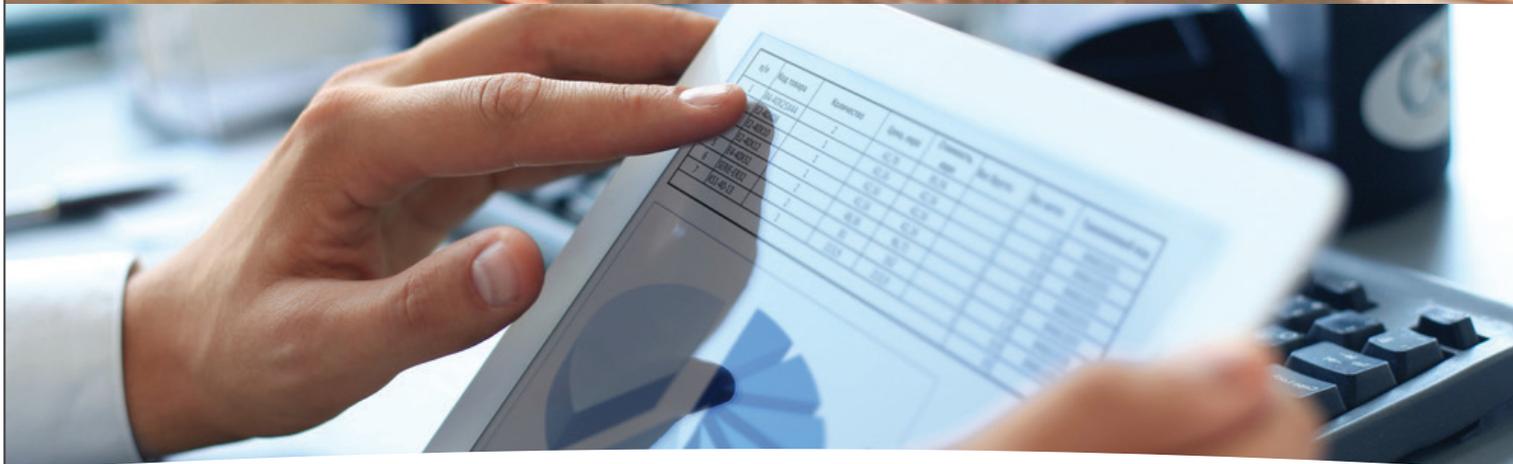




CIPP Payslip Statistics Comparison Report 2008 – 2013/14

Helen Hargreaves MCIPPdip
Senior Policy and Research Officer



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Executive summary



This is the sixth year that the CIPP's Policy team has surveyed members to understand the long term trends affecting employee payslips. As ever the Policy team would like to thank all those who responded, as we couldn't undertake this research without the support and input from our members and the profession.

The research was conducted using an electronic survey tool, links to which were circulated to CIPP members through news alerts. The survey was also published via the CIPP LinkedIn page to obtain views of payroll professionals who may not be members of the institute. There were 90 respondents in total which is a reduction on previous years; in 2012/13 there were 161 responses and in 2011/12 there were 116. However, as with all research, not all respondents answered all questions.

This research looks at the number of people being paid, the frequency with which they are paid, the method of payment, the information included on the payslip and how the payslip is distributed. In addition this year, as well as looking at the potential benefits and cost savings of electronic payslips, the research extended to establishing whether employers incurred additional burdens following the introduction of reporting PAYE in real time (RTI) and automatic enrolment.

As ever, there is consistency with some answers but yet again there are some surprising results, although it is important to bear in mind that there were fewer responses:

- Perhaps supporting reports of increased economic growth in the UK, the number of businesses employing between 5,001 and 10,000 employees has dropped from 15.4% in 2012/13 to 10.1% in 2013/14, but the number of businesses employing more than 10,000 has increased from 13.1% last year to 15.9% this year.
- The introduction of RTI has brought significant costs for some businesses through the need to upgrade existing payroll and /or Bacs software or to purchase new software with some estimates suggesting the costs to be over £30,000.
- Automatic enrolment obligations have also brought additional costs, both in terms of upgraded or new software and the need for additional resource. An interesting element to include next year will be the comparison between the one-off costs of upgrading payroll software against the on-going cost of middleware as the survey results this time show much lower costs for payroll software compared to middleware.
- There has been a marked rise in the number of payroll bureaux operating more than 1,000 payrolls (clients), leading us to wonder whether this increase has arisen as a direct result of the increasing payroll legislation and administrative burdens impacting employers who outsource because they no longer feel able to deal with it themselves.
- Despite there being increasingly flexible options for outsourcing certain elements of the payroll and the payslip distribution cycle, the majority of respondents still process the payroll itself in-house.
- The number of employers distributing payslips using an employee self-serve facility has increased from 26.9% in 2012/13 to 38.8% in 2013/14.
- A third of respondents now use electronic payslips, with 83.3% of those who do reporting significant cost savings as a result, with estimates ranging from £3,000 to £15,000 per year.
- The number of respondents considering introducing electronic payslips has increased from 25.7% in 2012/13 to 37.1% in 2013/14.
- Interestingly the number of complaints from employees regarding the security of employee self-serve, one of the methods of accessing an electronic payslip, has significantly increased from 43.8% in 2012/13 to 58.8% in 2013/14.



- However, the number of complaints expressing concern over the confidentiality of personal information on payslips (60% in 2012/13 down to 41.2% in 2013/14) or identity fraud (36.7% in 2012/13 down to 29.4% in 2013/14) has reduced significantly.
- Electronic payments still dominate as the preferred methods of payment to employees with cash and cheque payments showing a decline.
- As it has throughout the life of this research, Friday remains the most popular payday for weekly, fortnightly and four weekly payrolls. The last working day of the month continues to be the most popular payday for monthly payrolls.
- The number of respondents reporting that they include details of pensionable pay on the payslip continues to rise, with 37.7% of employers now including this information, which is the highest figure since this research began.
- The number of employers including the pay period on the payslip has dropped, as has the number who include the employee's name. Leaving aside the logistical problems of distributing payslips without names, it is interesting that at a time where employers are being asked to report more and more information, they are providing employees with less.

As part of the survey the CIPP wanted to understand the importance payroll professionals put on the actual payslip. The results showed an equal number who opened their payslip immediately versus those who don't open it all. Anecdotal evidence has always suggested employees believe without a payslip they haven't been paid, however payroll professionals know this not to be the case so perhaps this explains why some do not open the payslip?

Summary of results



Core demographics

In-house versus payroll bureau

In line with previous years, 84.6% of respondents said that they were responding as an employer (i.e. own organisation) whilst 15.6% said that they were responding as a payroll bureau / agent on behalf of their entire client base.

Industry sector

Once again, the three most popular industry sectors remain the same as last year, though the order has changed, with manufacturing accounting for the most responses, followed by local government and education. These three sectors, along with retail have been the most popular sectors throughout the duration of this research.

Main business location

There has been a significant increase in the number of respondents who say their main business is operated throughout the UK, rising from 29.2% last year to 37.1% in 2013/14. This was followed by 18.6% who operate mainly from the midlands and 15.7% in South East England. Interestingly, historic responses to this question appear to track British economic performance. Back in 2009 27.9% of respondents declared they operated throughout the UK. This fell to 23.2% in 2011 and 21.8% in 2012, before climbing to 29.2% last year and the leap to 37.1% in 2014 which is the highest since this research began.

