



Payroll in focus:
The economic impact
of payroll professionals
in Canada

September 2020



Supported by:





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Executive summary

Background

The Canadian Payroll Association represents over 40,000 payroll professionals covered under individual or organizational memberships, working with employers, payroll service and software providers, and governments to make payroll legislation and administration more efficient and effective. The Canadian Payroll Association is also committed to sharing knowledge and insights regarding the role and value of payroll and payroll professionals. The Canadian Payroll Association has partnered with PwC to further their goals of raising the profile of payroll in Canada, providing input on key policy issues, engaging members and stakeholders, and providing education and professional development. In this regard, the Canadian Payroll Association commissioned PwC to conduct a comprehensive study, the results of which are being reported in a series of three reports on key topics related to payroll in Canada.

This report, entitled *The economic impact of payroll professionals in Canada*, assesses the importance of payroll to the Canadian economy, focusing on the channels of the economic footprint of the payroll function, employer productivity, and employee retention and attraction. The second report, *The cost of employer compliance and public policy implications*, measures the impact on employers of their obligations to collect and remit hundreds of billions of dollars in personal income taxes, Canada Pension Plan contributions, Employment Insurance

premiums and other premiums and levies through payroll. The report quantifies the cost of these remittance and compliance obligations to Canadian employers, and explores key policy issues including provincial harmonization of employment and labour standards, policy responses to COVID-19, and real-time payroll reporting. The final report in the series *The future of payroll* lays out a vision of what the future of payroll will look like, including analyzing the current state of payroll, and identifying key trends that will shape future payroll models for organizations and payroll professionals.

The economic impact of payroll professionals in Canada

Payroll is a critical function within Canadian organizations, with a resonating impact across the Canadian economy. Payroll, however, is seen as a back office activity—not only by senior executives and others within a given organization, but by governments and Canadian society as a whole.

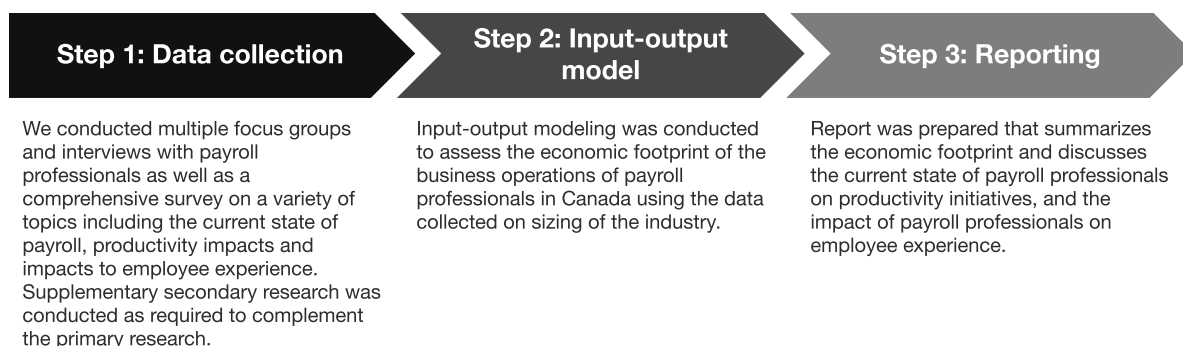
In order to fully understand the value that the payroll function and payroll professionals provide, it is important to understand their impact. To help clarify the role of the payroll function and provide a more in-depth view of the contribution of payroll professionals to the Canadian economy, the Canadian Payroll Association engaged PricewaterhouseCoopers, LLP (PwC, we or us) to conduct an independent assessment of:

- the current state of payroll and the role of payroll in Canadian organizations;
- the practice of payroll and the economic contribution payroll professionals make to the Canadian economy on an annual basis;
- the impact of payroll professionals on productivity initiatives at organizations; and
- the impact of payroll professionals on employee experience at organizations.

Our approach

Our approach to determining the contribution of payroll to both organizations and to the Canadian economy involved three key steps (see Figure A).

Figure A: PwC project approach



Summary of findings

Based on our study, we concluded that the payroll profession is an important element of Canada’s ability to sustain and grow its economy. Recognizing the importance of payroll is also critical for ensuring that organizations are able to recruit highly skilled payroll professionals, and to fully utilize the value that payroll professionals can bring to organizations. Our study found that organizations often do not recognize the value of the payroll function, largely due to the fact that the majority of the work conducted by payroll professionals happens “under the radar.” This means that when payroll is done correctly, the significant contributions that payroll professionals make and the impact that they have largely goes unnoticed.

In this first report of three, we focus on three major aspects of payroll professionals to the Canadian economy:

- Economic footprint,
- Organizational productivity, and
- Employee experience.

Both directly and indirectly, payroll professionals are involved in key functions within organizations including attracting and retaining talent, providing visibility on payroll costs, and boosting productivity by promoting technology adoption.

Impact on the economy

The results of our economic footprint analysis show that payroll professionals have a significant impact on the Canadian economy in the form of GDP, labour income, and tax revenues. On an annual basis, payroll professionals working in industry generate a GDP impact of over \$7.9 billion, while employees at payroll service and software providers (PSSPs) generate a GDP impact of almost \$0.7 billion (see Figure B).

Figure B: Total annual economic footprint of payroll professionals by impact channel

	Payroll professionals in industry	Employees at PSSPs
Payroll professionals (full-time equivalents)	77,200	6,700
GDP (\$ millions) ¹	7,915	690
Labour income (\$ millions) ¹	5,688	480
Total tax revenues (\$ millions) ¹	1,550	145

Source: PwC analysis

¹ Sum of direct and indirect impacts

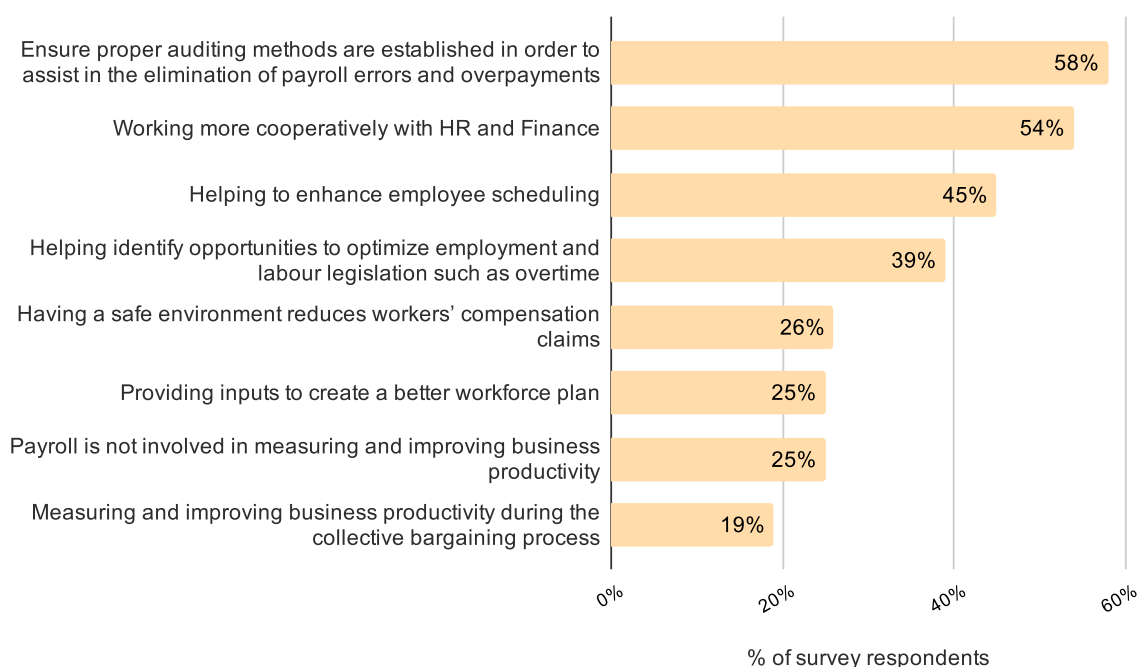
Impact on productivity

Through our primary and secondary research, we found that payroll professionals also have a major impact on the productivity of organizations through their contribution to key productivity initiatives. Our survey of over 2,400 payroll professionals revealed that the most common productivity initiative payroll professionals are most involved in is ensuring proper auditing methods are established in order to assist in the elimination of payroll errors and overpayments, followed by working more cooperatively with HR and finance in order to make certain that everyone has or

obtains the correct interpretation related to situations like understanding termination agreements. Figure C highlights the other major productivity initiatives that payroll professionals participate in.

In terms of contributing to organizational productivity, one of the greatest challenges that payroll professionals face is simply educating others in their organization about the value they can provide—not only to improve day-to-day productivity, but to help the organization think strategically about future productivity initiatives.

Figure C: Productivity initiatives engaged in by payroll professionals, percentage of total survey respondents



Impact on employee experience

The shortage of Canadian talent is at a record high. In 2019, 48% of companies reported talent shortages, up from 41% in 2018 and more than double what it was in 2010 at 21%.² The skills shortage is driven by factors including a growing global competition for highly skilled workers, and the aging workforce in Canada who are leaving positions that are difficult to fill. Retaining talent is a competitive endeavour, and companies that aim to hire and keep the best people must offer the most attractive packages which include the right mix of compensation and a strong company culture that embraces a positive and modern employee experience.

Payroll professionals are a critical building block of the employee experience because they deal with one of the most sensitive aspects of work: compensation. They also conduct a wide variety of other activities that affect the wellbeing of a company's employees, from administering benefits programs and solving payroll issues to providing education and guidance relating to a company's programs, technologies, and self-service tools.

During each of these activities, payroll professionals are tasked with communicating thoughtfully with employees, and tailoring their responses to individual needs. The often-sensitive nature of the topics that payroll professionals discuss with employees makes every interaction a high impact touchpoint that can truly enhance the employee experience.

The more effective a payroll professional, however, the more seamless the organization's employee experience becomes. By being effective, payroll professionals become almost invisible. What Canadian senior executives and companies need to understand is that there is much more that payroll professionals can do. By raising the profile of payroll professionals, organizations can help drive additional positive impacts—such as increased cross-functional collaboration, more robust strategic planning and decision-making and more efficient operations.

Impact of COVID-19

COVID-19 was an unexpected and unprecedented event. Payroll professionals across organizations were called on to deal with a significantly higher volume of requests than normal and to complete tasks on much shorter timelines. Payroll professionals played, and continue to play, a critical role in swiftly implementing legislative changes (e.g. financial aid programs, pay initiatives) within their organizations in order to support individuals whose jobs were being impacted by COVID-19. For example, payroll professionals had to process a much higher than average number of terminations and provide quick turnaround of millions of termination documents, including pay statements and records of employment.

From an economic perspective, the ability of payroll practitioners to quickly incorporate numerous COVID-19 related government announcements into their payroll processes and employee communications was instrumental in allowing employees to quickly access or participate in government aid programs where available. Payroll professionals played a key part in making sure these programs were implemented expediently and smoothly, thereby supporting the programs' role in mitigating against an economic depression in Canada.

