PAYROLL DEPARTMENT BENCHMARKS AND ANALYSIS 2013–2014

Essential research and metrics on payroll operations, resources, and performance
Payroll Department Benchmarks and Analysis 2013-2014
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About the Authors

The following individuals contributed to the study design, data collection, analysis, writing, copyediting, and production of this report.

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Graphics Director

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Consulting Editor
Overview

Bloomberg BNA’s *Payroll Benchmarks and Analysis 2013-2014* is a comprehensive survey-based report on payroll operations, activities, and performance. Based on the results of an in-depth survey questionnaire, the report’s narrative and graphics provide extensive research and analyses across a broad spectrum of topics and metrics, including:

- payroll staffing and expenditures, particularly per capita measures of staff levels and budgets;
- basic payroll operations and parameters, including oversight of the payroll department, extent of domestic and international operations, pay cycles, and means of time-worked submissions;
- payroll systems, technology, and automation;
- outsourcing of payroll functions and activities;
- speed and efficiency of payroll transactions;
- incidence and resolution of payroll errors, inquiries, and fraud; and
- evaluation and benchmarking of the payroll department.

The survey findings culminate Bloomberg BNA’s most extensive research and analysis on the payroll function, conducted among more than 300 payroll professionals nationwide in 2012. The report provides numerous metrics and parameters, including payroll staffing and budgets, departmental operations and procedures, technology and automation in payroll, and various measures of payroll department performance. While the responding payroll professionals were provided with guidance on how specific metrics should be reported or calculated, some measures were nevertheless subject to some degree of variation and interpretation by the individual respondents.
Definitions of Terms

Please note the following definitions of several terms used throughout this report.

**Average**—The average, or mean, is the sum of all values divided by the number of values or observations in the data set or series.

**Median**—The median is the midpoint or middle value within a set of figures arranged in numerical order. That is, half the numbers in a set fall above the median and the other half below it. Medians are often used in statistical analyses to help ensure that a few extreme values in a range of numbers do not distort the results. Values at the extremes (“outliers”) tend to have a much greater impact on the mean than on the median.

**Central range or midrange**—The central range or midrange refers to the range between the 25th percentile (first quartile) and the 75th percentile (third quartile) in a numerical series. Fifty percent of the values fall within this range. Twenty-five percent fall below the 25th percentile figure and 25 percent lie above the 75th percentile mark. The central range or midrange (the middle 50 percent) might be characterized as a broad representation of the most common or prevalent percentages, ratios, or amounts.

**Full-time equivalent (FTE)**—In this report, *full-time equivalents* are used primarily to adjust for the full-time or part-time status of workers in comparisons of staff levels in the payroll department. Therefore, a payroll office with three full-time employees (3.0 FTEs) and three half-time employees (3 x 0.5=1.5 FTEs) has 4.5 full-time equivalent workers.

**Employee headcount**—The total number of employees in an organization’s workforce (not including contractors, temporaries, or contingent workers) regardless of full-time or part-time status. A company with 110 full-time workers and 17 part-time employees has an employee headcount of 127.
Study Design, Methodology, and Presentation

Bloomberg BNA's *Payroll Benchmarks and Analysis 2013-2014* is based on an extensive survey conducted among payroll professionals and executives in 2012, drawn from a sample of payroll professionals in Bloomberg BNA's nationwide database. The survey was conducted over a secure website, with several reminders to respond. As an incentive to participate, respondents were promised a copy of the completed report. A total of 320 respondents provided usable data for analysis.

Several steps were taken to ensure that survey participants' responses would remain confidential. As noted above, the survey was hosted on a secure website to ensure that information submitted by respondents could not be observed or obtained by third parties. Respondents were assured that neither individual respondents nor the organizations they represented would be identified without express permission from the participants. Apart from those exceptions, only aggregate data and statistics are presented and analyzed in this report.
### Profile of Participating Employers

The responding payroll professionals represent a wide variety of enterprises, institutions, and industries, as the summary data below demonstrates.

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manufacturing</strong></td>
<td>21%</td>
</tr>
<tr>
<td>Basic manufacturing</td>
<td>5%</td>
</tr>
<tr>
<td>Intermediate manufacturing</td>
<td>4%</td>
</tr>
<tr>
<td>Advanced manufacturing</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Nonmanufacturing</strong></td>
<td>48%</td>
</tr>
<tr>
<td>Finance, insurance, and real estate</td>
<td>12%</td>
</tr>
<tr>
<td>Business, personal, and miscellaneous services</td>
<td>5%</td>
</tr>
<tr>
<td>Retail and wholesale trade</td>
<td>4%</td>
</tr>
<tr>
<td>Transportation, warehousing, utilities</td>
<td>3%</td>
</tr>
<tr>
<td>Information services, telecommunications, data processing</td>
<td>3%</td>
</tr>
<tr>
<td>Communications and publishing</td>
<td>3%</td>
</tr>
<tr>
<td>Construction</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Nonbusiness</strong></td>
<td>31%</td>
</tr>
<tr>
<td>Health care</td>
<td>6%</td>
</tr>
<tr>
<td>Government</td>
<td>13%</td>
</tr>
<tr>
<td>Education</td>
<td>8%</td>
</tr>
<tr>
<td>Membership and social service organizations; other</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Workforce Size (Total Headcount)</strong></td>
<td></td>
</tr>
<tr>
<td>Fewer than 250</td>
<td>18%</td>
</tr>
<tr>
<td>250 to 499</td>
<td>9%</td>
</tr>
<tr>
<td>500 to 999</td>
<td>13%</td>
</tr>
<tr>
<td>1,000 to 2,499</td>
<td>15%</td>
</tr>
<tr>
<td>2,500 or more</td>
<td>45%</td>
</tr>
<tr>
<td><strong>Union Status</strong></td>
<td></td>
</tr>
<tr>
<td>Union-represented employees</td>
<td>34%</td>
</tr>
<tr>
<td>Non-union</td>
<td>66%</td>
</tr>
</tbody>
</table>
Payroll Automation and Technology

