

2021 EXECUTIVE SUMMARY^{1,2}

Global Payroll Complexity Index

Top 40 countries in order of payroll processing complexity



alight

Global Payroll Complexity Index 2021

Ranking the top 40 countries in order of payroll complexity — based on mandatory legislative, reporting, process and security regulations.

	2021	Country	2019	2017
→	1	France	1	1
→	2	Italy	2	2
→	3	Belgium	3	3
→	4	Germany	4	16
↑	5	Spain	6	8
↑	6	Poland	10	14
↑	7	Russia	11	10
↑	8	Switzerland	14	22
↓	9	Japan	5	5
↑	10	United States	21	15
↑	11	South Africa	12	N/A
↓	12	Denmark	8	6
↓	13	Venezuela	9	N/A
↓	14	China	7	20
↑	15	Mexico	19	27
↓	16	Netherlands	9	7
↓	17	Sweden	13	13
↑	18	Austria	30	N/A
↓	19	Brazil	16	9
→	20	Finland	20	N/A
↑	21	Australia	24	17
↑	22	Romania	29	N/A
↑	23	Argentina	12	23
↓	24	South Korea	15	N/A
↓	25	India	23	21
+	26	Slovakia	N/A	N/A
+	27	Czech Republic	N/A	N/A
+	28	Indonesia	N/A	N/A
↓	29	Malaysia	22	29
↓	30	Canada	29	24
↓	31	United Kingdom	28	19
↓	32	New Zealand	27	12
↓	33	Ireland	17	11
↑	34	Colombia	37	N/A
↑	35	Thailand	38	N/A
↓	36	Turkey	25	25
↓	37	Philippines	18	18
↓	38	Singapore	31	4
↓	39	Hong Kong	26	28
↓	40	United Arab Emirates	32	26

The Alight Global Payroll Complexity Index (GPCI) is published to update and prepare HR and payroll operations leaders for the complexities of delivering payroll — directly or indirectly — in the countries where they have, or plan to employ, staff.

Payroll accuracy is not discretionary. It's a legal requirement and highly regulated. To add to its complexity, the rules and application are different in each country, and can even vary by region, city and job function. Fines are administered for inaccuracies and employee responses to errors can impact productivity and brand reputation.

Payroll failure is costly

Often considered a back-office function, the annual payroll bill can be the highest operating cost of a business. Inaccuracies can add up to 10% to the wages bill. Without robust processes in place, errors can go unnoticed for years.

The highly confidential personal identifiable information (PII) within payroll adds risk. It also adds to the challenge of where in an organization to run payroll, and who can run it. This was a major challenge for companies running disparate in-house payroll through the pandemic.



Two years of change

Many of the high impact challenges occurring since the 2019 report were driven by the COVID-19 pandemic. The effect and frequency of regulatory changes increased; particularly around work from home, furlough payments, and extended periods of leave. A move to digital reporting by some governments, and the maturity of payroll processes in countries previously with few or no regulatory or process controls, lessened complexity.

Many of the higher ranked countries in 2019 were identified as 'growth economies', directed to bring compliance in line with the rest of the world. In 2021 these countries show distinct drops in complexity, most typically due to bedding in of the new payroll processes and legislations. This includes The Philippines, Hong Kong, Turkey, Argentina and South Korea.

Austria, United States, Romania and Switzerland were the fastest climbers. This is attributed to the high frequency of regulator changes in Austria. America returned to the Top 10. It was artificially pushed down in 2019 due to the volume of new entrants. In Switzerland, the unification of tax from 26 tax authorities to two schemes.

Overall, regulatory complexity, the change in workforce structure, and the drive for greater visibility in payroll, increased payroll complexity in most countries, but is only reflected where changes are significantly greater than elsewhere.

The intelligence for the Top 40 is drawn from the combined operational intelligence of our own multi-national payroll processes. The Aight payroll function processes 8,321 payroll runs per annum for 134 organizations in more than 106 countries via managed, outsourced, or a shared-services function.

The full facts in detail

A full summary of payroll complexity, processing and management challenges for each country will be published in the Global Payroll Complexity Index later this summer. Pre-register for your copy of the report today.

