

BENCHMARKING SURVEY REPORT 2023

Prepared by

Meena Salhan MCIPPdip, policy and research officer, CIPP



**BENCHMARKING IS AN IMPORTANT PROCESS AND
ALLOWS YOU TO COMPARE YOUR BUSINESS'S
PERFORMANCE TO THAT OF OTHERS IN THE INDUSTRY,
NOT ONLY GIVING A POINT OF COMPARISON, BUT
PROVIDING DATA TO IDENTIFY AREAS IN WHICH YOU
EXCEL OR WHERE IMPROVEMENT IS NEEDED.**



Foreword



Meena Salhan MCIPPDip
Policy and research officer, CIPP

Thank you to all respondents for taking valuable time out to complete the *CIPP's Benchmarking Survey 2023* and providing their input. The *Benchmarking Survey Report 2023* wouldn't have been possible without your contributions.

Benchmarking is an important process and allows you to compare your business's performance to that of others in the industry, not only giving a point of comparison, but providing data to identify areas in which you excel or where improvement is needed. Benchmarking can improve productivity, increase efficiency and help gain a competitive edge and can be applied to any continuous development project.

The report explores payroll teams, payroll frequencies, error rates, key performance indicators (KPIs), pensions and current trends so you can benchmark your company against existing industry standards. This may aid your decision making in the future and support you to identify where improvements and enhancements to processes can be made.

Summary of key findings

- **96%** operate monthly payrolls, proving to be the most common payroll frequency
- **11%** of payroll teams are a standalone department, **38%** are within the finance department and **47%** were within the human resources (HR) department
- Correctness is promoted throughout the profession, with **77%** operating at an accuracy level of **96–100%**, and **20%** achieving a **100%** accuracy rate
- **61%** of the payroll errors tracked occurred due to missed hours / overtime hours
- **38%** use KPIs and **62%** don't
- **83%** used payroll errors / accuracy rate as a KPI
- **66%** had overpayments in the previous tax year (6 April 2022 – 5 April 2023), with **89%** being recovered
- A promising **95%** of the respondents made all statutory payments and submissions on time last tax year to HM Revenue and Customs (HMRC)
- **67%** believe it's desirable for potential candidates to have a CIPP payroll qualification
- **85%** of the respondents process benefits, with the majority payrolling these
- **43%** of the respondents process payroll giving deductions
- **44%** have **91 – 100%** of staff paying into a pension scheme through payroll
- **76%** process pension deductions as salary sacrifice arrangements, this is a **7%** uplift from last year figures, despite national minimum wage (NMW) / national living wage (NLW) increases
- **31%** have **91 – 100%** of staff use salary sacrifice for pension contributions
- A commendable **61%** of respondents pay above the minimum contributions for automatic enrolment
- **21%** offer saving or borrowing through payroll
- **13%** offer earned wages access (EWA), an increase of **4%** from last year
- **13%** process expat payrolls.

Introduction

2023 is the 15th year of the CIPP's Benchmarking Survey.

The survey asked a variety of questions and was open to the whole payroll industry. This broadened scope has enabled the CIPP to produce a report that payroll professionals can use to benchmark payroll departments and services, as well as providing insight into how the rest of the industry is performing.

This report will explore:

- Payroll services
- Geographics and demographics
- Organisation details
- Processing and the payroll team
- Payroll frequency and payrolls
- Accuracy, timeliness and completeness
- KPIs
- Overpayments
- Submissions
- Value for money
- Benefits
- Saving for the future
- Global.



** Please note: bureau respondents may have selected multiple business sectors.*

** Percentages have been rounded to the nearest whole number for clarity and in some instances may not total 100%.*

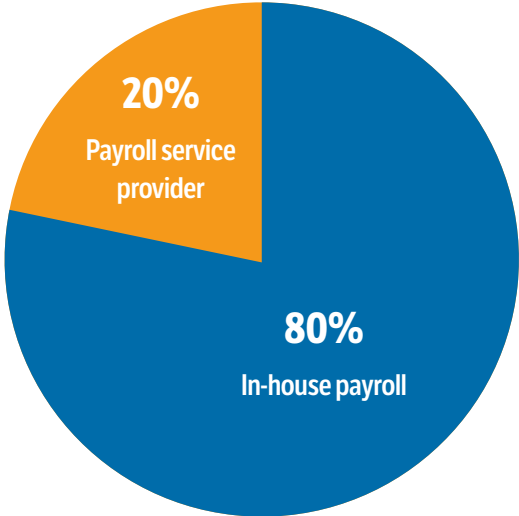


Payroll services

In-house or outsourced?

Like last year, the survey asked respondents if they mainly processed in-house payrolls or provided payroll as a service. The responses were:

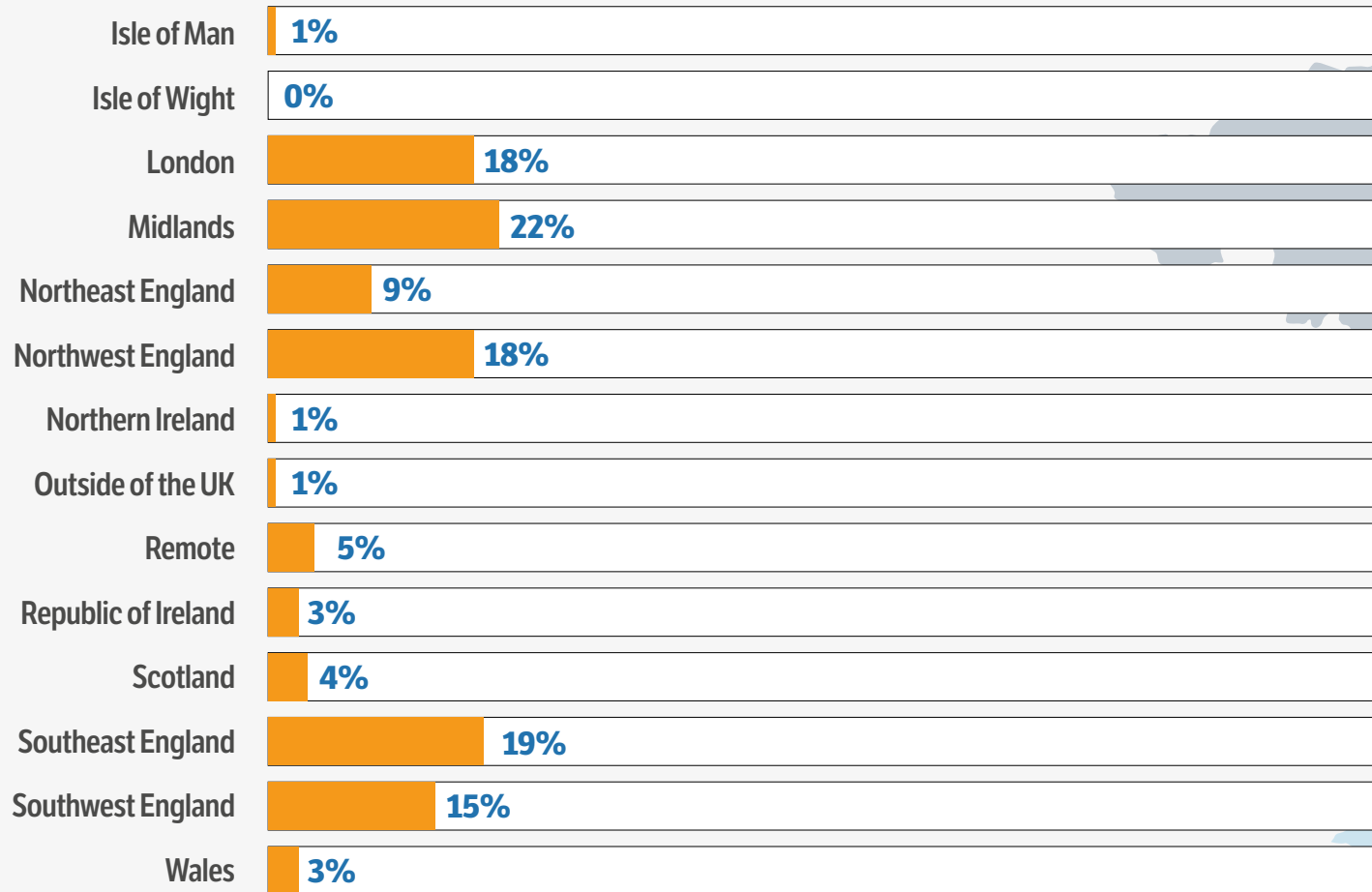
Do you process mainly in-house payroll or mainly provide payroll as a service to clients?



The audience was overwhelmingly from an in-house payroll (**80%**) environment, similar to last year. However, there was an increase in the payroll services provider audience this year, rising from **13%** to **20%**.

Demographics

Which areas payroll teams operate from



The majority of the respondents operated from London, Midlands, Northwest England, Southwest England and Southeast England.

Organisation details

Which sector is your organisation most closely aligned to?

68% were from the private sector, 16% were from the public sector and the same applied for non-profit / charity organisations (16%).

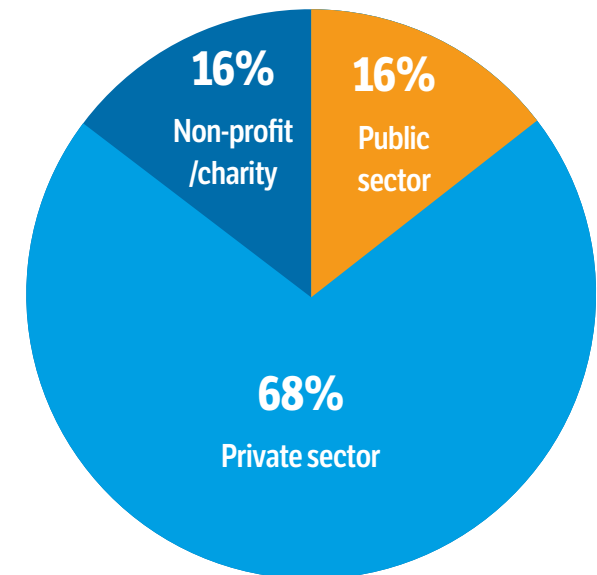
Indication of the client base industry / sector, if responding as a bureau

Client bases were commonly from retail (14%). Manufacturing came in at 13% and education at 12%. 9% were based in accountancy or charity / voluntary. 8% were from financial services and legal, 6% from engineering, insurance and property, 5% from care facilities, catering, childcare, construction, consultancy, entertainment / hospitality, healthcare, housing / landlords, IT and leisure.