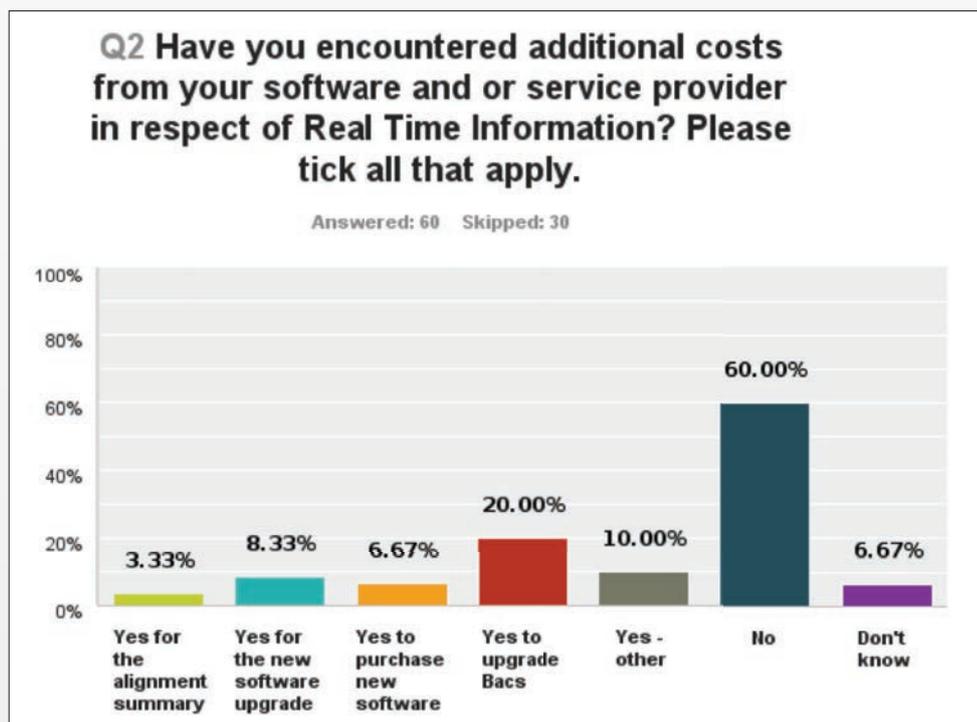
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Administrative burdens and costs

As a result of the introduction of the requirement to report PAYE in real time (RTI), and new obligations to automatically enrol employees into a workplace pension scheme, the survey this year included a series of questions seeking to establish the impact these obligations have had in terms of administration and costs.

Additional costs as a result of RTI

60% said that they had not incurred any additional costs as a result of RTI and almost 7% didn't know, which leaves a third of respondents who have incurred additional costs, mainly due to upgrading Bacs, as a result of RTI.

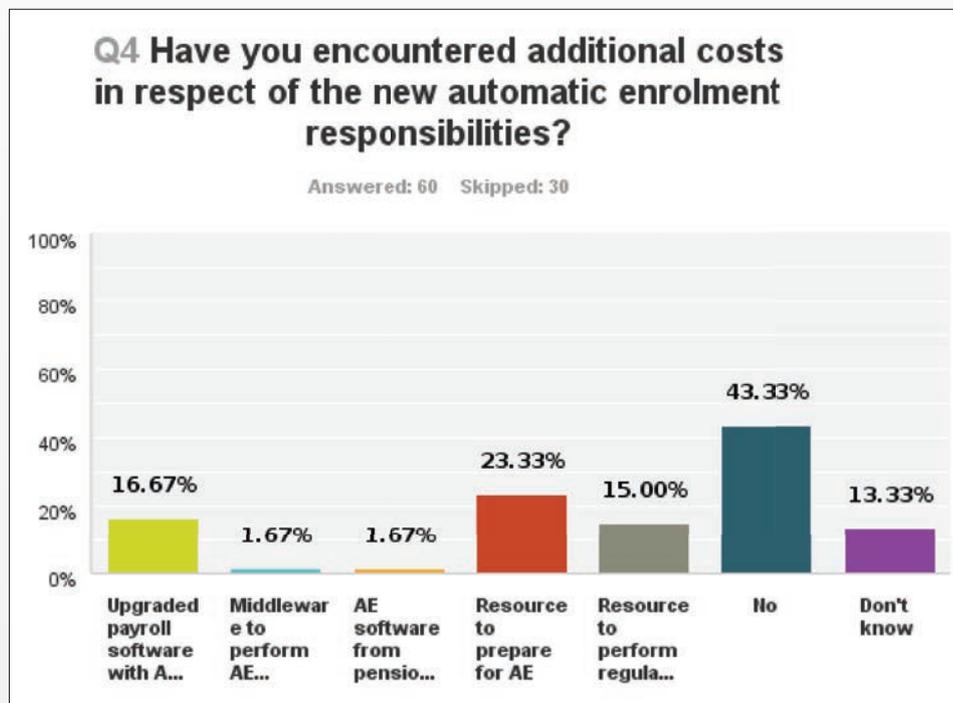


When asked to provide an estimate of the costs involved, there were several organisations that had spent significant sums. Upgrading Bacs seemed to be the issue with the most wide-ranging impact, however buying or upgrading payroll software was also a significant factor. Respondents also reported that they incurred knock-on costs as a result of training staff on the functionality of their new software as well as increased contact with HMRC due to problems with the Business Tax Dashboard.

The alignment summary	The new software upgrade	Purchase new software	Bacs upgrade	Other
		£30,000		
			£3,000	
£2,000			£32,000	
				£2,000
			£1,000	£1,500
			£1,200	
			£1,500	
			£2,000	
				£234
	£20,000			
	£4,560	£4,560		
			£15,000	£25,000
				125.00 per quarter software charge ongoing
	£625			

Additional costs as a result of automatic enrolment

More respondents said they had incurred additional costs fulfilling their automatic enrolment obligations than they did for RTI. More than 43% said they had faced additional costs, with almost a quarter saying they needed additional resource.



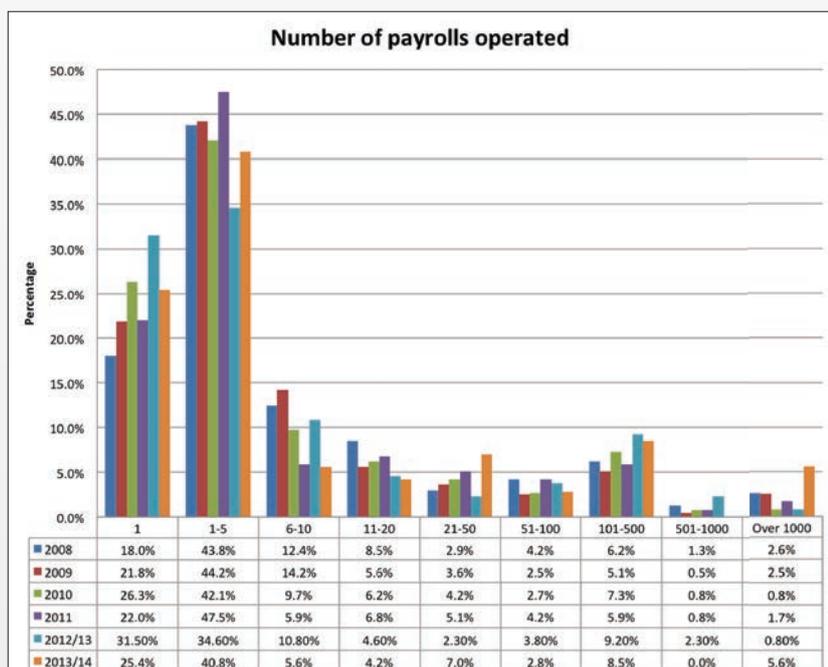
Again, the expense incurred by several respondents was significant, with upgraded payroll software being the biggest cause of additional expenditure. Interestingly, all the individual middleware costs identified were all higher than any of the individual payroll software costs. What the survey responses are unable to show was whether the payroll costs were “one off” to purchase upgraded modules to the payroll software, and how these compare to annual charges by the middleware companies. It is important to note that most middleware systems still require data from a payroll system. However additional resource costs,

especially to prepare for the introduction of automatic enrolment, were also significant with one respondent reporting that they had spent £50,000 on additional resource.

