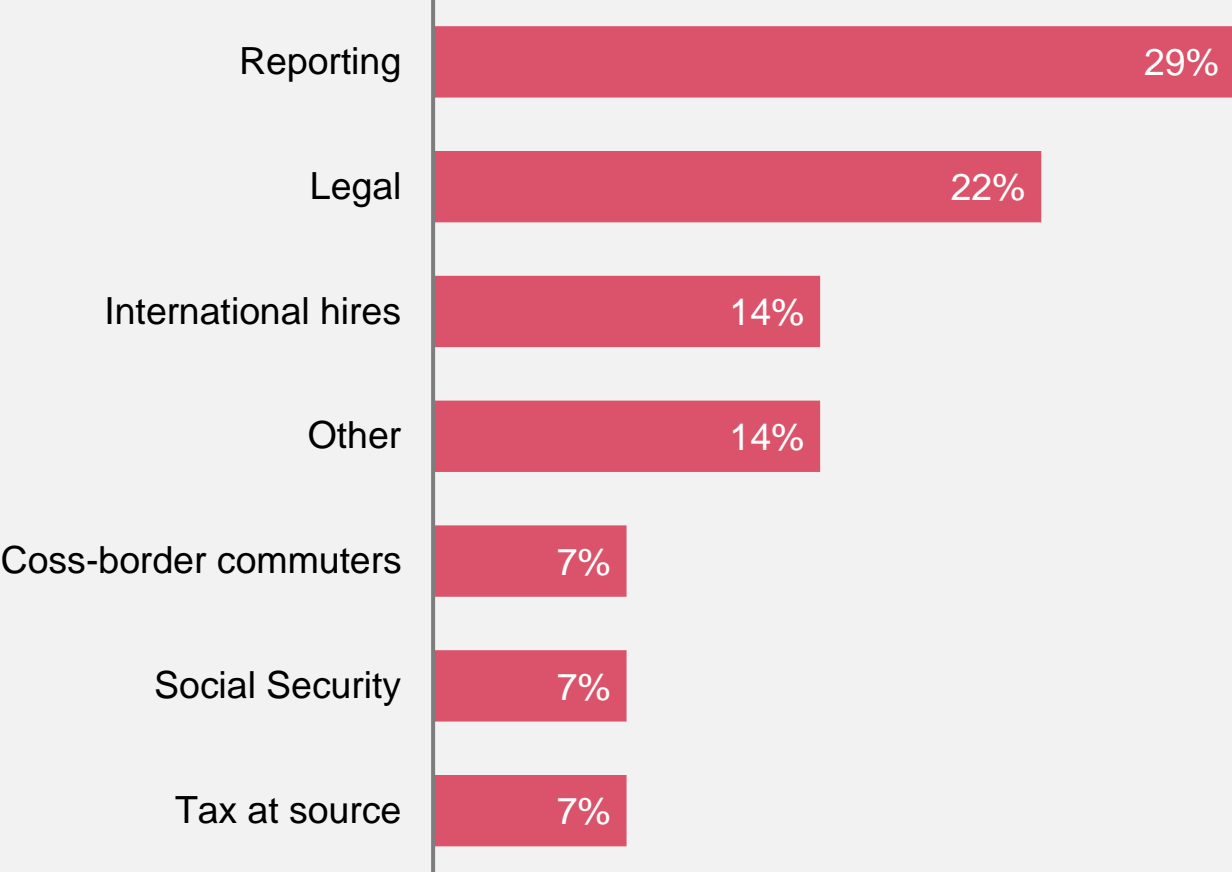
Do you feel that laws and regulations around payroll are getting more complex over time