[LEARN MORE](#)

Top 40 summary

The 2021 GPCI Top 40 focused on 10 key factors essential to payroll compliance and accuracy:



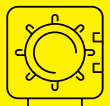
- 1 Reporting frequency and requirements



- 2 Compliance: Taxation and social security deductions



- 3 Payroll regulations and legislation including regional and local variations and updates



- 4 Data security, usage and storage



- 5 Employee rights and benefits including minimum wage, overtime and shift allowances



- 6 Unionization and works councils



- 7 Dedication of optional allowances e.g. lunch allowance, flexible benefits and spot bonuses



- 8 Processes and reporting — number of employee fields, frequency, etc.



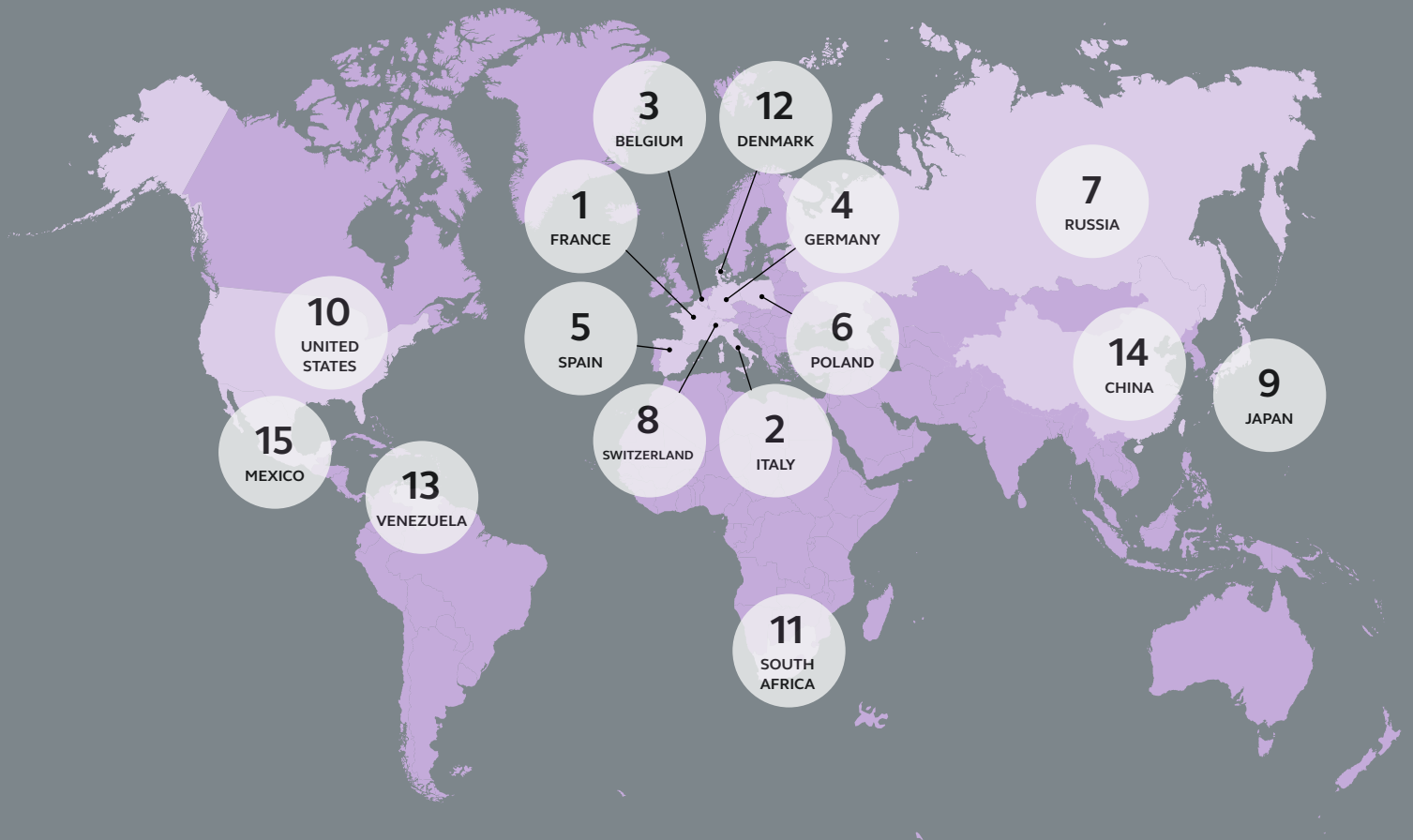
- 9 Day-to-day payroll managements



- 10 Exceptions including COVID driven changes

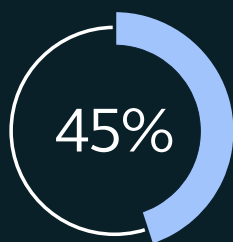
Global Payroll Complexity Index 2021

Ranking the top 15 countries in order of payroll complexity — based on mandatory legislative, reporting, process and security regulations.



¹ Full report to be published in summer 2021

² Previously published under the NGA Human Resources brand acquired by Alight Solutions in October 2020



Europe tops the league table

Forty-five percent of the top 40 sit in Europe. France, Italy, Belgium and Germany remain consistent in first to fourth. Japan was ousted from fifth by Spain in 2021. Workforce legislations in the top five countries are notoriously rigorous and pro-employee. Unions are strong and collective work agreements protect working relationships. Collective Bargaining Agreements (CBAs) decide the rules. For an agreement to be valid these are negotiated at national and regional levels, and often down to industry, company or plant level.

Members of the European Union (EU) must comply to workforce directives. Non-EU countries often set their own versions, GDPR being the perfect example. There are also language and cultural distinctions to factor in.

Recently, countries in Eastern Europe are increasingly regulated, hence many, including Poland and Romania, rising in complexity for the second report in a row. Nordic countries have remained mostly static, with Denmark decreasing.





Asia Pacific (APAC)

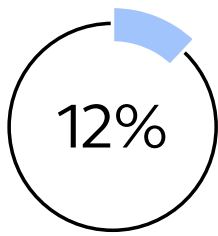