² ManPower Group, Talent Shortage 2020: Canadian Results, published in 2019

Embracing the value of payroll professionals

Canadian organizations and governments should not underestimate the value that payroll professionals provide. Their impact extends well beyond contributing to a seamless payroll process; in addition to generating a significant impact to the Canadian economy, their work also contributes to organizational productivity and to an enhanced employee experience, which in turn can play a large role in attracting and retaining top talent.

While payroll professionals are an important part of organizations today, there is far more that they can do to create value in the future. Companies that embrace the possibilities with respect to the value that payroll professionals can provide and look to reshape the future of payroll will be well positioned to thrive regardless of the challenges that come their way.

Introduction

Background

The Canadian Payroll Association represents over 40,000 payroll professionals covered under individual or organizational memberships, working with employers, payroll service and software providers, and governments to make payroll legislation and administration more efficient and effective. The Canadian Payroll Association is also committed to sharing knowledge and insights regarding the role and value of payroll and payroll professionals. The Canadian Payroll Association has partnered with PwC to further their goals of raising the profile of payroll in Canada, providing input on key policy issues, engaging members and stakeholders, and providing professional development. In this regard, the Canadian Payroll Association commissioned PwC to conduct three studies on key topics related to payroll in Canada.

This study, entitled *The economic impact of payroll professionals in Canada*, assesses the importance of payroll to the Canadian economy, focusing on the channels of the economic footprint of the function, employer productivity, and employee retention and attraction. The second study, *The cost of employer compliance and public policy implications*, measures the impact on employers of their obligations to collect and remit hundreds of billions of dollars in personal income taxes, Canada Pension Plan contributions, Employment Insurance premiums and other premiums and levies through payroll. The report quantifies the cost of these remittance and compliance obligations to Canadian employers,

and explores key policy issues including provincial harmonization of employment and labour standards, policy responses to COVID-19, and real-time payroll reporting. The final study in the series *The future of payroll* lays out a vision of what the future of payroll will look like, including analyzing the current state of payroll, and identifying key trends that will shape payroll models for organizations and payroll professionals.

The economic impact of payroll professionals in Canada

Payroll is an essential function within Canadian organizations, with a resonating impact on the Canadian economy. The payroll function is composed of skilled professionals whose work can greatly enhance day-to-day business operations and help business leaders make better business decisions.

The contribution of payroll professionals toward organizational success, however, is largely unknown or misunderstood—not only to senior executives, but also to governments and Canadian society as a whole. One challenge is that the work of payroll is often confused with the work of related departments like human resources (HR) and finance. Another is that the work of payroll typically happens behind the scenes, invisible to most of the people who benefit from its contributions.

Payroll professionals play a critically important role in the employee experience at any organization, ensuring a seamless, error-free pay process; designing and delivering programs to educate employees about wellness and benefits programs; enhancing employees' financial literacy; and administering self-service and mobile tools for employees, enabling access to HR and pay data at their fingertips. Employee experience is a top priority for Canadian organizations because the competition for skilled talent is at an all-time high. In 2019, 48% of companies reported talent shortages, up from 41% in 2018 and more than double what it was in 2010 at 21%. The skills shortage is driven by factors including a growing global competition for highly skilled workers, and the aging workforce in Canada who are leaving positions that are difficult to fill. Retaining talent is a competitive endeavour and companies that aim to hire and keep the best people must offer the most attractive packages which include the right mix of compensation and a strong company culture that embraces a positive and modern employee experience.

For organizations looking to thrive and grow, the potential value and impact of payroll should not be ignored. Payroll – and payroll professionals – have the knowledge, data, and expertise to contribute significantly to productivity initiatives and the development of an exceptional employee experience. As stewards of critical data, payroll professionals can also prepare organizations for the future of work and foster the evolution through the use of data analytics, artificial intelligence (AI), and mobile technologies.

In order to fully understand the value that the payroll function and payroll professionals provide, it is important to understand their impact. To help clarify the role of the payroll function and provide a more in-depth view of the contribution of payroll professionals to the Canadian economy, the Canadian Payroll Association engaged PricewaterhouseCoopers, LLP (PwC, we or us) to conduct an independent assessment of:

- the current state of payroll and the role of payroll in Canadian organizations;
- the sizing of the practice of payroll and the economic contribution payroll professionals make to the Canadian economy on an annual basis;
- the impact of payroll professionals on productivity initiatives at organizations; and
- the impact of payroll professionals on employee experience at organizations.

Scope of review

This study relies on primary and secondary data sources, including the following:

- focus groups with payroll professionals;
- in-depth interviews with payroll professionals and payroll service and software providers (PSSPs);
- a comprehensive survey of payroll professionals—with over 2,400 respondents;
- a review of relevant literature on the impact of payroll; and
- secondary research on employers in Canada.

Assumptions and limitations

This report was prepared in accordance with the study considerations outlined in Appendix B. It should be read in conjunction with two separate but related reports developed by PwC, including *The cost of employer compliance and public policy implications* and *The future of payroll*.

All dollar figures included in this report are in 2019 Canadian dollars unless otherwise specified.

1. The role of payroll in Canadian organizations

The importance of payroll professionals

In Canada, payroll professionals perform a wide variety of tasks, many of which are vitally important for ensuring the seamless day-to-day business operations within a company. Their responsibilities can be difficult to define, as they often span across multiple departments within an organization, such as human resources, finance, accounting, and information technology.

Depending on the organization, payroll professionals are responsible for many different activities, which require them to have significant organizational and industry knowledge, strong attention to detail, excellent communications skills, and a high-degree of accuracy.

Some of the high-level responsibilities of payroll include:

- managing the payroll;
- ensuring compliance with company policies and government legislation and regulations;
- responding to employee enquiries;
- assisting with the design and administration of self-service payroll platforms;
- conducting or contributing to payroll data-analyses; and
- facilitating strategic decision-making.

Payroll professionals are pivotal for enabling a positive employee experience. This is because they are responsible for making sure that employees remain satisfied with one of the most sensitive aspects of their work: their pay.

When payroll does not operate as smoothly as it should, it can create significant costs and hiring challenges for employers, as well as stress, uncertainty, and loss of productivity among employees in cases where they are not paid accurately and on time. A recent high-profile example of payroll challenges is the federal government's Phoenix payroll system.³

Essential skills

In our survey of over 2,400 payroll professionals in Canada, we asked respondents about the key skills needed by payroll professionals. While respondents identified a number of skills as being very important for performing well as a payroll professional, the majority ranked attention to detail as extremely important.

Many of the participants in our focus groups and individual interviews agreed with the survey findings, suggesting that accuracy and attention to detail are often a key point of pride for payroll professionals given that errors in payroll entries can result in employees being underpaid or overpaid.

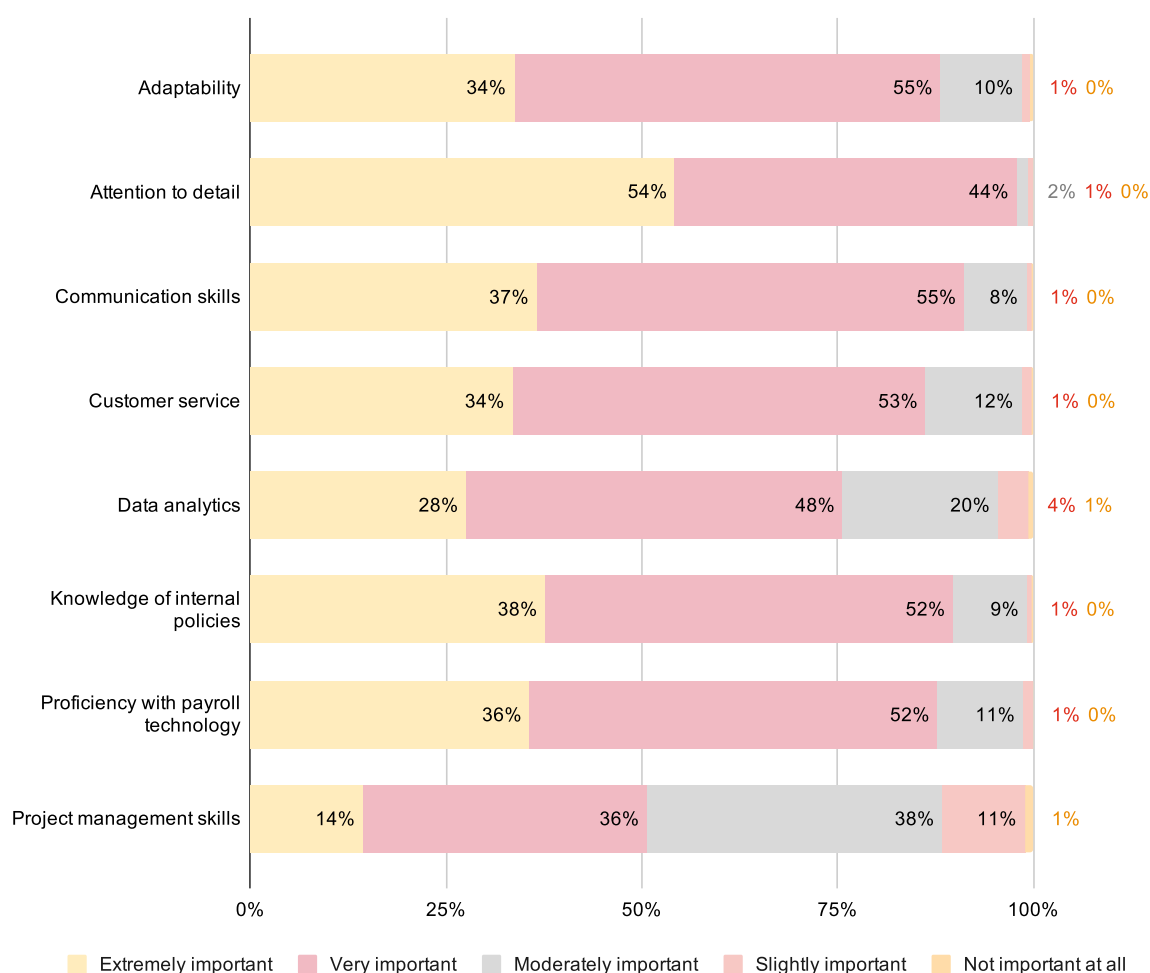
³ <https://www.cbc.ca/news/canada/ottawa/families-suffer-phoenix-pay-government-minister-embarrassed-1.4543130>
<https://www.cbc.ca/news/canada/ottawa/phoenix-pay-system-cost-report-1.5138036>

Our survey also uncovered that the key skills required for payroll professionals vary depending on the position of the payroll professional within an organization (see Figure 1). Demographics can also make a difference in perceived skill requirements. For example, payroll professionals that have been with an organization for a long period of time might not view data analytics as a key skill, whereas new recruits in the field—typically from the tech savvy millennial generation or those following it—often do.

roles of payroll professionals are constantly evolving, and with them, so are the associated skills they need to succeed. For example, during our interviews, the need for payroll professionals to possess analytical and systematic thinking and the ability to understand any new software in order to be successful in their role was emphasized. The ability to evolve with the times is critical for payroll professionals; no doubt this is why ‘adaptability’ also ranked highly as a key skill to payroll professionals.