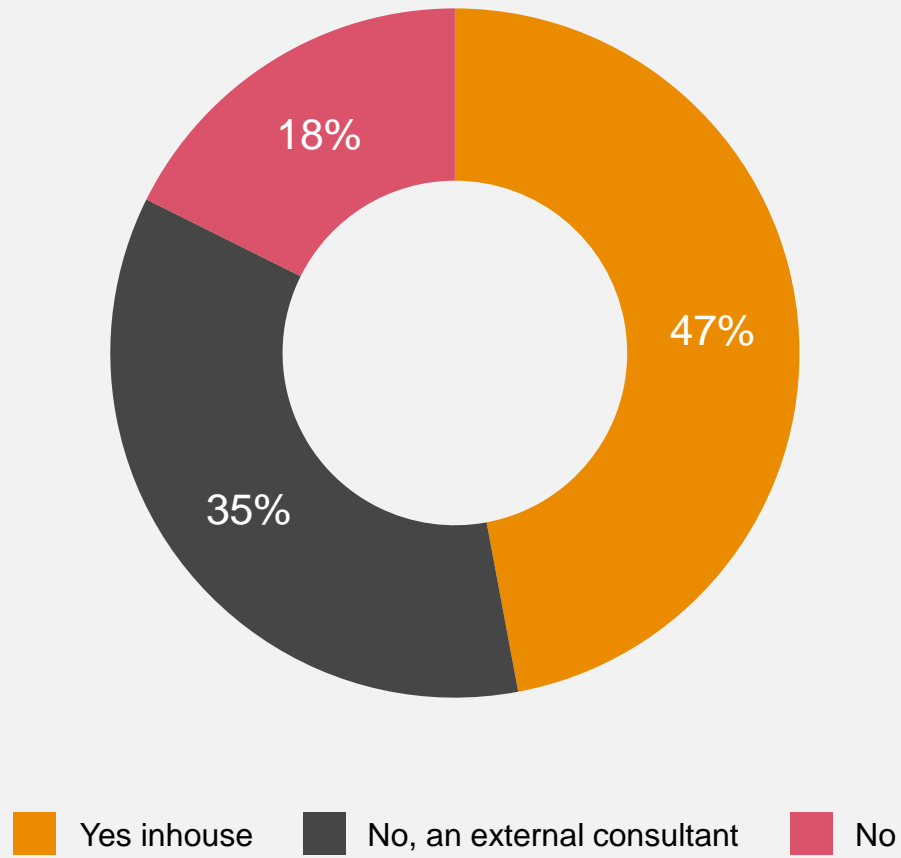
Rules and regulations:

Opinions are divided as to whether they're getting more complex.

Which area do you struggle with most?



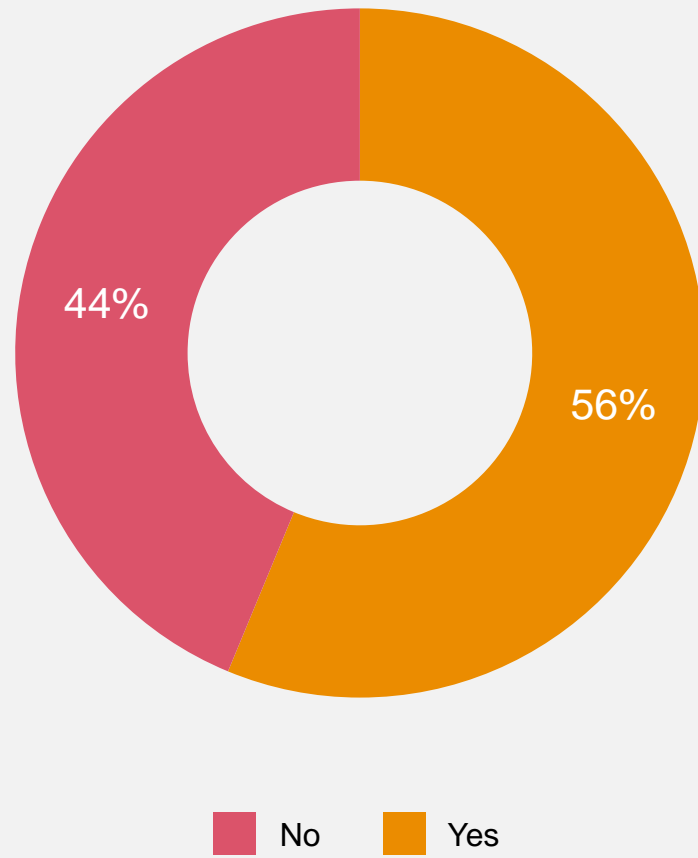
Do you have a subject matter expert in-house to discuss payroll topics?



