2018 PAYROLL SOLUTIONS SURVEY

February 2018

SUMMARY

HR Daily Advisor Research

Contents

About HRDA Research Reports

Every year, the *HR Daily Advisor®* research team conducts detailed research into pressing contemporary human resources (HR) challenges to highlight best practices and common policies and procedures. We access our exclusive database of more than 250,000 active HR practitioners to find out how HR managers are handling challenges in the real world.

We maintain strict rules of confidentiality, and survey data are reported only in the aggregate.

HR Daily Advisor Research Reports are based on surveys we conduct to discover the real-world status of policies and practices in areas of interest to HR managers.

2018 Payrolls Solutions Survey

The *HR Daily Advisor* research team conducted the *2018 Payroll Solutions Survey* in December 2017 and January 2018. Payroll is an area that continues to confound HR managers—and there's no organization that doesn't have to deal with payroll. Our survey, sponsored by NetSpend, sought to identify trends and challenges in the payroll field.

A total of 519 participants responded to the *2018 Payroll Solutions Survey*, representing a diverse array of industries, business types, organizational sizes, and locations.

Highlights of the Payroll Solutions Survey:

- Direct deposit is a big deal in the payroll world. Nearly everyone (95%) offers their employees direct deposit. Just under the same percentage of employees (94%) prefer getting paid by direct deposit.
- Paper checks are still big as well with employers offering them to 58% of their employees. Also, just under a quarter (24%) of employees prefer to be paid by paper check.

- Payroll cards and prepaid reloadable cards combined are offered to 16% of employees. Together, these cards are preferred by 8% of employees.
- The overwhelming majority of respondents (84%) do not offer all methods of payment to their employees.
- The vast majority of survey takers (91%) say that their employees are happy with how they are being paid.
- Among those who are not satisfied with their payroll solutions, the number one problem (47%) was integration time and complexity.
- Most of the respondents (62%) said that they had ongoing technical support for their payroll solution.

Location

Respondents hailed from across the United States and also from around the world. About a fifth of respondents (23%) work in the U.S. East Central region. Other largely represented regions are the U.S. South and the U.S. Northeast/Mid-Atlantic at 19% each. Only 5% are nationwide and 10% International. Please see the full results below.

Facility Location

- US: Central / Rocky Mountain / Southwest 11%
- US: East Central 23%
- US: Far West 14%
- International 10%
- US: Nationwide 5%
- US: South 19%
- US: Northeast / Mid-Atlantic 19%
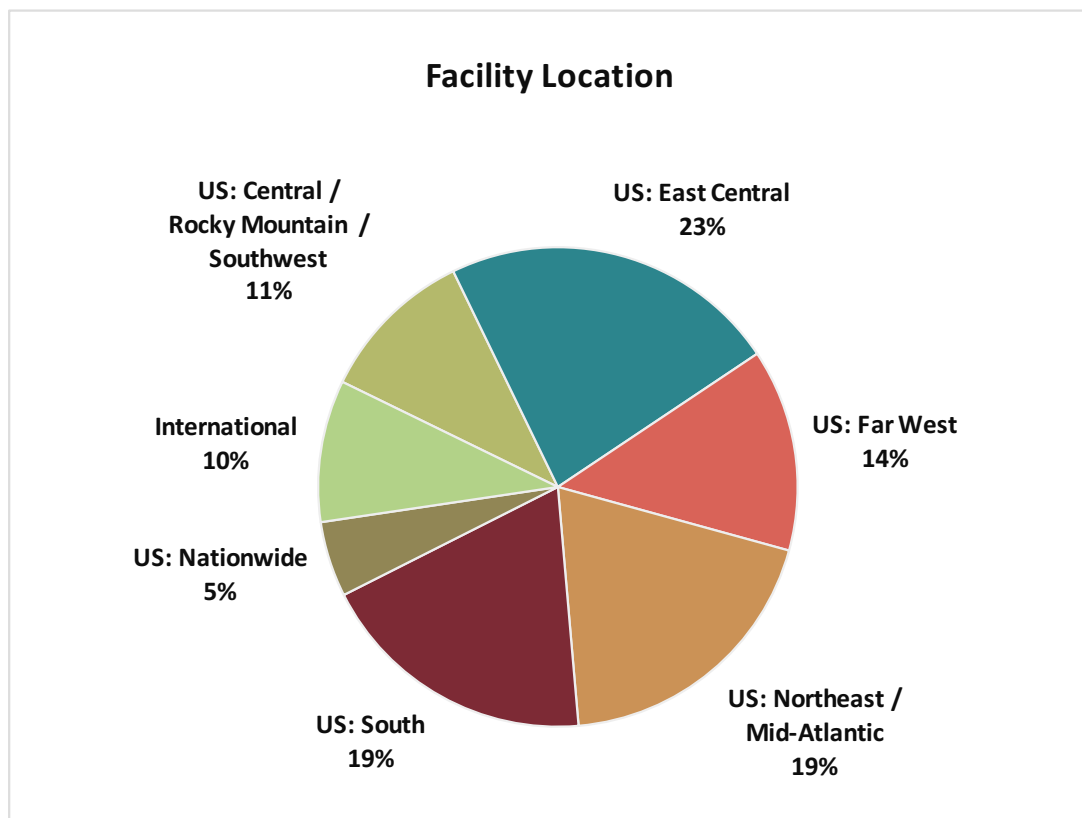
What Is Your Industry Category?

Respondents identified themselves as being employed in a multitude of different industry categories. See additional details below.

Please select the industry category that best describes the nature of your business.

Category	Percentage
Health care and social assistance	16%
Manufacturing	15%
Other services	10%
Professional, scientific, or tech services	9%
Educational services	9%
Public administration	6%
Finance and insurance	6%
IT, or other technological services	5%
Retail trade	3%
Real estate and rental and leasing	3%
Construction	2%
Wholesale trade	2%
Administrative and support services	2%

Chart shows all categories with more than 1%.
See table for full category titles and complete industry data.

Please select the industry category that best describes the nature of your business.	
Answer Choices	Responses
Manufacturing	15%
Health care and social assistance	16%
Professional, scientific, or technical services	9%
Finance and insurance	6%
Transportation and warehousing	2%
Educational services	9%
Other services (except public administration)	10%
Public administration	6%
Retail trade	3%
Construction	2%
Utilities	1%
Accommodation or food services	3%
Information (media, data, telecommunication)	1%
Real estate and rental and leasing	3%
Wholesale trade	2%
Arts, entertainment, and recreation	1%
Administrative and support services	2%
Management of companies and enterprises	1%
Agriculture, forestry, fishing, and hunting	1%
Mining, quarrying, and oil and gas extraction	1%
Waste management/remediation services	1%
High technology, IT, or other technological services	5%

How Large Is Your Company?

Respondents worked for companies of all sizes, with the largest sizes being 51-100 employees (18%), 1001+ employees (17%), and 101-250 employees (17%). Please see the chart below for full results.

Company Size

- 11-25 employees 9%
- 1-10 employees 8%
- 26-50 employees 11%
- 51-100 employees 18%
- 1001+ employees 17%
- 101-250 employees 17%
- 251-500 employees 12%
- 501-1000 employees 7%
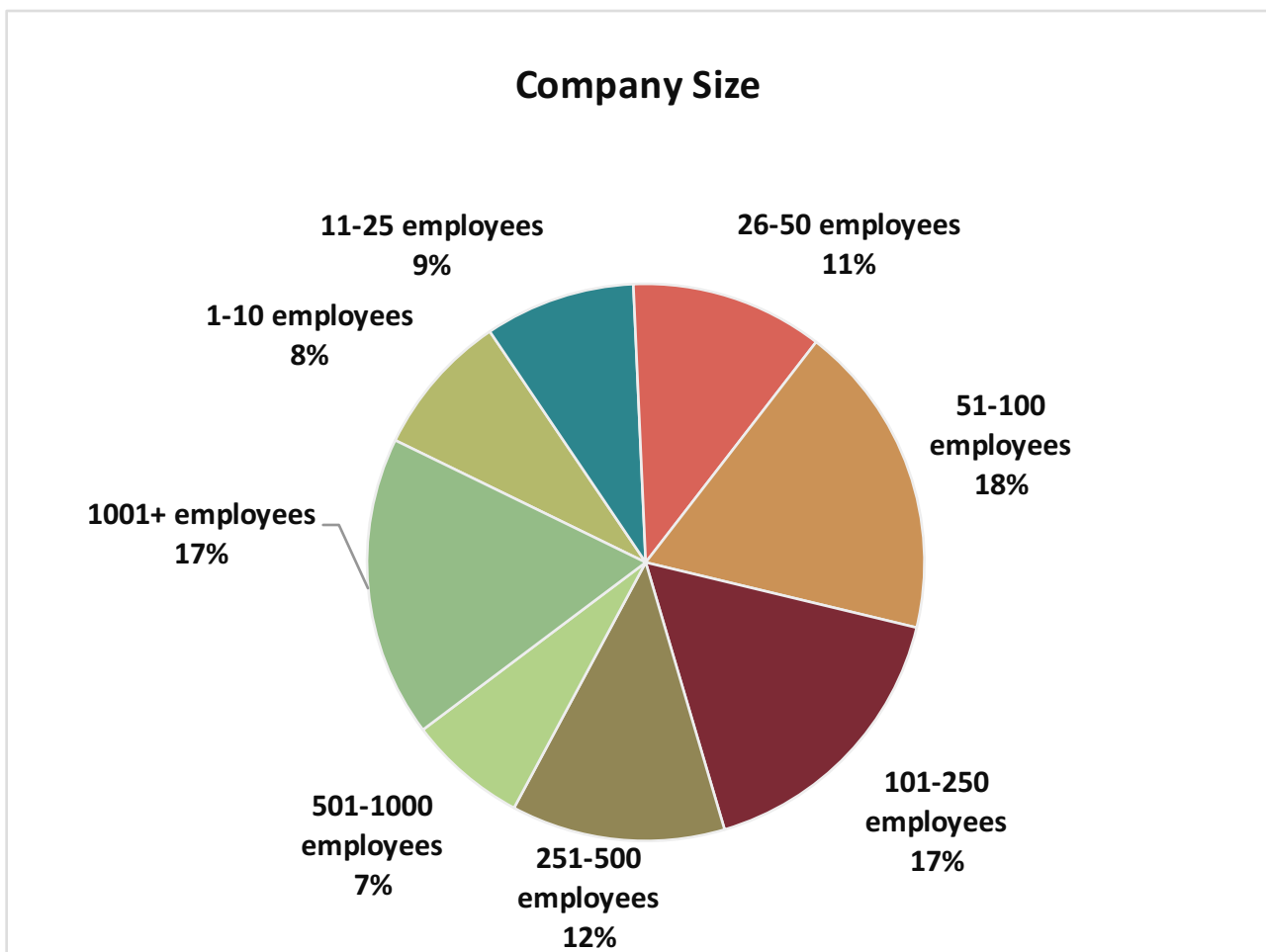
Job Level

The majority of respondents (54%) were managers. Just under a quarter (23%) were vice president (VP) or higher. Staff made up 16% of the respondent pool, and supervisors made up the remaining 8%.

Job Level
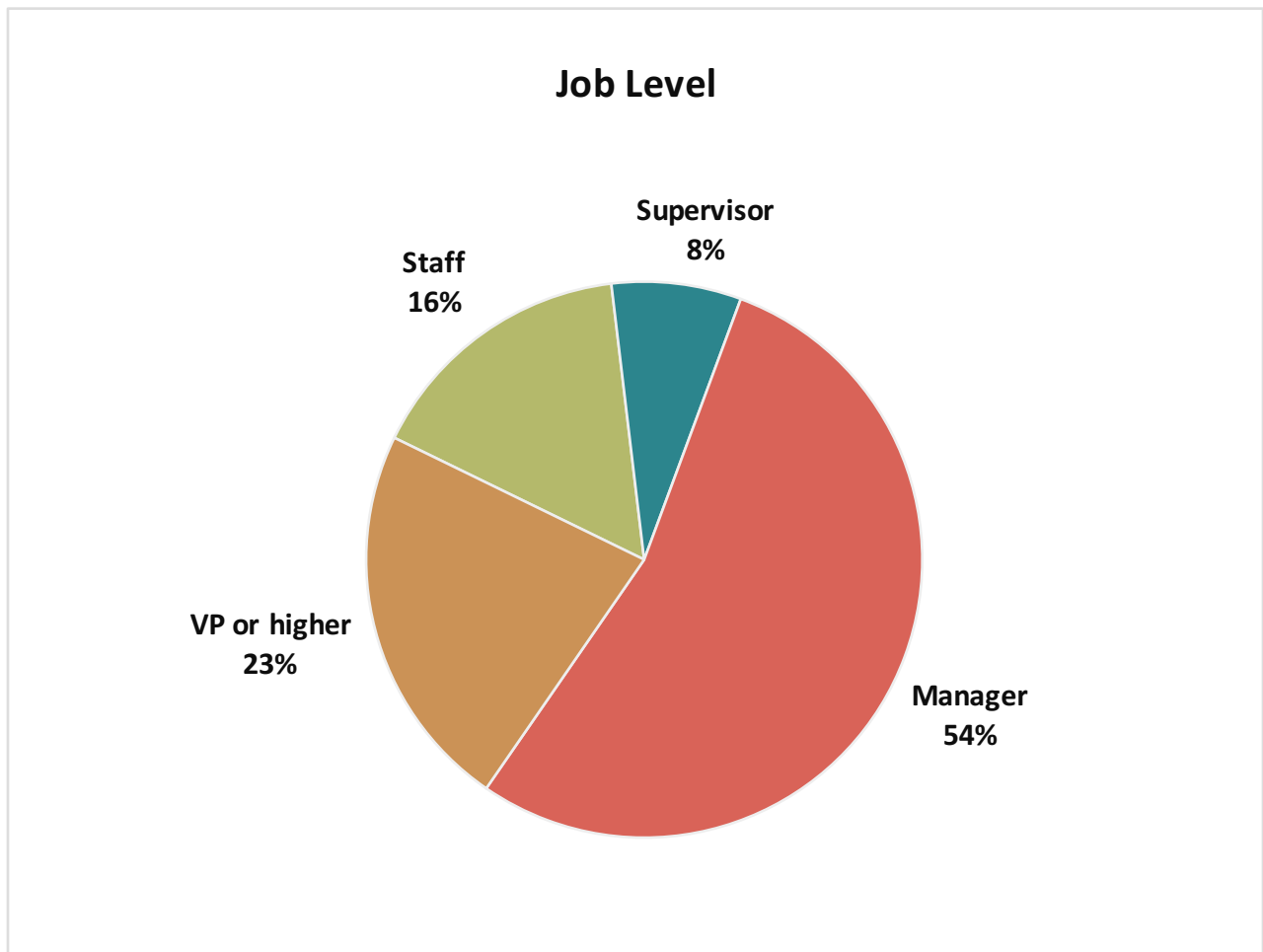
Job Title

Given wide variations in various titles, we asked respondents to write in their job title. Here are the results.

Answer Options	Total Number of Responses
Human Resources Manager/Senior Manager	86
Human Resources Various Titles	78
VP of Human Resources/CHRO/Chief People Officer	27
Director of Human Resources	26
President/CEO/Managing Partner/Principal/Owner	26
Director of Various HR Functions	26
HR Director	23
CFO/Controller/Finance	15
HR Generalist	12
Office Manager	12
Accounting/HR	9
Admin/Administrative Manager	9
Payroll Administrator	9
Other Finance	8
Human Resources Director	8
COO/Director of Operations	7
Manager	7
Operations Manager/VP operations	6
Talent Acquisition	4
Treasurer	4
Consultant	3

National Data

The following are the results of our *2018 Payroll Solutions Survey*. Be mindful of the axes (the X axis for bar graphs and the Y axis for column graphs)—the chart does not necessarily top out at 100%. Data are expressed as percentages rounded off to the nearest percent—as a result, some charts do not add up to precisely 100%.

What Forms of Payroll Payments Do You Offer Your Employees?

Nearly everyone offers their employees direct deposit (95%), followed by paper checks (58%). Other methods scored much lower like payroll cards (13%) and prepaid reloadable cards (4%).

What forms of payroll payments do you offer your employees? (Please check all that apply.)