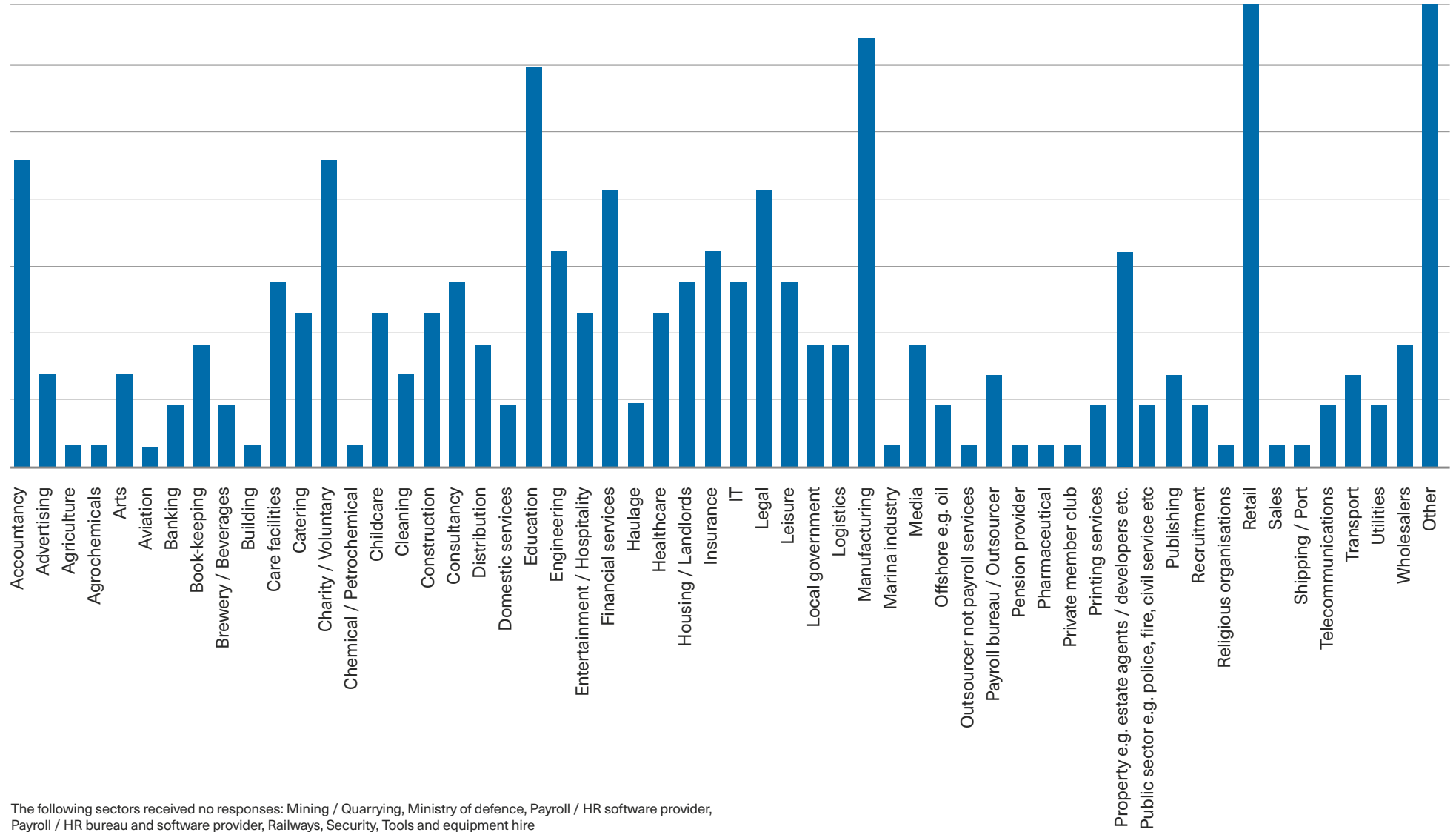
Some of the sectors stated for 'Other' were:

- Social housing and extra care
- Nuclear
- Data storage
- Seismic survey on land and sea
- Conservation
- Salmon farming and food production
- Facilities management, central heating services
- Software developer for the fintech industry
- Motorcar racing (formula one)
- Museums
- Vertically integrated business, manufacturing, distributing and retailing our own products and selling to wholesale partners
- Veterinary services
- Software developers
- Independent school with charitable status
- House builders.

Which sector is your organisation most closely aligned to?



Please indicate your industry / sector, and if responding as a bureau, please tick all that apply to your client base



The following sectors received no responses: Mining / Quarrying, Ministry of defence, Payroll / HR software provider, Payroll / HR bureau and software provider, Railways, Security, Tools and equipment hire

Processing and the payroll team

Team members

As of 6 April 2022, how many employees, or the full-time equivalent, did you have in your payroll team?



82%

have **1-50 employees**
in the payroll team

3%

have **51-100 employees** in the payroll team

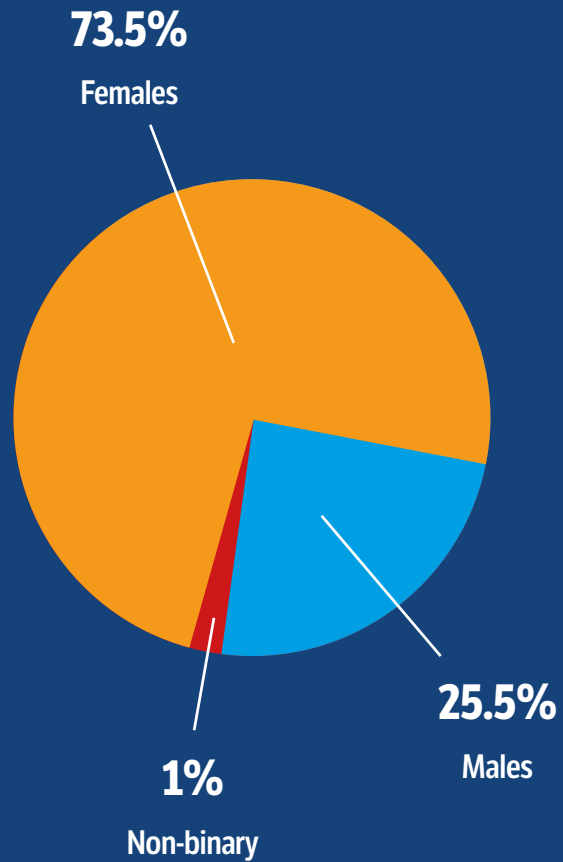
5%

have **101-200 employees** in the payroll team

6%

have **over 200 employees** in the payroll team

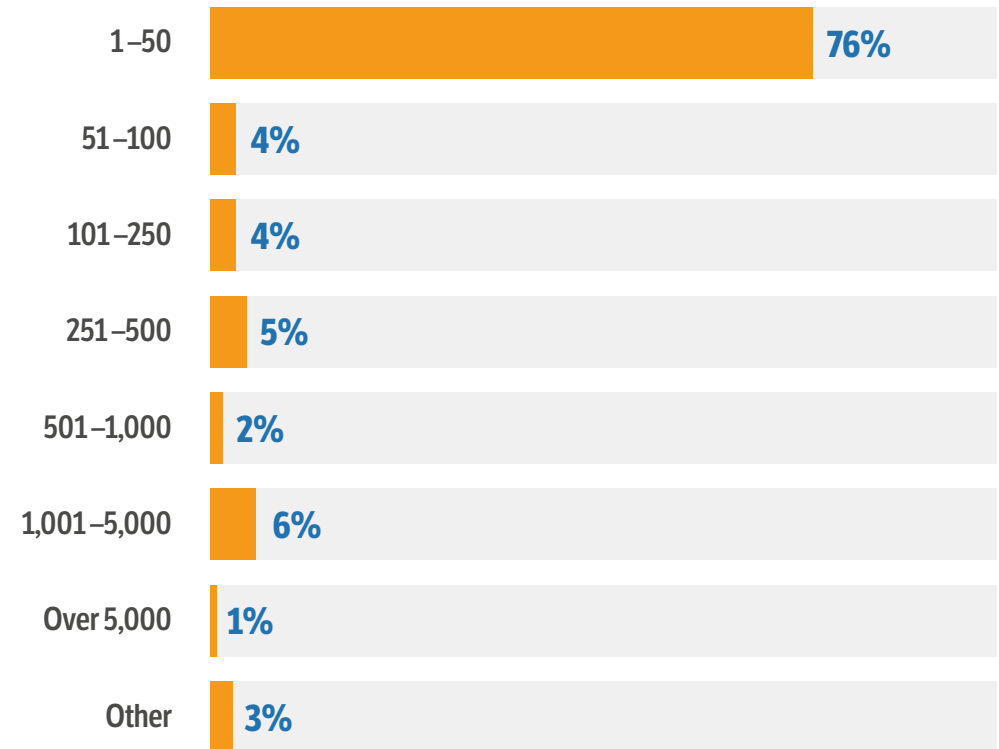
What percentage of those employees are (circa to the nearest %)



How many pay as you earn (PAYE) accounts does your team process?

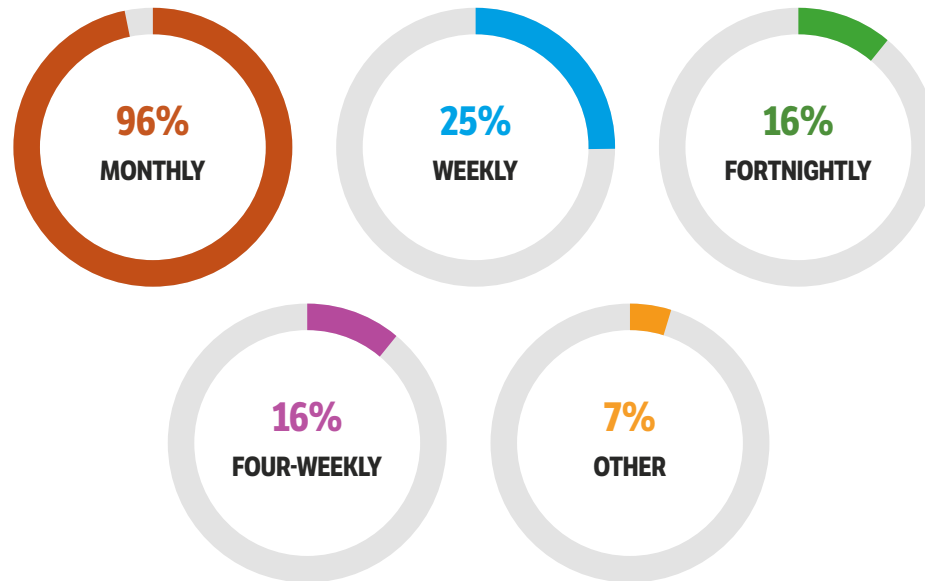
Majority of the survey respondents (76%) process between 1 and 50 PAYE accounts.