Sparring partners:

One-third of respondents already consult with an external subject matter expert.

Has the complexity of payroll increased since Covid as you offer homeoffice, remote work etc?



Covid:

Just over half of respondents say payroll has become more complex with more people working remotely.

How do you think that artificial intelligence will impact the payroll process?

No impact

**Make the work of
expensive
consultant for free**

**It will
solve
problems**

**Difficult for
me to
estimate**

**We don't
know yet.**

**Aide au contrôle,
automatisation des
tâches répétitives**

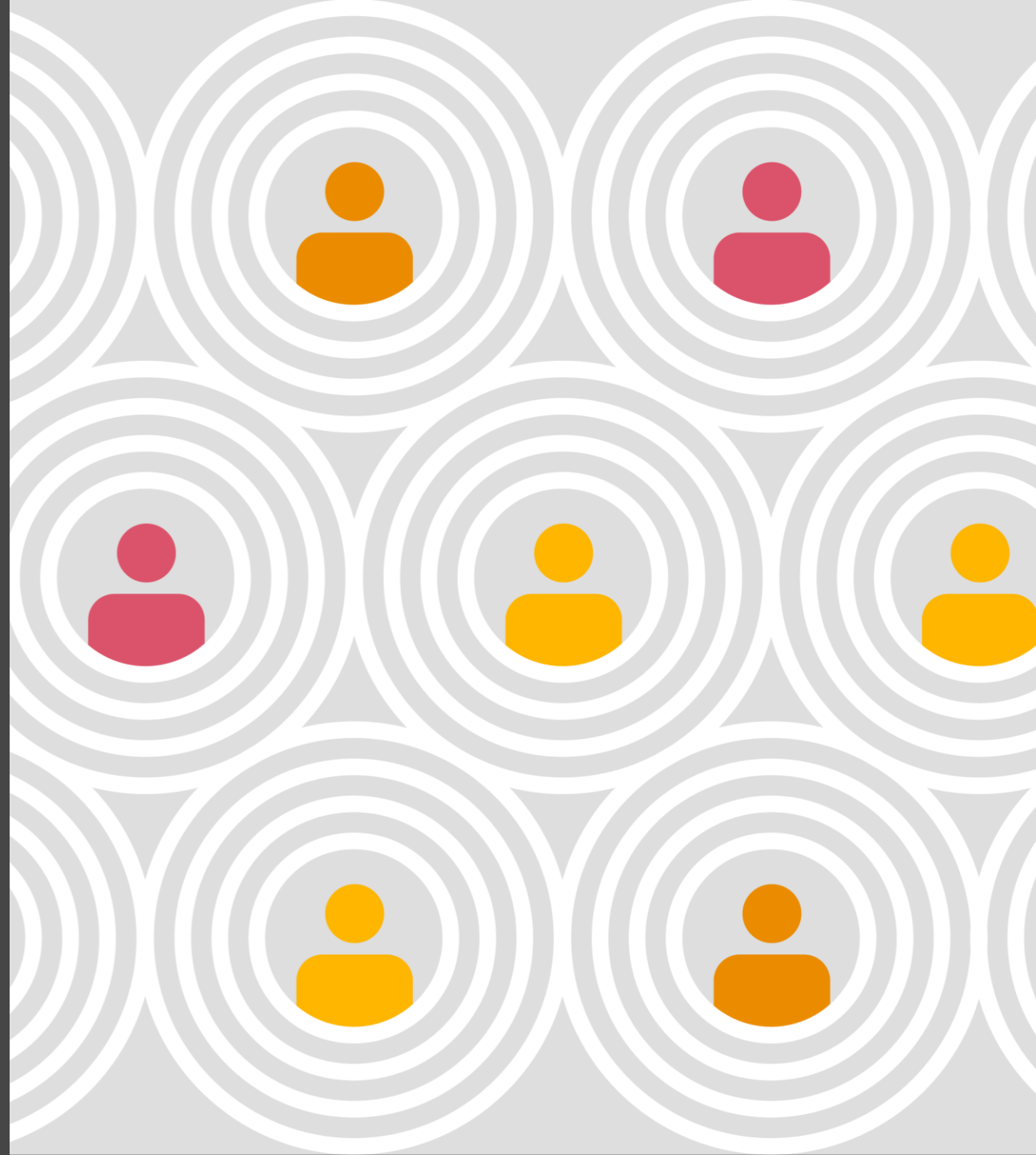
No impact

AI:

Opinions on the impact of artificial intelligence on the payroll process vary, with responses ranging from expectations of automation to uncertainties about the potential effects.



Appendix



Background and methodology

To understand the diverse facets of payroll and gain insight into the current state and future trends, we surveyed companies with **10 to 10'000 employees** in to find out where they stand in terms of payroll. The survey shows that there is significant demand and potential for payroll outsourcing in Switzerland, as well as a need for improvement and innovation in existing payroll operations and processes. However, there are also some barriers and risks that need to be addressed and overcome by both employers and providers of payroll solutions.

The findings of the survey, summarised in this report, give a panoramic view of the experiences and concerns of payroll professionals, the challenges they face and the motivation behind key decisions on matters such as inhouse payroll or payroll outsourcing.

The report is intended to serve as a useful guide for payroll/HR leaders, assisting them in making informed decisions and implementing more knowledgeable and efficient practices that are in line with the changing needs of the workforce and the demands of a dynamic business environment. It covers everything from outsourcing considerations to its perceived benefits and drawbacks.