When it comes to defining the essential skills of payroll professionals, one fact to remember is that there is no static list. The business environment and

Figure 1: Key skills for payroll professionals



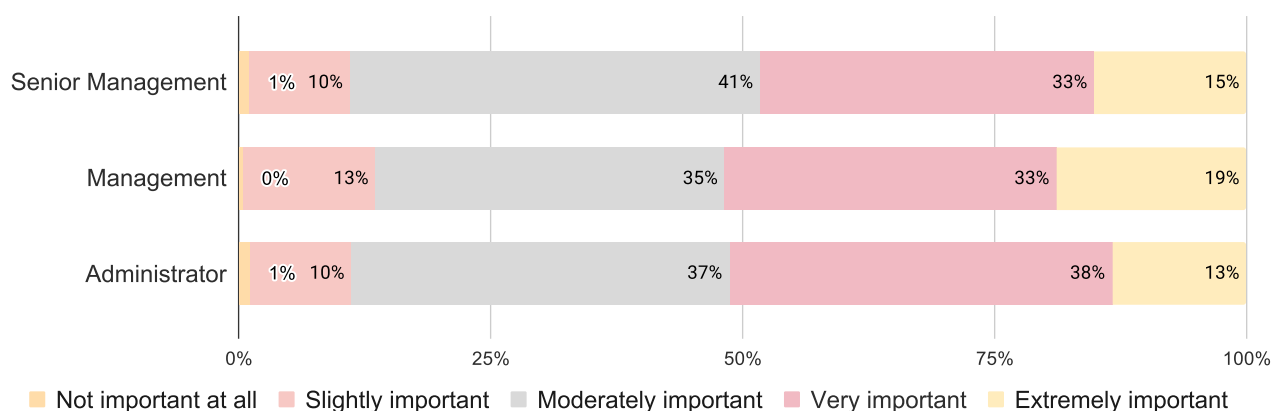
Source: PwC survey of payroll professionals (2020)

Drilling more deeply into the survey results on some of the lower ranked skills such as project management and data analytics reveals that the view of project management being 'extremely important' shifts by role, with middle managers most likely to refer to it as 'extremely important'. The skill of data analytics was generally viewed with consistent degrees of importance by different levels of stakeholders. Based on conversations and interviews conducted with industry professionals, including executives at payroll service and software

providers, we anticipate this specific skill to continue to grow in importance as the role of the payroll professional continues to evolve. The advancement of data management, reporting and visualization tools creates an impetus for payroll professionals to develop these skills. Payroll professionals are in a strong position to take advantage of these tools because they have access to large amounts of company data which can provide actionable insights for management.

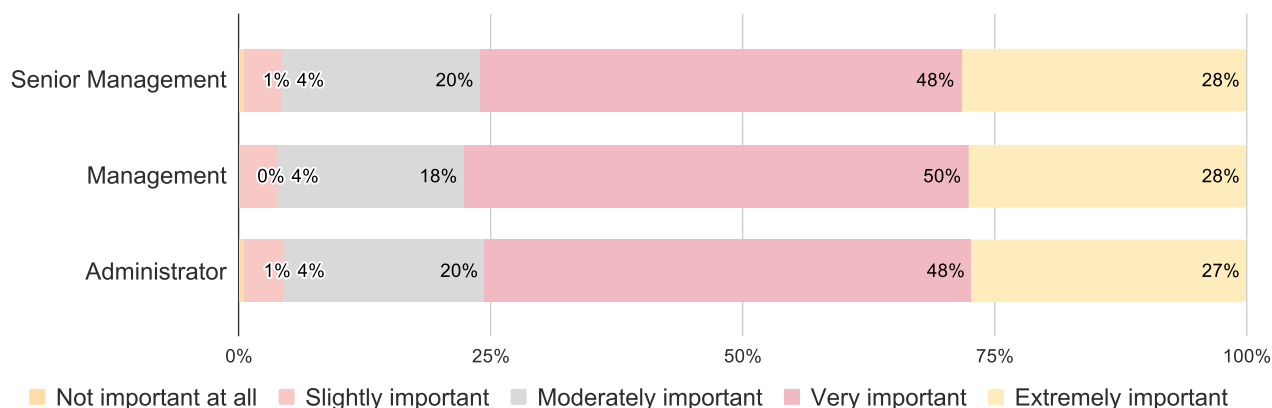
Figure 2: Key skills for payroll professionals - data analytics and project management

How important is project management to payroll professionals?



Source: PwC survey of payroll professionals (2020)

How important is data analytics to payroll professionals?



Source: PwC survey of payroll professionals (2020)

Roles and responsibilities

Our primary research revealed that the role of payroll professional is highly complex and varied. The reality is that no two payroll professionals have the exact same set of responsibilities. In some instances, payroll professionals are HR professionals who carry out payroll functions, whereas in others, payroll professionals are solely focused on the tasks associated with payroll and have no cross-functional responsibilities. During our interviews, payroll professionals reported a varied and an extensive range of responsibilities based on numerous factors, including their role, the complexity of their organizational structure, and the size of their company.

A number of payroll professionals reported spending the majority of their time on HR related activities, such as managing compensation matters, administering benefits programs, making retirement income arrangements, reviewing and updating employment standards, ensuring compliance with privacy legislation, and conducting research on compensation and pay equity issues. Others focused primarily on finance and accounting related activities, such as conducting payroll accounting.

Many payroll professionals reported conducting customer-service related activities as a significant part of their role. Examples provided included interacting with employees regularly over emails and phone calls, answering ad-hoc questions from employees, and acting as gatekeepers able to share knowledge about payroll-related matters.

Payroll professionals also play a crucial role in remittance and compliance activities. The core function of payroll compliance is the reporting of compensation as a validation of tax, social contributions and employer remittances. This responsibility most commonly rests with payroll managers, payroll administrators, or payroll supervisors. The involvement of senior staff members in these activities highlights the importance of compliance decisions both in terms of costs and in terms of the risks that need to be managed.

Further discussion on the cost of compliance-related activities can be found in the subsequent report, *The cost of employer compliance and public policy implications*.

Other responsibilities identified ranged from conducting strategic planning (e.g. considering the future of payroll within the organization) and managing team issues (e.g. addressing the pain points of the broader payroll team), to providing education (e.g. communicating the role and value of payroll to the broader business) and facilitating and fostering culture change.

We also learned that many payroll professionals are actively involved in IT planning and design. A number of payroll professionals reported spending a large amount of time working to make payroll more efficient – identifying ways to improve processes, understanding different technology options, assisting in implementation of initiatives, and designing and delivering reports related to specific activities.

COVID-19 and the role of the payroll professional

COVID-19 highlighted the importance of the payroll function in administering critical government programs designed to support the economy.

Payroll professionals played a critical role in quickly implementing legislative changes related to financial aid programs and pay initiatives in order to support individuals whose jobs have been impacted by COVID-19.

The lack of harmonization in provincial legislation added to the complexity of this task. For example, between March 15, 2020 and June 17, 2020, there were 154 separate government announcements (i.e. both federal and provincial), each with a different level of impact on the payroll of Canadian organizations. These announcements spanned a number of different categories, including employer financial aid programs, WCB employer premium deferrals or credits, and provincial/territorial “emergency/pandemic pay” initiatives.⁴ In addition to pandemic aid initiatives, many payroll professionals had to process a higher than average number of terminations and, therefore, quickly turn around related termination documentation such as final pay statements and records of employment. Having this documentation readily available was vital for terminated employees to apply for benefit programs and maintain their livelihood. The flexibility and rapid responsiveness of payroll professionals was crucial in providing the best possible outcomes for terminated employees.

It is widely believed that the rapid deployment of government funds through programs such as wage subsidies and the Canadian Emergency Response Benefit (CERB) significantly mitigated the impact of the pandemic on the economy. The role played by payroll professionals in enabling these benefits to be quickly accessed highlights their importance to Canada’s economy.

⁴ A full list and discussion of government announcements is available in the accompanying report *The cost of employer compliance and public policy implications*.

Figure 3: Components of payroll – responsibilities of payroll professionals

HR-related activities	Pension/benefits-related activities	Finance-related activities	InfoTech-related activities
Employment standards <ul style="list-style-type: none"> Administration of current legislation (including privacy legislation) Communicate information on compliance requirements to relevant staff Monitor and apply legislative changes Assess and advise on legislative changes Make decisions on employment standards policy 	Benefit programs <ul style="list-style-type: none"> Administration of employees (i.e. enrollment and changes) Monitor and apply compliance changes to third party plan providers Perform cost/benefit assessments and advise relevant staff Makes decision regarding benefit programs and strategies related to benefits programs 	Payroll accounting <ul style="list-style-type: none"> Calculate accurate and timely payroll information and input to accounting systems Remittance/compliance activities Analyze variances and take necessary action and prepare accounting reports Assess and advise on payroll accounting information and practices Make decisions on payroll accounting information and practices 	Payroll related systems <ul style="list-style-type: none"> Determine whether payroll systems meet payroll department needs Communicate payroll systems information to stakeholders Monitor and recommend payroll systems performance needs Assess and advise on payroll systems Make decisions on payroll systems
Compensation <ul style="list-style-type: none"> Administration of current compensation policies and procedures Communication of compensation information to stakeholders Monitor market compensation benchmarks Assess and advise on compensation policies Make decisions on compensation matters 	Retirement income arrangements <ul style="list-style-type: none"> Administration of employees (i.e. enrollment changes) Communicate information Monitor and apply individual plan rules and government regulations Assess plan adequacy and advise on possible enhancement/re-design Make decisions on retirement income plans 		
Examples <ul style="list-style-type: none"> Solving issues experienced by employees by communicating and enforcing procedures Entering new hires, benefits, vacations, letters of employment, workers' compensation, payments, ad hoc union dues Research on compensation and pay equity 	Examples <ul style="list-style-type: none"> Keeping on top of pension and benefit legislation Mental health and disabilities work as it relates to taxable benefits and employee awareness of programs Culture change initiatives, relationship building, leadership meetings 	Examples <ul style="list-style-type: none"> Keeping track of manual time sheets, keeping track of manual payments, etc. Administering items such as workers' compensation and union dues Signing off items such as retro payments, dealing with the CRA, receiving calls for garnishment Reconciliation and remittance activities such as T4/RL-1 processing and PIER reviews 	Examples <ul style="list-style-type: none"> Spending time on identifying root cause of errors in order to identify areas that information systems/integration can assist Being involved in a technology transformation, i.e. strategize with the business to integrate systems Providing training sessions for new employees on new systems and processes

Key rewards and challenges

A recurring theme observed during our focus groups and interviews, and in the results of our survey, was the overwhelming pride that payroll professionals take in their work. They are incredibly committed to making sure everything they do is timely, accurate, and employee-focused—and feel rewarded when they can help their organization run smoothly or use their skills to make a difference.

The role of payroll professional, however, is not without its challenges. We found that the issues that frustrate payroll professionals the most, often involve not having the time or information they need to do their job effectively, needing to fix errors, and trying to get different departments on the same page when it comes to standard procedures.

In their own words



Challenges

“The biggest challenge in ensuring a payroll system is kept up to date is not getting enough lead time when the government publishes new information – and when there is lack of clarity in that information.”

“The most challenging aspect of my role is handling overpayments as it impacts an employee’s pay, deductions and benefits. It also affects taxes, accruals, pensions, garnishments, and more. [This] creates stress to the employee and to the organization and needs to be fixed as soon as possible. The difficult thing is when it overlaps into the next year.”