Upgraded payroll software	Middleware to perform automatic enrolment functions	Automatic enrolment software supplied by the pension provider	Additional resource to prepare for automatic enrolment	Additional resource to perform routine automatic enrolment tasks	Other
£750					£1,080 Annual Licence + £0.50p per employee per payroll
			£10,000		
			£5,000		
	£4,000 per annum				
£602.40				£5,000	
				£1,500	
£700					
			£5,000		
£2,000					
£3,000					
	£5,000 a year				
£4,560					
		£5,000	£2,300		
			£50,000		
			£8,000	£3,000	
£625			£700		£125 quarterly software charge ongoing

Number of payrolls processed

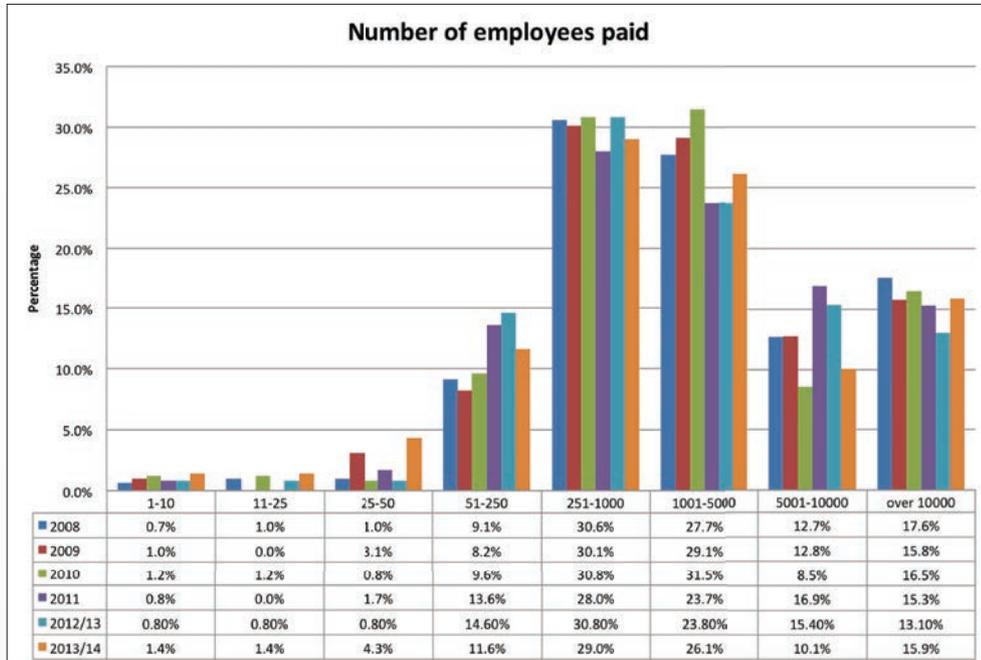
This question asks employers and payroll bureaux to indicate the total number of payrolls they operate. As in previous years, most respondents operate between one and five payrolls; however there has been a marked increase from 0.8% in 2012/13 to 5.6% in 2013/14 of those bureaux operating more than 1,000 payrolls.



Number of employees paid

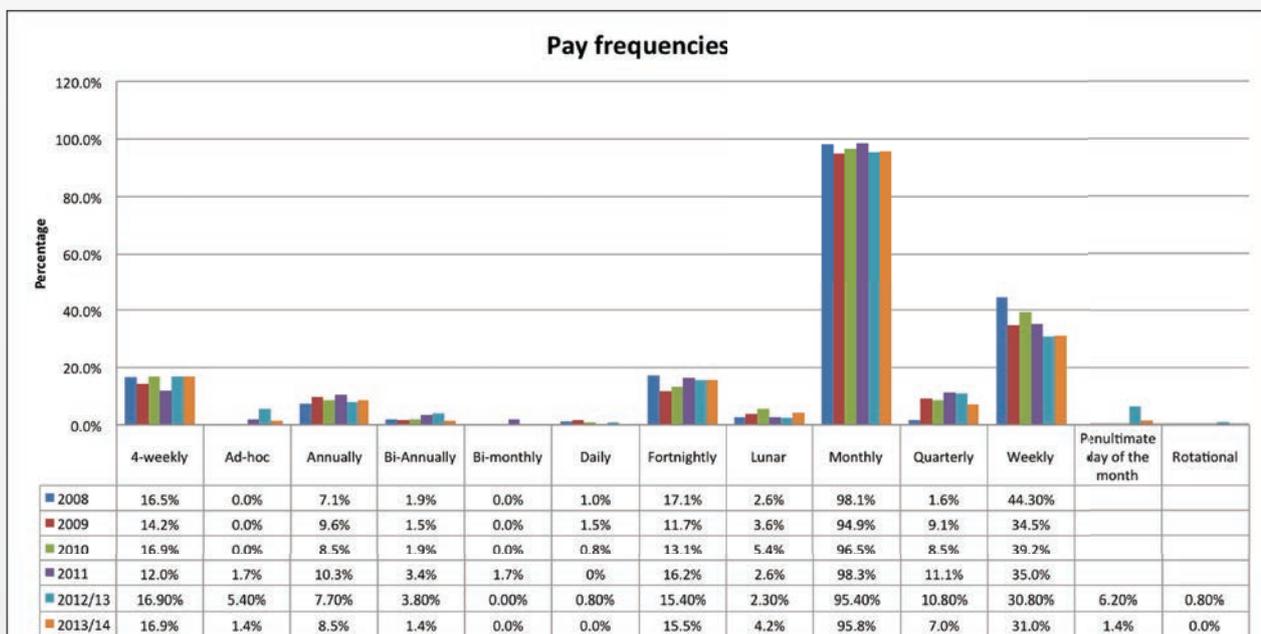
The survey asked payroll bureau respondents to add up all their client payroll employees and employers to add up all their employees across all their payrolls.

The trend remains fairly consistent with previous years; however there is a significant reduction in the number employing between 5,001 and 10,000 employees, but an increase in the number of businesses employing more than 10,000, reversing the results of 2012/13.