Form	Percentage
Paper check	58%
Direct deposit	95%
Payroll card	13%
Prepaid reloadable card	4%
Other	1%
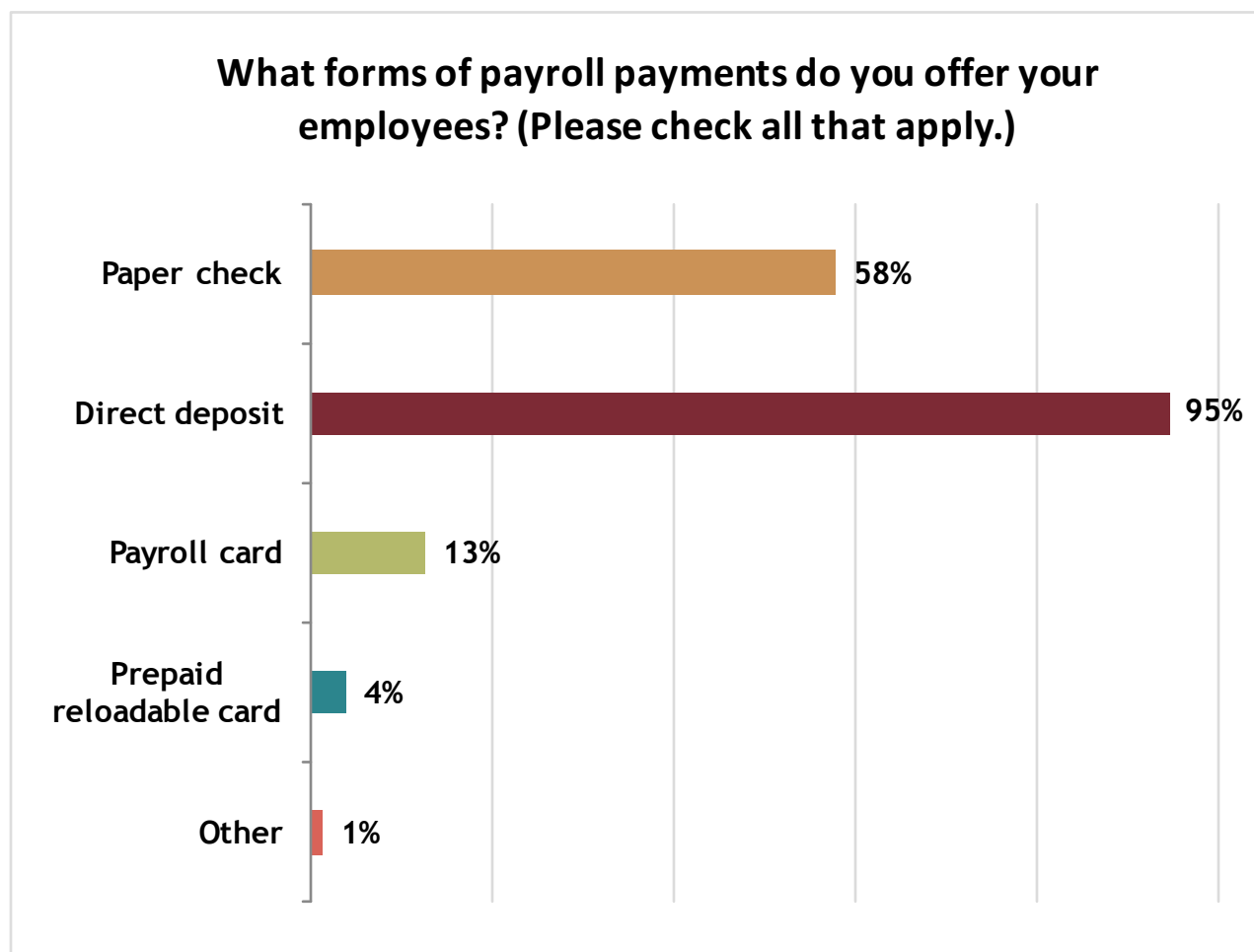
How Do Your Employees Prefer to Get Paid?

When asked how they preferred to be paid, participants' employees overwhelmingly said direct deposit (94%). Paper check lagged far behind at only 24%. Other responses were negligible, with payroll cards at 6% and prepaid reloadable cards at 2%.

How do your employees prefer to get paid?
(Please check all that apply.)

Response	Percentage
Paper check	24%
Direct deposit	94%
Payroll card	6%
Prepaid reloadable card	2%
Don't know	2%
Other	2%
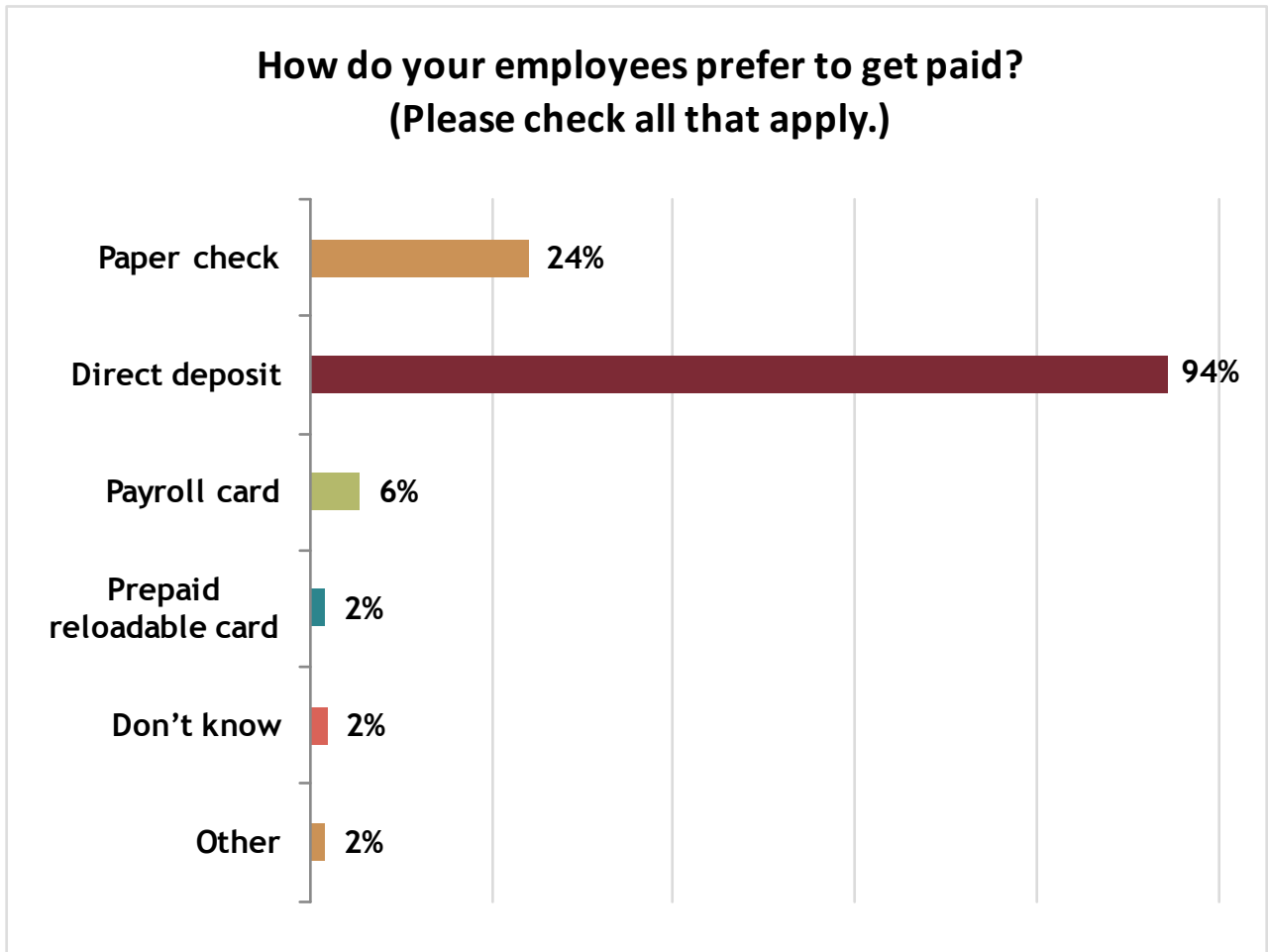
Do You Offer All Methods of Payment to Your Employees?

Only 16% of respondents said they do offer all methods of payment to all their employees, leaving the large majority (84%) saying that they don't.

Do you offer all methods of payment to your employees?

Yes, we accommodate all preferred methods
16%

No, we only offer available methods
84%

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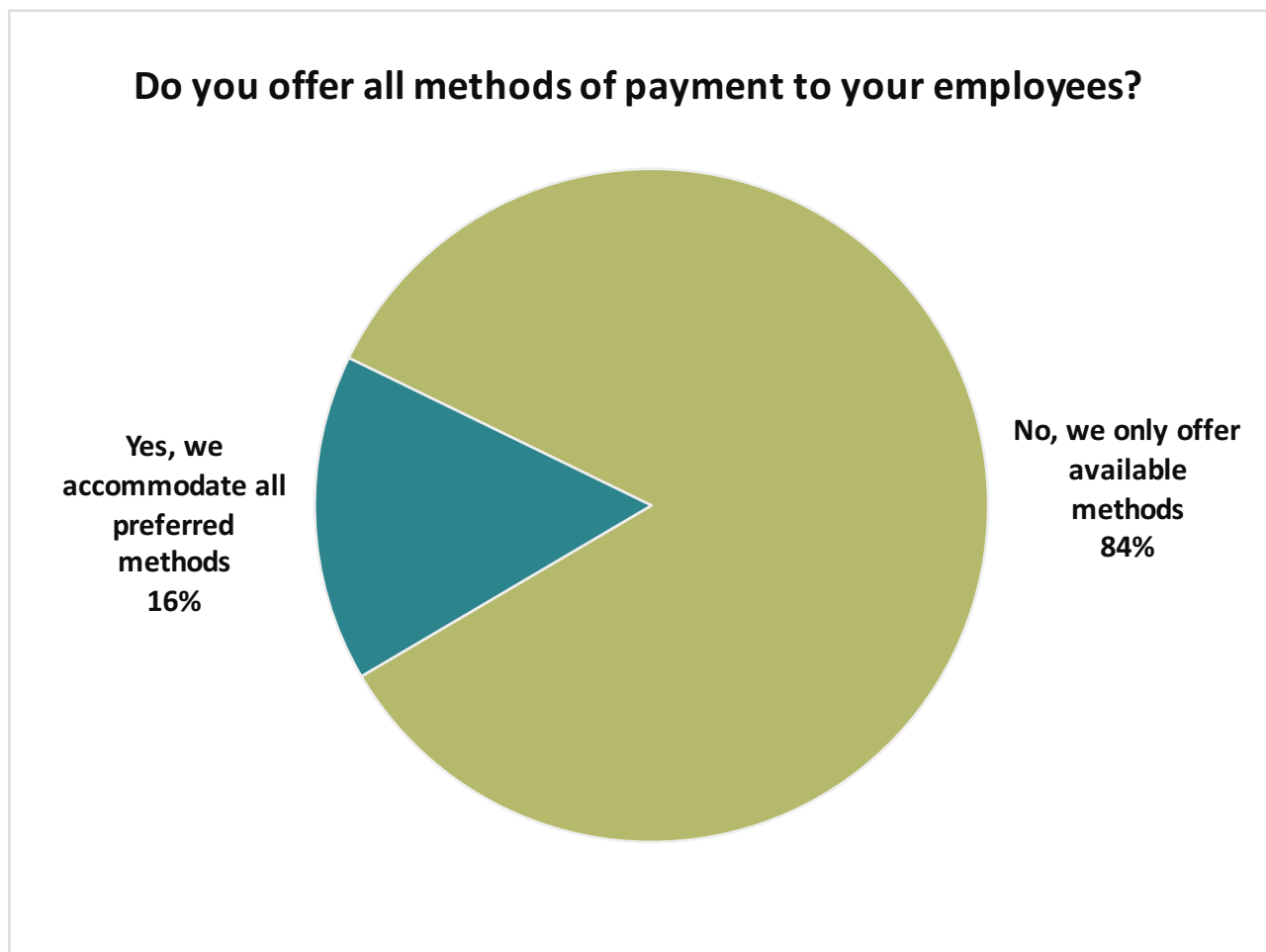
What Percentage of Your Workforce Receives Paper Checks?

The numbers here match up well with data from question one, with 86% of respondents saying that between 0% and 25% of their employees receive paper checks. Other responses were much lower.

What percentage of your workforce receives paper checks?

- 76-100% — 6%
- 51-75% — 2%
- 26-50% — 6%
- 0-25% — 86%
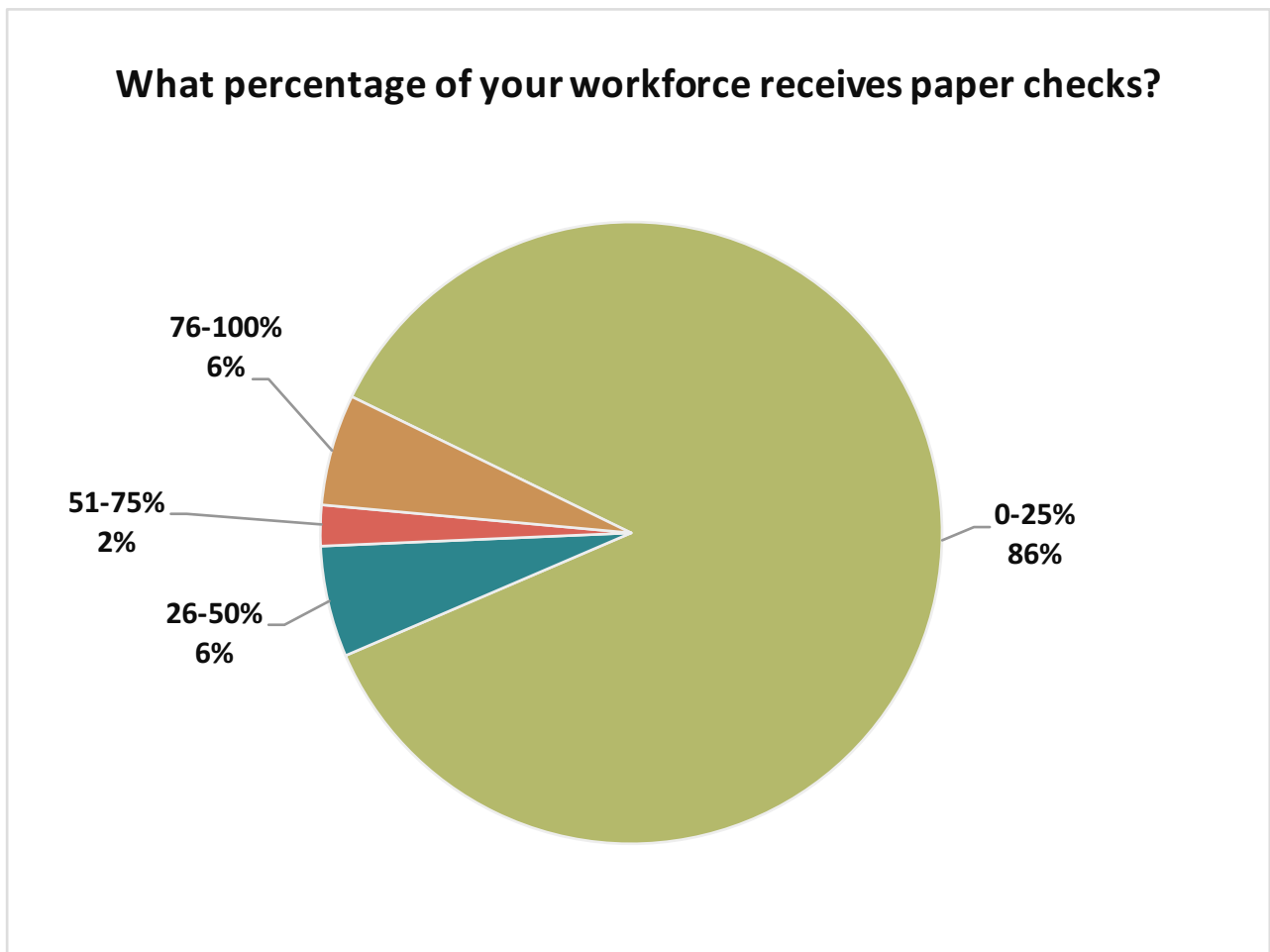
Are Your Employees Happy with the Method by Which They Are Currently Being Paid?

Survey participants reported overwhelmingly (91%) that their employees were happy with how they were currently being paid. Another 8% said that they don't know, and only 1% said "no."

Are your employees happy with the method by which they are currently being paid?