Sixty percent of the world population lives in APAC. Ten languages are spoken and exchange rate conversions are challenging. This said, as a region it reported the greatest fall in payroll complexity. Only Australia and Thailand increased.

China, Malaysia, Singapore and New Zealand ranked higher in the 2019 report. They were new entrants due to the need to match regulatory standards to the rest of the world. This was necessary to continue to attract western service-led organizations.

Many of the processes introduced are digital — standard practice for modern payroll solutions. However, technology is still unreliable in many countries, so the options are to outsource or employ high risk manual processes.

The propensity to outsource was also attributed to complex country-level security regulations, cultural sensitivities, and the need for specific country knowledge for processing and reporting.





South America

The countries of South America caused the greatest shakeup in the 2019 GPCI. However, in 2021, complexity has leveled and / or fallen in all but Colombia.

This is largely due to the automation of payroll in countries where manual processes have been replaced. The inefficiencies and cost of failure were too great and consolidation is recognized as essential.

Many U.S. companies have set up HR and payroll shared service centers in Argentina and Brazil due to shared time zones and low start-up and employee costs. Data security and privacy has to be of the highest level and compliant with the Sarbanes-Oxley rulings.

Legislative changes continued to be frequent and irregular and the complexity of this has been offset to payroll specialists like Alight. The need for local knowledge is essential.



North America

The U.S. rose sharply while Canada remained stable. The U.S. movement was attributed to rebalancing following displacement by new economies across Eastern Europe and Latin America in 2019.

Employment and payroll regulations in the U.S. are complex. They vary significantly between its 52 states and territories. Rules also vary between regions and cities. The priority for the rules to apply are not consistent. Penalties for non-compliance can be high.

As an example, in 2020 the U.S. government set the national minimum wage at \$7.25 per hour. However, 29 states and the District of Columbia set their own higher minimum wage. In these cases, the higher rate takes precedence. Further, any hours worked over 40 per week are paid at least at 150% of the regular rate.