Methodology



10 – 15 minute online survey

conducted by PwC Switzerland
targeted at representative Swiss
sample

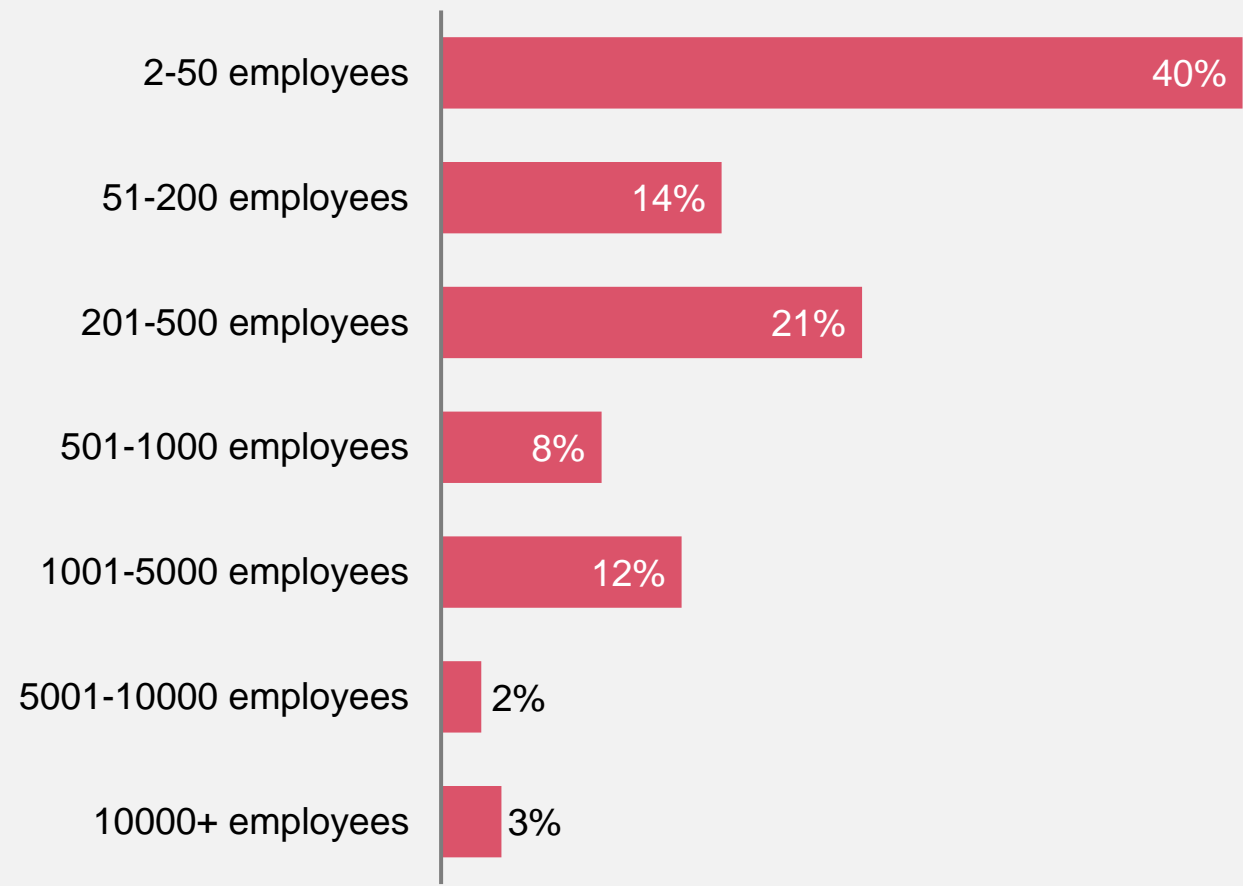


The survey was conducted from
**November 2023 to
January 2024**

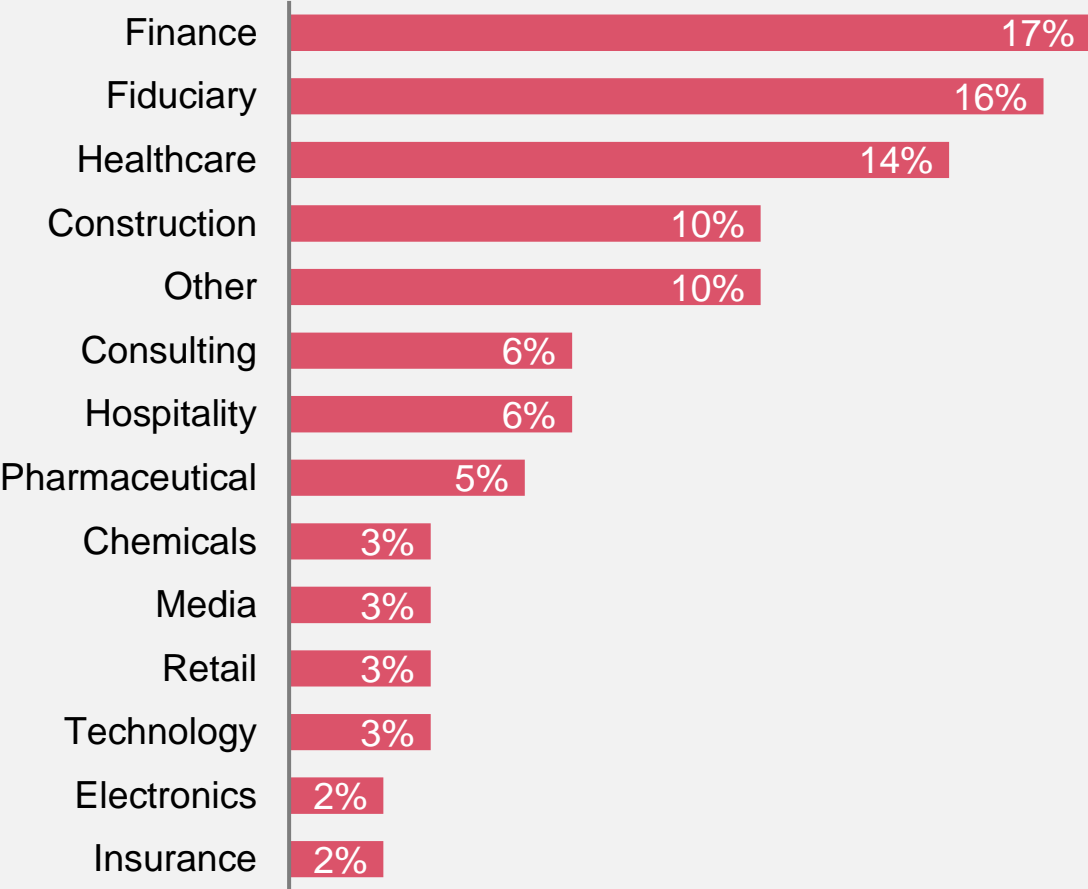