How many PAYE accounts does your team process?



Payroll frequency

The frequency of payroll(s) operated and the total number of employees / pensioners you / your team pay



A substantial **96%** operate monthly payrolls, which isn't surprising as last year, monthly paid payrolls were also the most common, with **92%** of employers operating this frequency.

Weekly paid is low in comparison to monthly paid, however its popularity has increased from **18%** to **25%** from last year. Fortnightly and four-weekly payrolls are joint, with **16%** operating this frequency.

Some of the respondents that selected 'Other', operated the below payrolls:

- Bi-monthly
- Annually
- Daily 'immediate' payrolls.

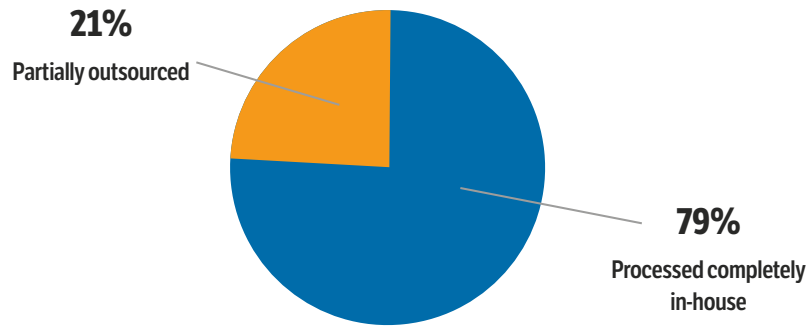


**A SUBSTANTIAL
96%
OPERATE
MONTHLY
PAYROLLS**

Payrolls

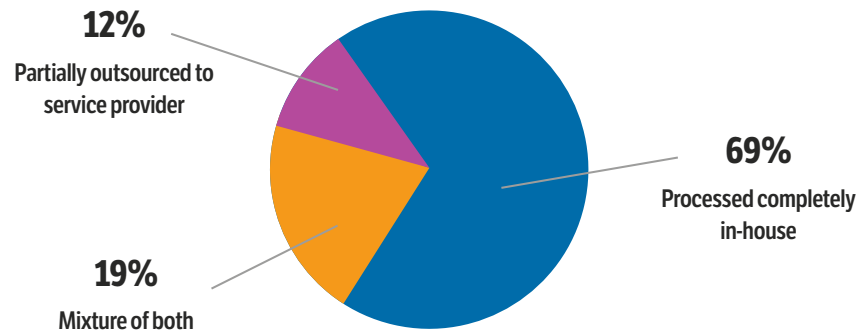
For in-house respondents, **79%** processed payrolls completely in-house and **21%** were partially outsourced.

Are your payrolls processed completely in-house or partially in house?



For payroll service providers, **12%** were partially outsourced to them, **69%** were completely outsourced to them and **19%** were a mixture of both.

As a service provider, are the payrolls you process partially or completely outsourced to you?



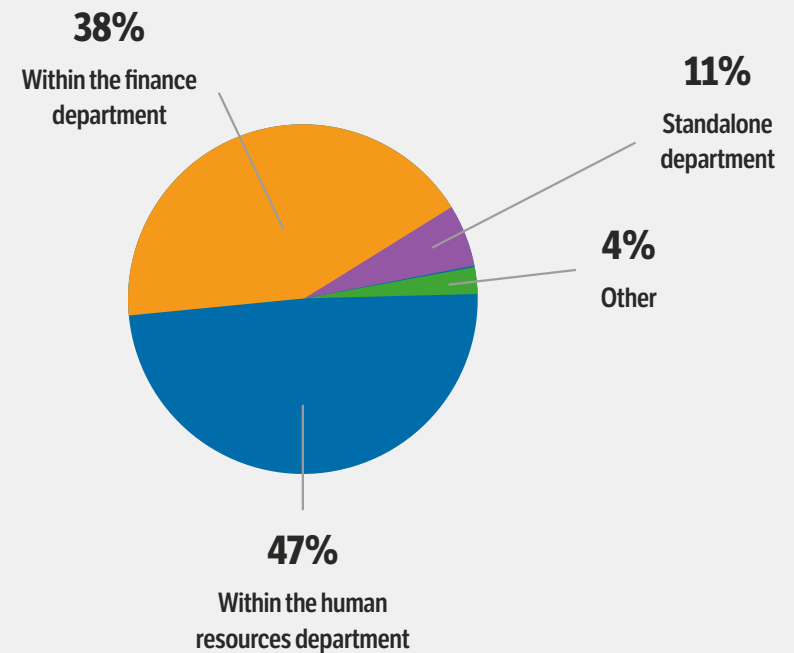
Where does the team sit?

Which department does payroll sit within?

11% were a standalone department, **38%** were within the finance department, **47%** were within the human resources (HR) department, and **4%** stated 'Other'.

Those that stated 'Other' commented:

- Combination of HR and finance – both teams work closely on monthly payroll
- Pension administration sits with finance.



Accuracy, timeliness and completeness

What's the agreed level of accuracy for the payroll(s) of your employees / your clients?

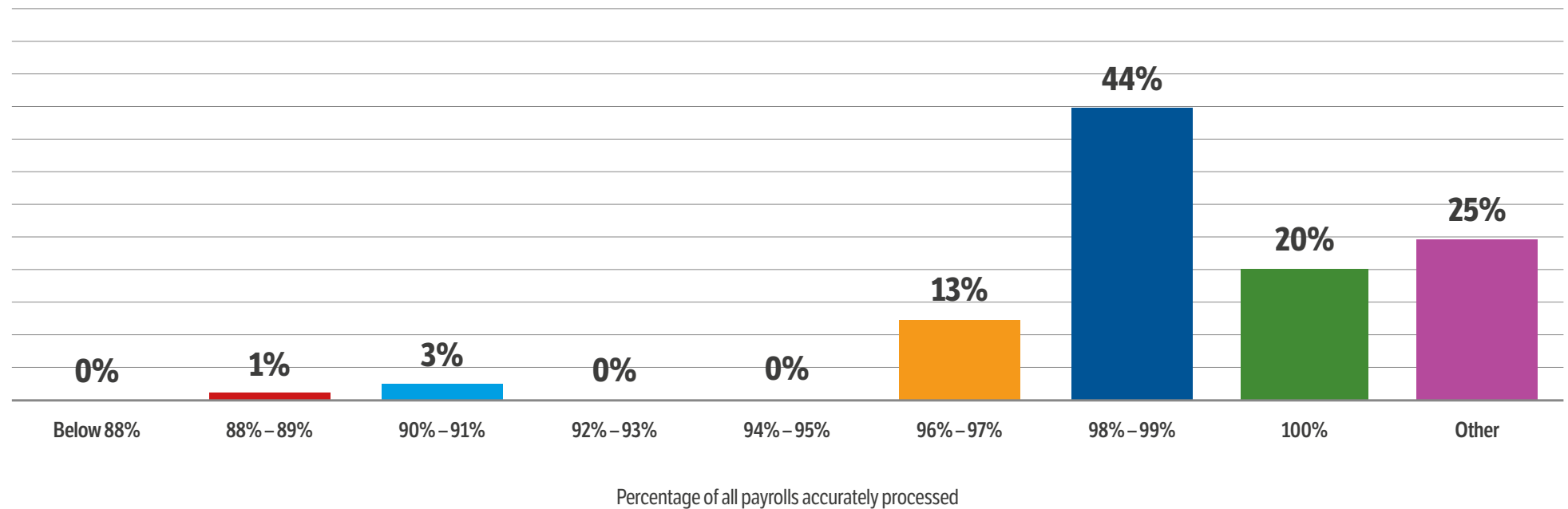
Accuracy is a key factor when processing payroll and it's promising to see this was collectively 98–99% for **44%** of the audience and **13%** for 96–97%. Amazingly, **20%** of respondents report achieving a level of 100% accuracy.

25% who voted for 'Other' stated:

- There were no service level agreements (SLAs) or agreed accuracy levels
- This isn't measured
- No KPIs used.

Those also expressed that even though there was no agreed level, 95 – 100% is always the target.