I don't know
8%

No
1%

Yes
91%
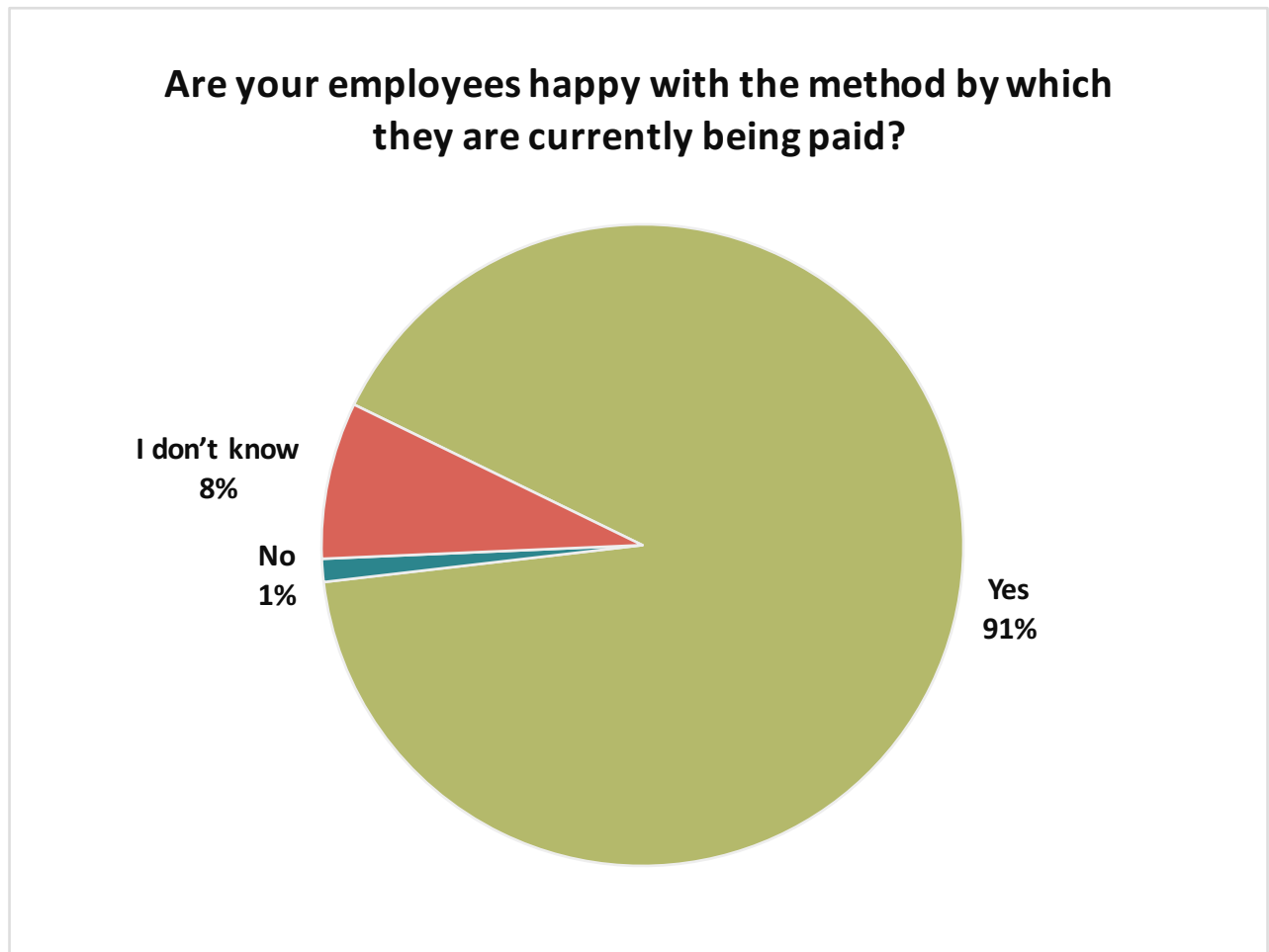
If Your Business Involves Employee Tips, How Are Tips Distributed to Employees?

When adjusted for those who do not have tips at their job, the number one response method that employers use to distribute tips was by check (41%). Close behind was cash (39%). Prepaid cards accounted for only 12% of the tip distribution methods. Direct deposit and payroll were 5% and 3% respectively.

If your business involves employee tips, how are tips distributed to employees? (Please check all that apply.)

Category	Percentage
Cash	39%
Prepaid card	12%
Check	41%
Direct Deposit	5%
Payroll	3%
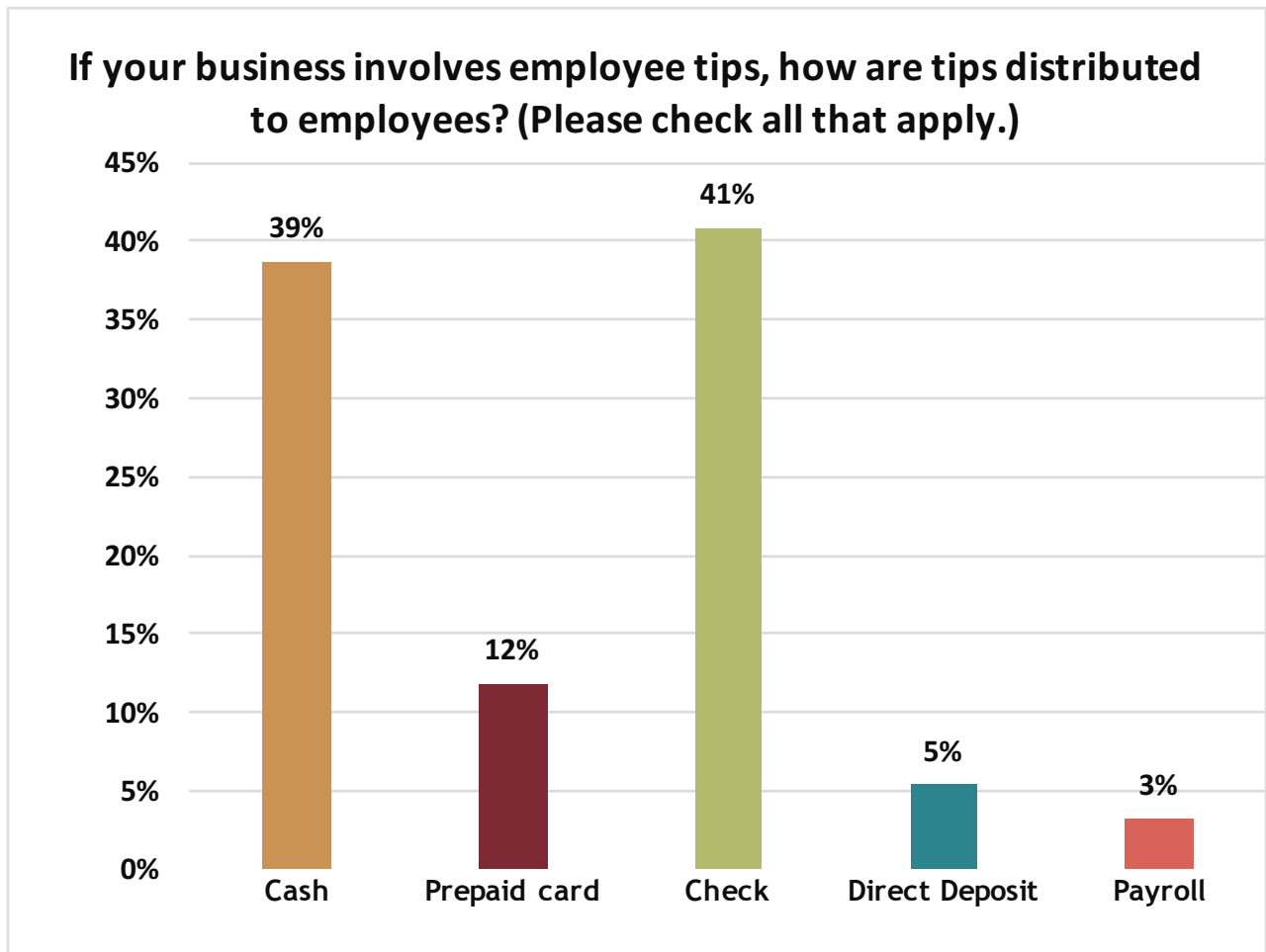
At Your Organization, Which Department Decides on the Payroll Solution Used?

Most respondents (61%) say that "HR" decides which payroll solution to use. Runners up were "Finance" (40%) and "Accounting" (31%). Some respondents answered "Other" (13%). The top write-in responses included owners, CEOs, board of directors, and other executive positions. Some of the "Other" responses include:

- "Set by governing body."
- "City council."
- "Corporate office."
- "Union employees."

At your organization, which department decides on the payroll solution used? (Please check all that apply.)

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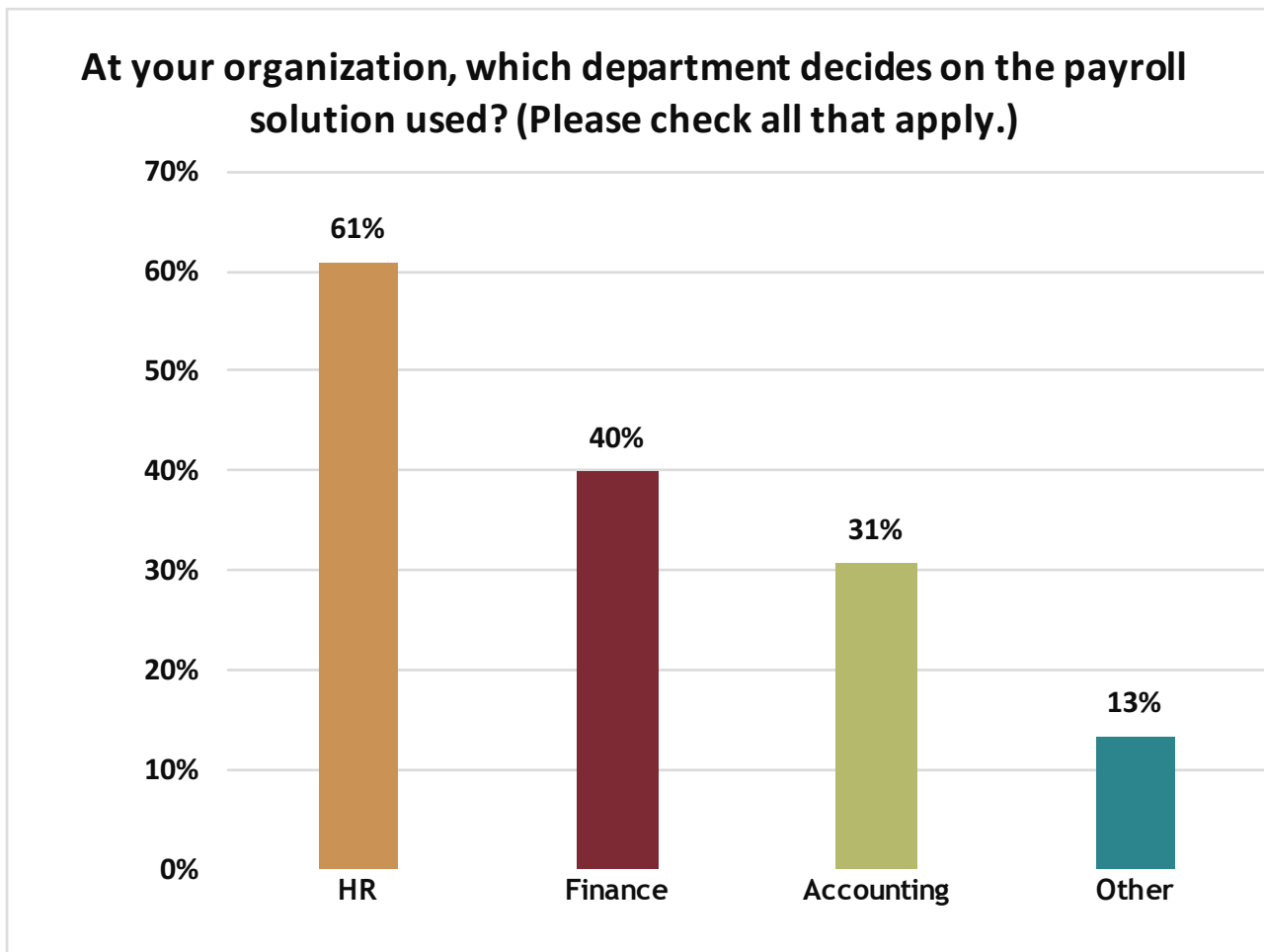
What Benefits of Payroll Cards Appeal to Your Employees?

When adjusting for those who do not have payroll cards, the number one benefit to payroll cards was "Immediate access to funds" (32%). Other top responses include "Eliminating trips to the bank/check-cashing fees" (25%) and "Access to cash at ATMs" (20%). The "Ability to purchase goods and services online" was checked by 12% of respondents. Finally, "Cash back rewards" and "FDIC-insured funds" received 6% and 5% respectively. Some of the "Other" responses to the question include:

• "Not paying to cash a check."
• "I am not aware of these cards and I will investigate promptly after taking this survey."
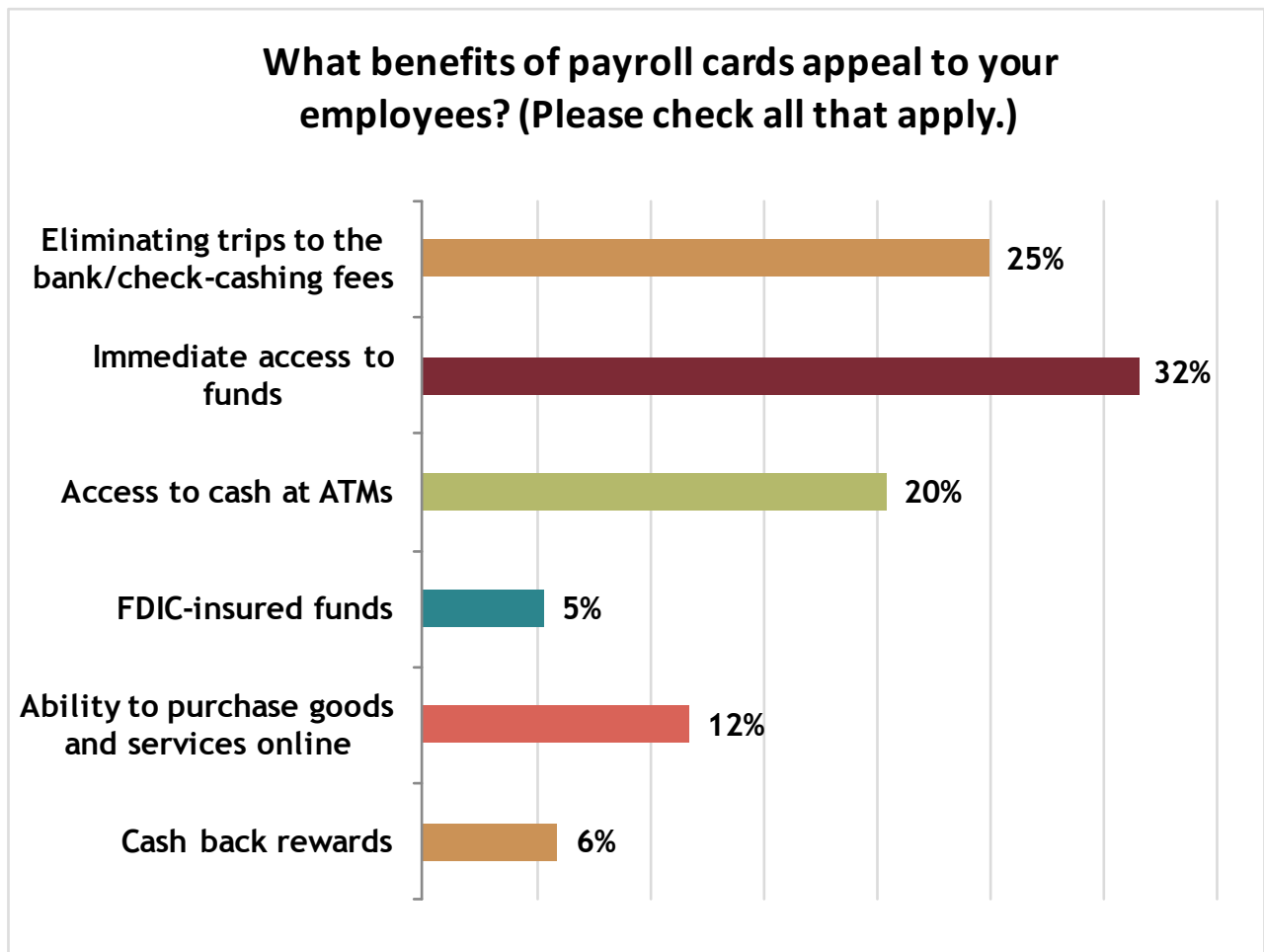
What benefits of payroll cards appeal to your employees? (Please check all that apply.)

Benefit	Percentage
Eliminating trips to the bank/check-cashing fees	25%
Immediate access to funds	32%
Access to cash at ATMs	20%
FDIC-insured funds	5%
Ability to purchase goods and services online	12%
Cash back rewards	6%

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If You Are Not Satisfied with Your Payroll Solution, What Is the Biggest Impediment to Switching Payroll Solutions?

After adjusting for those who are satisfied with their payroll solutions, the number one impediment to switching payroll solutions for respondents (47%) was "Integration time and complexity." Another 34% said "Cost," and 26% said "Haven't found a better alternative solution." A number of respondents answered "Other," and here are some of those responses:

- "Limits for local withholding."
- "Tied to our corporate office, we don't have a choice of another option."
- "Inability to customize the system."
- "Unions."
- "Getting the house on board."

If you are not satisfied with your payroll solution, what is the biggest impediment to switching payroll solutions?