“[One key challenge] is working with so many regions and managers because they each try and work a little differently. It can be hard to reign them in to follow the standard procedures, especially when they are new to the organization.”

Rewards

“I love that moment when I send the bank file—to know that my team and I have successfully processed the organization’s payroll and life will go smoothly (hopefully) for our staff as a result.”

“Being able to help my colleagues plan for their futures.”

“I like that every day is different and that my skills are challenged—[that I have the] ability to provide light to others about what payroll actually does and not just push a button... being able to be myself and not having to present someone I’m not.”



Continuing education and upskilling

Acting as stewards of data is a large part of a payroll professional's work. To do this effectively, payroll professionals are constantly working to upskill their abilities, whether by learning how to use new data visualization tools, going to conferences that highlight and demonstrate new technologies, building a network with other payroll professionals in order to learn from their experience, or taking specific payroll training and certification courses.

During our survey, 33% of respondents stated that their organization has a plan in place to upskill the capabilities of their payroll team. Of these respondents, many said that the focus of their organization's upskilling plan is focused on a combination of data analytics, cybersecurity, and enabling remote work.

Other survey respondents reported that their workplace is flexible yet supportive when it comes to continuing education and upskilling—offering professionals “anything necessary, as required.” This approach likely reflects the diverse roles of payroll professionals and their differing needs as it relates to continuing education and upskilling.

A role growing in importance

Over the last year, governments in Canada have placed greater emphasis on the payroll of organizations. Regulators view payroll as a major source of reliable information. To help extract the most value from payroll, government agencies and departments are introducing technology that digitizes payroll into data that management can analyse and act upon.

As payroll becomes more significant to governments in Canada, the role of payroll professionals will only grow in importance. Already, payroll professionals contribute significantly to the smooth operations of Canadian companies and help ensure strong employee satisfaction within organizations. Yet they can—and should—be doing more. The value of their knowledge and understanding of payroll data should not be underestimated. Their ability to provide strategic insights and act as a valued contributor to management discussions has never been greater.

2. The economic footprint of payroll in Canada

In order to understand the overall impact of the payroll function in Canada, it is important to define its economic footprint. The economic footprint includes both the employees directly involved in payroll and the supply chain impacts associated with purchases related to payroll.

This section details the work we conducted in order to determine the economic footprint of payroll in Canada, including key assumptions underpinning our analysis, the framework and approach we used to conduct the work and a summary of our results.

Key assumptions

For the purposes of our analysis, we included two main types of payroll professionals: professionals within industry—such as a payroll manager at a large organization like a bank or retailer—and employees of payroll service and software provider (PSSP) organizations—such as a consultant at a payroll-related software company. Many PSSPs consider themselves to be human capital management (HCM) firms as they provide a wide array of services related to human resources. We considered all employees of PSSP organizations to be part of the payroll function as they all contribute to providing payroll services to their clients; this includes software developers, customer service representatives, and salespeople.

The economic footprint detailed and discussed in this report is representative of the total impact from one

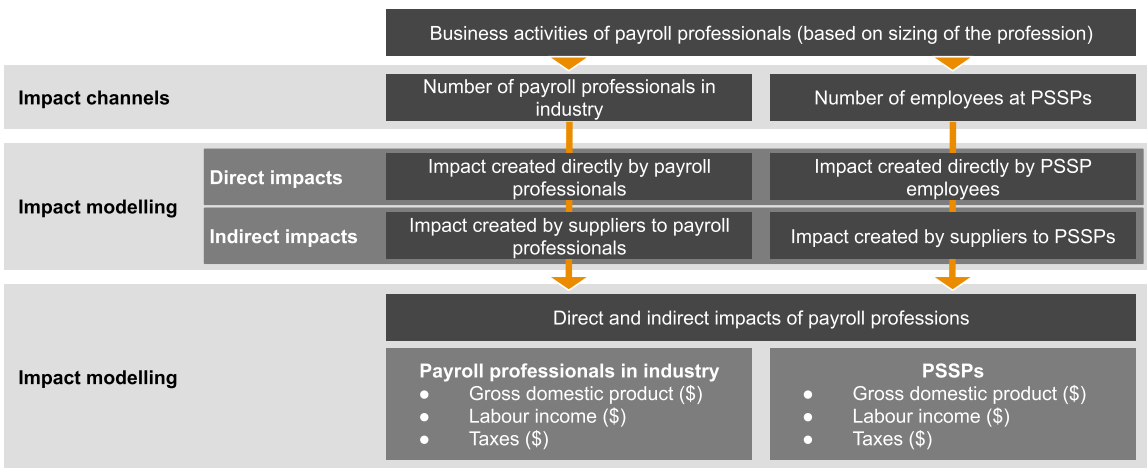
year of business activity, based on the most recent data available from Statistics Canada and other third-party sources. The detailed methodology for developing the economic footprint is provided in Appendix C.

Our analysis framework and approach

We used a three-step approach to conduct the economic footprint analysis. We started by estimating the number of direct employees involved in each of the two impact channels (i.e., payroll professionals in industry and employees at PSSPs). We then conducted the impact modelling—estimating the associated direct and indirect (i.e., supply chain) economic impacts using multipliers for representative industries as identified by Statistics Canada. In the final step, we documented the impact modelling outputs associated with our analysis: the economic footprint as defined by jobs, GDP, labour income, and taxes.

In Figure 4, we provide a visual depiction of the framework we used to model the economic footprint of payroll activities in Canada. An overview of each step in the analysis is provided following the figure.

Figure 4: Economic analysis framework



Source: PwC analysis

Impact channels

To provide a more detailed picture of the economic footprint of the business activities of payroll professionals in Canada, we conducted impact modelling for two separate groups of payroll professionals. In Figure 5, we describe each of these channels and how we generated the employment estimates used for the economic footprint analysis.

Figure 5: Economic footprint analysis – impact channels

Impact channel	Description	How we generated our estimates
1. Payroll professionals in industry	Payroll professionals who work within organizations in industry (e.g. a payroll manager at a large organization like a bank).	We used the results of our survey to estimate the number of full-time equivalent (FTE), in-house payroll professionals for employers of different sizes. We combined this information with secondary data on the number of employers in each province to extrapolate the total number of payroll professionals in Canada.
2. Employees at PSSPs	Employees who work at payroll service and software providers (e.g. a consultant working at a payroll software company).	We worked with the Canadian Payroll Association to develop a list of PSSPs operating in Canada. We then conducted targeted interviews with PSSPs to estimate the number of jobs.

Impact modelling

We estimated the direct and indirect economic impacts of the business activities of payroll professionals across the two impact channels defined in the previous section using an input-output (“I-O”) modelling approach. These impacts, individually and collectively, show how the activities associated with Canadian payroll professionals ripple throughout Canada’s economy.

The fundamental philosophy behind I-O analysis is that spending on goods and services creates attendant impacts throughout the economy. For example, activities performed by payroll professionals in organizations will generate demand for inputs into these activities—such as labour and raw materials. These inputs, in turn, will generate additional demand that extends beyond the initial spend.

The I-O model we used to support this study estimates the relationship between a particular economic activity for a given good or service and the resulting impacts throughout the economy (e.g. demand for other goods and services, tax revenues). Using this model, we estimated the economic impacts for the following measures of economic activity:

- **Direct impacts:** Impacts resulting from a company’s spend on suppliers and employees;
- **Indirect impacts:** Impacts arising from the activities of firms providing inputs to a company’s suppliers (i.e., the suppliers of a company’s suppliers); and
- **Total economic impact:** The sum of the direct and indirect economic impacts.⁵

Impact modelling outputs

To inform this report, we focused our impact modeling on determining four key outputs. These measures of economic activity included:

- **Gross domestic product (GDP):** The value added to the economy, or the output valued at basic prices less intermediate consumption valued at purchasers’ prices. GDP includes only final goods to avoid double counting of products sold during a certain accounting period;
- **Labour income:** The income generated in the product of goods and services accruing to the labour factor of production. Labour income, which is often referred to as labour compensation, is comprised of two components—wages and salaries, and supplementary labour income;
- **Taxes on production:** Taxes payable on goods and services when they are produced, delivered, sold, transferred or otherwise disposed of by their producers; and
- **Personal Income Tax:** The amount of provincial and federal tax revenues generated from taxes on the income of employees and self-employed individuals.

⁵ Induced impacts, which result from the spending of employees associated with direct and indirect impacts, are often included in economic footprint analysis. However, we have decided not to include them as part of this study because they may overstate actual impact if the employee spending would still have occurred in the absence of the direct impact (in this case, payroll functions). Including induced impacts would make the economic footprint of payroll even larger.

Summary of economic footprint results

In Canada, there are approximately 77,000 payroll professionals working for Canadian employers and 6,700 employees working at PSSPs. These two channels generate a GDP impact on the Canadian economy of over \$7.9 billion and approximately \$0.7 billion respectively.

Figure 6 highlights the total annual economic footprint of the business activities of payroll professionals by impact channel; this includes number of employees, GDP, labour income, and total tax revenues. Figure 7 breaks down the total annual economic footprint of payroll professionals in industry by province.

It is important to note that the indirect impacts generated by payroll professionals working in industry overlap with the direct impacts generated by employees at PSSPs by virtue of the fact that software providers are a part of the supply chain for payroll professionals. We addressed this overlap by estimating and removing the share of indirect impact by industry payroll professionals associated with software providers.

Figure 6: Total annual economic footprint of payroll professionals – by impact channel

	Payroll professionals in industry	Employees at PSSPs
Payroll professionals (full-time equivalents)	77,200	6,700
GDP (\$ millions) ⁶	7,915	690
Labour income (\$ millions) ⁶	5,688	480
Total tax revenues (\$ millions) ⁶	1,550	145

Source: PwC analysis

⁶ Sum of direct and indirect impacts. Numbers may not sum of those presented in Figure 7 due to rounding.

Figure 7: Total economic footprint of payroll professionals in industry – by province

Yukon, Nunavut & the Territories		British Columbia		Alberta	
Payroll professionals (est.)	200	Payroll professionals (est.)	9,750	Payroll professionals (est.)	9,700
Direct GDP impact (\$m)	20	Direct GDP impact (\$m)	650	Direct GDP impact (\$m)	890
Indirect GDP impact (\$m)	18	Indirect GDP impact (\$m)	195	Indirect GDP impact (\$m)	302
Total taxes (\$m)	n/a	Total taxes (\$m)	165	Total taxes (\$m)	229

Saskatchewan		Manitoba		Ontario	
Payroll professionals (est.)	2,200	Payroll professionals (est.)	2,900	Payroll professionals (est.)	31,150
Direct GDP impact (\$m)	230	Direct GDP impact (\$m)	210	Direct GDP impact (\$m)	2,430
Indirect GDP impact (\$m)	62	Indirect GDP impact (\$m)	62	Indirect GDP impact (\$m)	773
Total taxes (\$m)	43	Total taxes (\$m)	56	Total taxes (\$m)	637



Quebec		Newfoundland & Labrador		New Brunswick	
Payroll professionals (est.)	16,450	Payroll professionals (est.)	1,050	Payroll professionals (est.)	1,500
Direct GDP impact (\$m)	1,290	Direct GDP impact (\$m)	90	Direct GDP impact (\$m)	110
Indirect GDP impact (\$m)	364	Indirect GDP impact (\$m)	18	Indirect GDP impact (\$m)	27
Total taxes (\$m)	334	Total taxes (\$m)	22	Total taxes (\$m)	23

Prince Edward Island		Nova Scotia	
Payroll professionals (est.)	350	Payroll professionals (est.)	1,950
Direct GDP impact (\$m)	20	Direct GDP impact (\$m)	110
Indirect GDP impact (\$m)	9	Indirect GDP impact (\$m)	36
Total taxes (\$m)	10	Total taxes (\$m)	33

Source: PwC analysis

Economic impact of compliance activities

Given their oversight and involvement in direct remittances to governments, it can be said that payroll professionals play a significant role in the smooth functioning of government finances. Payroll professionals facilitate approximately \$345 billion in statutory remittances to the federal and provincial governments annually, while ensuring their organizations are complying with more than 200 federal and provincial legislative and regulatory requirements.⁷ PwC's research estimates that these activities, along with compliance-associated activities, cost Canadian employers \$12.5 billion annually. These activities provide significant benefits to Canada. Without the expertise of payroll professionals, government tax revenues would be severely impacted; this highlights how payroll professionals are core contributors to the smooth running of Canada's economy.