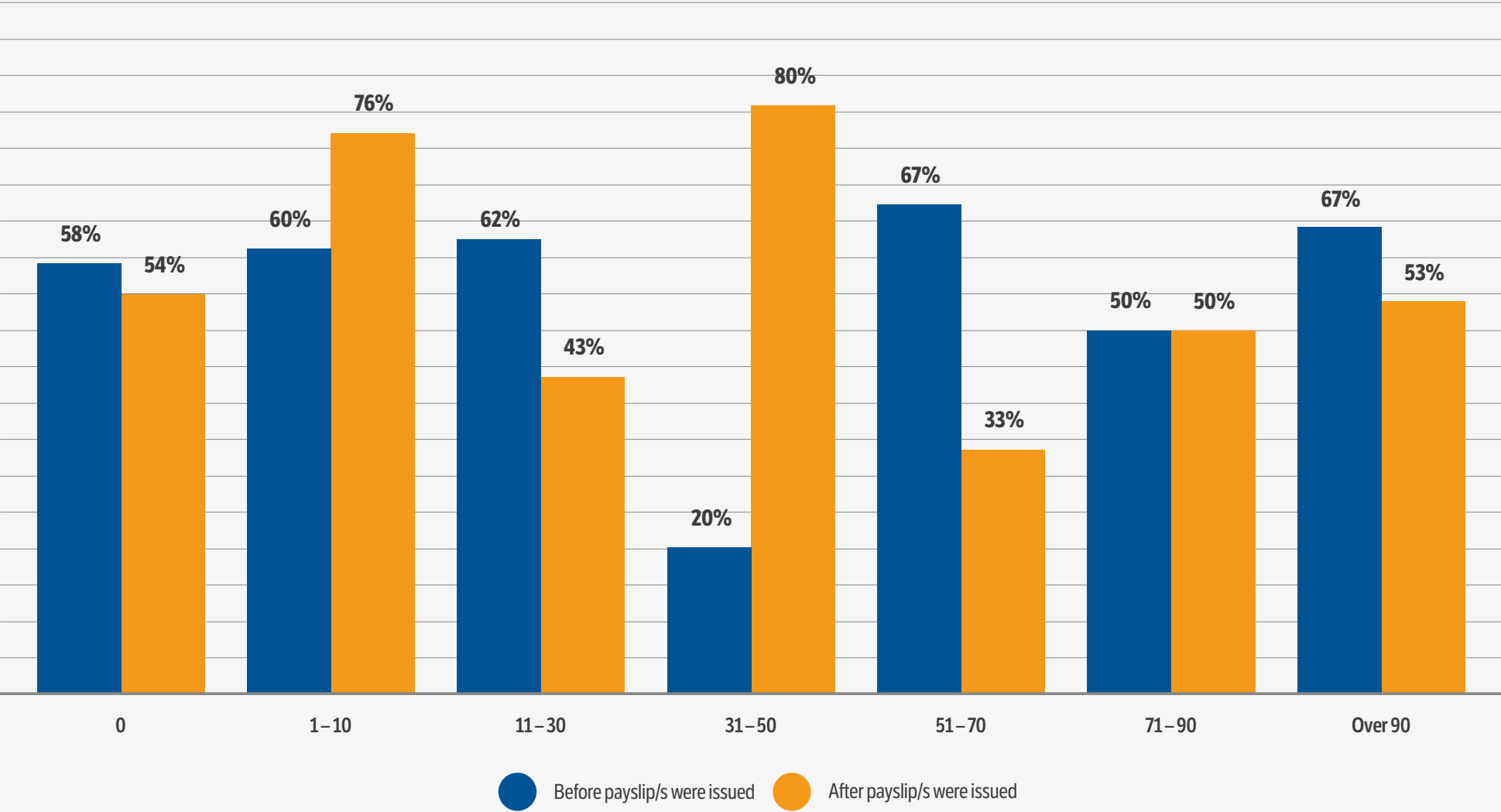
AMAZINGLY, **20%** OF RESPONDENTS REPORT ACHIEVING A LEVEL OF 100% ACCURACY.



Payroll errors

Number of errors identified in the previous tax year (6 April 2022 – 5 April 2023)

In the survey we asked respondents to report the number of payroll errors that occurred before payslips were issued versus payslips once issued, the results can be viewed below.



Types of errors occurred in the previous tax year (6 April 2022 – 5 April 2023)

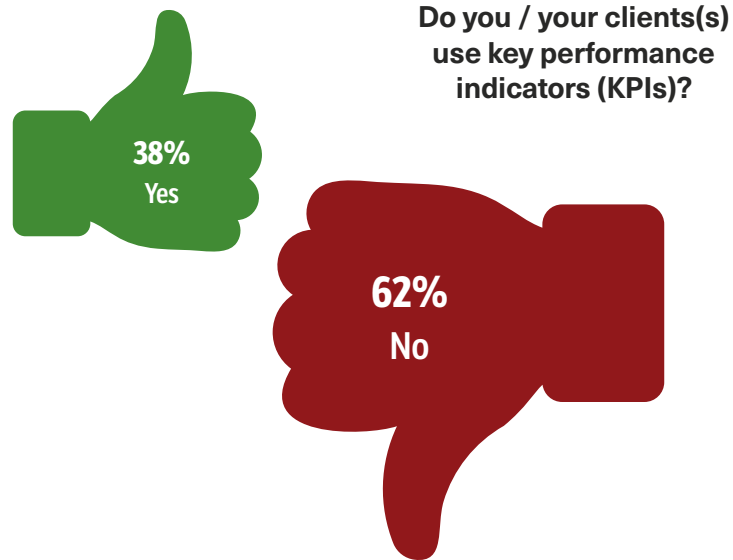
61%	Missed hours / overtime hour	47%	Incorrect data on time and attendance records / timesheets	38%	Incorrect leave date
37%	Incorrect starter information	31%	Incorrect deductions	31%	Miscalculating pay
31%	System / technical error	23%	Missed deadlines	15%	Missed compensation pay
11%	Missed on variance checks	11%	Other		
10%	Incomplete records	6%	None		
2%	General Data Protection Regulations (GDPR) breach	2%	Misclassifying employees		
2%	Personal data divulged to an unauthorised source	0%	Payslip sent to incorrect employee		

Often, where incorrect information is received or entered, it's incomplete or the first handler gives inaccurate data.

Those that stated 'other', commented:

- Errors were mainly system issues
- Errors due to other departments (i.e. HR, managers)
- Late notification of leavers and late information supplied.

Key performance indicators (KPIs)



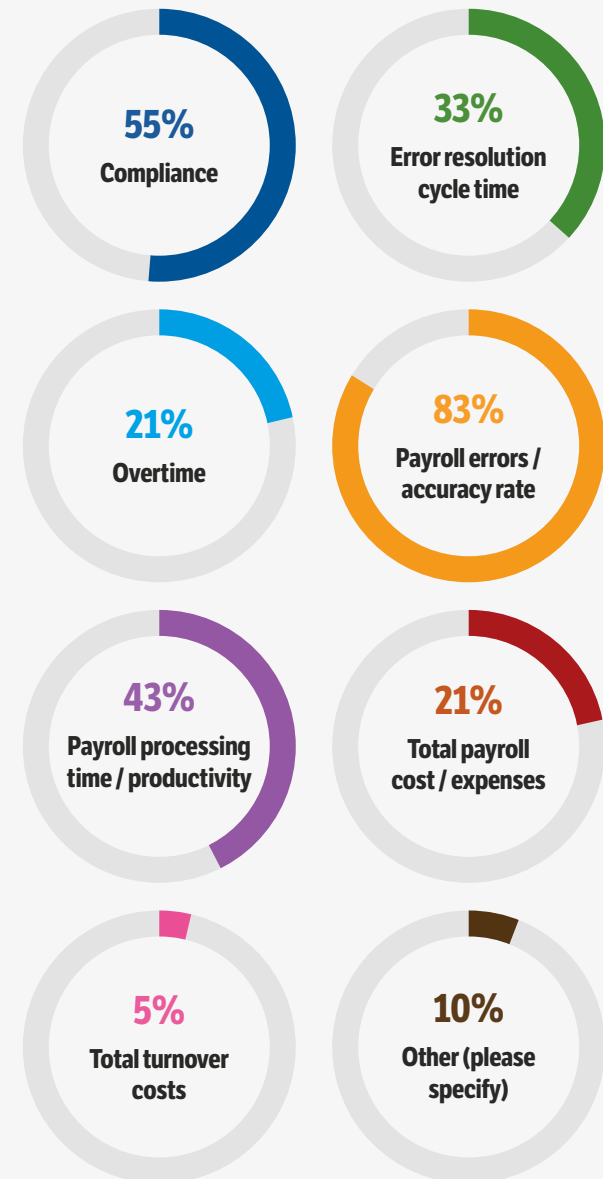
What type of KPIs are used?

Compliance came in at **55%**, **33%** used error resolution cycle time, **21%** used overtime, **83%** used payroll errors / accuracy rate, **43%** used payroll processing time / productivity, **21%** used total payroll cost / expenses, **5%** used total turnover costs.

10% selected 'Other' and used:

- Headcount, manual payments, non-cash payments, award payments
- Overpayments
- Starters vs leavers, payments outside of payroll cycle, worker numbers.

What type of KPIs are used?



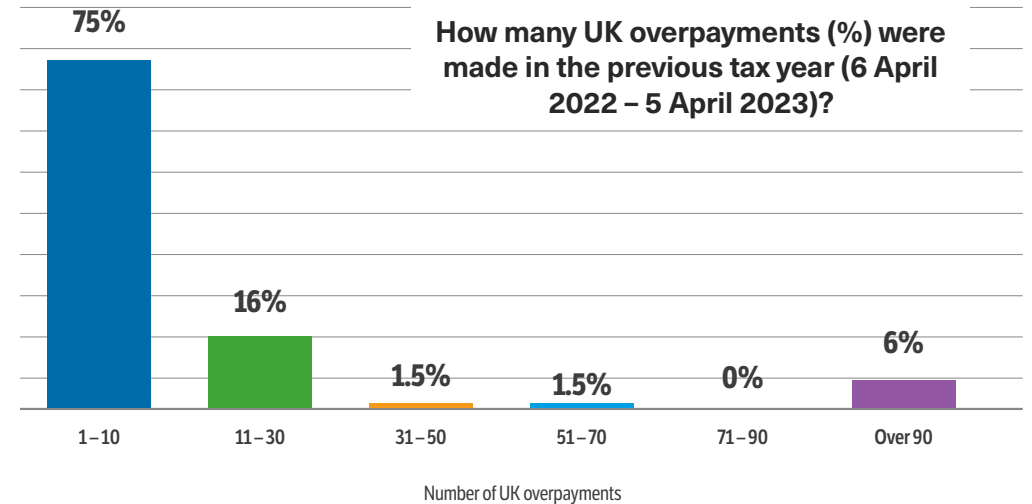
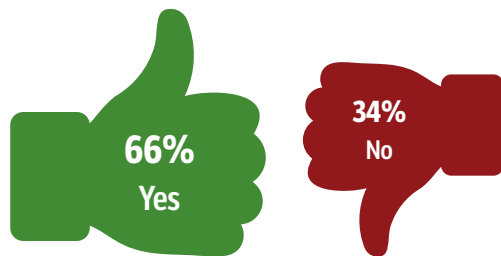
Overpayments

66% have overpayments in the previous tax year (6 April 2022 – 5 April 2023). 32% shared the gross value of these overpayments were between £1,001 – £5,000, 13% £5,001 – £10,000 and 22% were between £10,001 – £50,000.