Category	Percentage
Cost	21%
Integration time and complexity	29%
Difficulty of internal company decision making	8%
Haven't found a better alternative solution	16%
Other	26%
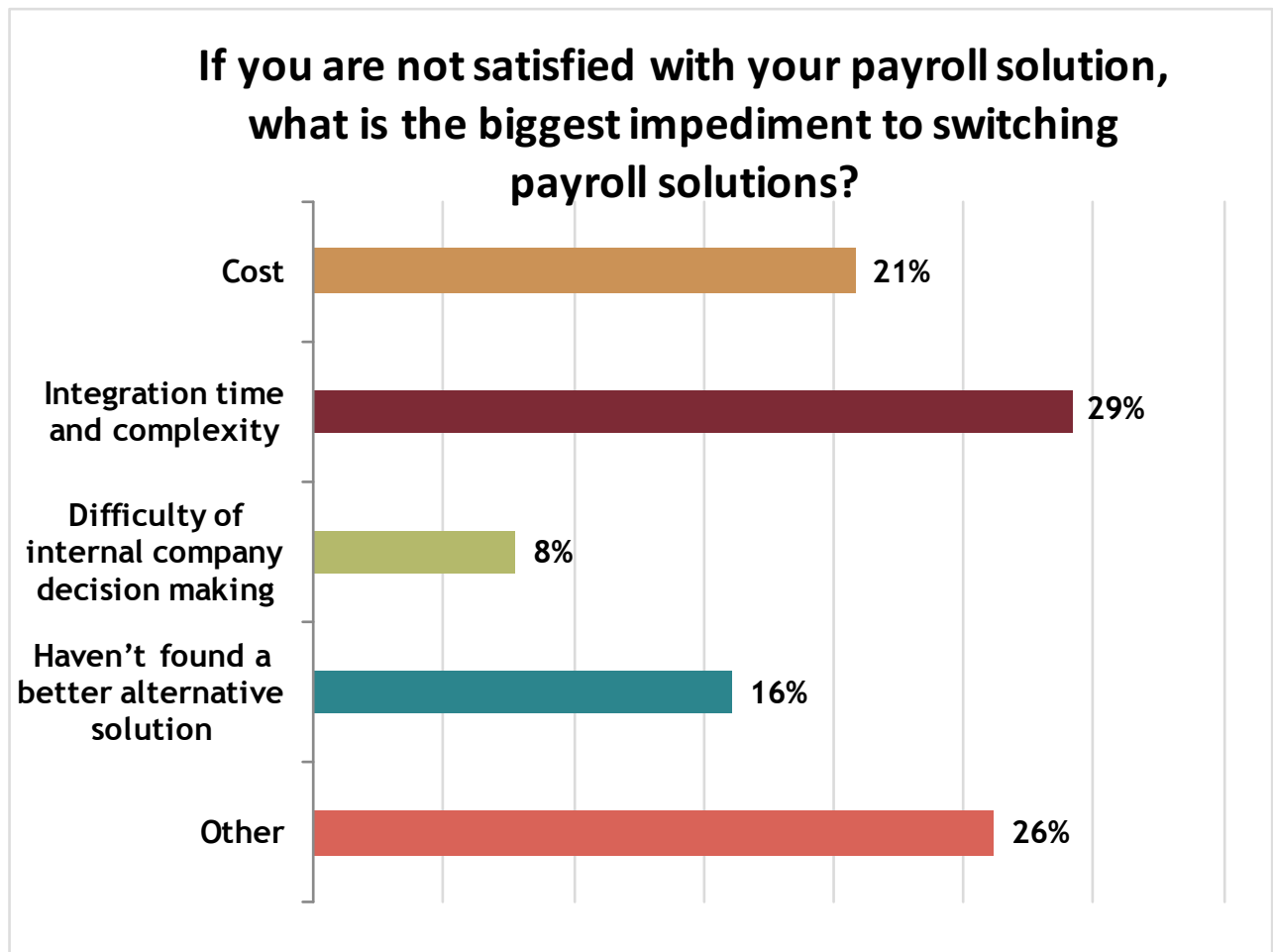
Approximately How Long Has Your Payroll Solution Been in Place?

The majority of respondents (70%) said that their payroll solution has been in place for "3 years or longer." Both "1–2 years" and "2–3 years" were tied at 11%—a distant second. Finally, only 8% of respondents said, "Less than 1 year."

Approximately how long has your payroll solution been in place?
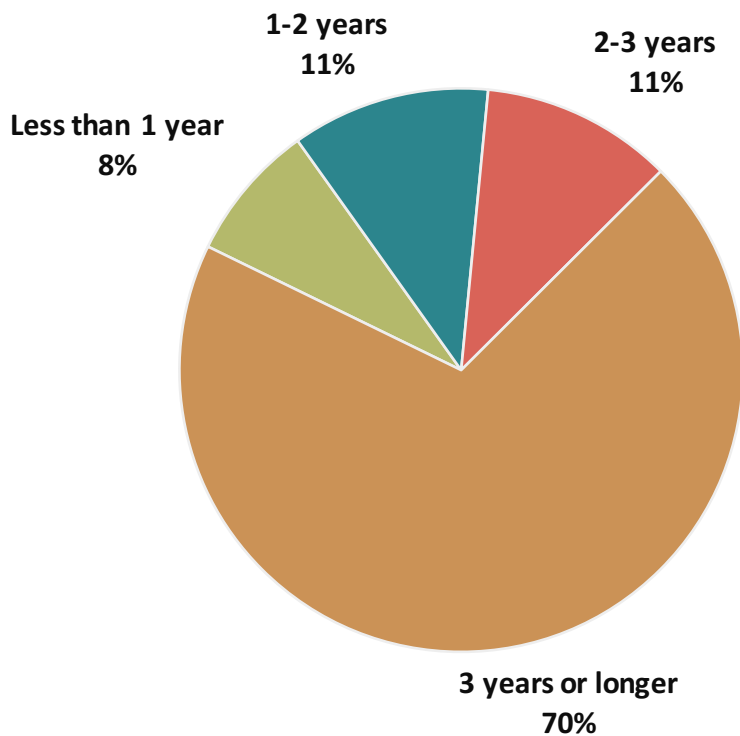
What Are the Most Common Problems You Encounter with Your Current Payroll Solution?

When adjusted for those who do not have problems with their current payroll solution, the number one problem (36%) was "Too time-consuming." Another 34% said "Systems integration," and 29% said "Errors/accuracy." Finally, 27% said "Difficulty tracking/reporting," 17% said "Too costly," and 10% said "Compliance risks." "Other" was marked by 13% of respondents, and here are some of those responses:

- "Our payroll is not very flexible. They assume everyone works a 40-hour workweek."
- "Tracking paid time off according to our policy."
- "Failure to adapt to new changes."
- "We just have problems with employees lying about their time."

What are the most common problems you encounter with your current payroll solution? (Please check all that apply.)

Problem	Percentage
Errors/accuracy	29%
Too time-consuming	36%
Too costly	17%
Compliance risks	10%
Systems integration	34%
Difficulty tracking/reporting	27%
Other	13%
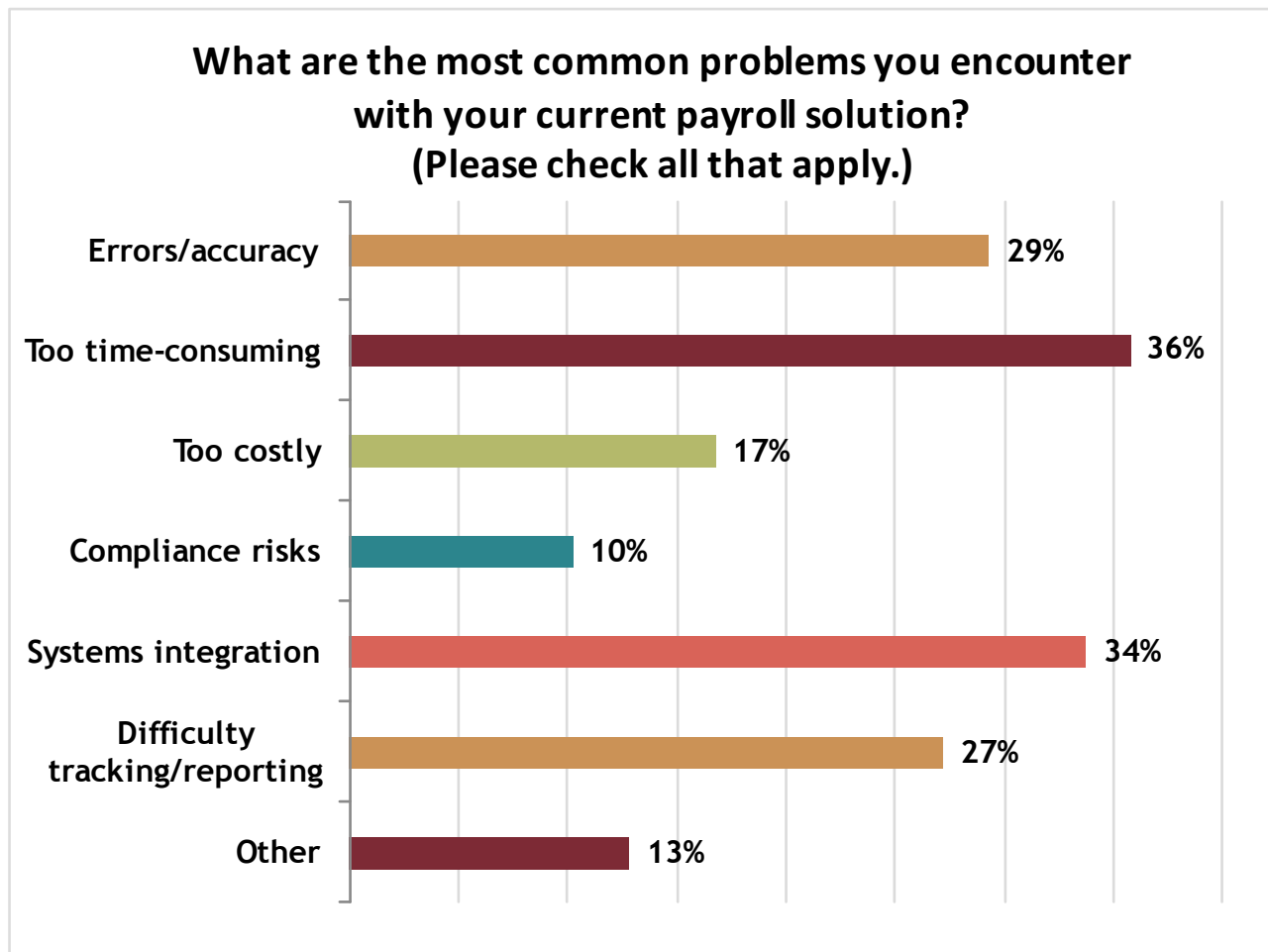
What Age Group Represents the Biggest Segment of Your Workforce?

The survey showed that the largest workforce was Generation X (Gen X) at 64%. Millennials were at a distant second (26%), and Baby Boomers made up only 10% of the workforce.

What age group represents the biggest segment of your workforce?

Millennials, ages
19-36
26%

Baby Boomers,
ages 53-71
10%

Gen X, ages 37-52
64%

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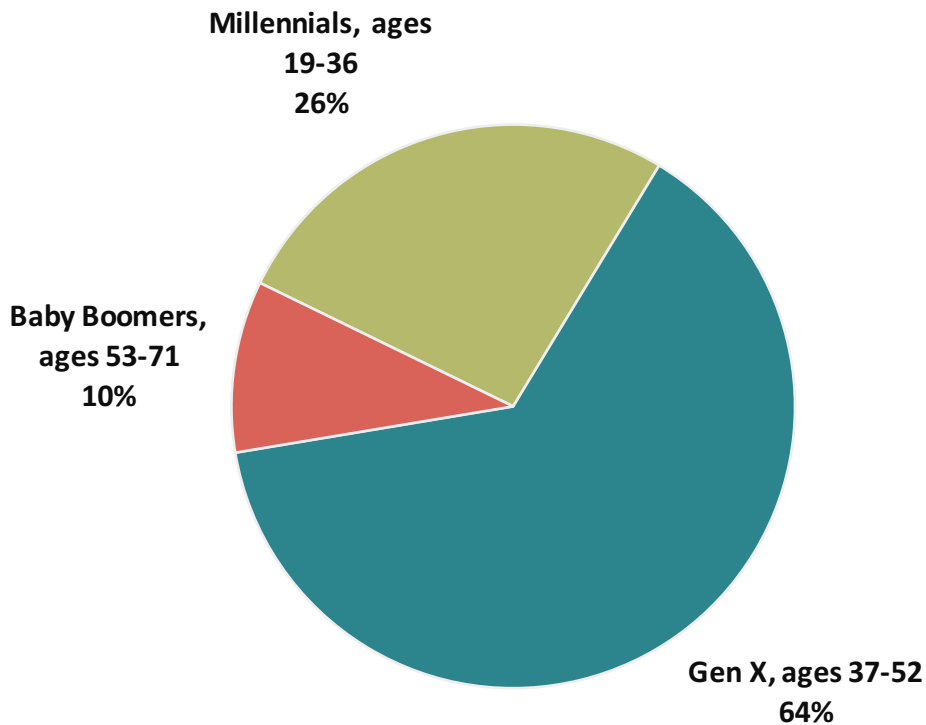
Have Millennials Impacted Your Company's Payroll Processes?

According to the majority of survey respondents (86%), Millennials have not changed their company's payroll processes. A few respondents (8%) did say "Yes, Millennials' needs have influenced changes or updates to our payroll offerings." Another 6% said "Yes, Millennials have expressed a need for new or different payroll services, but we haven't made a change."

Have Millennials impacted your company's payroll processes?

Yes, Millennials have expressed a need for new or different payroll services, but we haven't made a change 6%

Yes, Millennials' needs have influenced changes or updates to our payroll offerings 8%

No, Millennials have not had any influence on our payroll 86%
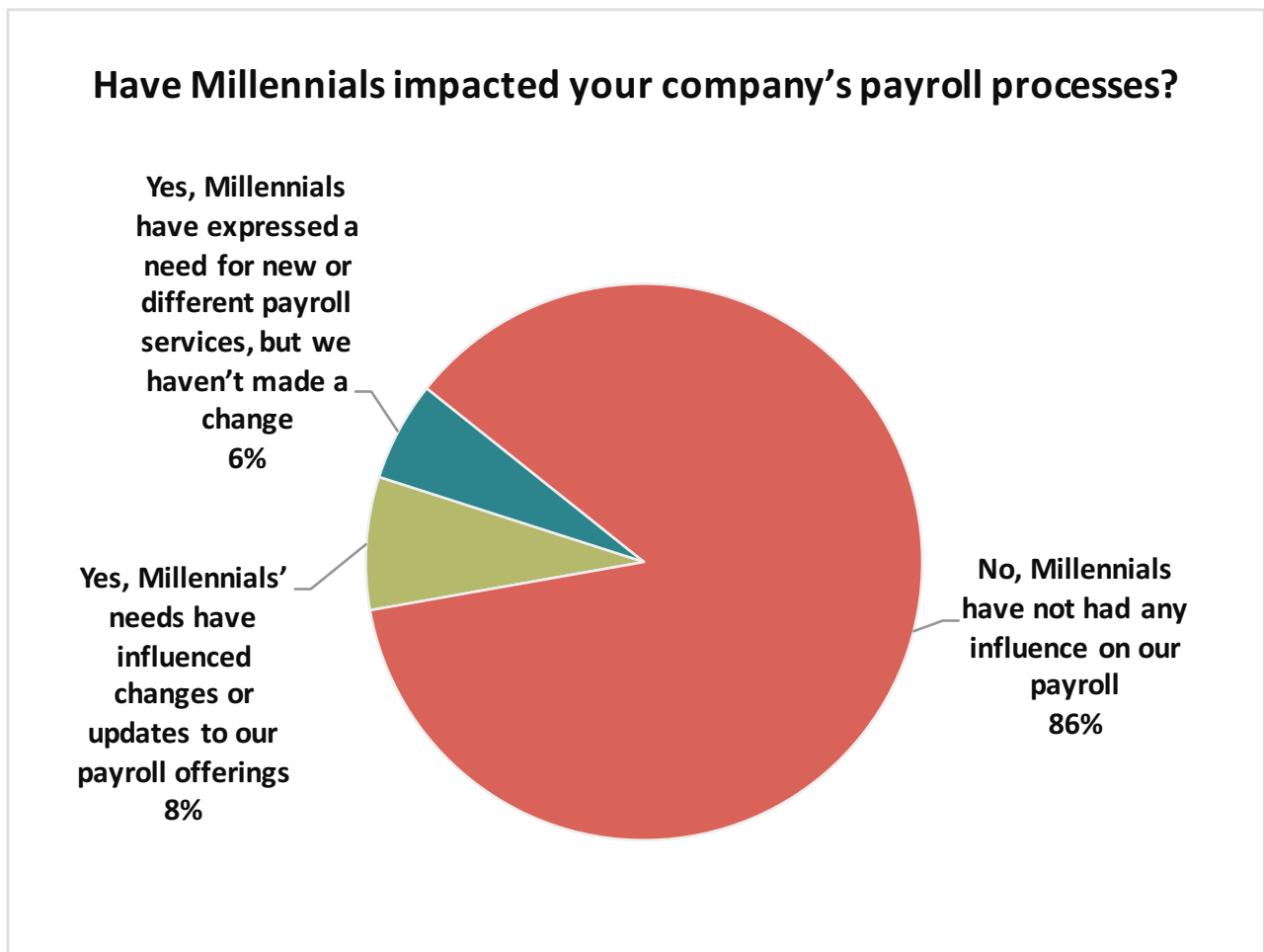
If You've Made Changes to Accommodate Millennials, What Features/Services Have You Added?