Additionally, COVID-19 had a significant economic impact on Canada. Payroll professionals played an important role in mitigating the negative economic impacts related to the pandemic—a role they continue to play today. Their ability to rapidly incorporate numerous government announcements into their organizations' payroll processes and employee communications allowed employees to quickly participate in government aid programs where available. Further discussion of the impact of payroll professionals during COVID-19 is available in the subsequent report, "The cost of employer compliance and public policy implications."

⁷ Source: Canadian Payroll Association

3. The productivity impacts of payroll in Canada

Payroll is the largest single expenditure for many Canadian organizations. Payroll professionals are responsible for ensuring that the vast array of payroll activities occur in a seamless and timely fashion, making their role critical for enhancing organizational productivity. The productivity impacts driven by payroll professionals range from managing costs to improving operational performance.

In this section, we provide highlights of the productivity initiatives that payroll professionals are often involved in and discuss key performance indicators (KPIs) associated with payroll that can help measure and drive positive organizational impacts.

Productivity initiatives

As a part of our survey, we asked payroll professionals to identify the different types of productivity initiatives they are involved in at their organization. Their responses are summarized in Figure 8.

Interestingly, ensuring proper auditing methods are established in order to assist in the elimination of payroll errors and overpayments was the most frequent response. While audit-related procedures are required for compliance—and therefore should be mandatory for organizations—our survey results suggest that payroll professionals have a critical role to play in improving the efficiency and effectiveness of audit procedures and, therefore, in reducing errors and time spent on audit-related tasks. This is an

important productivity initiative because without proper auditing methods and procedures, professionals may be more susceptible to errors in pay statements which not only results in additional expenditure due to added time spent correcting errors, but also could cause a negative experience for employees at the organization. Maintaining a positive employee experience is important because it plays into the overall reputation of the firm and its ability to retain talent.

The second most frequent productivity initiative identified during our survey was working more cooperatively with HR and finance in order to make certain that everyone has or obtains the correct interpretation related to given situations (e.g. interpreting termination agreements). This is significant because it demonstrates that payroll professionals often act as a communications and process bridge between an organization's HR and finance functions. Many Canadian payroll professionals have responsibilities that cross both functions. This makes them vitally important for ensuring activities across functions are well integrated and that cross-functional data sharing is seamless. In this sense, payroll professionals act as the glue that holds both functions of the organization together. For example, a termination agreement can be complex and HR has the responsibility to communicate the intricacies of the agreement to the employee in clear terms that are well understood. At the same time, finance needs to clearly understand costs associated with termination agreements so that

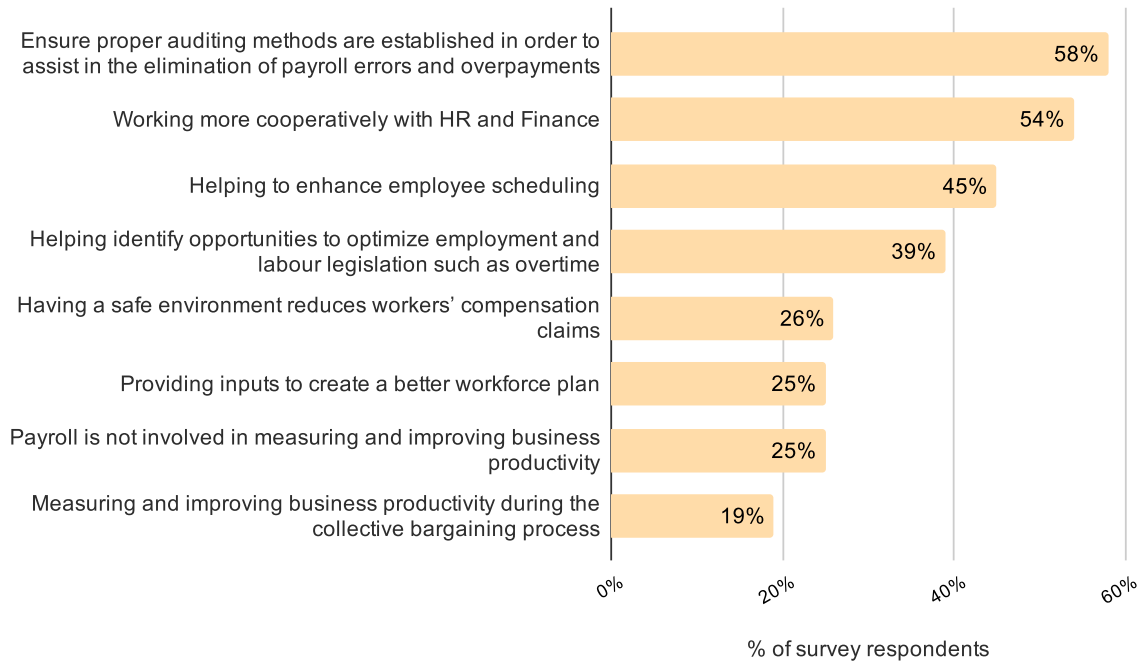
they can plan and budget accordingly. Payroll professionals can serve as a medium of communication between the two departments to ensure that the terms of the agreement are communicated properly to all of the stakeholders involved so that liability and misunderstandings are minimized, which helps to maintain the reputation and seamless functioning of the organization.

Other significant productivity initiatives that our survey respondents reported involvement included helping to enhance employee scheduling, identifying opportunities to optimize employment and labour legislation—such as overtime, and having a safe environment to reduce workers’ compensation

claims. By contributing to these and other important productivity initiatives, payroll professionals help organizations improve the efficiency of their entire operations, enhance the value provided by different functions, and minimize the amount of time employees spend on correcting errors and rework.

While the contributions of payroll professionals to productivity are valuable, their work often goes unnoticed. One of the greatest challenges of payroll professionals is simply educating others in their organization about the value they can provide—not only to improve day-to-day productivity, but to help the organization think strategically about future productivity initiatives.

Figure 8: Productivity initiatives engaged in by payroll professionals – percentage of total survey respondents



Source: PwC survey of payroll professionals (2020)

Key performance indicators

As a part of our primary research, we collected information on the key performance indicators (KPIs) being tracked by payroll functions in Canada. Our survey results show that 35% of organizations track formal KPIs and 26% of organizations track informal KPIs. Of these KPIs, survey respondents reported that roughly 68% of KPIs being tracked are

operational in nature (e.g. error tracking, measuring the number of T4 statements to track costs, etc.) and 32% of KPIs are strategic in nature (e.g. tracking the reasons for off-cycle payments or root causes of errors).

Table 1 below provides an overview of the major payroll-specific KPIs we identified, in addition to a brief description of each KPI and its potential operational impacts.

Table 1: Selected payroll KPIs with descriptions and impacts

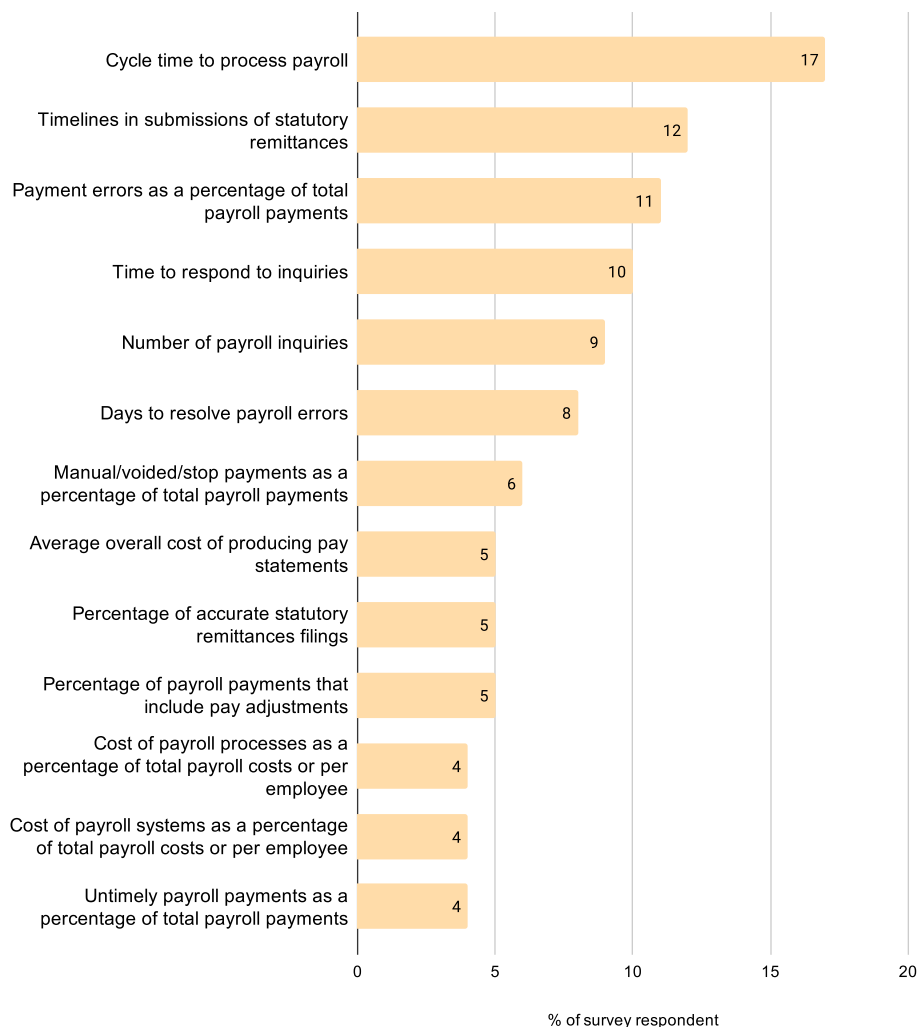
KPI	Description	Impact on employer operations
Cycle time to process payroll	Demonstrates time from start to finish to gather all necessary data, process payroll and issue pay statements	<ul style="list-style-type: none"> Improve payroll efficiency
Payment errors as a percentage of total payroll payments	Shows number and/or size of payment errors for employees	<ul style="list-style-type: none"> Manage payroll costs
Days to resolve payroll errors	Shows the number of days to remedy a payroll error and re-issue a pay statement	<ul style="list-style-type: none"> Improve payroll efficiency Enhance employee experience
Timelines in submissions of statutory remittances	Demonstrates ability to remain compliant with legislation	<ul style="list-style-type: none"> Improve payroll efficiency
Percentage of accurate statutory remittances filings	Demonstrates ability to remain compliant with legislation	<ul style="list-style-type: none"> Improve payroll efficiency
Average overall cost of producing a pay statement	Allows benchmarking over time and against industry averages	<ul style="list-style-type: none"> Improve payroll efficiency
Manual/voided/stop payments as a percentage of total payroll payments	Shows number and/or size of payment errors for employees	<ul style="list-style-type: none"> Manage payroll costs
Untimely payroll payments as a percentage of total payroll payments	Shows payments made either prior or post specified pay period	<ul style="list-style-type: none"> Enhance employee experience Improve payroll efficiency
Percentage of payroll payments that include pay adjustments	Shows number and/or size of payment errors for employees	<ul style="list-style-type: none"> Enhance employee experience Improve payroll efficiency
Cost of payroll processes as a percentage of total payroll costs or per employee	Allows benchmarking over time and against industry averages	<ul style="list-style-type: none"> Improve payroll efficiency
Number of payroll inquiries	Demonstrates how payroll professionals interact with employee base	<ul style="list-style-type: none"> Enhance employee experience
Time to respond to inquiries	Demonstrates how payroll professionals interact with employee base	<ul style="list-style-type: none"> Enhance employee experience
Number of off-cycle payments/ reasons for off-cycle payments	Tracks reasons for payments outside of the normal cycle, which are more costly to process	<ul style="list-style-type: none"> Improve payroll efficiency Manage payroll costs
Number and size of overpayments and underpayments	Tracks overpayments and underpayments and the reasons for them	<ul style="list-style-type: none"> Improve payroll efficiency Manage payroll costs