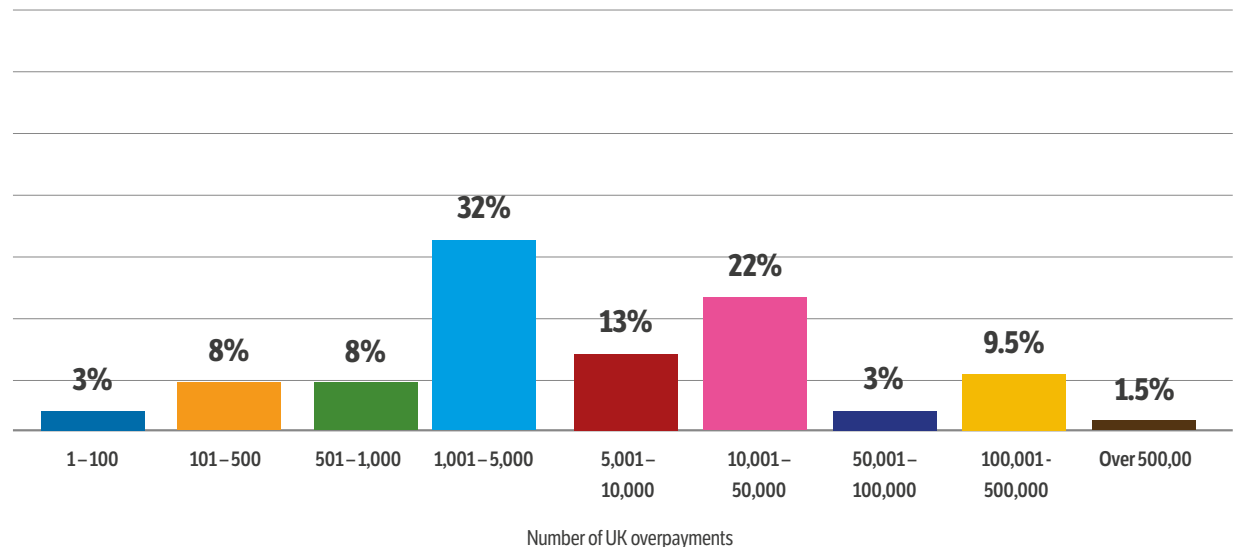
Regarding the number of overpayments, 75% said that 1 – 10 were made in the previous tax year and 16% made 11 – 30 overpayments, whereas 6% made over 90 overpayments. This can be dependent on the size of the PAYE being processed.

Regarding recovering these overpayments (included those that have been recovered or written off), 89% have been recovered, 65% are currently being recovered, 65% have been written off and 17% don't track the information.

Did you have any overpayments in the previous tax year (6 April 2023 – 5 April 2023)



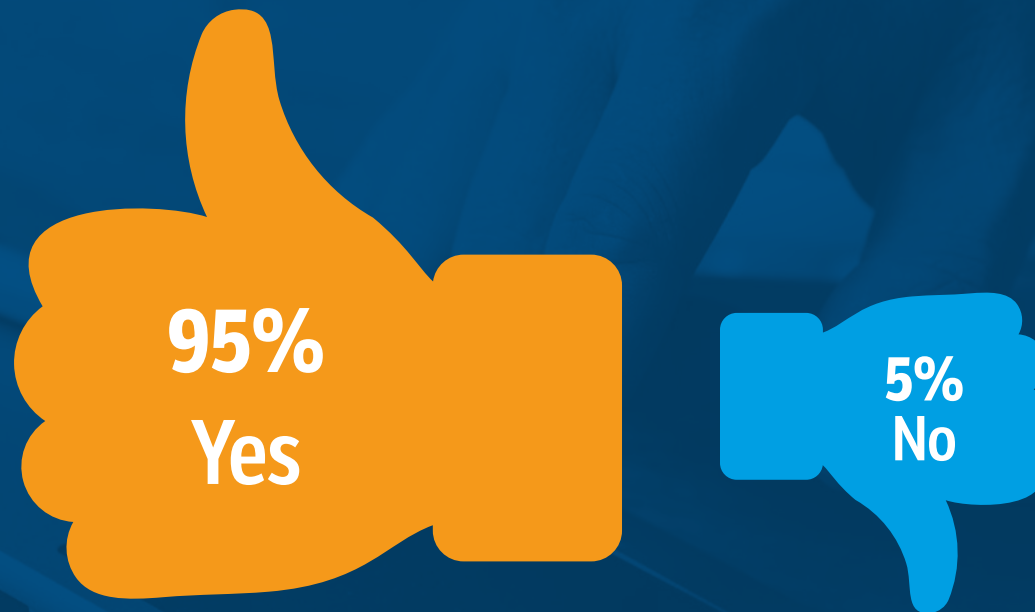
What is the total gross value (£) of all these UK overpayments?



* Please note: bureau respondents may have selected multiple business sectors.

Submissions

It's promising to see that **95%** of the respondents made all statutory submissions on time to HMRC last year.



Salaries

In this section, salaries have been illustrated as an annual average for the following roles involved in payroll activities within the organisation. Within this section, salaries have been broken down by region.

** Respondents were asked to provide the average annual salary (to the nearest whole pound) for the following roles (where applicable) involved in payroll activities within the organisation.*

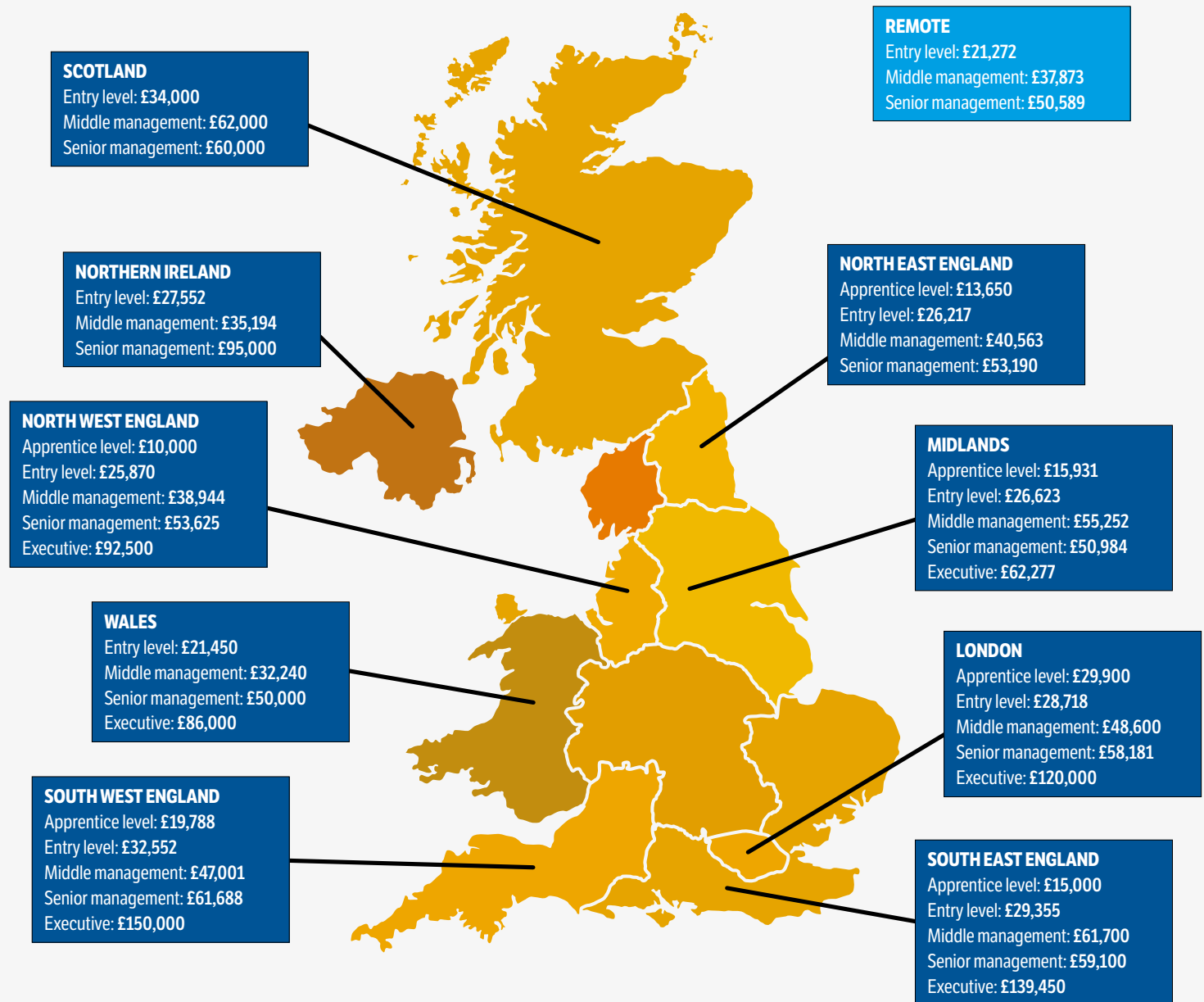
Entry level:
Administrators / practitioners / assistants / liaison officers/ clerks / advisors / graduates

Middle management:
Team leaders / supervisors / consultants / specialists (SMEs) / vice principals

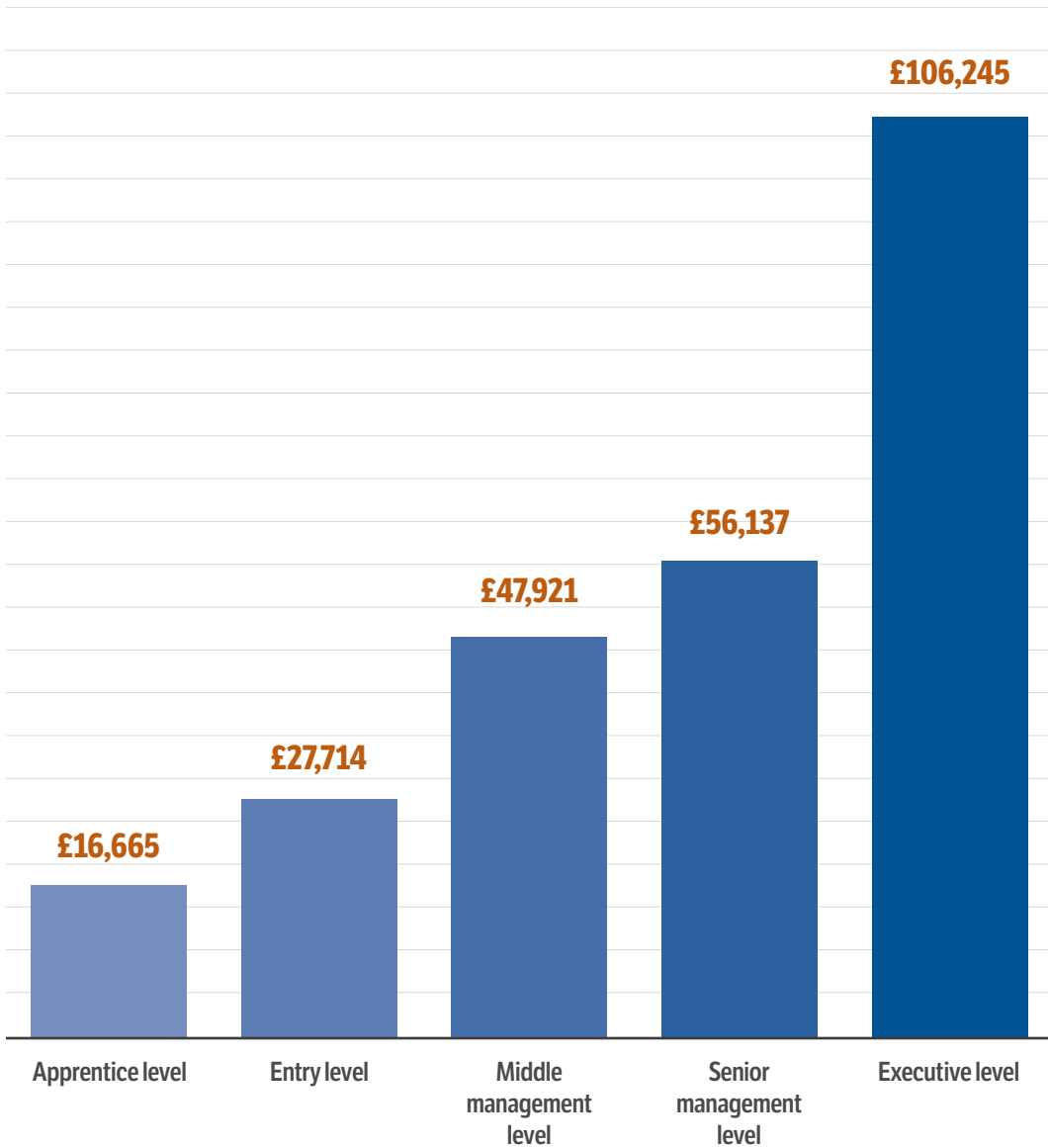
Senior management:
Managers / heads of function or department / associate directors / directors