When adjusted for those who have not made accommodations for Millennials, the majority of respondents (47%) said "Access to payment information via mobile app." Another 27% said "Reward and incentive programs," and 14% said "Pay cards." Only 11% said "Changes to frequency or availability of payments." Only 2% answered "Other," and those responses include:

- "Access to online timekeeping as well as an online IncreMedical University system with mobile capabilities as well."
- "Started more Directe Deposit (increased to 96%)."
- "Automated e-stubs."

If you've made changes to accommodate Millennials, what features/services have you added? (Please check all that apply.)

Category	%
Pay cards	14%
Access to payment information via mobile app	47%
Reward and incentive programs	27%
Changes to frequency or availability of payments	11%
Other	2%
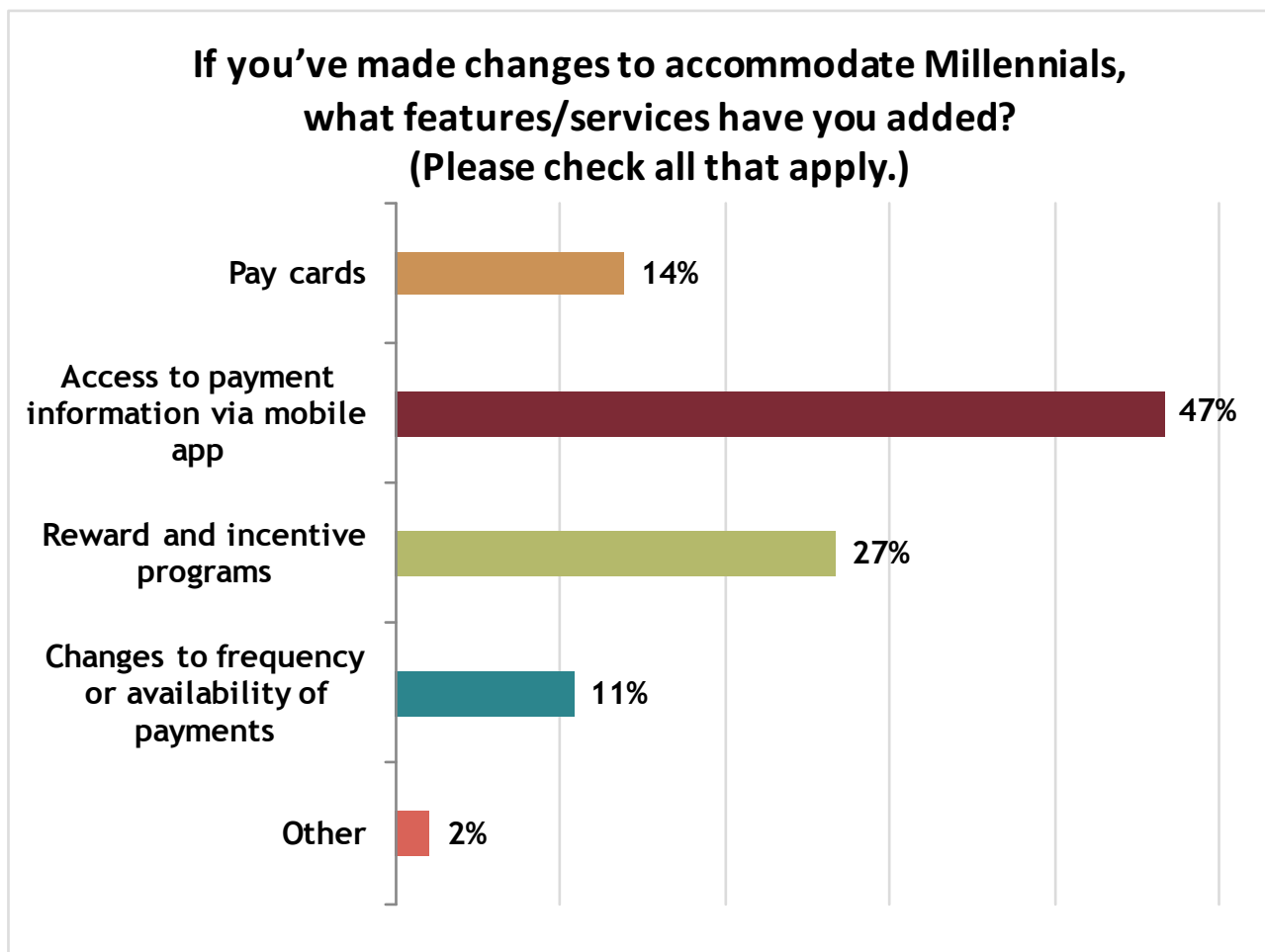
How Important Are the Following HR Challenges at Your Company?

When asked how important certain HR challenges were, 49% said that "Getting and remaining compliant" was the most important. The second most important challenge (43%) was "Keeping employees happy." Take a look at the full results below.

How important are the following HR challenges at your company?

Legend:
- Outdated technology
- Getting and remaining compliant
- Meeting corporate objectives
- Keeping employees happy
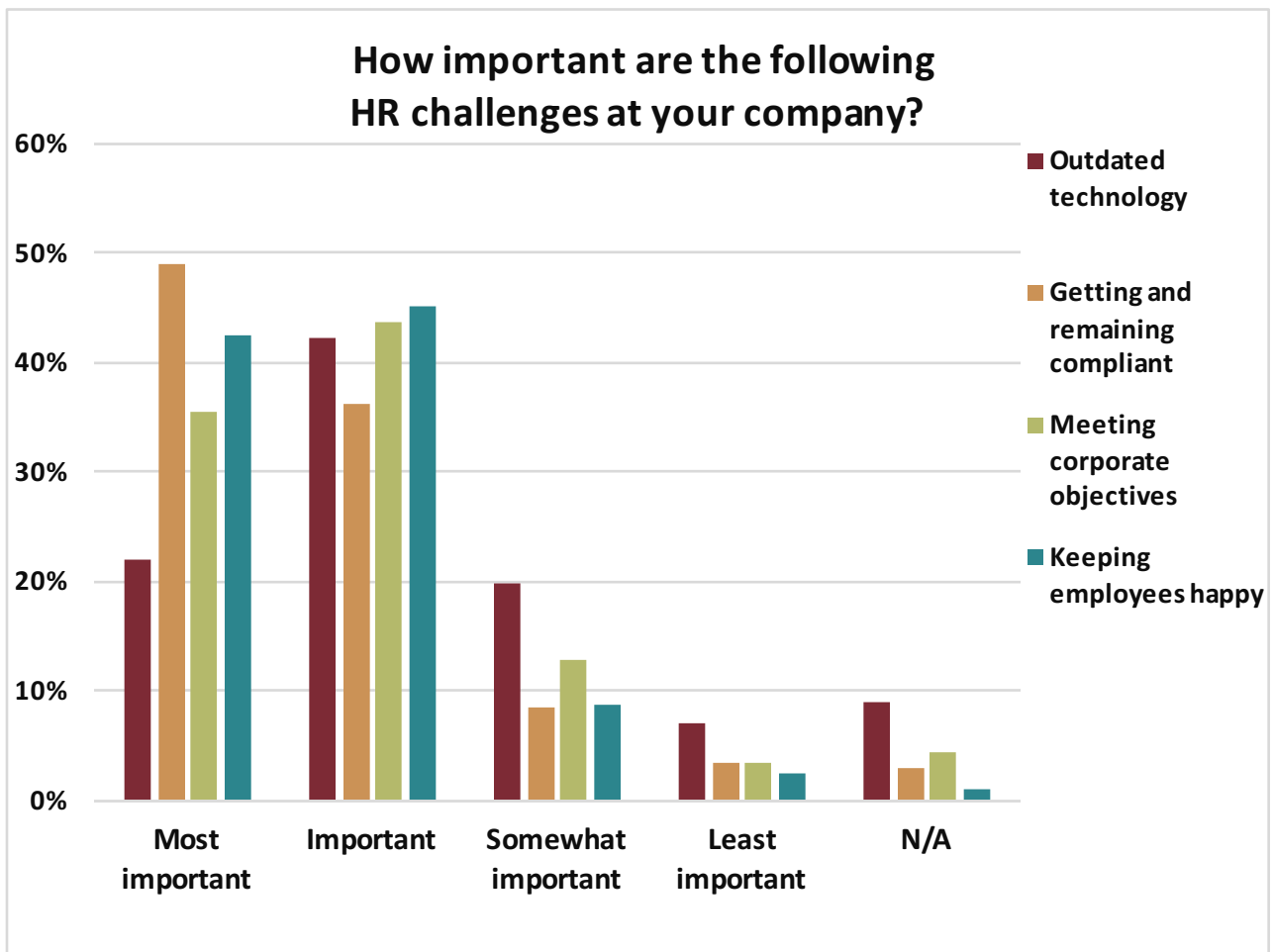
How Would You Rate Your Company's Capacity to Perform Common HR Practices?

The two HR practices that respondents indicated their companies were "Excellent" at were "Payroll administration" (50%) and "Healthcare enrollment" (47%). The HR practice that respondents indicated their companies needed improvement at was "New employee recruitment and staffing" (29%). Please see the full chart below for the rest of the results.

How would you rate your company's capacity to perform common HR practices?
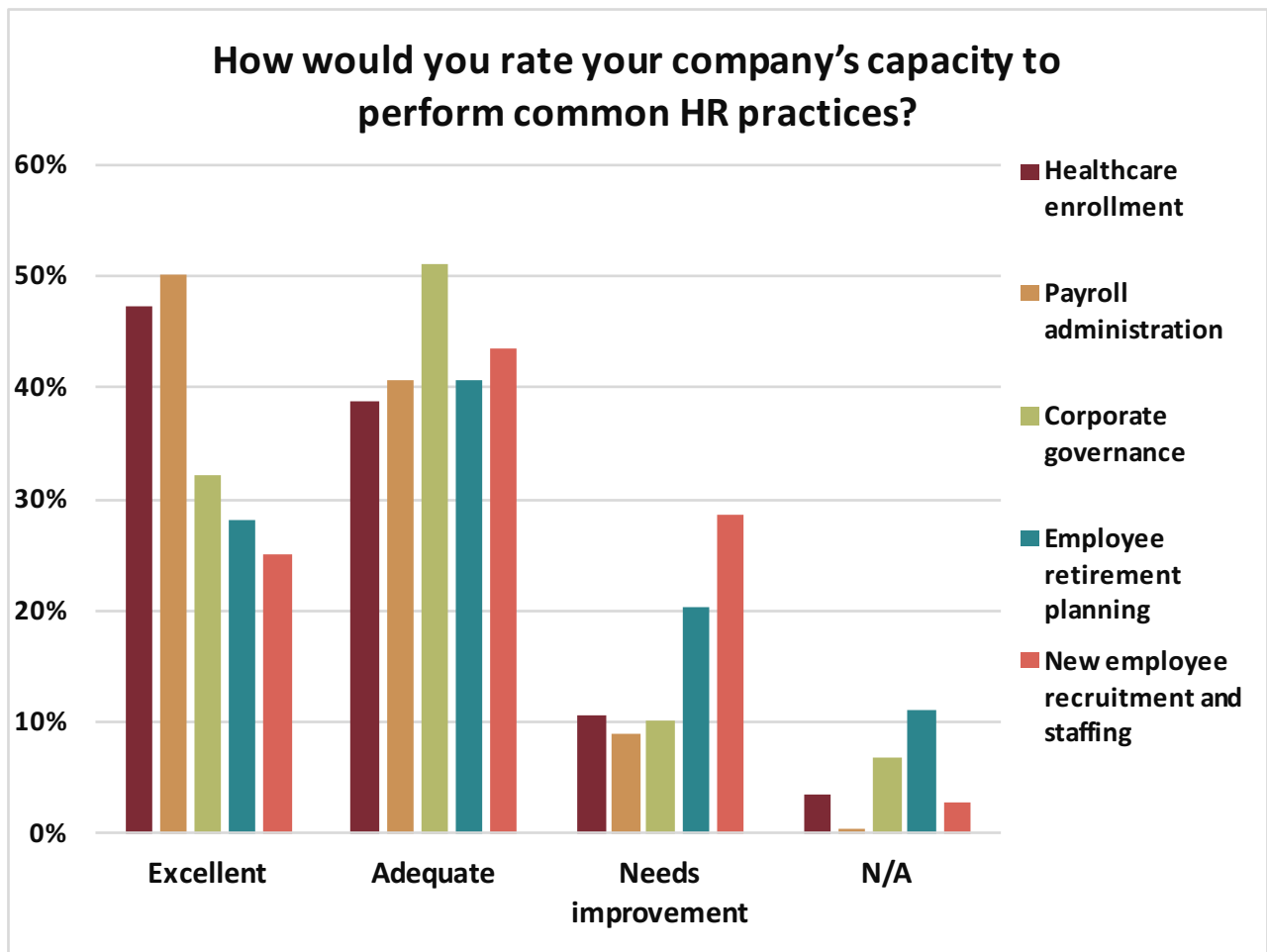
How Often Does Your Company Reconsider New Payroll Solutions?

Companies are much more likely to hold onto their current payroll solution according to this survey. The majority of respondents (58%) say they reconsider new payroll solutions every "4 years or longer." The next highest results were "Every 3 years" (17%), "Every 2 years" (13%), and "Every year" (11%).

How often does your company reconsider new payroll solutions?

Every 2 years
13%

Every year
11%

Every 3 years
17%

4 years or longer
58%
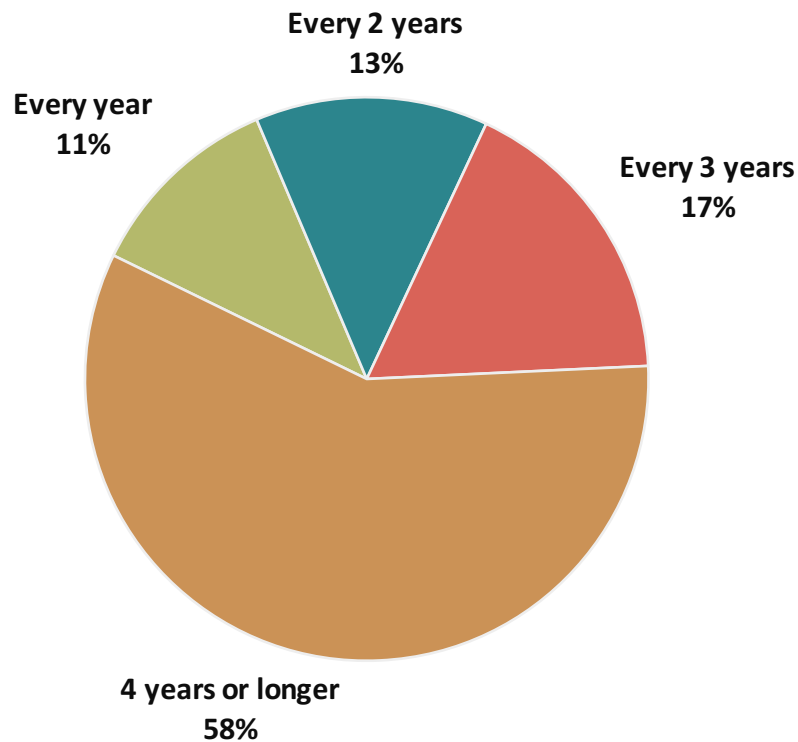
In Which of the Following Areas Would You Like to See Your Company Improve?

Most respondents (57%) say they want their company to improve their recruitment efforts. Other top responses include "Employee retirement" (35%), "Health care" (32%), and "Compliance" (28%). Only 25% said "Payroll." "Other" was selected by 10% of respondents, and here are some of those responses:

- "401k plan matching."
- "Pay equity and transparency."
- "Compensation and short-term disability benefits."
- "More detailed info on insurance health care from an agent."

In which of the following areas would you like to see your company improve? (Please check all that apply.)