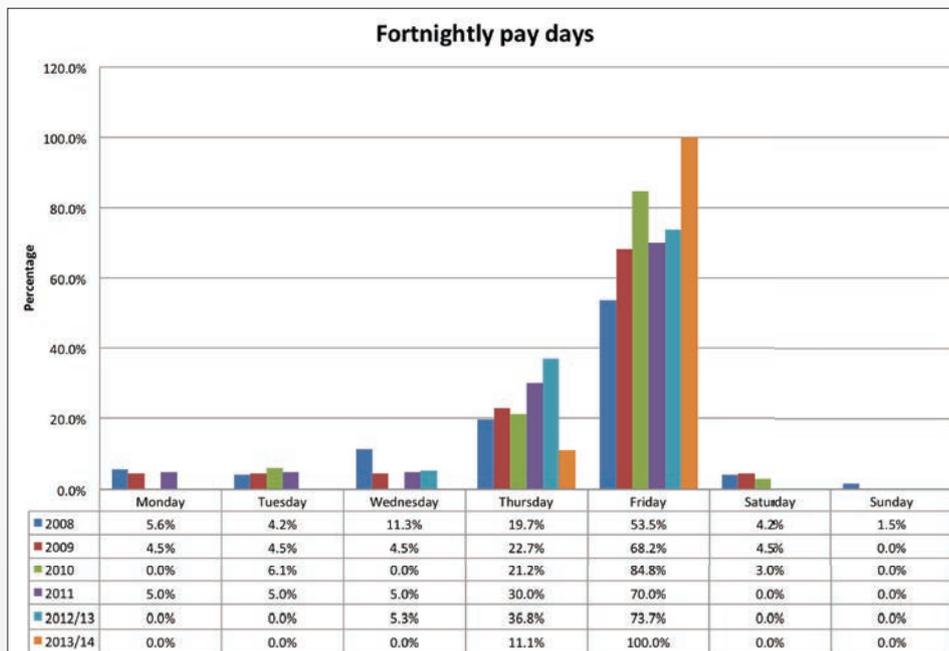
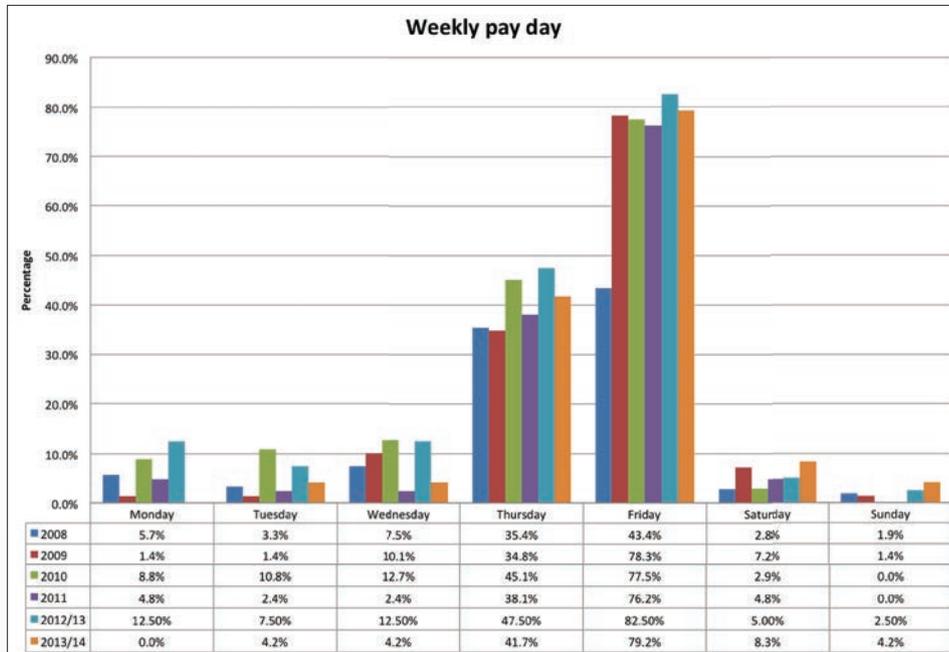
Payroll frequencies operated

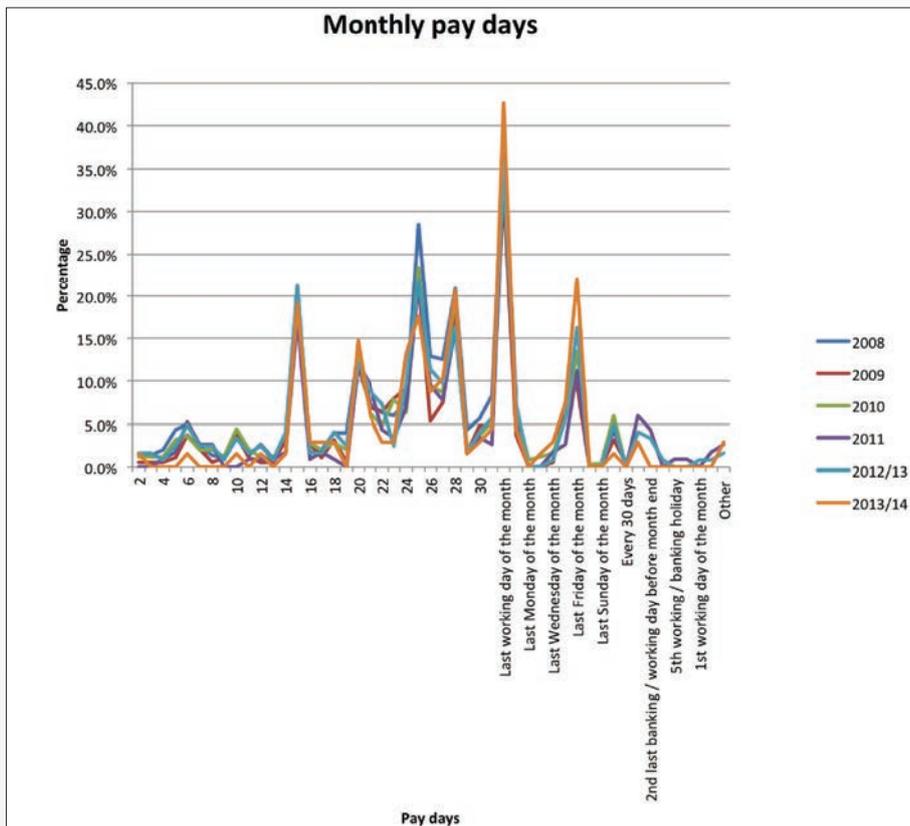
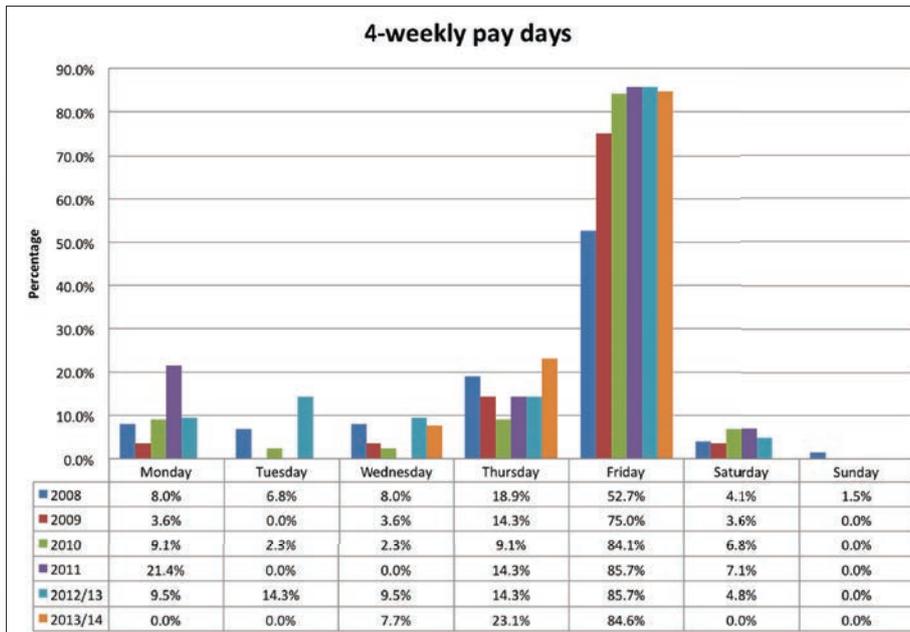
Last year saw a reduction in the number of weekly payrolls and this has remained the case in 2013/14. Interestingly, the number of ad-hoc payments has dropped significantly from 5.4% to 1.4%, and there are no rotational or daily payments reported. This trend towards more regular pay days is perhaps a result of the reporting requirements of RTI.