We received about
100 responses

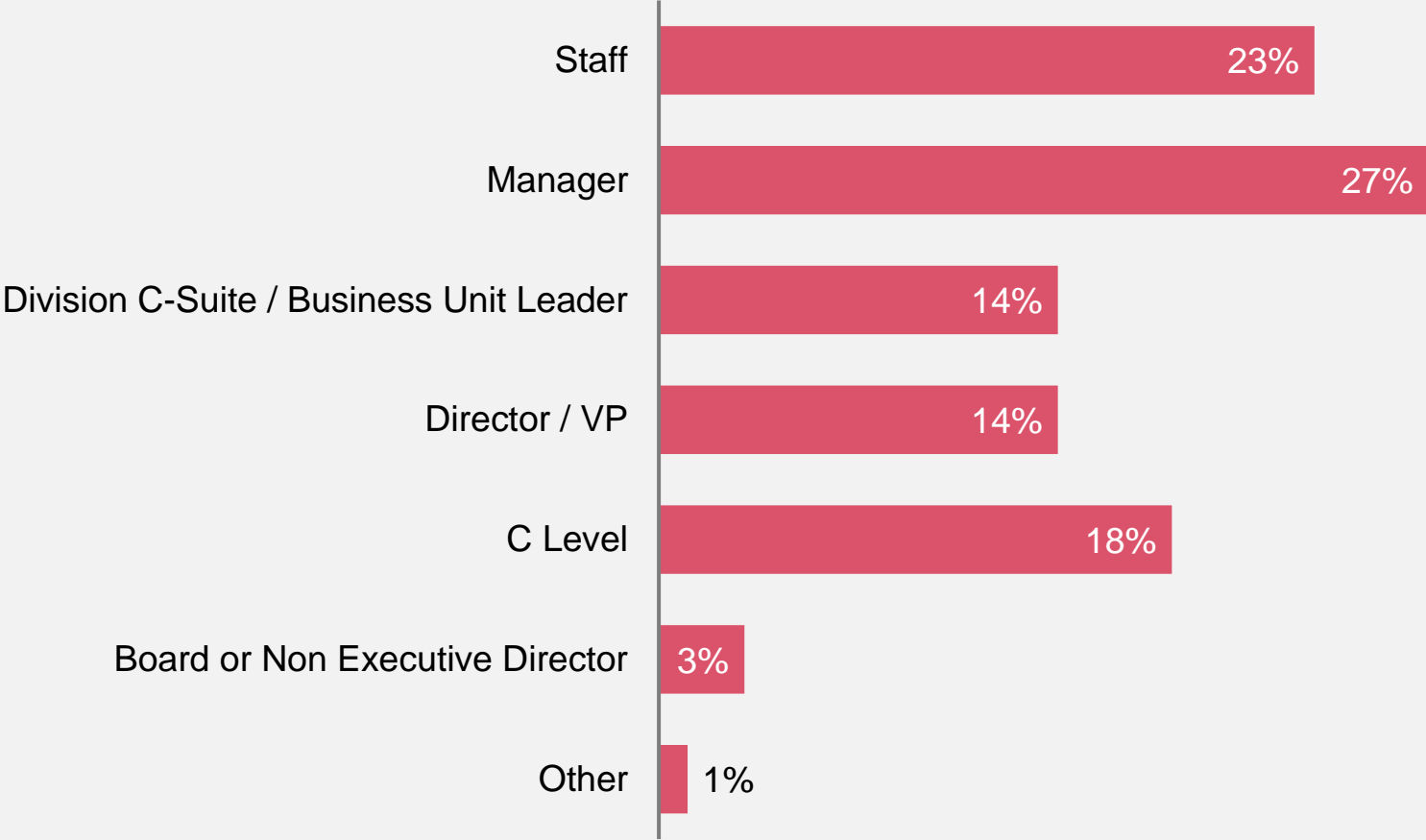
What is the size of your company?