Area	Percentage
Recruitment	57%
Health care	32%
Payroll	25%
Compliance	28%
Employee retirement	35%
Other	10%
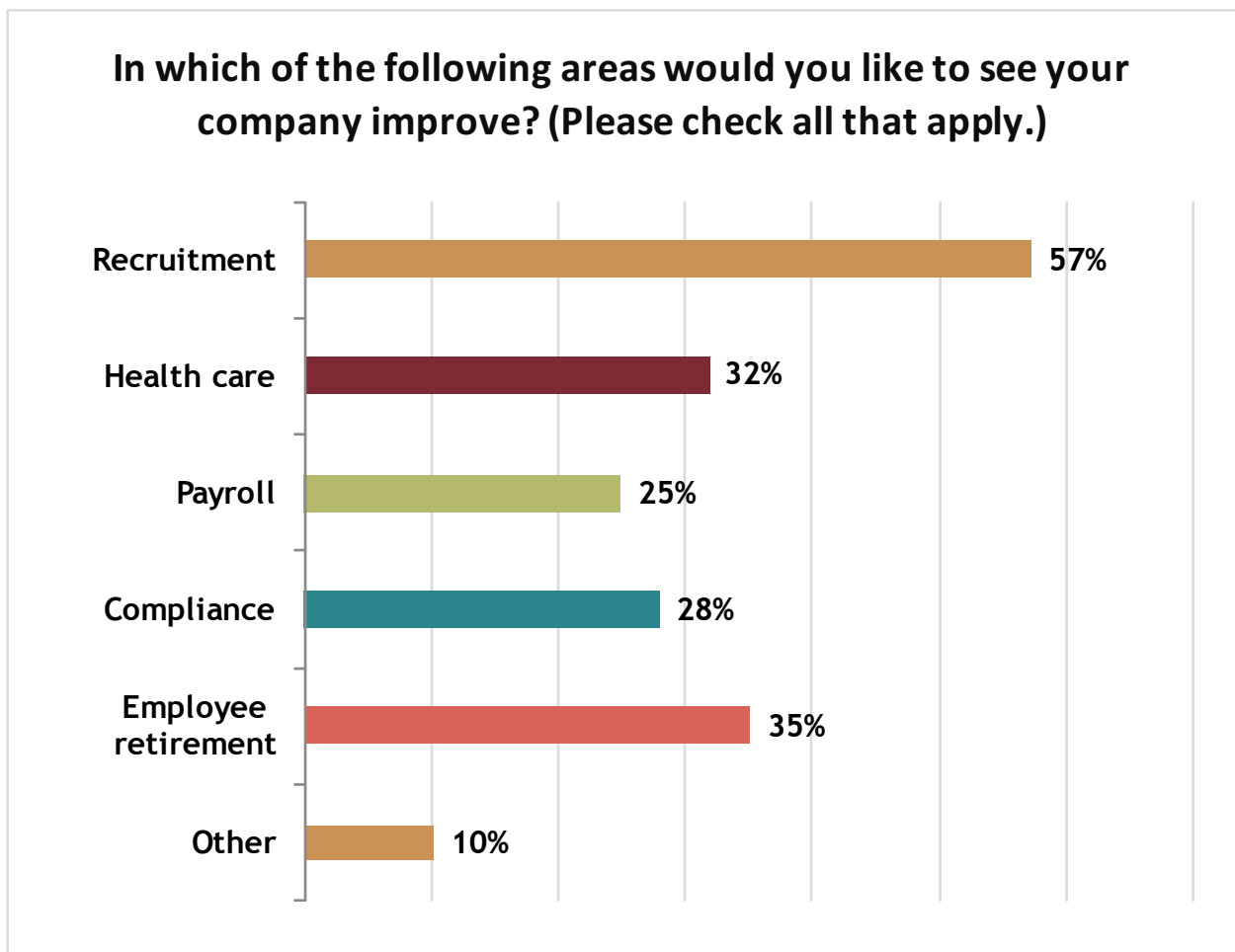
What Are Your Top Concerns with Payroll Administration?

The top three concerns, all scoring similarly, were "Integrating payroll and HR systems" (44%), "Complexity and accuracy" (43%), and "Time sheet management" (42%). "Payroll technology customization" received 30% of the responses.

What are your top concerns with payroll administration? (Please check all that apply.)

Concern	Percentage
Minimizing compliance risk	39%
Integrating payroll and HR systems	44%
Payroll technology customization	30%
Time sheet management	42%
Changing healthcare legislation	21%
Changing tax legislation	26%
Complexity and accuracy	43%
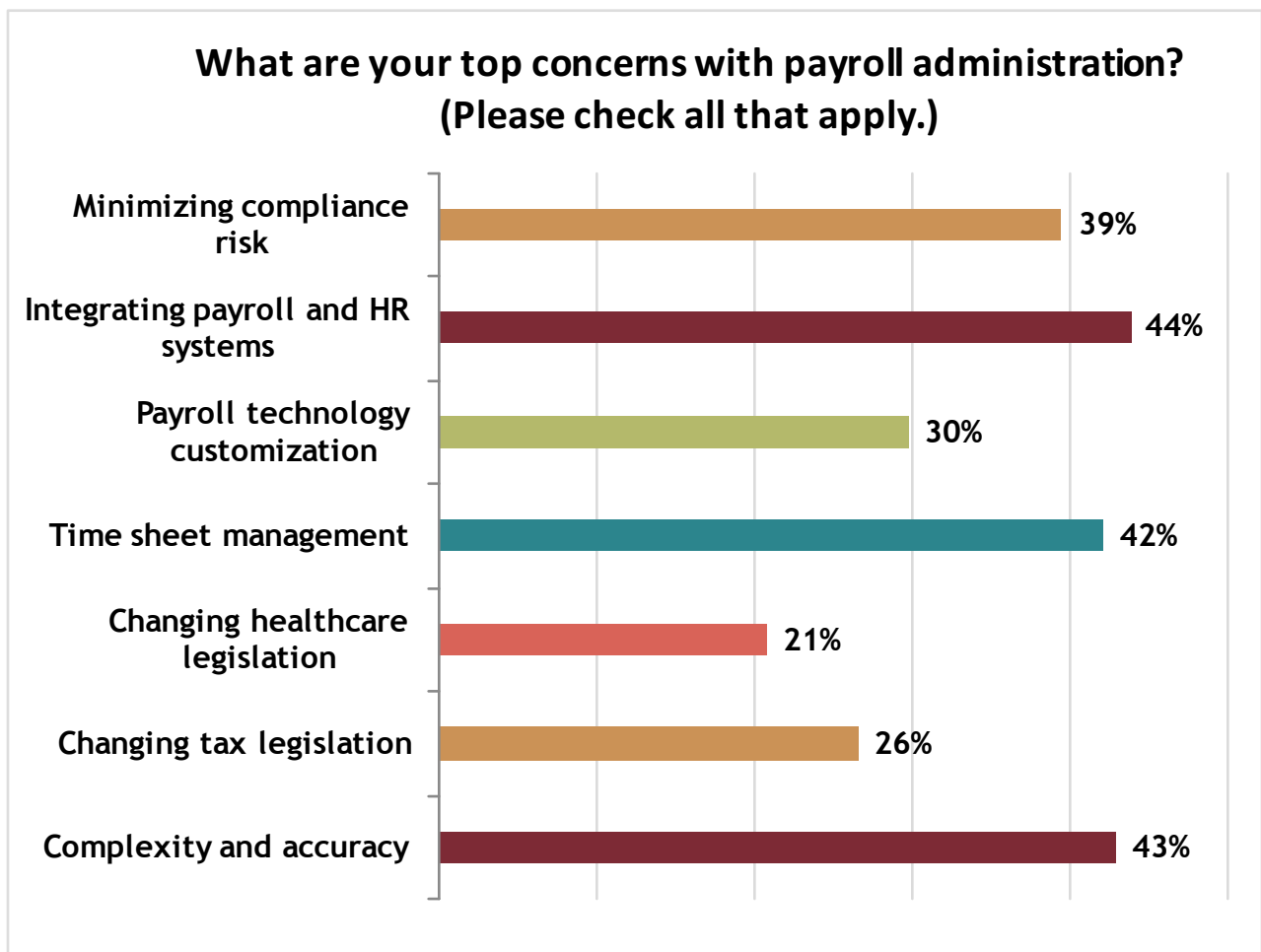
How Do You Manage or Implement Any Changes in Payroll Administration?

The majority of respondents (61%) said that HR was responsible for implementing changes in payroll administration. Another 42% answered "Accounts payable/accounting department." Approximately the same percentages of respondents said "HR seeks outside help" (10%) and "HR uses consultant" (11%). Finally, 9% answered "Other," and here are some of those responses:

- "The owner."
- "HR and finance work together to double-check work."
- "Our payroll department."
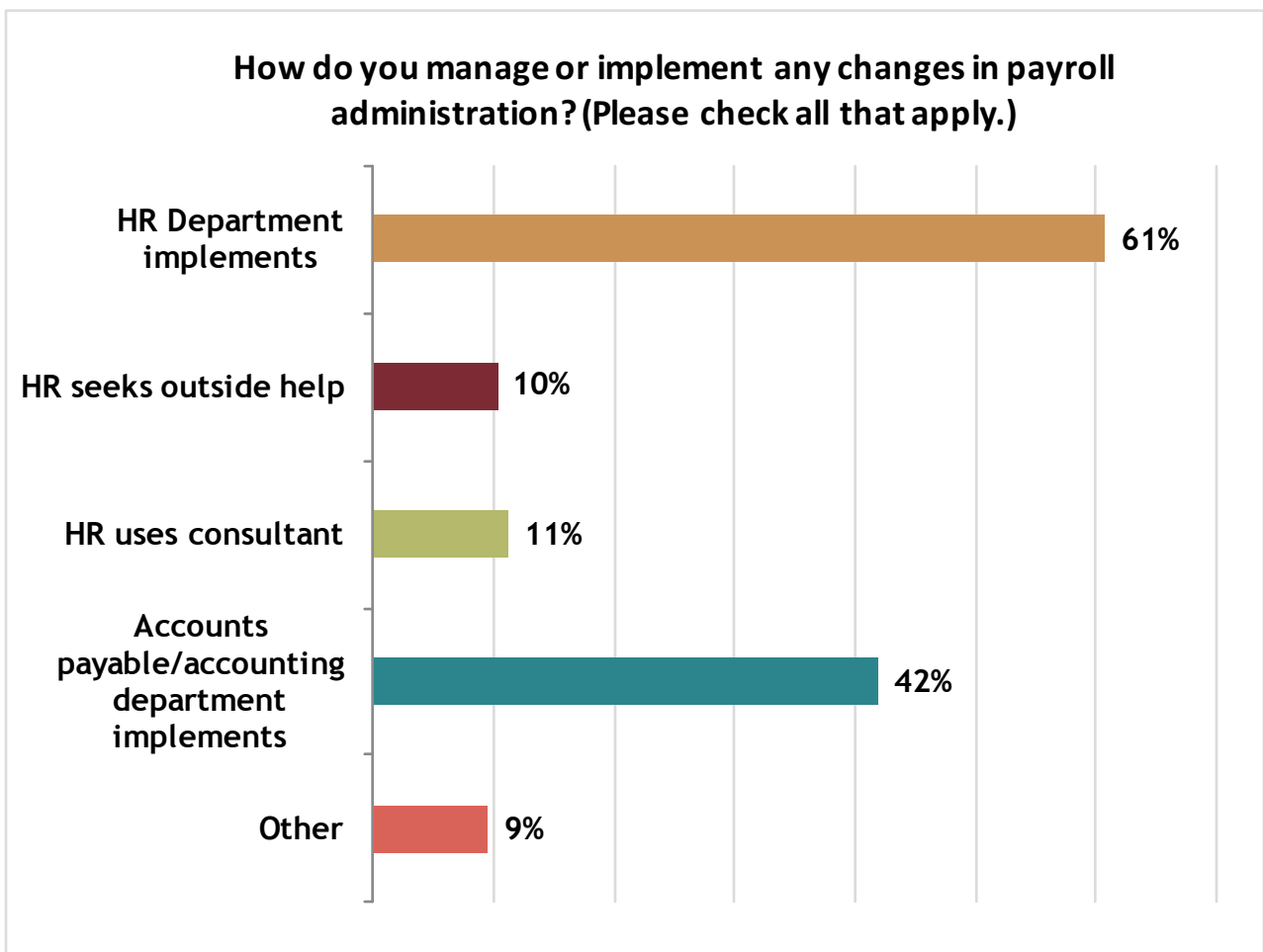
How do you manage or implement any changes in payroll administration? (Please check all that apply.)

Category	Percentage
HR Department implements	61%
HR seeks outside help	10%
HR uses consultant	11%
Accounts payable/accounting department implements	42%
Other	9%

What Functionality, if Any, Is Missing from Your Current Payroll Solution?

When adjusting for those who feel no functionality is missing from their current payroll solution, the number one response (38%) was an "Online portal for real-time fund disbursement." Runners up included "Online reporting and auditing tool" (28%), "Electronic W-2 and wage statements" (21%), and "Direct deposit options for all employees" (8%). "Other" was selected by 6%, and here are many of those responses:

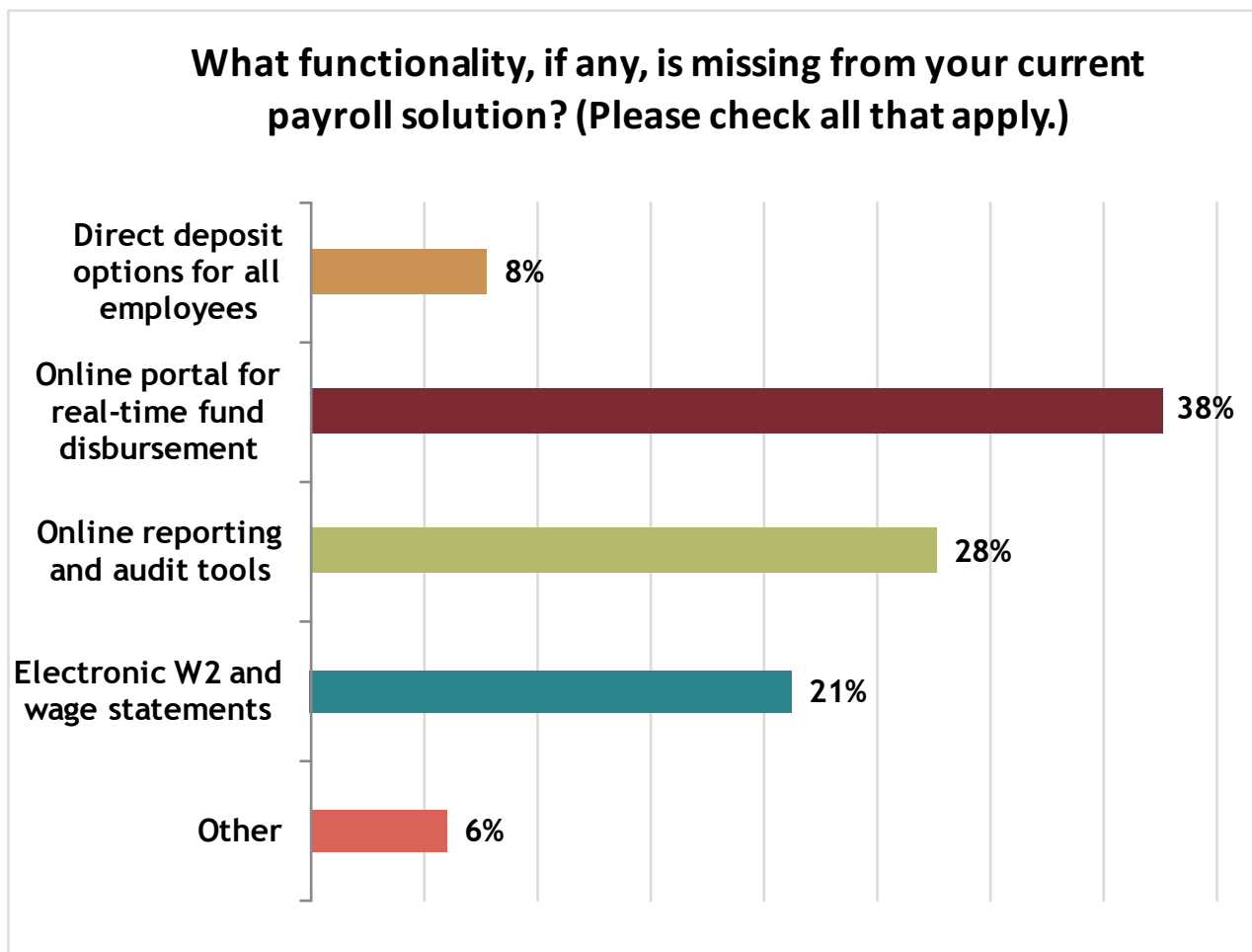- "Expense reporting."
- "Root cause analysis."
- "Multiple localities for withholding and reporting."
- "We have online reporting, but it's not as robust as we would like for it to be."
- "Paid time off according to our policy."
- "Ability to import data from HR system."