Tax deductions add challenges. There are seven bands, each making allowances for single people, married people filing separately, married people filing jointly, household highest earners, and widows and widowers. Some states also collect supplementary taxes.



The U.S. is alone with regards to annual holiday and leave entitlements. There is no federal law. All leave is at the employer's discretion and subject to contractual agreement. Payment for the 10 national holidays is also discretionary.

Businesses with a workforce in Canada face similar complexities.

Again, there are variations between federal, provincial, and territory laws and regulations. Rules change frequently. Most employees are protected by the laws of their province or territory. The remainder are protected by federal labor regulations. Since the last GPCI, a range of legislative changes were passed by Canada's federal parliament. These include pay transparency, a pay equity plan, and diversity — including equal and fair pay.

Middle East and Africa

United Arab Emirates was the only Middle Eastern country in the Top 40. Due to data being unavailable at the time of drafting, Africa was not represented in the 2021 GPCI.

Across this region, employment laws vary widely. Employment contracts in Algeria, for example, can be written or verbal. In Egypt, contracts are written in Arabic and triplicate. Minimum wages vary and often set in line with the cost of living, but not always, adding even greater complexity. In many Middle Eastern countries minimum wage does not apply to the private sector.

Since the 2019 Index the UAE introduced data privacy laws based on the GDPR to operate subsidiaries of European businesses. This is in addition to UAE National Cybersecurity Strategy. Bahrain has its own Personal Data Protection Law.

In Africa, most payroll is run by bureaus in South Africa. It is more regulated and stable than many neighboring African countries. Payroll is regulated by the South African Revenue Service (SARS). In 2019, South Africa held 12th place in the Index.

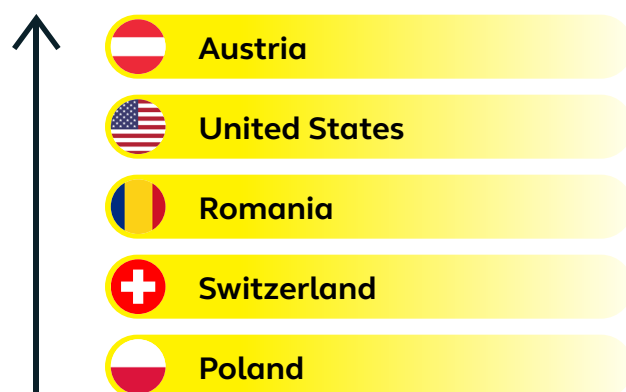


Top 10 countries for payroll complexity



Top 5 movers

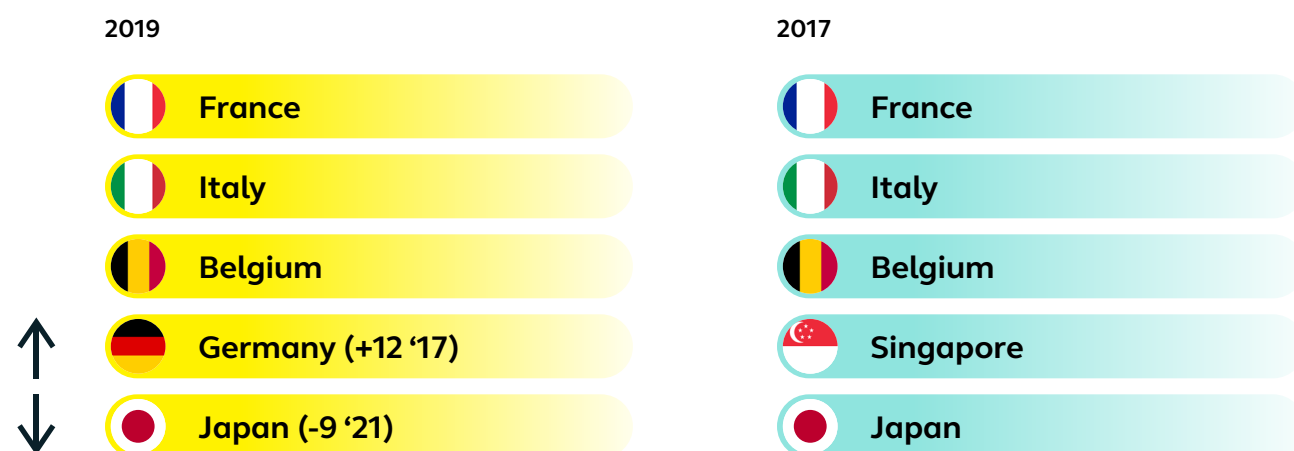
Moving up (increased complexity)