Most popular pay days / dates

As in previous years, Friday remains by far the most popular pay day for weekly, fortnightly and four weekly payrolls, with 100% of respondents who pay fortnightly reporting that they pay on Friday. Furthermore, amongst those who operate a monthly payroll, the number paying on the last Friday of the month has increased from 16.3% to 22.1%. However, the last working day of the month remains the most popular monthly payday, increasing from 35.8% in 2012/13 to 42.6% in 2013/14.

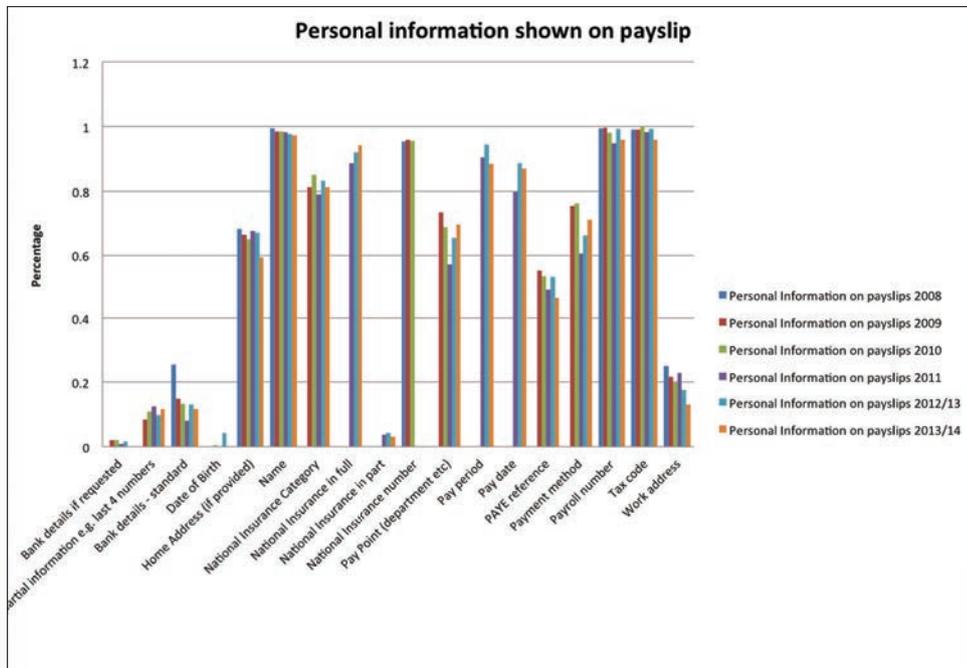




Personal information included on payslips

With the introduction of RTI and automatic enrolment, payroll now needs to hold and report more information than ever before, so the Policy team wanted to explore whether this information is included on the payslips given to employees. Surprisingly the number of respondents stating that they include the pay period has dropped from 94.4% to 88.4%, despite the pay period being a fundamental part of both RTI and automatic enrolment reporting. However, this trend continues as in 2012/13 respondents declared for the first time that they included the date of birth on the payslip yet this appears to be a one-off as once again no respondents reported including date of birth on the payslip. Continuing the trend, the number of respondents who include the employee's name on the payslip has reduced once again to 97.1%. We are still unsure how paper payslips are distributed without a name. As this is a continuing trend perhaps we will ask that question next year!

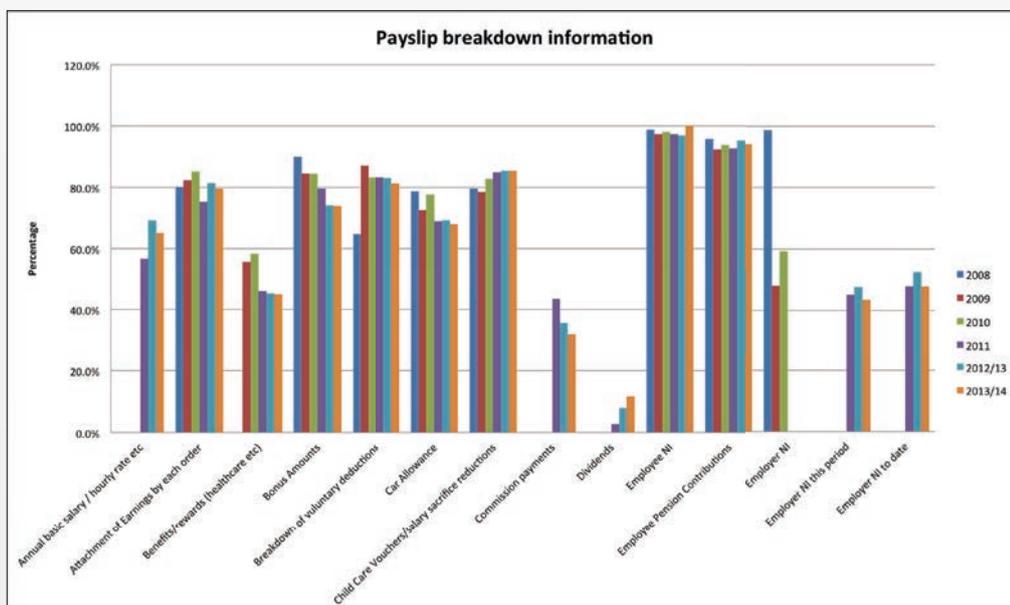
It is interesting that in a time where employers are being asked to report more and more information, they are providing employees with less.