- "Processing final and termination checks."
- "Integration to our HRIS system."
- "A way for employees to see what their paycheck will look like if they make various deduction changes or if pay period changes are made, such as from semimonthly to biweekly."
- "I would like them to be able to have access after they leave the company so they can print their own stubs and W-2s later."
- "Onboarding."
- "Ability for employees to receive paper 401k statements; ability to have health savings accounts."
- "Access to benefits and other information through the payroll platform."
- "Real-time sick and vacation balances on paychecks."
- "Full rewards system for employee portal."
- "More user-friendly reporting and audit tools."

What functionality, if any, is missing from your current payroll solution? (Please check all that apply.)

- Direct deposit options for all employees: 8%
- Online portal for real-time fund disbursement: 38%
- Online reporting and audit tools: 28%
- Electronic W2 and wage statements: 21%
- Other: 6%

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How Would You Describe Your Current Payroll Solution?

When respondents were asked how they would describe their current payroll solution, 38% said "A large national payroll service provider (outsourced)." The next highest response (29%) was "Purchased software (in-house)." Other responses include "Cloud-based/subscription-based solution (in-house)" (13%) and "A smaller payroll service provider (outsourced)" (10%)." Only 9% answered "Free software solution (in-house)," and only 8% answered "A locally operated payroll service provider (outsourced)." Some of the "Other" answers (3%) include:

- "PEO."
- "Microsoft® Excel®-based solution."
- "I write the checks."
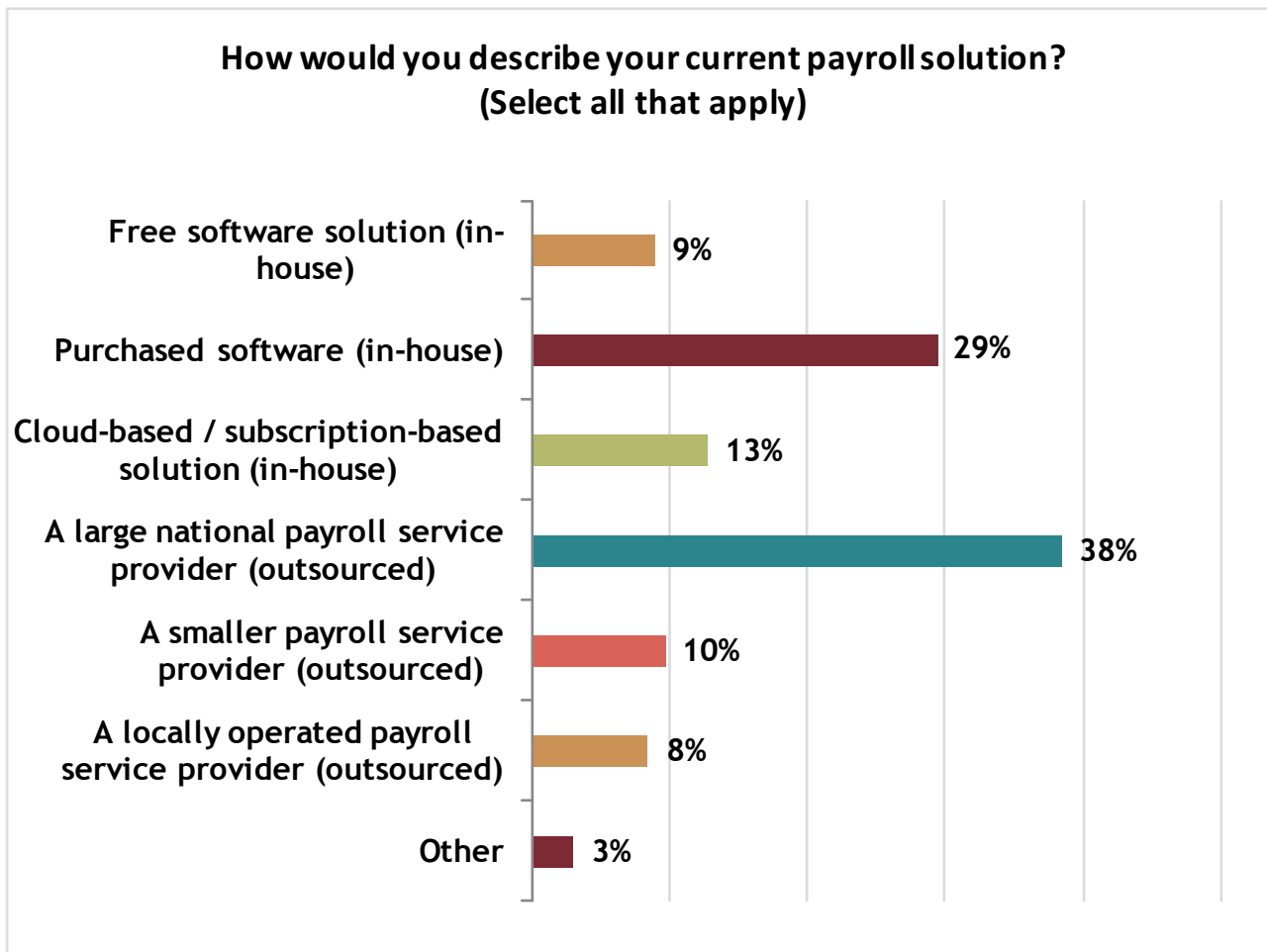
How would you describe your current payroll solution? (Select all that apply)

Category	Percentage
Free software solution (in-house)	9%
Purchased software (in-house)	29%
Cloud-based / subscription-based solution (in-house)	13%
A large national payroll service provider (outsourced)	38%
A smaller payroll service provider (outsourced)	10%
A locally operated payroll service provider (outsourced)	8%
Other	3%

Does Your Company Receive Training and/or Tech Support for Your Current Payroll Solution?

Most respondents (62%) say that their company receives ongoing technical support from their current payroll solution. Another 32% say they have "Received some training at installation." Only 12% said they received "No training or support," and only 10% said "There was limited-time technical support."

Does your company receive training and/or tech support for your current payroll solution?
(Please check all that apply.)

Category	Percentage
No training or support	12%
Received some training at installation	32%
There was limited-time technical support	10%
There is ongoing technical support	62%
Other	2%
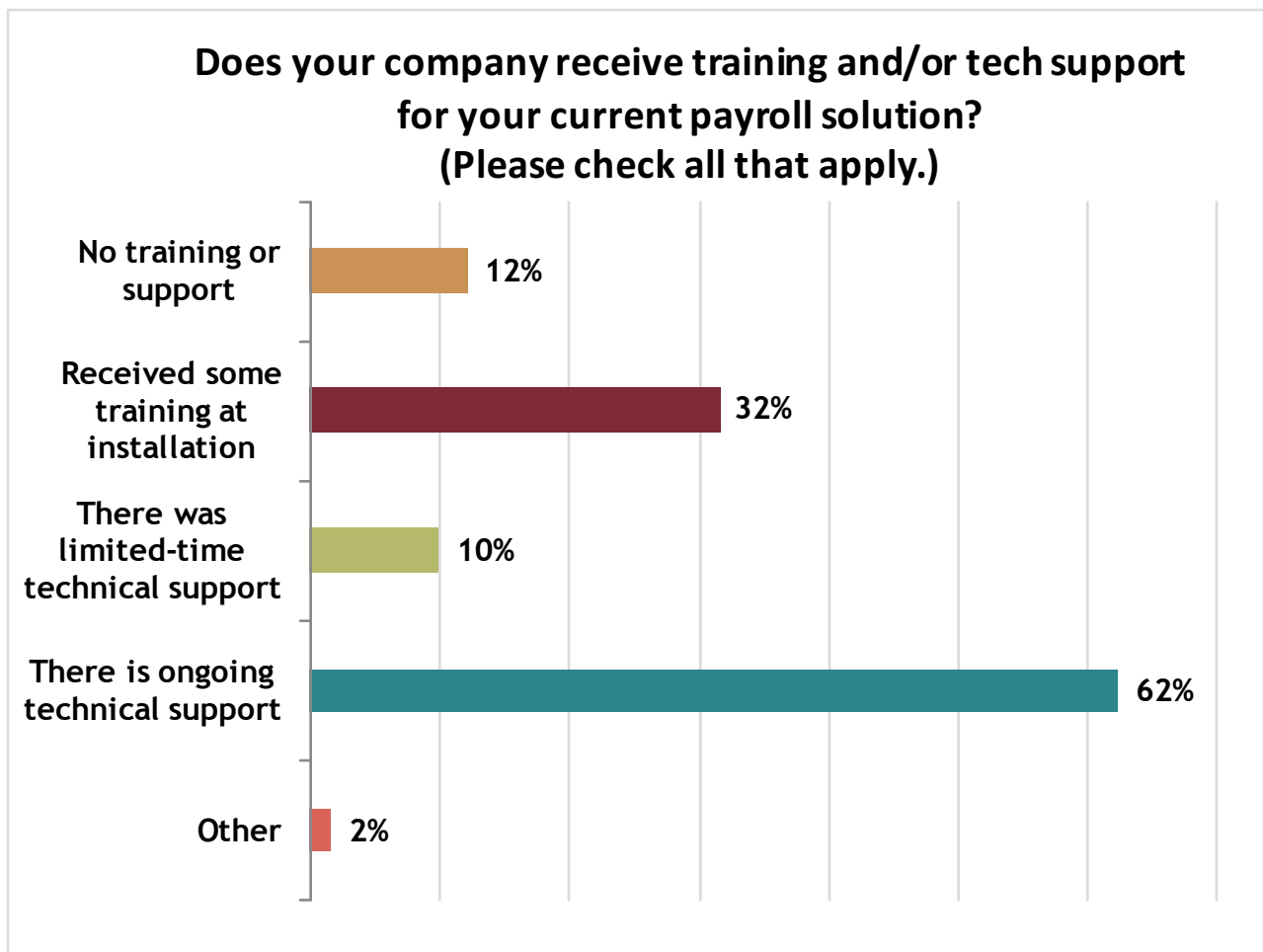
What Do You See as the Advantages of Your Current Payroll Solution?

When correcting for those who say that they do not see any advantage to their current payroll solution, the number one response was a tie between "It provides easy tracking/reporting capability" (54%) and "It's cost-effective" (54%). The other two responses were "It offers flexibility/ease of use" (46%) and "Saves time" (39%). Only 5% answered "Other," and here are a few of those responses:

- "Proven Payroll solution ... with the resources to back it up."
- "EXCELLENT customer service."
- "We're used to it and don't have to spend time/money learning a new system."
- "Reasonably responsive to complexities of situation."

What do you see as the advantages of your current payroll solution? (Please check all that apply.)

Response	Percentage
It provides easy tracking / reporting capability	54%
It offers flexibility / ease of use	46%
It's cost-effective	54%
Saves time	39%
Other	5%
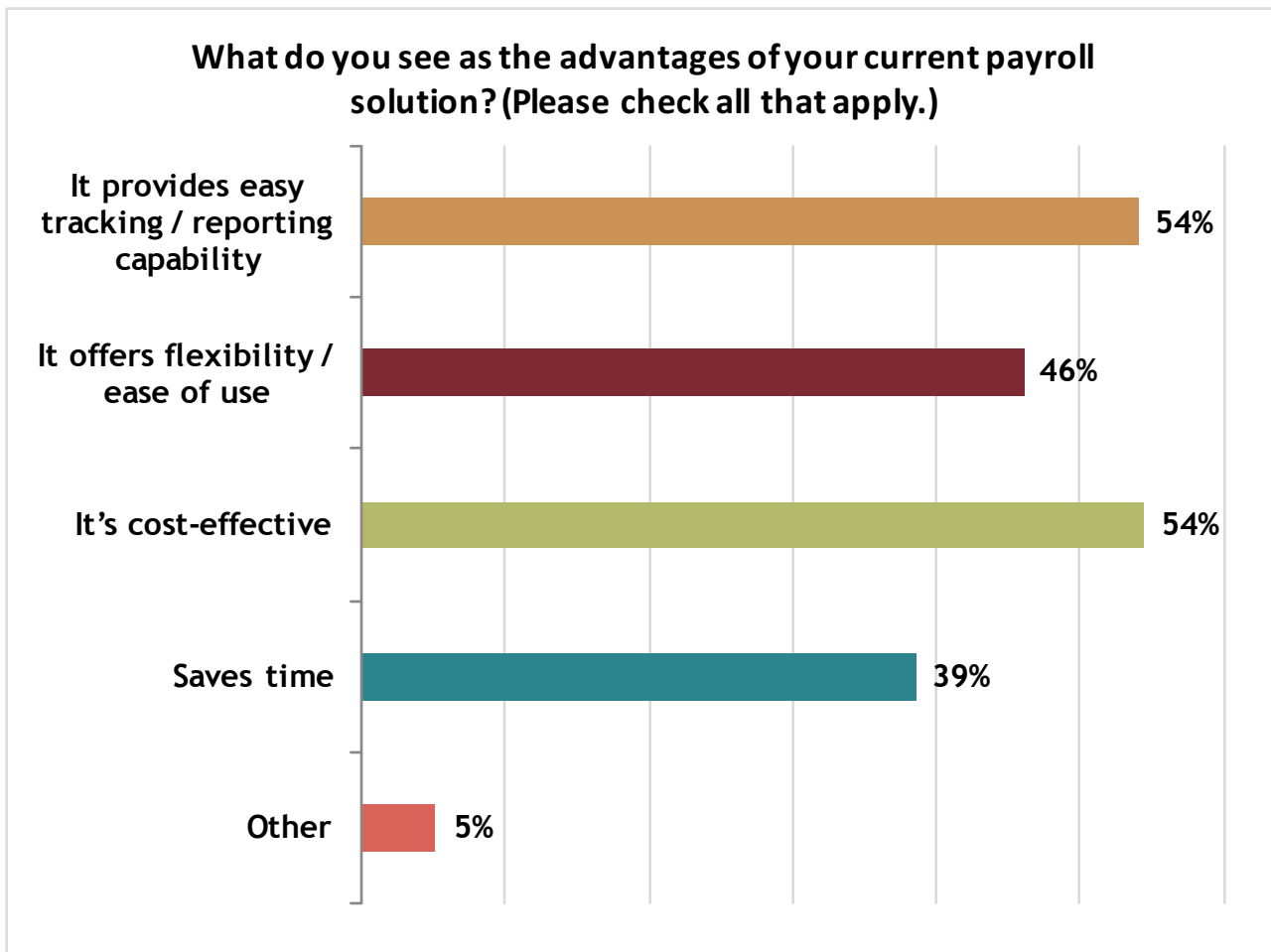
How Familiar Are You with These Payroll Options Available to Companies?

The survey shows that respondents were most familiar (46%) with "Full-service outsourcing" as payroll options available to companies. Respondents were least familiar with "Free software solutions" (46%) and "Pay card solutions" (42%). Please see the chart below for complete results.

How familiar are you with these payroll options available to companies?