Few Payroll Professionals Think Their Departments Are On the Cutting Edge

While very few payroll professionals reported that their departments are in the dark ages technologically, only a small minority characterized their payroll operations as highly sophisticated. Regarding their offices’ automation and technological capabilities, most took the middle ground or deferred judgment.

Almost half of the respondents (49 percent) indicated “moderate” automation and technology in their payroll operations, while less than half as many (20 percent) claimed a high degree of technological sophistication in their offices. Just 5 percent noted “low” levels of technology and automation in payroll, as Figure 2-3 shows.

The survey findings suggest substantial uncertainty among payroll professionals about their departments’ technological standing, as more than one-quarter of the respondents did not answer the question (25 percent) or indicated that they were unsure (1 percent) about their offices’ level of automation and technology.

![Figure 2-3: Level of Payroll Technology and Automation](image)

Payroll automation and technology (or, more accurately, respondents’ perceptions regarding those factors) do not appear to vary substantially by workforce size. For instance, 19 percent of payroll officers from the smallest establishments (fewer than 250 employees) reported high levels of payroll automation, as did 21
Payroll Staff Composition, Specialists, and Changes

Managers, Professionals Comprise about Three-Fourths of Payroll Staffs

Managers and professional workers predominate on payroll department staffs, belying any assumption that the payroll function mostly encompasses clerical duties. Among respondents providing payroll staffing information, managers and supervisors made up an average of one-third of the payroll office staff, while professional and technical employees made up an average of 41 percent. (See Figure 3-9.) Thus, clerical workers comprise about one-quarter of the “average” payroll department staff (26 percent).

Not surprisingly, management and supervisory employees represented an average of only 25 percent of the payroll staff in the largest responding companies (2,500 or more employees). Average professional/technical (44 percent) and clerical (30 percent) representation edged up a bit among those largest firms. On the whole, however, the distribution of payroll department employees across the management-professional-clerical spectrum does not vary enormously (or consistently) by workforce size.

Payroll Specialists Mostly Confined to Largest Establishments

Specialization in the payroll department is not a luxury that most small companies can afford. Overall, just over half of all payroll professionals providing staff
Avoid Going Halfway on Time-Worked Submissions

The speed of a new employee’s entry into the payroll system might be best served by a certain commitment to technology. As Figure 5-5 illustrates, the median and average reported number of days from hire date to payroll system entry were fastest (at 2.0 days and 2.8 days) among employers whose time-worked submissions are entirely electronic. Payroll system entry was nearly as fast (2.5 days and 2.9 days), on average, among 22 responding companies where all time sheets or cards are submitted manually, while reported times were slightly higher in organizations where some workers provide written time sheets while others make their submissions electronically.

![Figure 5-5: Business Days from Hire Date to Payroll System Entry by Percentage of Time-Worked Submissions Filed Electronically](chart.png)

<table>
<thead>
<tr>
<th>Percentage of Time-Worked Submissions Filed Electronically</th>
<th>Median</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>2.5</td>
<td>2.9</td>
</tr>
<tr>
<td>0.1% to 24.99%</td>
<td>3.0</td>
<td>5.3</td>
</tr>
<tr>
<td>25% to 49.99%</td>
<td>3.0</td>
<td>2.8</td>
</tr>
<tr>
<td>50% to 74.99%</td>
<td>3.0</td>
<td>3.7</td>
</tr>
<tr>
<td>75 to 99.99%</td>
<td>3.0</td>
<td>3.4</td>
</tr>
<tr>
<td>100%</td>
<td>2.0</td>
<td>2.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Low</th>
<th>1st Quartile</th>
<th>Median</th>
<th>3rd Quartile</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>None (22)</td>
<td>0.0</td>
<td>1.0</td>
<td>2.5</td>
<td>5.0</td>
<td>11.0</td>
</tr>
<tr>
<td>0.1% to 24.99% (12)</td>
<td>0.0</td>
<td>1.0</td>
<td>3.0</td>
<td>6.0</td>
<td>30.0</td>
</tr>
<tr>
<td>25% to 49.99% (6)</td>
<td>0.0</td>
<td>1.0</td>
<td>3.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>50% to 74.99% (9)</td>
<td>1.0</td>
<td>1.0</td>
<td>3.0</td>
<td>5.0</td>
<td>10.0</td>
</tr>
<tr>
<td>75% to 99.99% (59)</td>
<td>0.0</td>
<td>1.0</td>
<td>3.0</td>
<td>5.0</td>
<td>15.0</td>
</tr>
<tr>
<td>100% (78)</td>
<td>0.0</td>
<td>1.0</td>
<td>2.0</td>
<td>4.0</td>
<td>14.0</td>
</tr>
</tbody>
</table>

Source: Bloomberg BNA

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