Executive:
Board / company directors / CEO

Summary of average annual salaries for roles specified



Summary of average annual salaries for roles specified



Amounts rounded to the nearest whole pound

APPRENTICES AVERAGE ANNUAL SALARY HAS FALLEN FROM £19,000 LAST YEAR TO £16,665 THIS YEAR.

Entry level payroll professionals now average over £27,700 per year. This is an increase of over £2,200 from last year's average. With an average salary of almost £47,921, middle management have seen a significant rise.

Senior management level has fallen slightly short from last year, dipping from an annual average of £57,000 to £56,137.

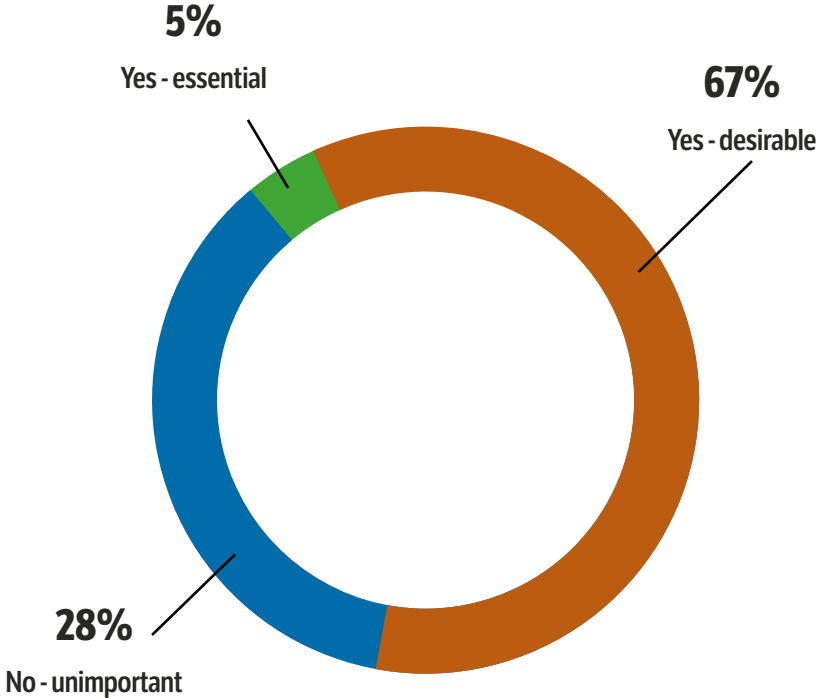
The executive level average annual salary remains high, with an annual average of £106,245, whereas last year the average remuneration was just over £100,000.





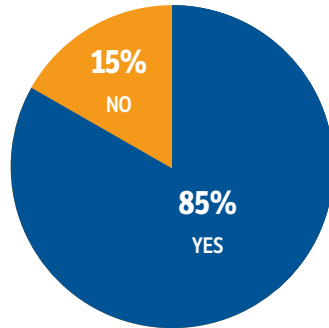
Value for money

67% believe it's desirable for potential candidates to have a CIPP payroll qualification, whereas 5% feel it's essential when seeking employees. 28% feel it isn't important.



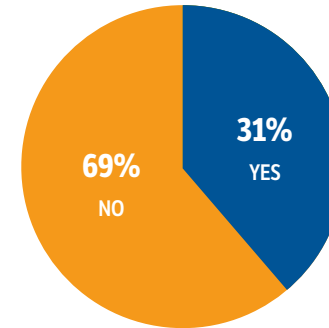
Benefits

Does your organisation process benefits for employees / clients?



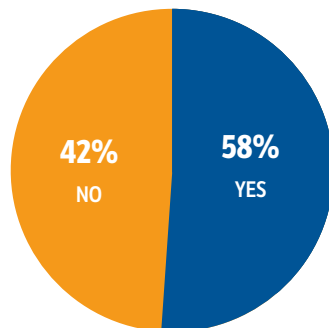
85% process benefits and 15% don't

Are expenses paid through payroll?



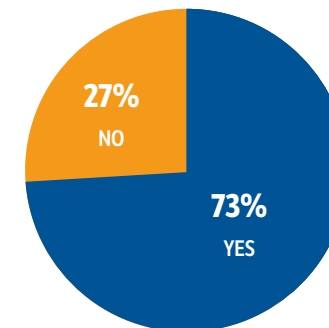
31% pay expenses through payroll and 69% don't

Do you allow employees to buy / sell annual leave?



58% allow employees to buy / sell annual leave, and 42% don't

Do clients allow employees to buy / sell annual leave?

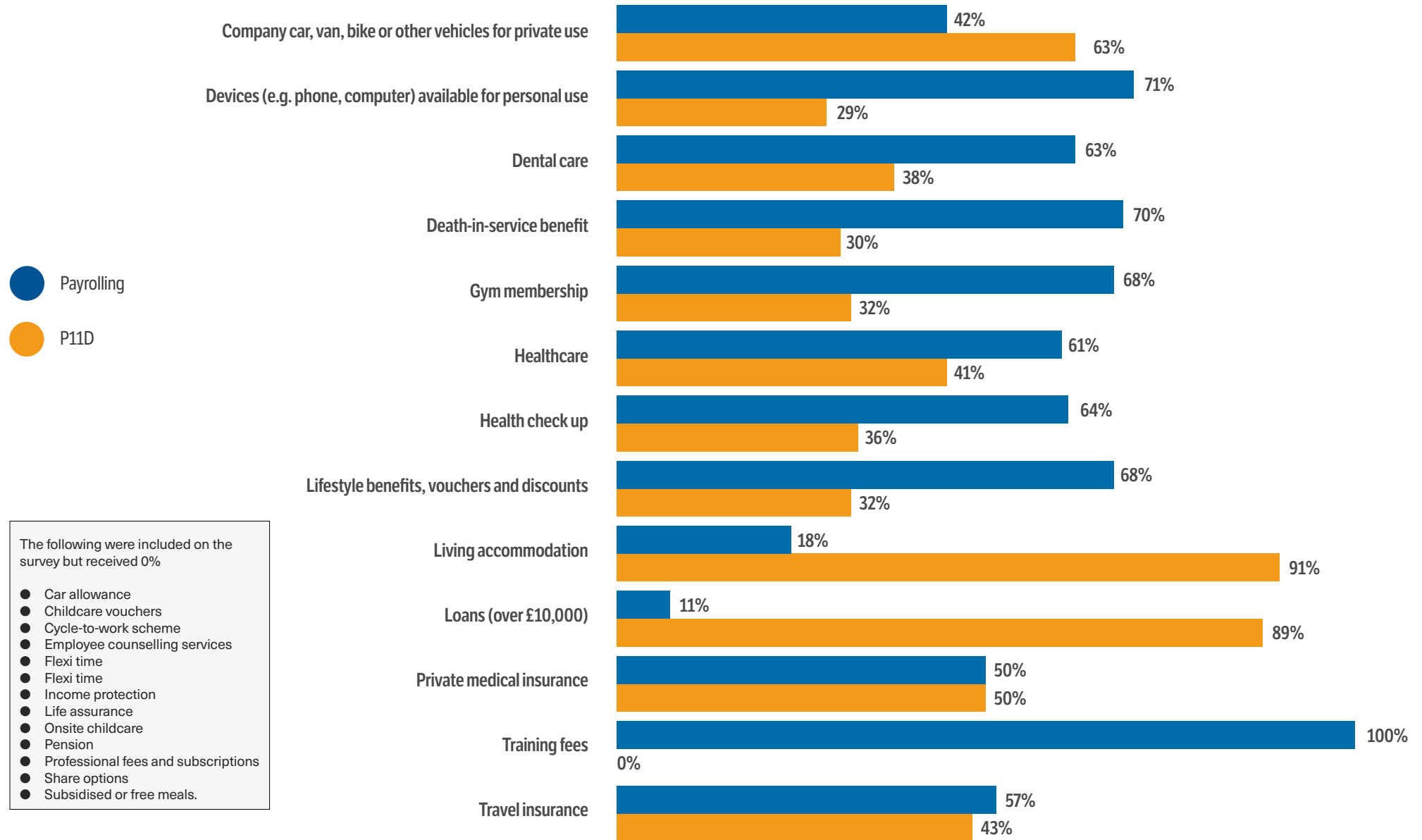


For the bureau setting, 73% of clients don't allow this and 27% do

From the results, it seems that buying / selling annual leave is more likely where the payroll is not outsourced.

Most respondents payroll benefits and this may be due to the new rules implemented by HMRC on 6 April 2023.

What benefits do you provide to employees / clients and how are they reported to HMRC?