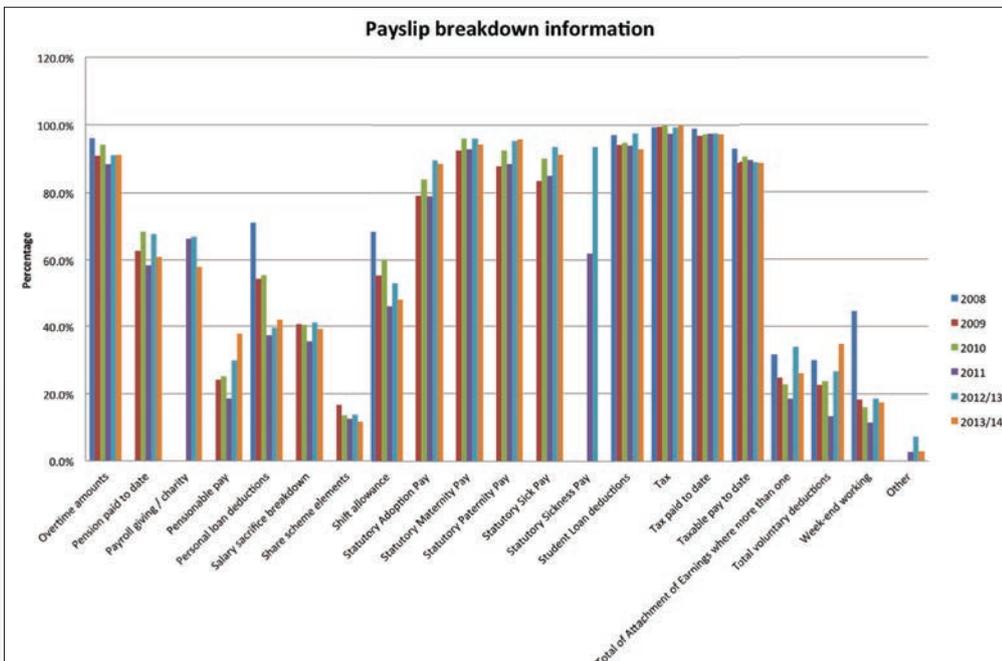
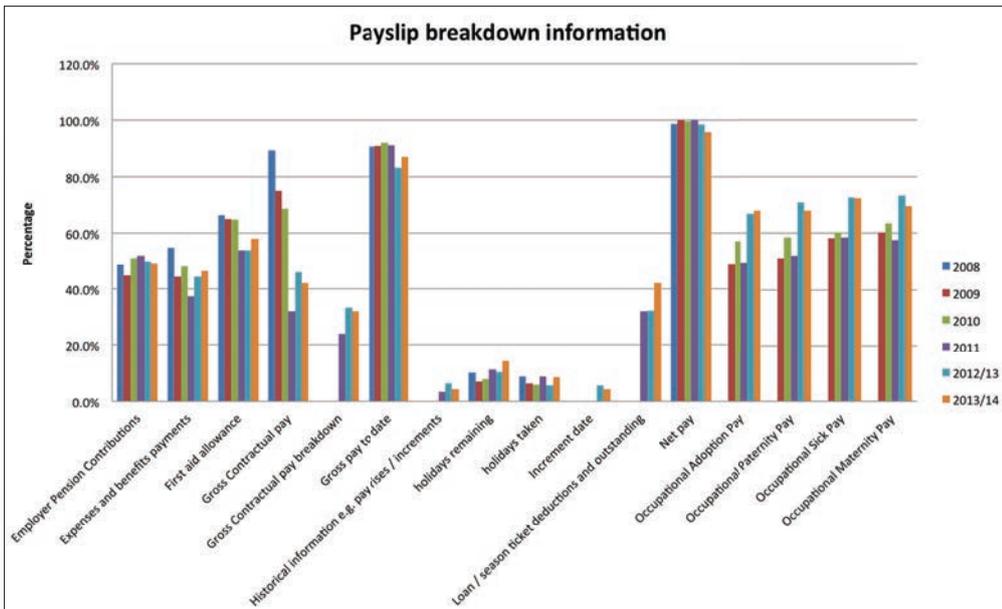


Additional information shown on the payslip

The survey also asks about the other information included on the payslip. Again, the results are very similar to previous years, although for the first time all respondents say they include details of the tax and employee National Insurance contributions deducted, yet interestingly only 95.7% say they include details of net pay. The Policy team believes this might be an oversight during the survey completion as by law an employee should be provided with a net pay figure, and all payroll systems will produce a net pay figure.

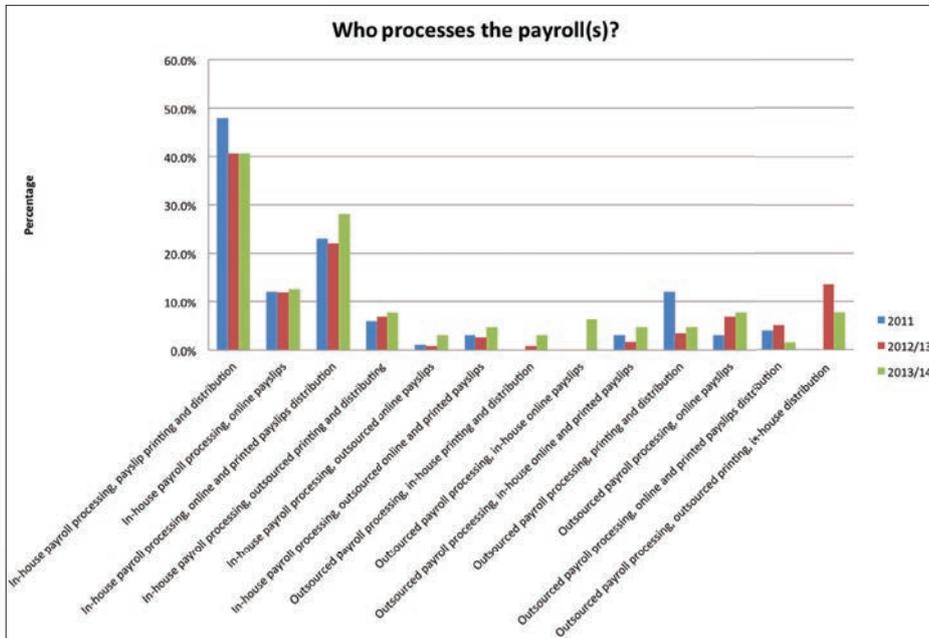
The number of respondents reporting that they include details of pensionable pay continues to rise with 37.7% now including this information, the highest figure since this research began. The number reporting that they include details of payroll giving has dropped from 66.9% to 58%, though it is not clear whether this is a result of less charitable donations or the payslips just not showing the deduction. It will be interesting to monitor this figure in future years as the issue of charitable giving gains more prominence.





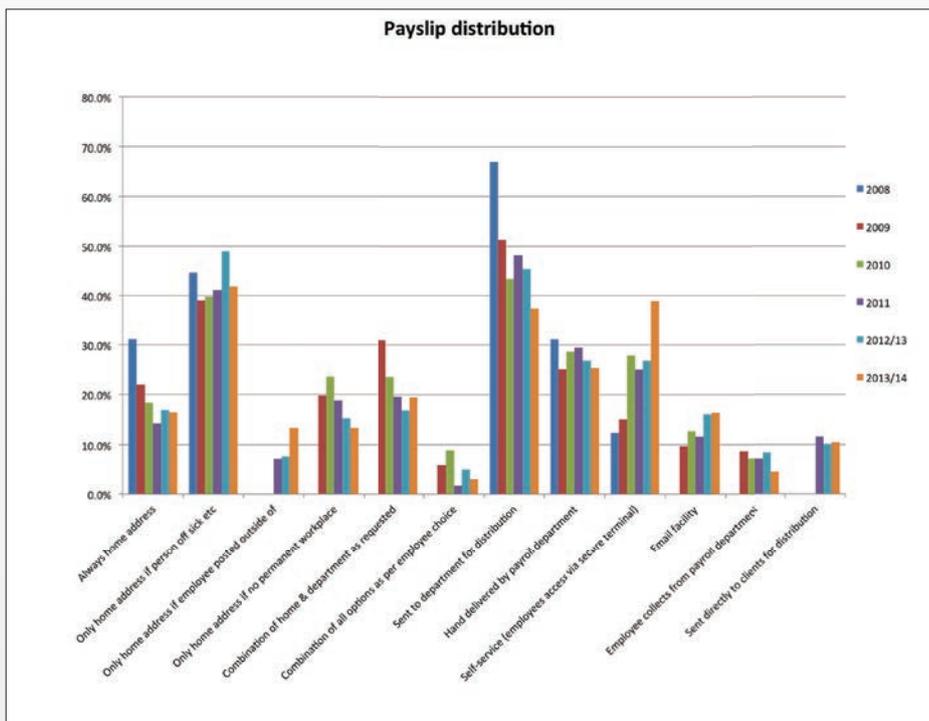
Responsibility for processing and distributing payslips