Top KPIs for payroll professionals

In our survey, we asked payroll professionals to identify the KPIs they track in their organization (see Figure 9). We learned that the top three KPIs being tracked were cycle time to process payroll, timelines in submissions of statutory remittances, and payment errors as a percentage of total payroll payments. While the submission of statutory remittances is a mandatory compliance issue for organizations, its high priority suggests that payroll professionals recognize that processing such submissions as efficiently and effectively as possible not only reduces payroll costs but allows payroll professionals to focus more of their time on higher impact or strategic tasks.

The other top two KPIs demonstrate the importance that payroll professionals place on providing a positive employee experience—and the amount of focus they dedicate to this goal. As discussed earlier in this report, payroll professionals care deeply about making sure that employees at their organizations are paid accurately and on time. Their care and diligence in conducting payroll activities is a major building block for creating a positive employee experience.

Figure 9: Top KPIs for payroll professionals



Source: PwC survey of payroll professionals (2020)

The importance and value of KPIs also arose during our interviews and focus groups with a number of payroll professionals suggesting that collecting and monitoring KPIs is critical for enhancing organizational productivity. Interestingly, several professionals suggested that tracking a wider variety of KPIs would be useful; they suggested that, by doing so, payroll could create greater efficiencies in the future. One of the reasons cited for not tracking KPIs is the lack of a clear understanding of how KPIs will be used and how they benefit the organization.

Without a clear purpose in mind, it is difficult to justify the cost and effort of collecting data on KPIs. Some payroll professionals also commented that they were not empowered to be involved in strategic decision making for their organizations or their functions, therefore their involvement in establishing KPIs was minimal and KPIs were never established. This lack of strategic involvement and the importance of raising the profile of payroll to be involved in strategic decision making is discussed further in the following section.

4. The employee experience impacts of payroll in Canada

Employee experience is a top priority for Canadian organizations because the competition for skilled talent is at an all-time high. In 2019, 48% of companies reported talent shortages, up from 41% in 2018 and more than double what it was in 2010 at 21%.⁸ The skills shortage is driven by factors including a growing global competition for highly skilled workers, and the aging workforce in Canada who are leaving positions that are difficult to fill. The trend of remote work, which has been accelerated by the recent pandemic, is expected to intensify the global competition for talent as employers may be able to recruit globally for workers. Retaining talent is a competitive endeavour and companies that aim to hire and keep the best people must offer the most attractive packages which include the right mix of compensation and a strong company culture that embraces a positive and modern employee experience. Thus, employee experience is a crucial factor in supporting Canada's economic growth.

Payroll professionals are a pivotal driver of the employee experience because they deal with one of the most sensitive aspects of work: compensation. Of course, this is not all they do. On a day-to-day basis, payroll professionals work on a number of activities that significantly affect the employee experience—they fix payroll errors, manage benefits, and provide guidance and insights on organizational policies.

In this section, we highlight key findings from our research into the impact of payroll on the employee experience. We discuss how the payroll function

today is both invaluable and invisible, identify the key employee experience impacts of payroll professionals and share how the employee experience can be enhanced further by raising the profile of payroll.

The payroll function today: invaluable, yet invisible

As noted previously, the behind-the-scenes nature of payroll professionals' work can belie their profiles, contributions, and the complexity of their jobs. The diversity of payroll activities, the ever-changing regulatory and policy environment and the rapid rise of technologies makes the work that payroll professionals do highly complex.

Providing data and data analytics is a prime example. Many payroll professionals in Canada are tasked with preparing data analytics for use by key functional groups (e.g. HR, finance) or by senior management. On the surface, this process might sound straightforward. The reality is far more complicated; to prepare the data and data analytics accurately, payroll professionals often have to reconcile data from multiple, oftentimes siloed, sources. PSSPs often enable this type of analysis by providing a platform for payroll professionals and their organizations to conduct integrated reporting and create dashboards to enhance their analytics capabilities, however, not all payroll professionals have access to such tools or the skill sets required to use them effectively.

⁸ ManPower Group, Talent Shortage 2020: Canadian Results, published in 2019

Adding to the complexity of the payroll function is the need for payroll professionals to provide a seamless employee experience across multiple jurisdictions and countries. For example, one of our interview participants described the work required to set up payroll processes for the approximately twenty people at her Canadian-headquartered company that go on secondment to the U.S. and other countries each year. She noted that it typically takes the same amount of time to set up those twenty employees accurately as it does to set up the other 2,500 employees in her organization. While this payroll professional's time might be well-spent in terms of creating a positive employee experience for employees on secondment, her example highlights how the presence of different requirements, policies, and ad-hoc employee programs significantly enhance the complexity of a payroll professional's work.

The more effective payroll professionals are in their roles, the more seamless an organization's employee experience becomes. This often results in successful payroll professionals being invisible, their value in managing payroll complexities and providing an exceptional employee experience rarely understood, appreciated, or recognized.

Key payroll-specific impacts on the employee experience

As a part of our research, we investigated the impact that payroll has on employee experience. In this section, we share our findings by highlighting a number of critical areas where payroll professionals can have a significant impact.

Addressing errors

As mentioned previously in this report, accuracy and attention to detail are among the most critical skills needed by payroll professionals. Even with a significant level of due diligence on the part of payroll professionals, however, payroll errors do occur. These errors can significantly erode the employee experience, particularly if and when an employee needs to inquire about an error and then wait for a remedy.

The results of our survey show that payroll professionals at smaller organizations spend less time correcting errors than do their counterparts at larger organizations (see Figure 10). These findings can be interpreted in two ways: either the payroll professionals at smaller businesses are generating fewer errors to correct—perhaps due to the lower organizational complexity of smaller companies, or errors are going unnoticed more often at smaller companies since professionals are spending less time searching for and correcting them.

When errors do occur, payroll professionals are responsible for ensuring that any corrections are completed quickly and with the least impact on affected employees. By correcting an error efficiently, payroll professionals can turn a negative employee experience into a more positive one.

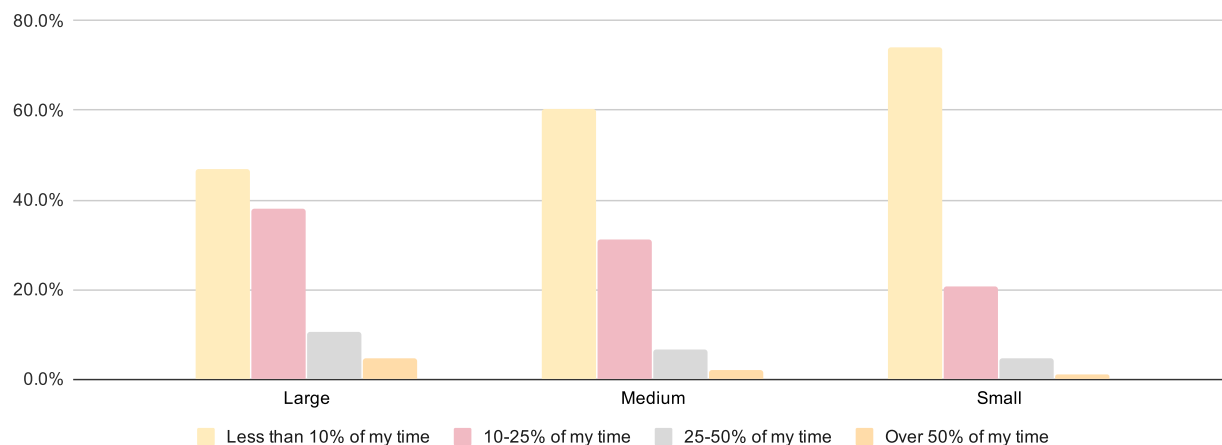
“

Dealing with payroll complexities is like unravelling a sweater and then reknitting it.