Legend:
- Free software solutions
- Full-service outsourcing
- Module-based software
- Cloud-based subscription
- Pay card solution

Categories: Very familiar, Somewhat familiar, Not familiar
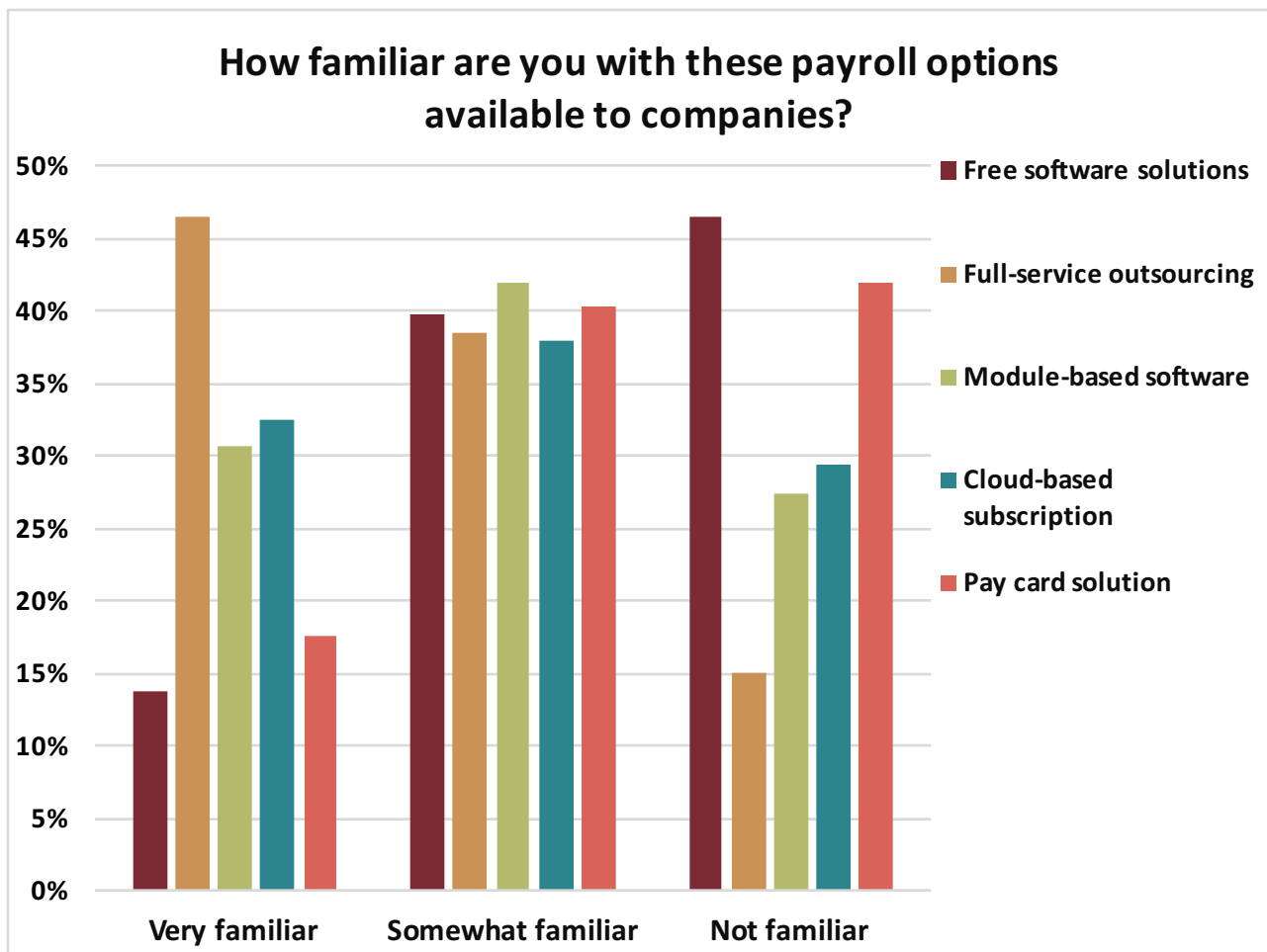
What Do You See as the Disadvantages of Your Current Solution?
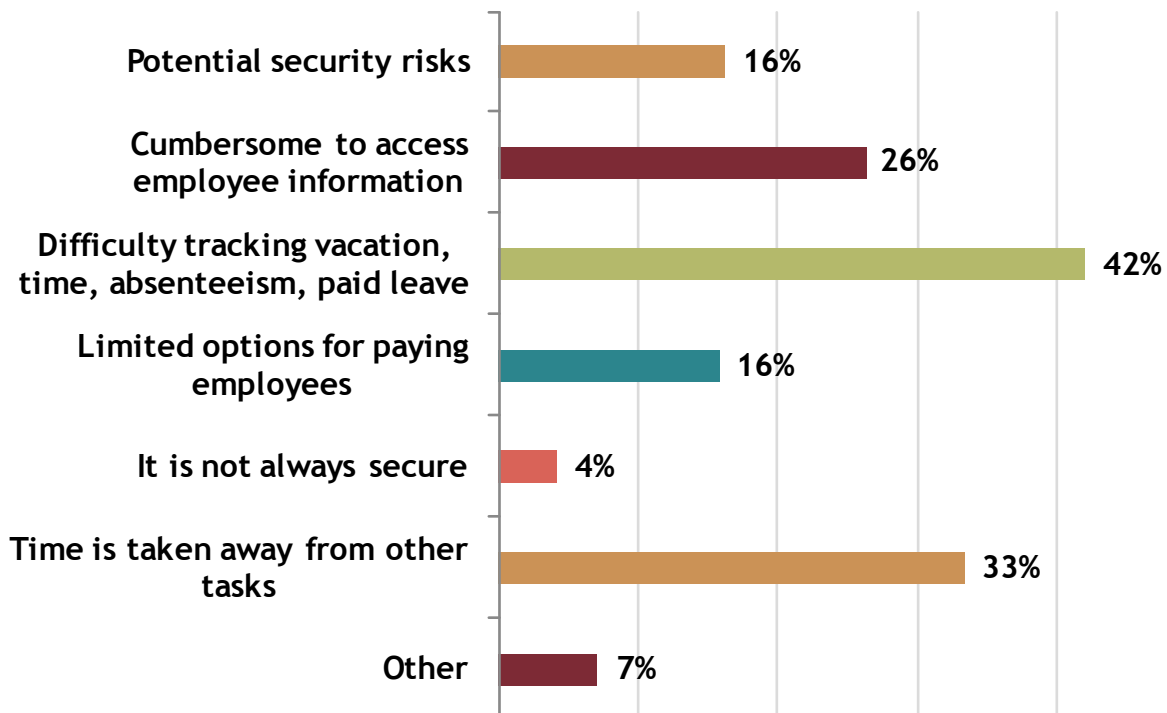
When adjusting for those who see no disadvantage with their current solution, the number one response (42%) was "Difficulty tracking vacation, time, absenteeism, paid leave." Runners up include "Time is taken away from other tasks" (33%), "Cumbersome to access employee information" (26%), and "Potential security risks" and "Limited options for paying employees" both received 16% of the responses. Only 4% said "It is not always secure." We received 7% "Other" responses, which include:
- "Ability to manage custom settings."
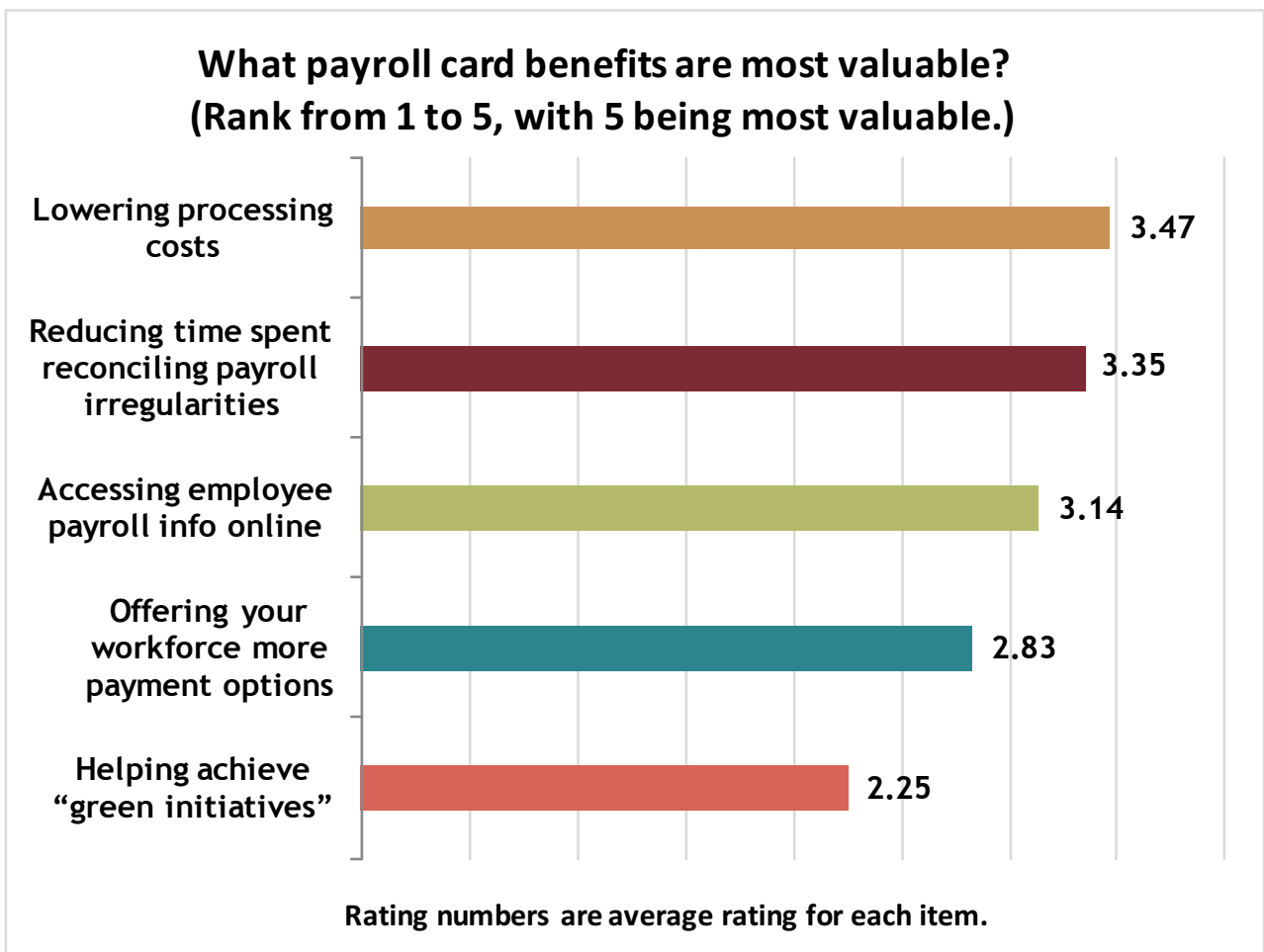- "High rate of errors on their side."

- "Not flexible report writing; have to use what they have or contact support for more intricate detail reports, which is a time-consuming inconvenience."
- "Problems resolving technical issues."
- "Sometimes reports have too much information or can't run the exact report the way you want. Continually making changes and sometimes it is not a better change."
- "Their customer service is not wonderful, and it costs to make any changes."
- "It is not the best user-friendly system, so it takes time to do any processes and not great reports."
- "Need to constantly purchase new platforms for the functionality we want."

What do you see as the disadvantages of your current solution? (Please check all that apply.)

Category	Percentage
Potential security risks	16%
Cumbersome to access employee information	26%
Difficulty tracking vacation, time, absenteeism, paid leave	42%
Limited options for paying employees	16%
It is not always secure	4%
Time is taken away from other tasks	33%
Other	7%

## What Payroll Card Benefits Are Most Valuable to Your Business?

The chart below shows how respondents ranked payroll card benefits from most valuable to least valuable. The values to the right of the bars are the average rating for each item.

What payroll card benefits are most valuable?
(Rank from 1 to 5, with 5 being most valuable.)

Benefit	Rating
Lowering processing costs	3.47
Reducing time spent reconciling payroll irregularities	3.35
Accessing employee payroll info online	3.14
Offering your workforce more payment options	2.83
Helping achieve "green initiatives"	2.25

Rating numbers are average rating for each item.

Has Your Company Looked into Options for Paying 100% of Your Employees Electronically?
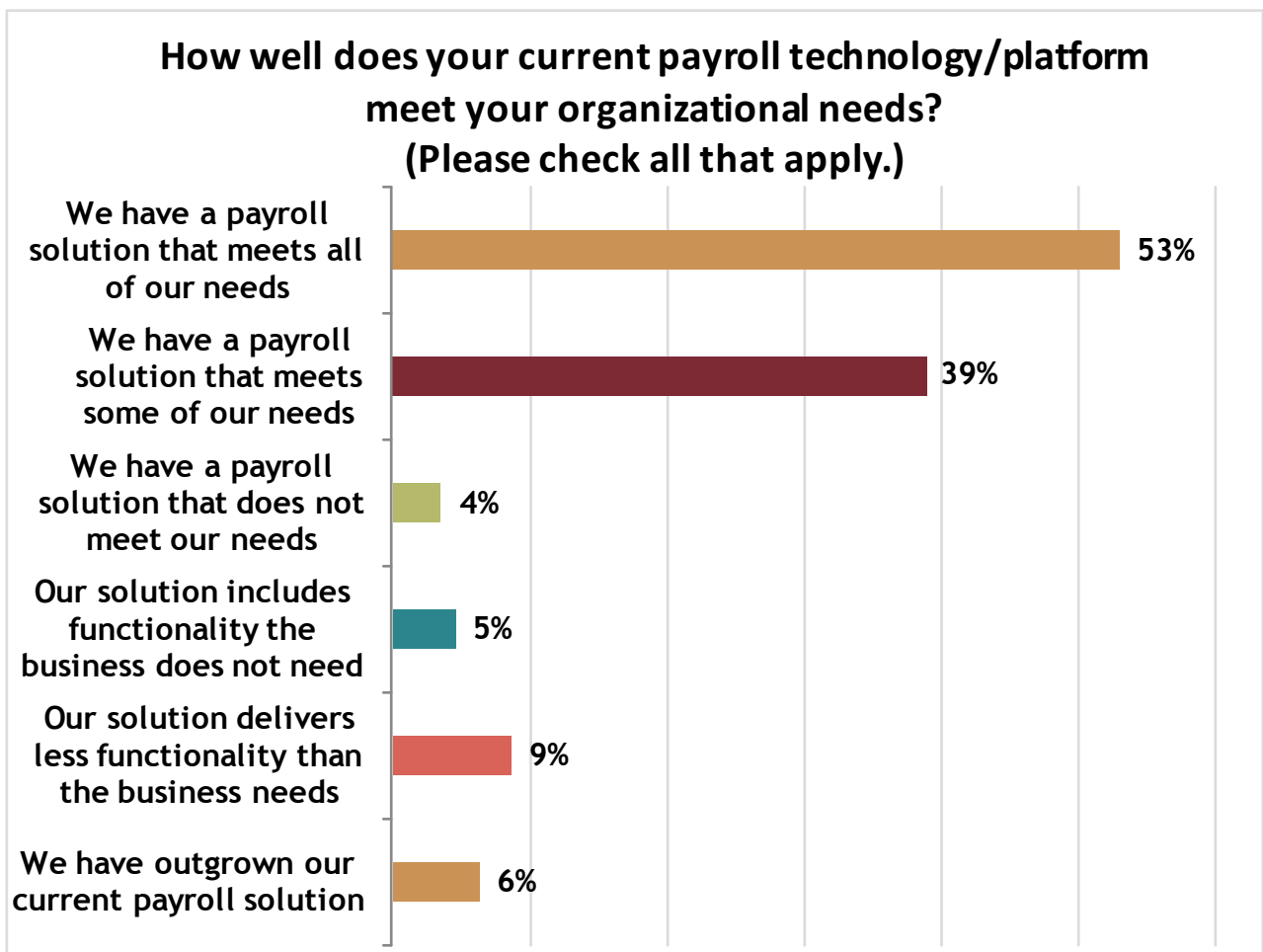
When respondents were asked if their company has considered options for paying 100% of their employees electronically, 64% said "Yes." That leaves 36% saying "No."

Has your company looked into options for paying 100% of your employees electronically?

Yes
64%

No
36%
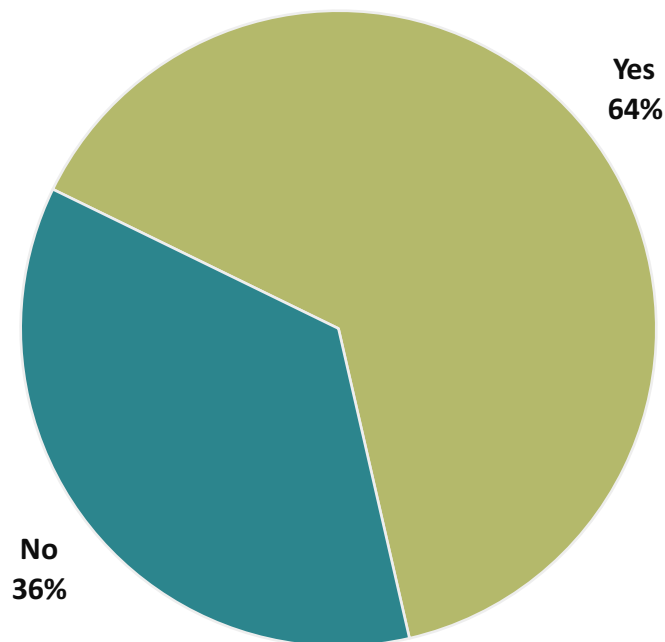
How Well Does Your Current Payroll Technology/ Platform Meet Your Organizational Needs?

Most respondents (53%) are happy with their payroll technology/platform's ability to meet all of their needs. Another 39% say that their payroll solution meets some of their needs. Only 4% said their solution doesn't meet their needs, and only 6% say they have outgrown their system.

How well does your current payroll technology/platform meet your organizational needs? (Please check all that apply.)

Category	Percentage
We have a payroll solution that meets all of our needs	53%
We have a payroll solution that meets some of our needs	39%
We have a payroll solution that does not meet our needs	4%
Our solution includes functionality the business does not need	5%
Our solution delivers less functionality than the business needs	9%
We have outgrown our current payroll solution	6%

Our *HR Daily Advisor* surveys are designed by our in-house team of HR experts. Once survey questions and distractors are determined and tested, the survey is ported to the SurveyMonkey® platform. Our survey population base is the 250,000 or so customers of our parent company, BLR®. Customers are notified of the survey through e-mails. They then click a link that takes them to the survey.

Surveys typically stay open for 3 weeks, although data show that most responses are received within a few days of the announcement of the availability of the survey. Surveys may stay open longer than 3 weeks for further data collection.

Analysis is usually straightforward, reporting on responses and percentages of those responses. We strive to present data in clear, easy-to-understand charts and tables.

With open-ended questions, we mention the most frequently encountered entries, using our judgment as to which responses may be grouped together.