This is the third year that this question has been included and results are consistent across all three years, with the most popular option (40.6%) being that the payroll is processed and payslips are printed and distributed in-house. However 2013/14 has seen an increase from 22% to 28% in the number of respondents who process the payroll in-house and who offer both online and printed payslips distributed internally. In fact there has been an increase in all the categories which offer an online payslip option.



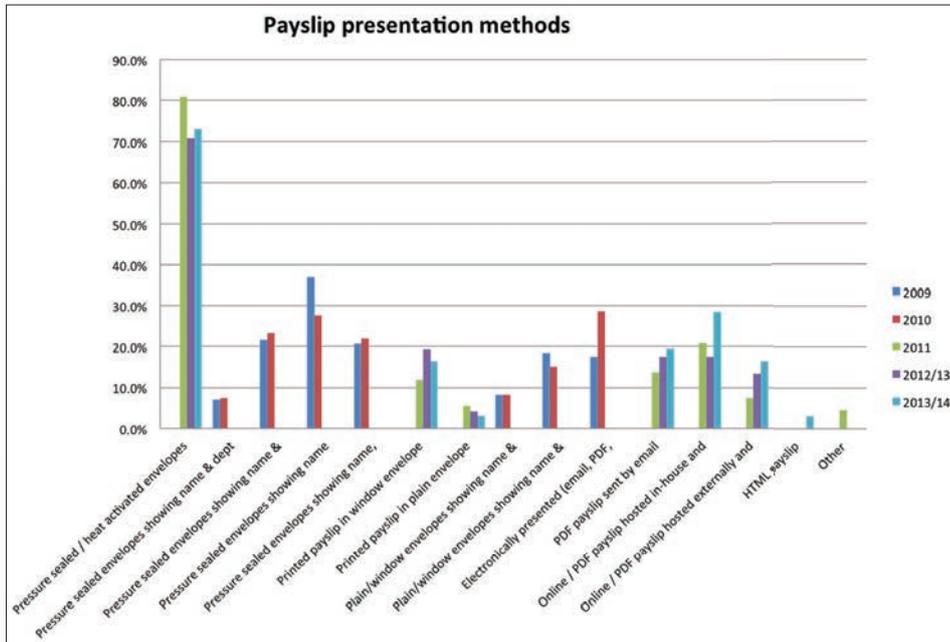
Method of distributing payslips

This year has seen a dramatic increase in the number of organisations distributing payslip information using an employee self-serve facility rising from 26.9% in 2012/13 to 38.8% in 2013/14. There is a corresponding reduction in the number who issue payslips to be distributed by the relevant work department dropping from 45.4% in 2012/13 down to 37.3% in 2013/14. This trend will be monitored in future years. There is also a reduction, from 49% to 41.8%, in the number of organisations posting a payslip to an employee's home address when absent due to sickness etc.



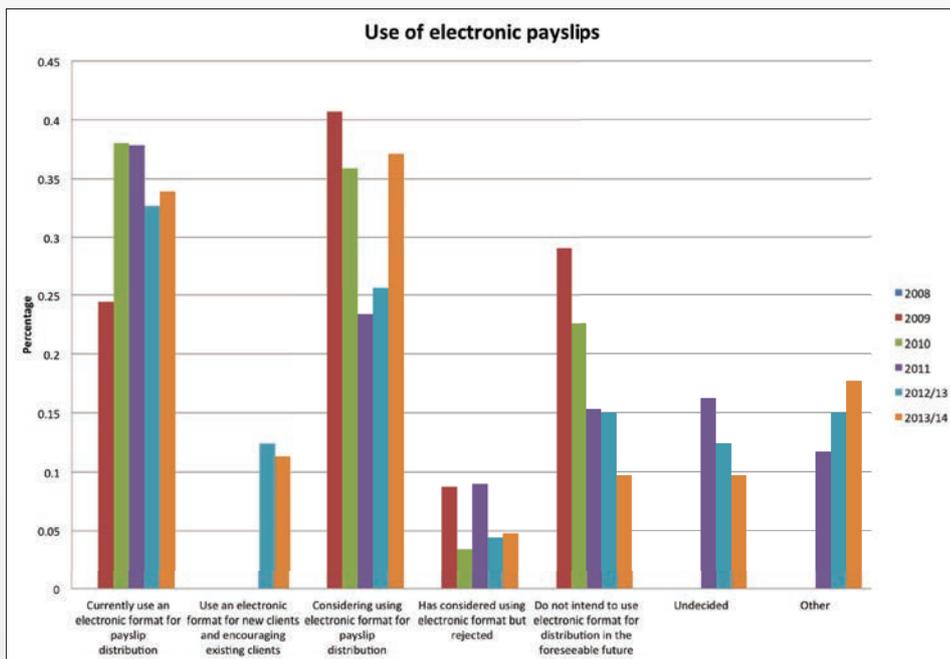
Presentation of payslips

In 2012/13 the number of respondents using online payslips was surprisingly low. However, although still slower than would perhaps have been expected, the move towards electronic payslips has now picked up pace, with the number of respondents providing an online or PDF version of a payslip, accessed either through employee self-serve or an external web browser increasing from 30.8% to 44.8%. There has also been a small increase from 17.5% to 19.4% in the number emailing a PDF payslip to employees, although pressure sealed / heat activated envelopes remain the most popular methods of presenting payslips with 73% of respondents still issuing them in this way.