- The following were included on the survey but received 0%
- Car allowance
 - Childcare vouchers
 - Cycle-to-work scheme
 - Employee counselling services
 - Flexi time
 - Flexi time
 - Income protection
 - Life assurance
 - Onsite childcare
 - Pension
 - Professional fees and subscriptions
 - Share options
 - Subsidised or free meals.

Percentages have been rounded to the nearest whole number for clarity and in some instances may not total 100%

Saving for the future

As life expectancy rises within the UK, saving for the future is on top of the checklist for employees.

With the potential for the state pension age to rise and as the cost of living continues to soar, this can have a domino effect on citizens staying in full-time work and many may have to wait longer for pensioner benefits.

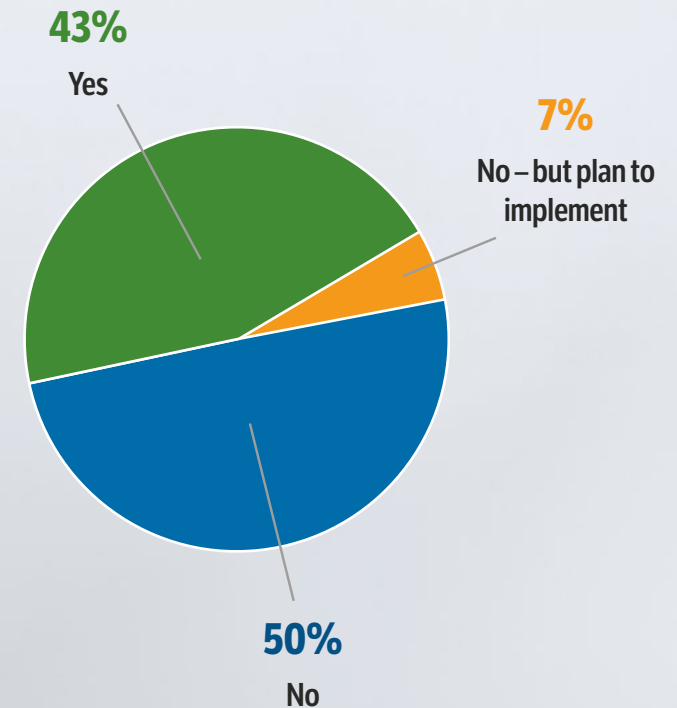
Pensions and savings are more important than ever and with many changes on the horizon, this is a topic employers and organisations will be largely involved in.

43% of the respondents process payroll giving deductions, similarly, last year **45.5%** processed these. **50%** don't process payroll giving deductions, however **7%** intend or plan to implement in the future.

The CIPP is committed to raising awareness of payroll giving and the positive impacts it can have on employees and a business.



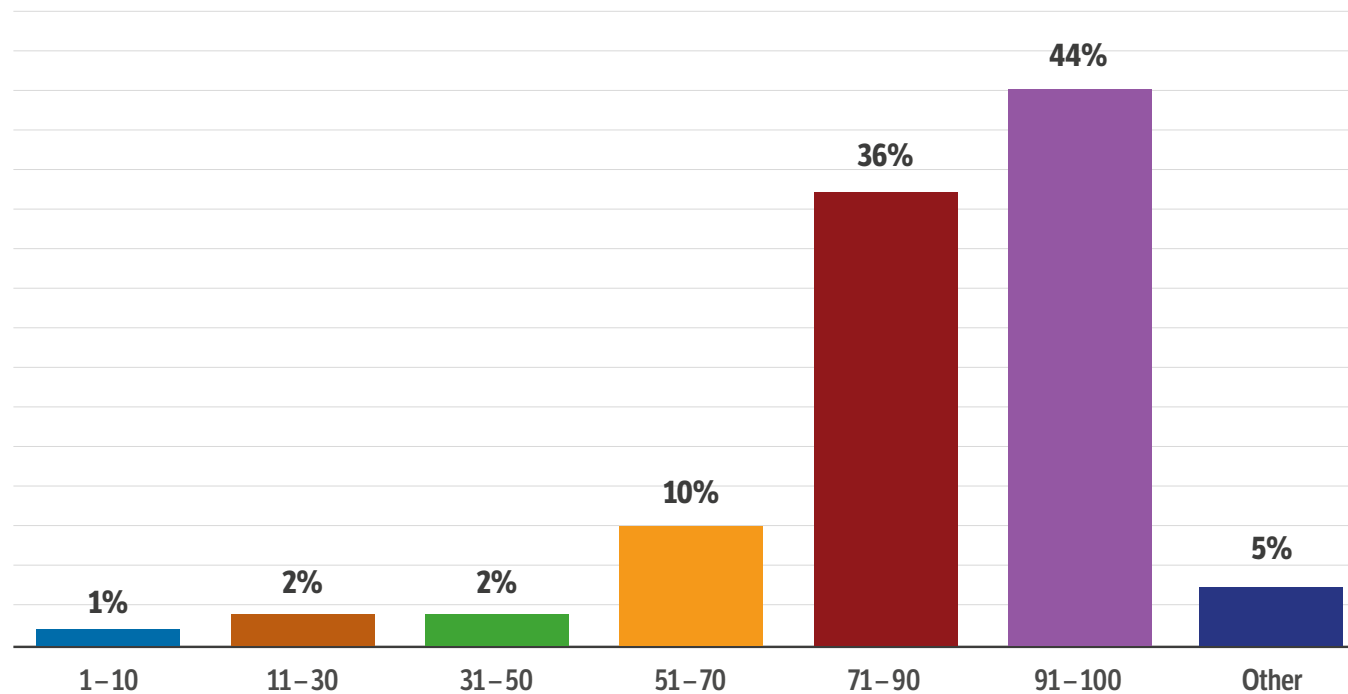
Do you process payroll giving deductions? (charitable donations)



Pensions

A promising **44%** have 91 – 100% of staff paying into a pension scheme through payroll and **36%** stated 71 – 90% pay into a pension scheme through payroll. This is on average a collective **80%** which equates with responses from 2021 and 2022.

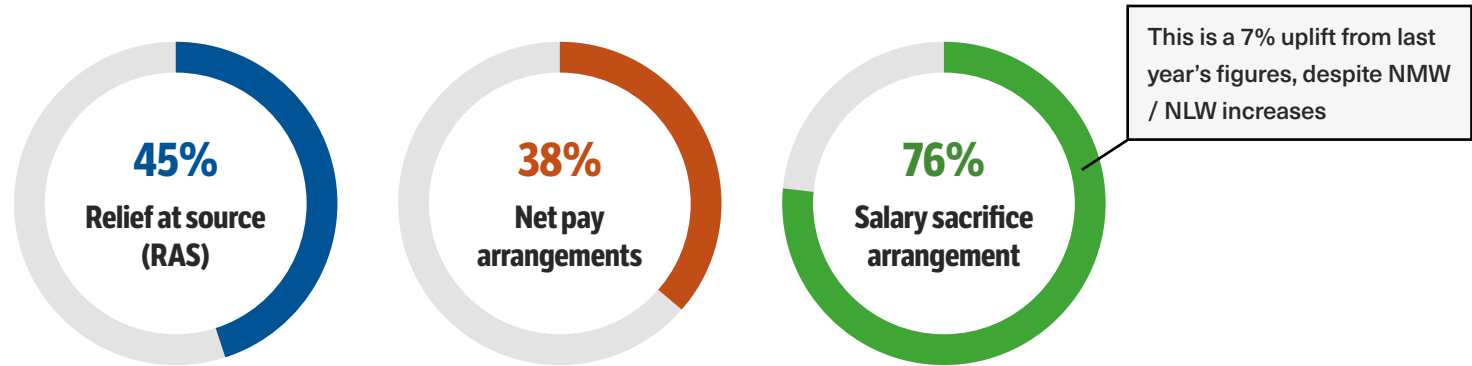
What % of employees pay into a pension scheme through payroll?



Those that stated 'Other', commented:

- Employer contribution only and employee contributions are additional voluntary contributions (AVC)
- None contribute.

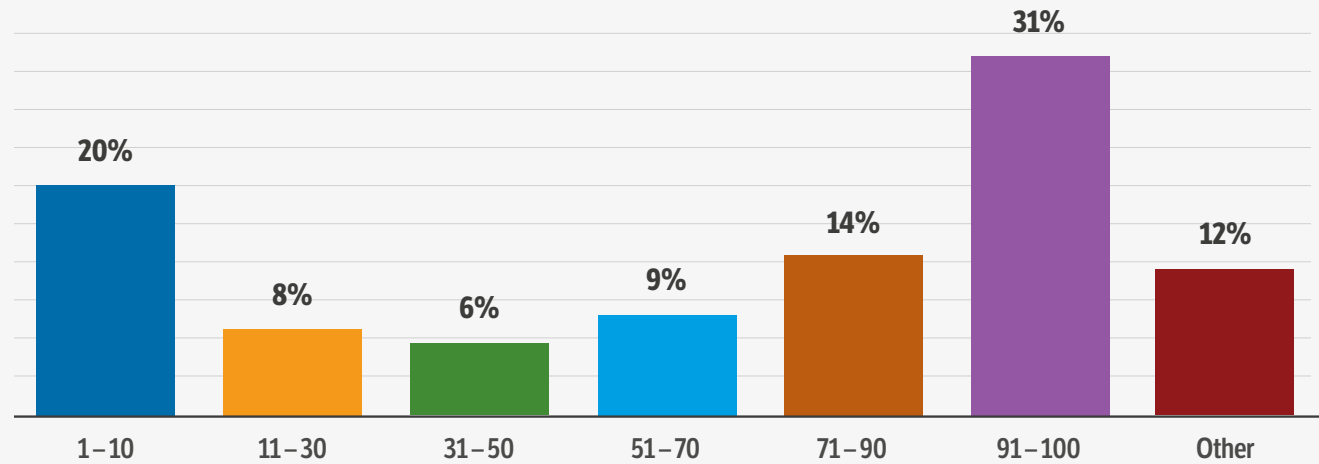
How do you process pension deductions?



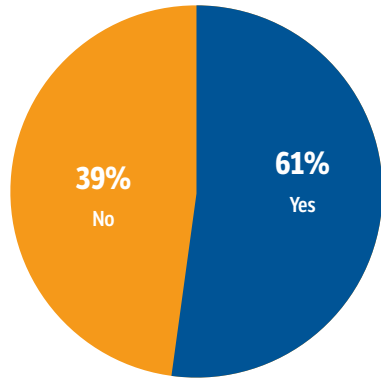
What % of staff use salary sacrifice for pension contributions?