What is your sector of industry?



What is your position?



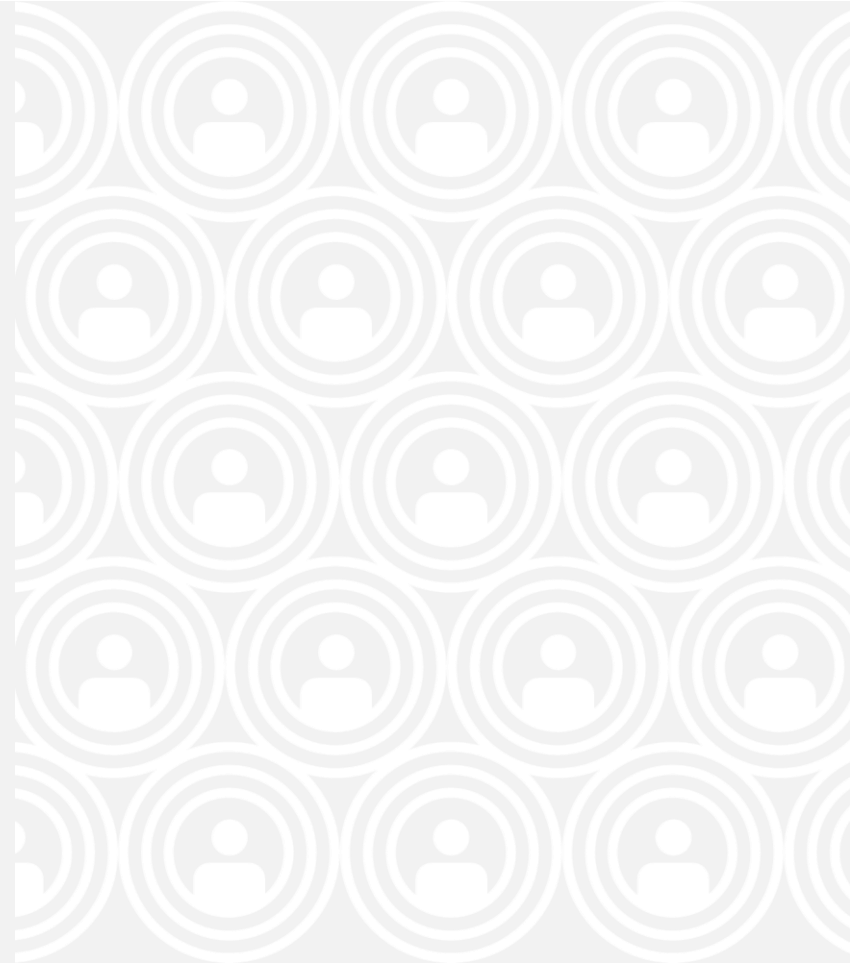
How many payroll specialists and assistants for administrative tasks do you have in your team? (FTEs)

Average:

8.64

Representative survey:

A broad range of respondents at a representative sample of SMEs in diverse industries with different-sized payroll teams.



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Thank you

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