Interview participant

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Figure 10: Time spent by payroll professionals correcting errors – by organization size



Source: PwC survey of payroll professionals (2020)

Administering benefits and wellness programs

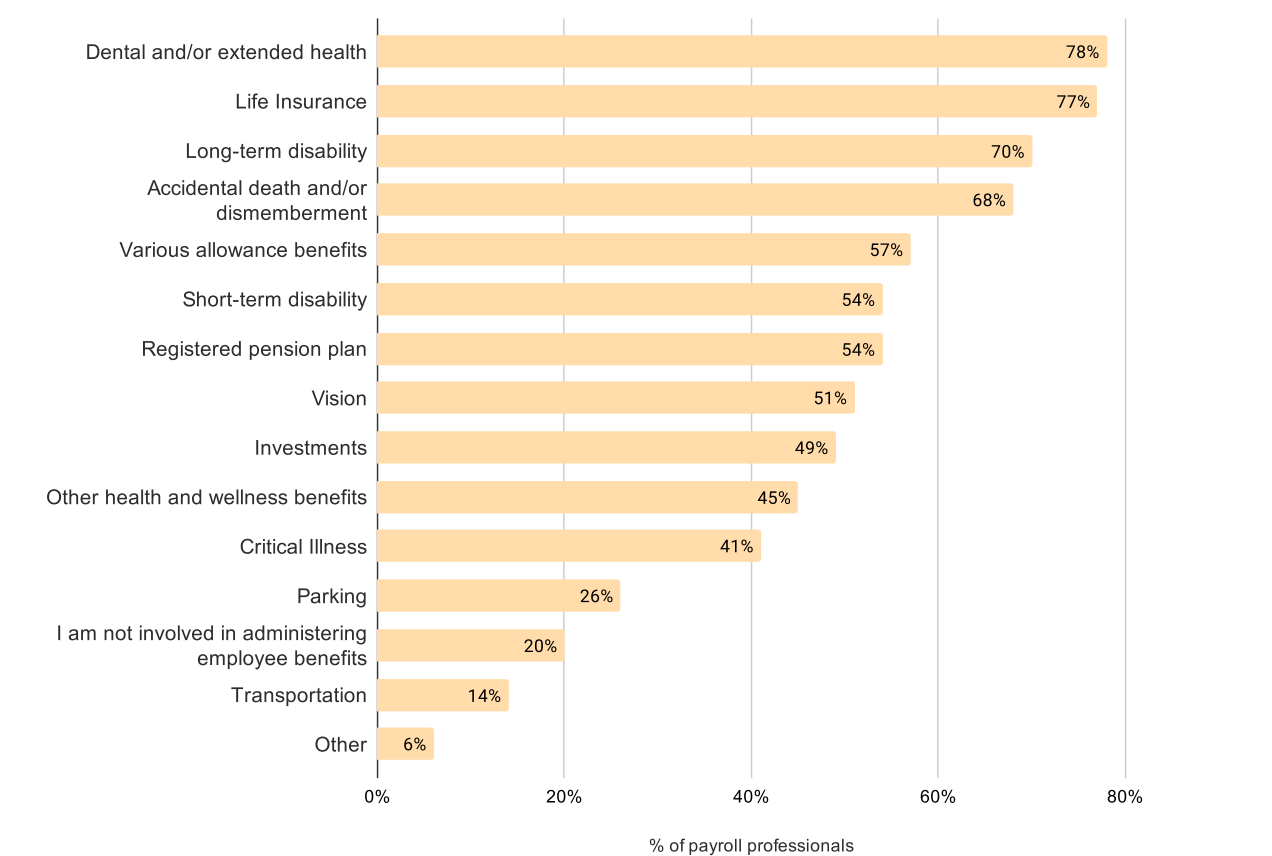
Another way that payroll professionals impact employee experience is through the administering of organizational benefits and wellness programs.

In our survey, over 62% of respondents reported being moderately to highly involved in administering different employee benefits programs. Of these respondents, more than 75% said that they were actively involved in administering two such programs: dental and/or extended health and life insurance.

Figure 11 highlights the variety of different health, wellness and non-health benefits programs that payroll professionals help to manage. This involvement demonstrates how payroll professionals contribute to the employee experience well beyond managing pay cheques. When well-implemented, these programs can contribute to providing an exceptional holistic experience to employees.

In addition to administering different benefits and wellness programs, a sizeable number of payroll professionals are also actively involved in strategic program and policy design; according to our survey, 41% of professionals involved in benefits programs are moderately to highly involved in providing inputs for employee benefits programs and policies.

Figure 11: Benefits and wellness programs that payroll professionals are involved in



Source: PwC survey of payroll professionals (2020)

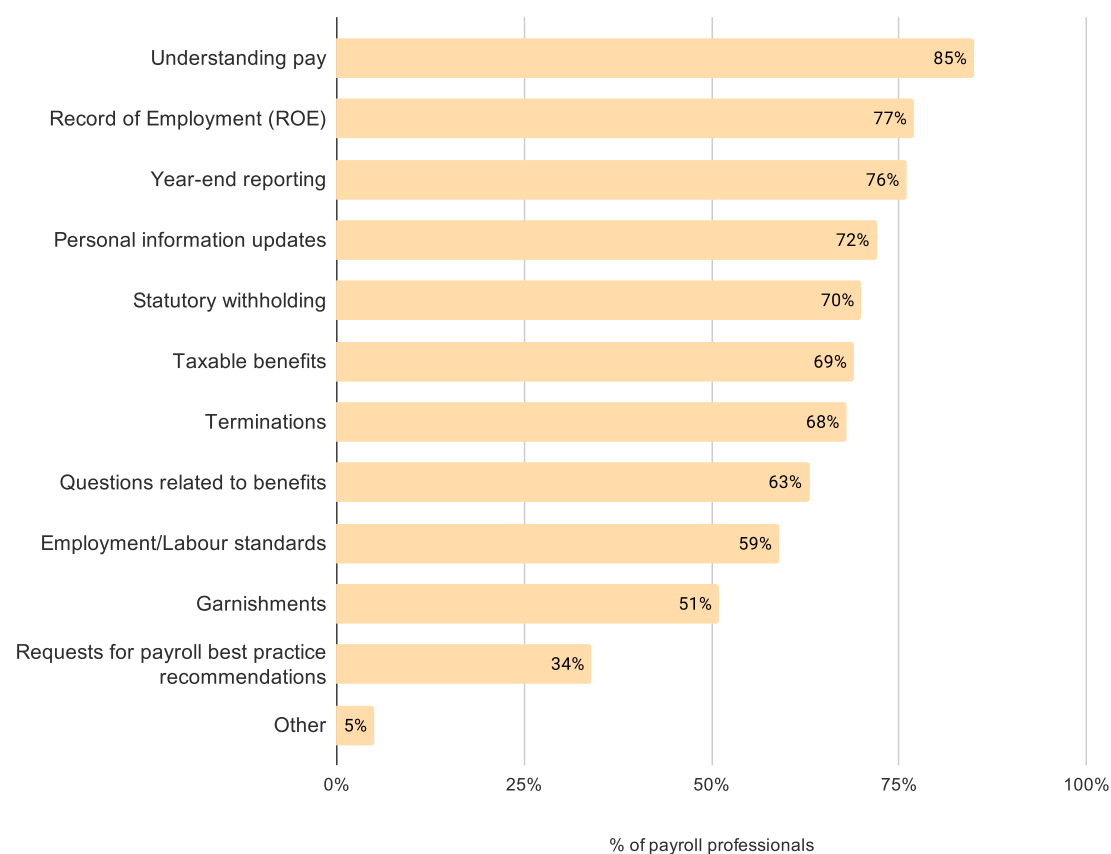
Communicating with employees

One of the responsibilities that most payroll professionals have is interfacing with employees from all parts of the organization on a regular basis. This communications work ranges from fielding ad-hoc employee inquiries to obtaining and responding to employee feedback. Through these interactions, payroll professionals can have a significant impact on the employee experience of individual employees.

While payroll professionals communicate across multiple channels, the vast majority of respondents to our survey said that they receive inquiries by direct email (93%) and direct phone (77%), as opposed to through an employee portal or ticketing system (14%). These findings suggest that most payroll professionals answer inquiries on an ad-hoc basis. This finding highlights the importance of payroll

professionals who must juggle their time and responsibilities to ensure that employees receive responses in a timely fashion. Interestingly, 62% of survey respondents said that employee inquiries are manually tracked in their organization. This means that many payroll professionals have to manually field, manage and track inquiries from across their organization. This can be an overwhelming task when added to a payroll professional's other day-to-day work—a task made more complicated by the fact inquiries payroll professionals receive are incredibly diverse. Figure 12 highlights the diversity of employee inquiries fielded by payroll professionals.

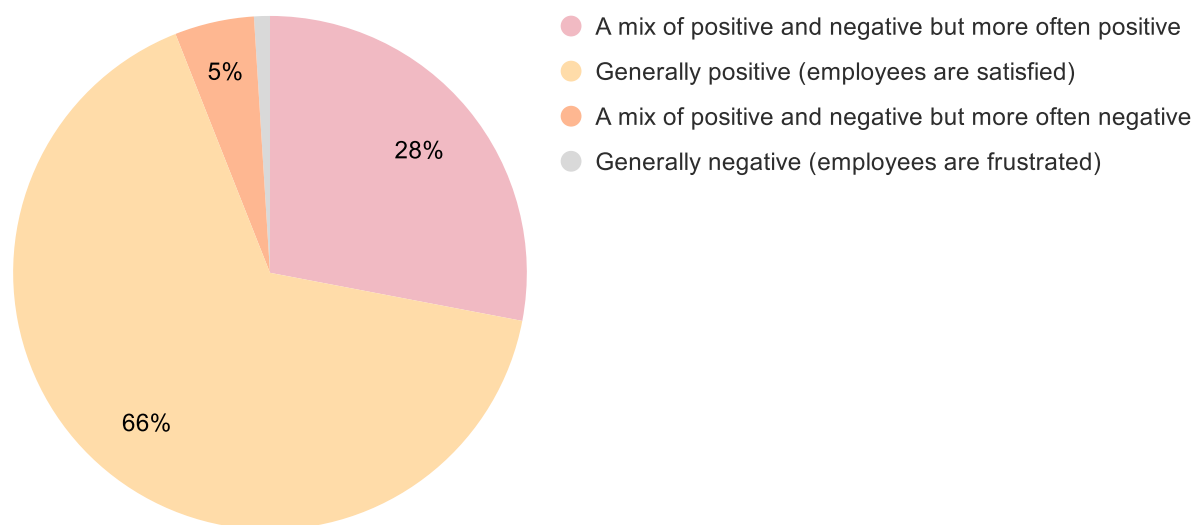
Figure 12: Types of employee inquiries fielded by payroll professionals on a regular basis



Source: PwC survey of payroll professionals (2020)

Answering inquiries is one area where many payroll professionals do get direct feedback. In our survey, 45% of respondents said that they get feedback at least once per week regarding an employee’s experience interactions with them. More than 65% said that the feedback they receive from employees is positive (see Figure 13).

Figure 13: Sentiment of feedback from employees to payroll professionals



Source: PwC survey of payroll professionals (2020)

Communicating with employees

A significant percentage of payroll professionals are actively involved in creating and disseminating educational content to employees at their organizations. By educating employees on specific programs, benefits, payroll activities, or other issues, payroll professionals have the ability to support employees in making the choices that are right for them. This, in turn, can lead to higher levels of employee satisfaction and a more holistic positive employee experience.

According to our survey, 40% percent of payroll professionals are involved in creating educational content related to retirement savings plans, while 48% are involved in disseminating the content. A smaller proportion are involved in creating and/or disseminating educational content related to financial literacy or automated savings programs.

Supporting technology adoption and self-service tools

In the current business environment, technology solutions and self-service tools are becoming increasingly important for providing an exceptional employee experience. Many Canadian organizations are actively working to implement innovative payroll technologies and self-service tools—although they are at a variety of different stages of the process.