Moving down (reduced complexity)



Top 5 in review*



* The algorithm for calculating payroll complexity has been updated for the 2021 GPCI, in line with wider changes in global payroll processing, compliance and regulations

Company Payroll Complexity Assessment

Companies are invited to take an Alight Company Payroll Complexity Assessment (CPCA) for the first time. It provides a payroll risk score specific to the organization based on the associated risks of the firm's five largest country payrolls.

The risk score is immediately available following completion of an online questionnaire.

The basic CPCA can lead to the comprehensive Payroll Maturity Assessment. This highlights the very real financial and process risks of your existing payroll setup.



Conclusion

The 2021 Global Payroll Complexity Index Top 40 in conjunction with the full report (published this summer), provides an internal and external look at local, regional and global payroll.

The GPCI Top 40 presents the facts and adds the professional insights of almost 2,000 payroll professionals. Each shared their thoughts on the key areas that make the management and processing of multi-country payroll complex.

Above all else, accuracy is critical. Payroll failure is costly. Standardization is the key to payroll success. Data visibility to operational success. Performance to business success.

Register for your complimentary copy of the Global Payroll Complexity Index 2021 report.

[LEARN MORE](#)

More information on multi-country payroll can be found at alight.com

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About the Global Payroll Complexity Index

The biennial Alight Solutions Global Payroll Complexity Index (GPCI) benchmarking survey is an in-depth, deep-dive into the elements that add complexity and risk to the management and legal processing of payroll for an organization in one or more countries.

Payroll professionals around the world have relied on the GPCI for nearly a decade to provide actual intelligence for use in payroll operational planning, process modernization, and the adoption of new technologies.

The GPCI is a comprehensive study of the parameters that must be adhered to in the processing of payroll in a country. The 40 identified as being most challenging are published in the biennial Index. Movement from the previous two reports (four years) are indicated.

The data used to create the Index is drawn from our own country payroll specialists. Published ahead of the full GPCI report, the intelligence for the index is pooled from the responses to a comprehensive survey of payroll professionals around the world in the weeks ahead of the report publication.

The resulting report provides payroll professionals with an up-to-date deep dive into the challenges, changes and trends that impact, and potentially threaten, the compliance and accuracy of each payroll run.

About the Company Payroll Complexity Assessment

For the first time, companies are invited to take an Alight Company Payroll Complexity Assessment (CPCA). This provides a payroll risk score specific to the organization. The calculation is based on the associated risks of the five largest country payrolls of the organization.

The risk score is immediately available following completion of an [online questionnaire](#).

The basic CPCA can lead to the comprehensive Payroll Maturity Assessment. This highlights the very real financial and process risks of your existing payroll set-up.

The Alight GPCI difference

Alight is the leading global payroll and HR services, solutions and advisory company. In 2019, the company acquired NGA Human Resources, creating an unrivaled HR and payroll knowledge base. Through the GPCI, and other regularly published reports, we provide business leaders and their teams with the insights, advice and facts needed to maintain and build successful organizations.

What sets us apart is the breadth of our knowledge and our application for organizations in almost every country in the world. We combine global reach with local knowledge.

For nearly a decade, the GPCI has provided the intelligence that triggered business leaders to realize there's a better way to manage payroll. It is not a back-end administrative process, but one of the keys to turning maximum profits.

We hope you find the results of this year's survey useful. If you have any questions regarding the survey or specific payroll operations or tax challenges, please don't hesitate to reach out to the payroll and employment tax specialists.

LET'S TALK



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