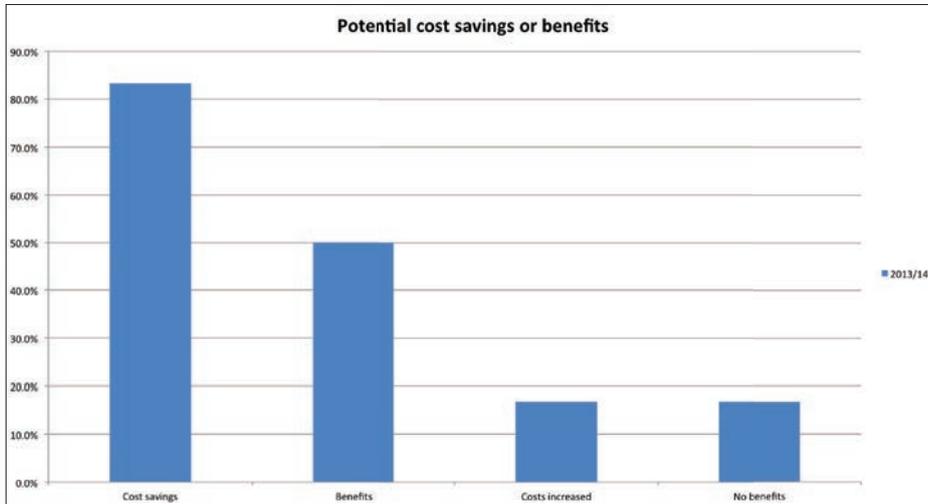
Use of electronic payslips

The widespread use of electronic payslips remains relatively constant as shown above, with a third of respondents (33.9% in 2013/14) currently using an electronic format for distribution, however the number considering its introduction has significantly increased from 25.7% in 2012/13 to 37.1% in 2013/14.



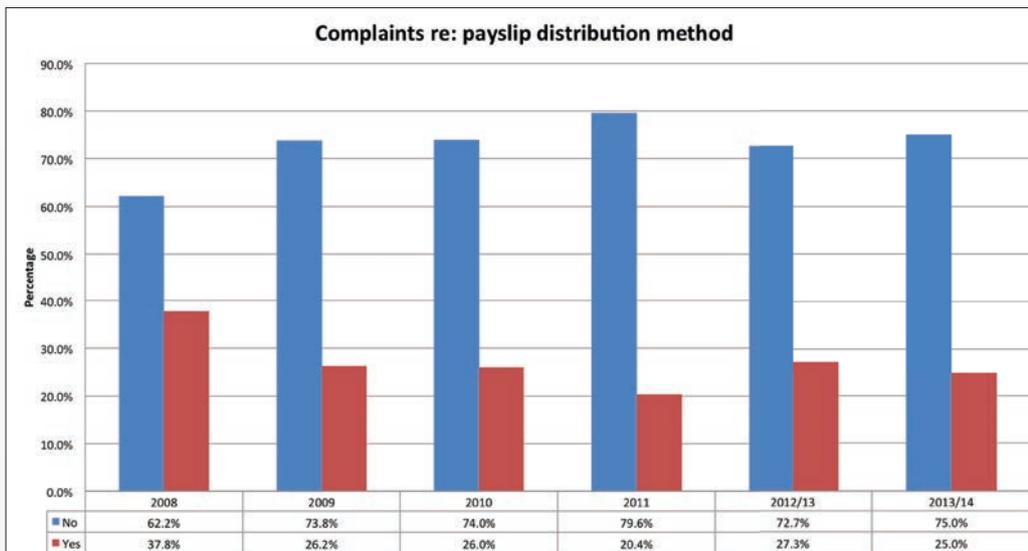
Cost savings and benefits of issuing payslips electronically

Those currently considering introducing electronic payslips may find the responses to this next question of interest as it explores the benefits or drawbacks of issuing payslips electronically. 83.3% of those who replied agreed that electronic payslips brought them cost savings, with the estimates ranging from £3,000 to £15,000 per year. The remaining 16.7% could not see the benefit of issuing electronic payslips believing that their costs would increase as a result.



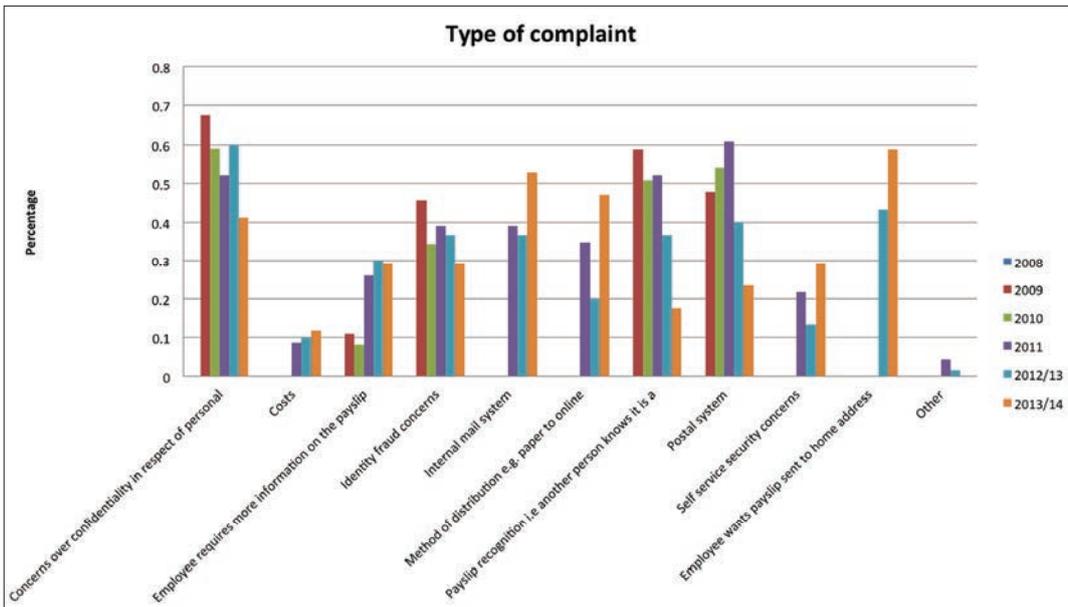
Complaints regarding the distribution of payslips

The number of complaints received by respondents regarding the method of distributing payslips remains fairly consistent at 25%.



The reason for complaint is very interesting, with several contradictions being reported. Reassuringly the number of complaints expressing concerns over confidentiality of personal information on the payslip (60% in 2012/13 down to 41.2% in 2013/14) or identity fraud (36.7% in 2012/13 down to 29.4% in 2013/14) have reduced significantly, which could be linked with the fact that employee complaints regarding payslip recognition have also dropped substantially from 36.7% in 2012/13 to 17.6% in 2013/14. However the number of complaints regarding the security of employee self-serve has increased from 43.3% to 58.8% in 2013/14. More surprisingly, the number of complaints received about the internal mail system has also seen a significant rise from 36.7% in 2012/13 to 52.9% in 2013/14.

Last year saw a surprising drop in the number of complaints regarding the distribution method however, in 2013/14 the number of complaints regarding this topic have more than doubled rising from 20% last year to 47% this year.



Payment method

After remaining relatively consistent over the last few years, respondents reported interesting changes in the methods used in 2013/14. From being a fairly common payment method across all pay frequencies in previous years, CHAPS was only used for 3.1% of monthly payments and not at all for any other pay frequency. Cash payments were used for 13.6% of weekly payments and very significantly, not for any other pay frequency. The use of Faster Payments has increased across most pay frequencies and for the first time since the research began, respondents did not report using any of the lesser known methods such as internal transfer or Giro transfer.

And finally...

The CIPP Policy team would like to thank, once again, everyone who responded to this survey. Your input is invaluable in helping us to continue building up this important bank of information regarding the trends in payroll. We will be issuing this survey again next year; if you have any suggestions regarding questions we should include please email policy@cipp.org.uk.

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CIPP

Shelly House, Farmhouse Way,
Monkspath, Solihull, B90 4EH

☎ 0121 712 1000

☎ 0121 712 1001

@ info@cipp.org.uk

cipp.org.uk

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