Percentage of staff that use salary sacrifice for pension contributions:

- 34% have between 1 – 50 percent of staff
- 54% have 51 – 100 percent of staff
- 12% stated 'Other', and added comments:
 - This option has reduced as the government has increased NMW and NLW
 - Don't operate a salary sacrifice pension scheme.



Do you pay above the minimum contributions for automatic enrolment?

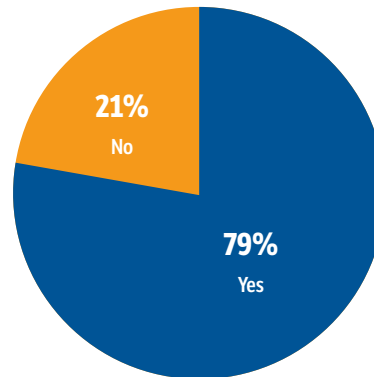


A commendable **61%** of employers pay above the minimum contributions for automatic enrolment, this was a similar response to last year (62%). **39%** don't pay the above minimum.

Do you offer saving or borrowing through payroll?

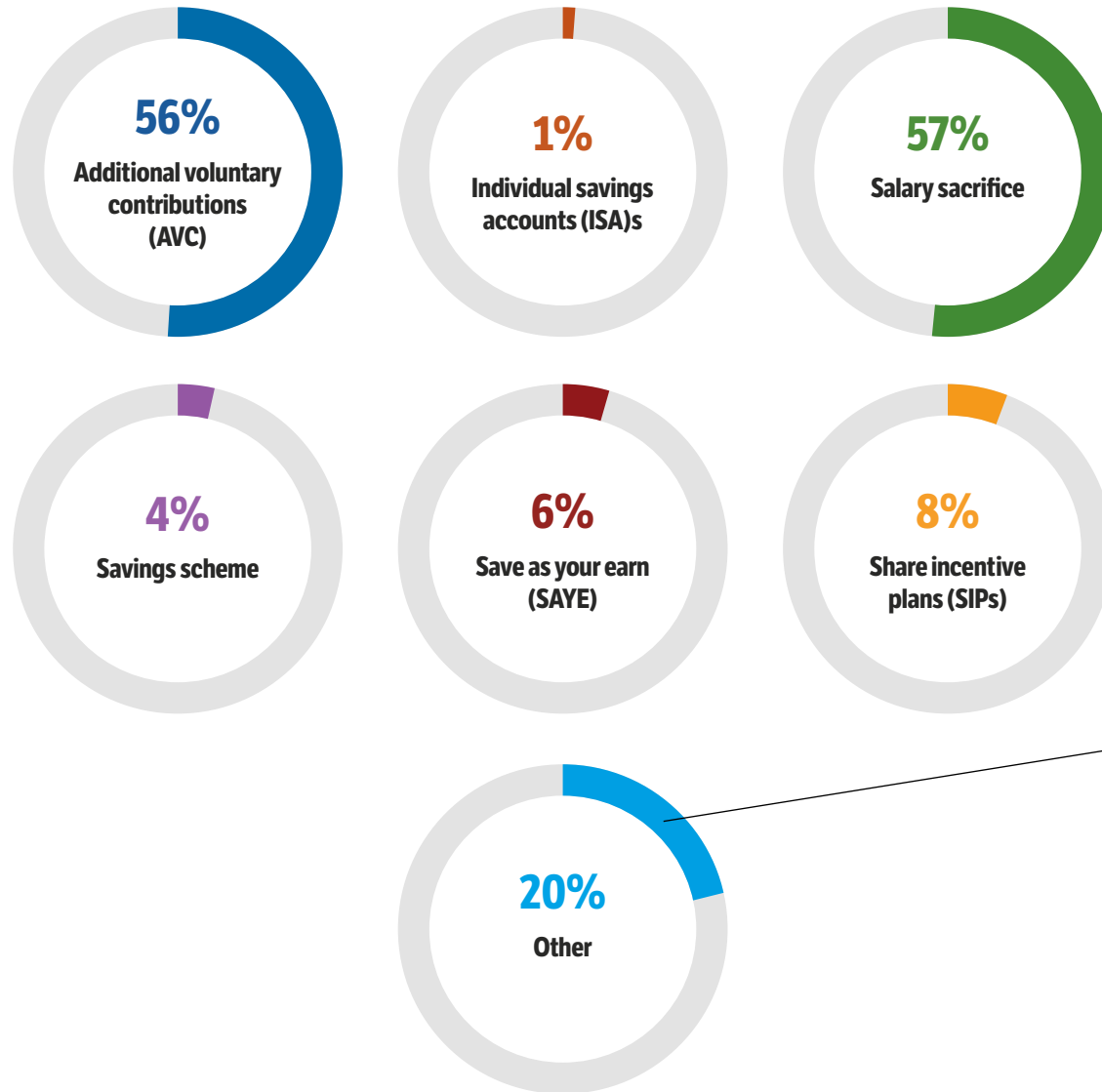
21% offer saving or borrowing through payroll, this is down from **1%** last year, however still an increase from 2021, and **79%** don't have any offerings.

Of those that offer savings or borrowing, **48%** said 1 – 10 percent of staff take this up, **15%** said 11 – 30 percent of staff, and **33%** stated 'Other'.



**A COMMENDABLE
61%
OF EMPLOYERS
PAY ABOVE
THE MINIMUM
CONTRIBUTIONS
FOR AUTOMATIC
ENROLMENT**

Which other saving incentives / initiatives do you operate alongside a pensions?



THOSE WHO STATED 'OTHER' SUGGESTED:

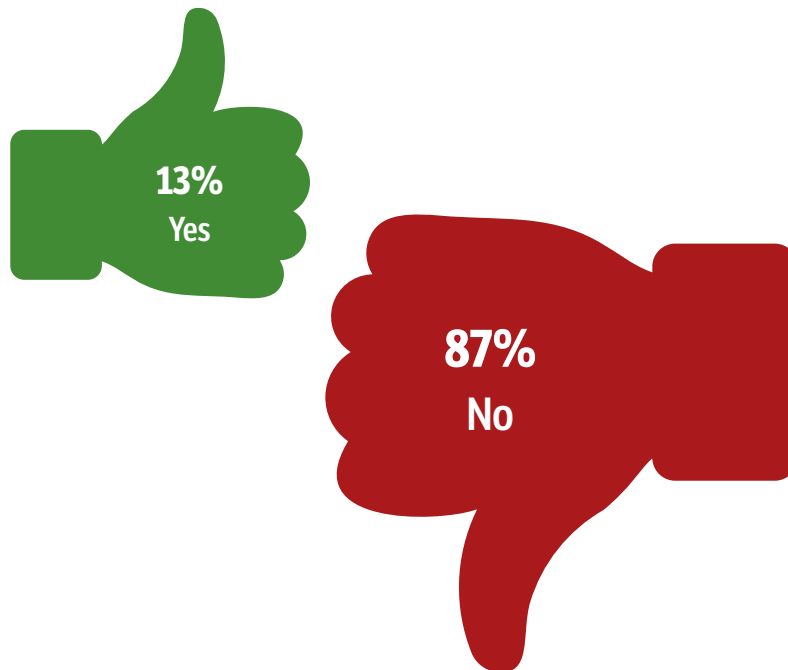
- Employee stock purchase plan (ESPP)
- Bonus shares
- 'Ride2Work' and childcare vouchers for those already enrolled before
- None
- Any unused flexible benefit allowance is paid into the pension scheme as an employer contribution

Earned wage access (EWA)

As mentioned in last year's benchmarking report, the CIPP is interested in exploring the trend of EWA. The CIPP has united with seven leading UK providers of EWA to support an EWA [Code of Practice](#), in response to a recommendation by the Financial Conduct Authority (FCA) which sets the common standard for firms providing EWA products to deliver good consumer outcomes.

13% offer earned wages access, and **87%** don't offer this. In comparison, this has proven to have increased in popularity in the payroll industry, with only **9%** respondents indicating they offer this to employees last year.

Do you / your client(s) offer access to earned wages?
(Pay on Demand, instant access, etc)



Earned Wage Access
Code of Practice
September 2023

Supported by
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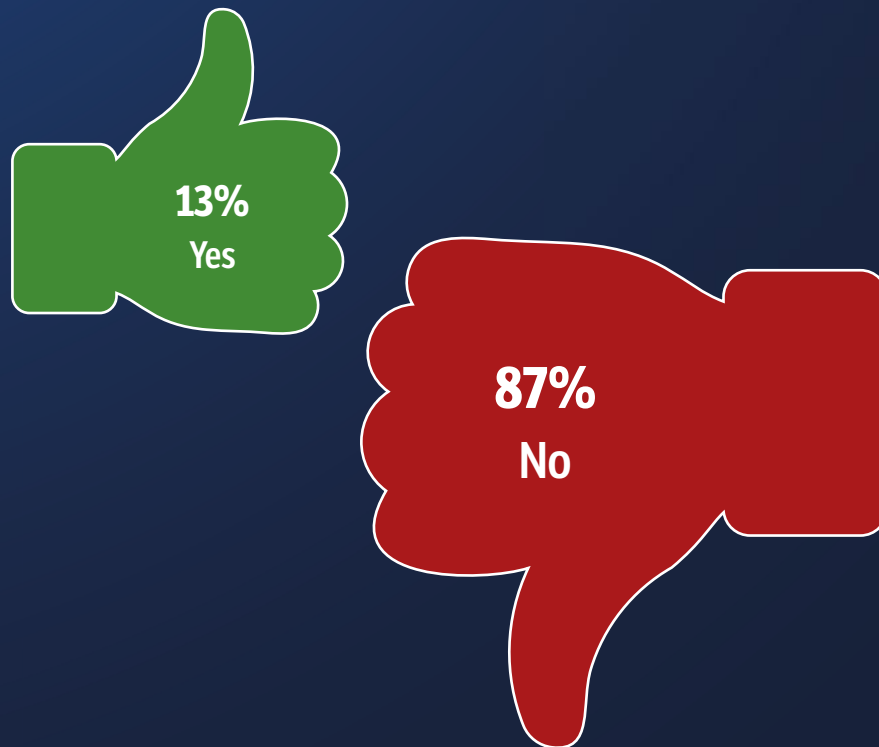
Founded by
access AnyDay CERIDIAN hastee.
Level Salary Finance W WAGESTREAM

CLICK FOR DETAILS

Global

13% process expat payrolls, this is 5% more than last year's figure, and 87% don't process these.

Do you process expat payrolls?





CIPP

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