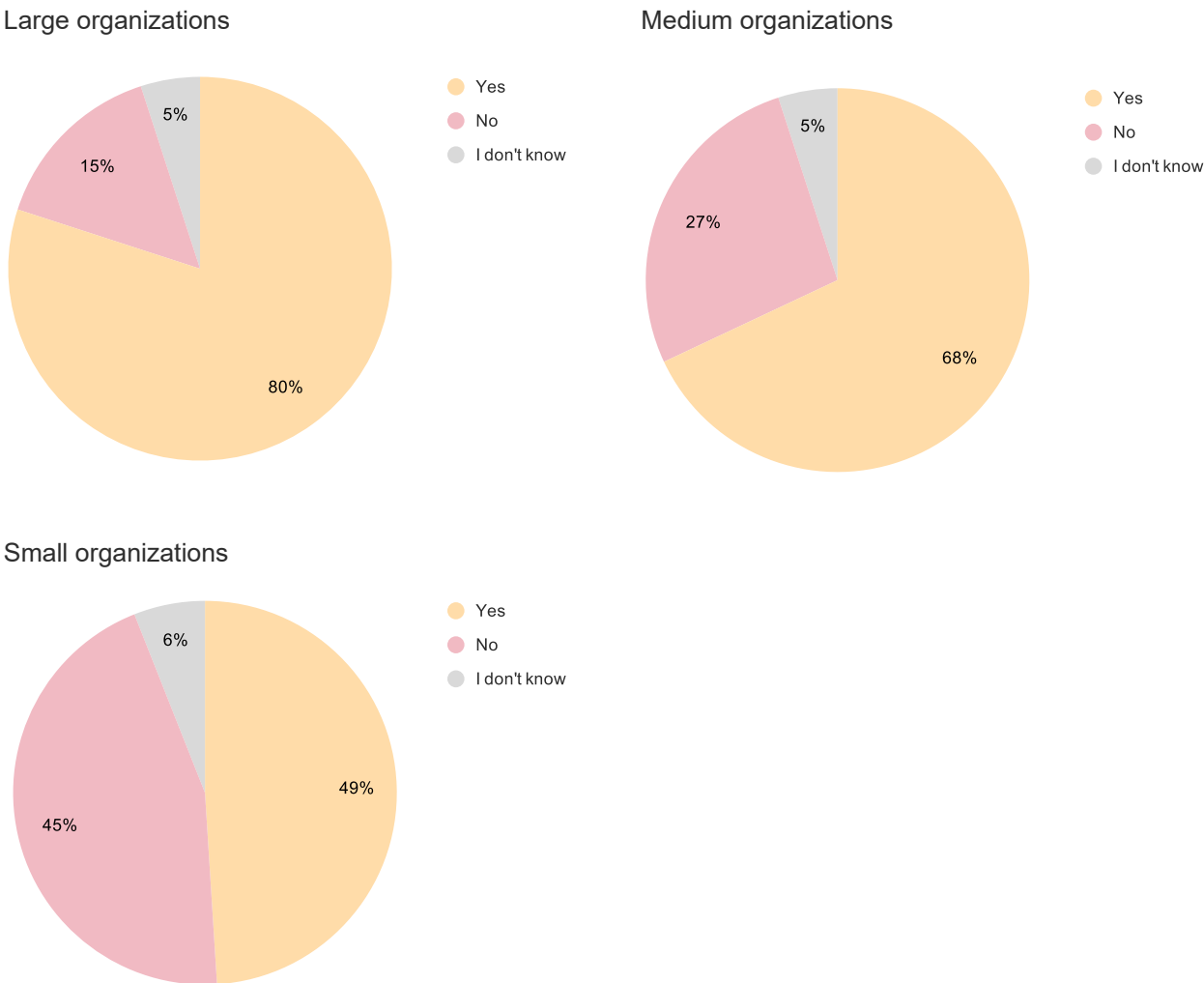
Our research shows that the desire for online and mobile self-service platforms for payroll processes is continually growing as millennials and digital natives become a larger part of the workforce. At the same time, there continues to be some reluctance to adopt these technologies among employees from older generations.

When supporting technology adoption and self-service tools, payroll professionals have to strike a balance between meeting the demands and expectations of digitally savvy employees while maintaining support for employees who are less digitally-inclined. The ability of payroll professionals to provide the right support to different employees contributes to the provision of a better employee experience.

Our survey results show that a significant majority of large organizations offer self-service functionality to employees as compared to fewer than half of smaller

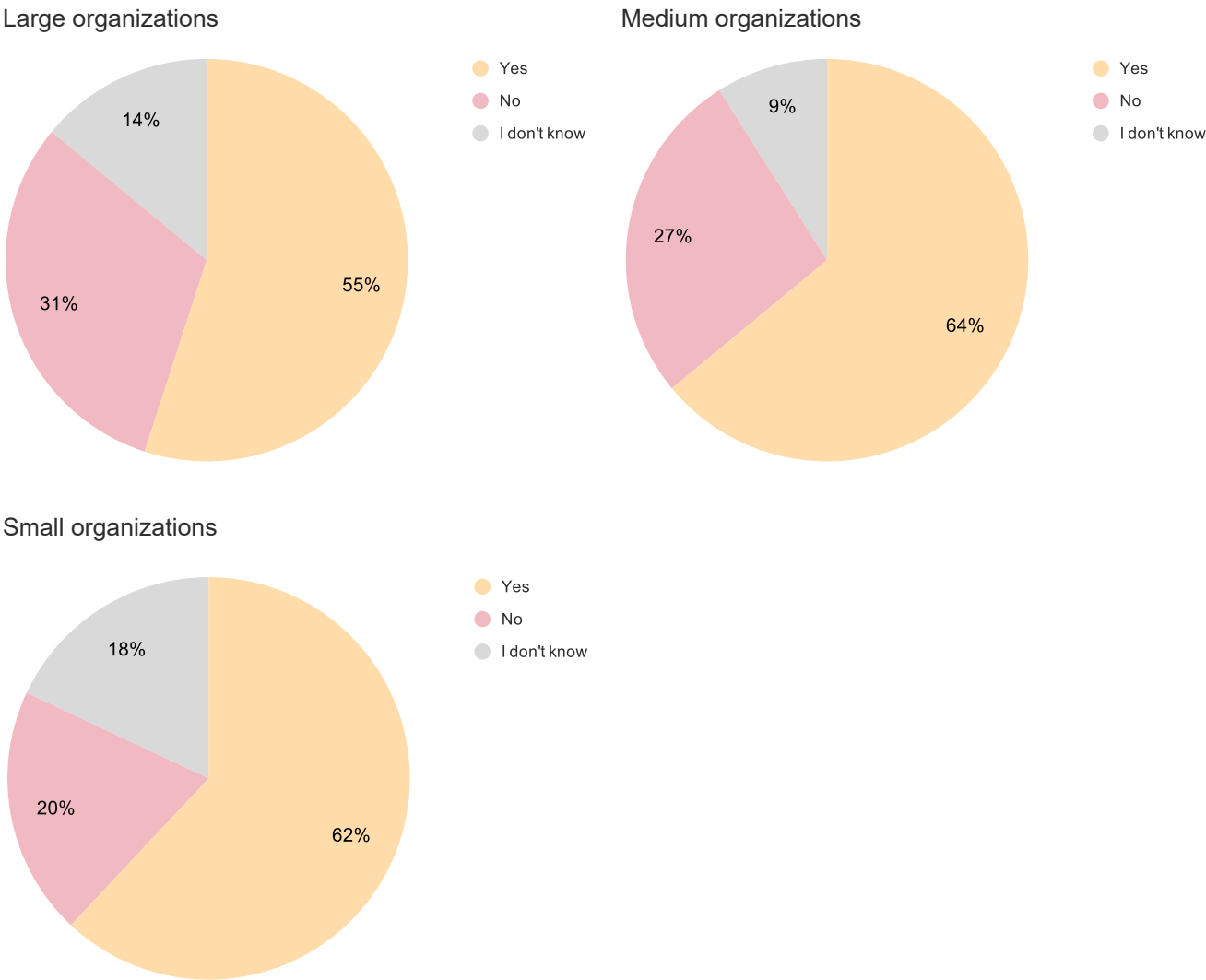
organizations (see Figure 14). Interestingly, the small organizations that offer self-service functionality are far more likely to offer mobile applications for their employees, enabling access to self-service tools (see Figure 15). One potential explanation for this fact could be that smaller organizations—which include start-ups and early stage companies—are more agile and faster adopters of mobile applications.

Figure 14: Breakdown of whether self-service functionality is offered, by organization size



Source: PwC survey of payroll professionals (2020)

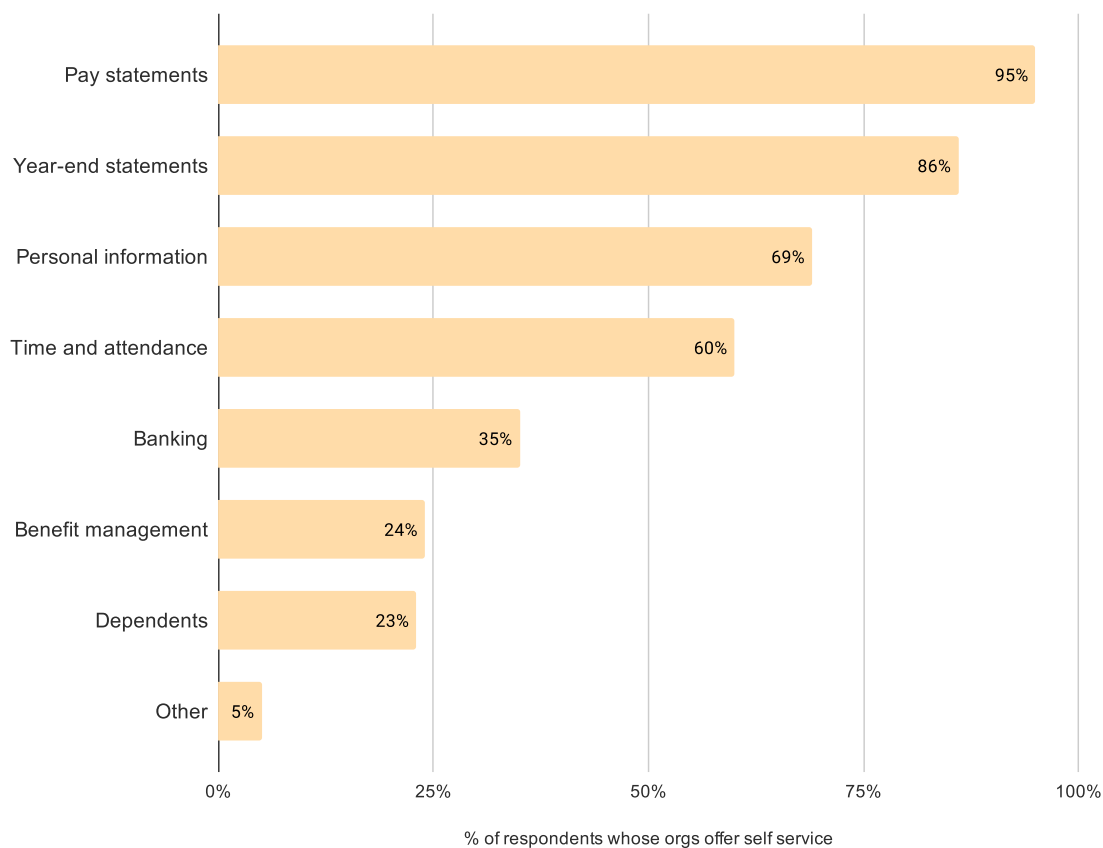
Figure 15: Breakdown of whether mobile applications are available, where self-service is offered, by organization size



Source: PwC survey of payroll professionals (2020)

The results of our survey show that within Canadian organizations that offer self-service payroll functionality, the most popular offerings are those related to basic payroll data, including pay statements, year-end statements and personal information (see Figure 16).

Figure 16: Top self-service functionality offered by payroll



Source: PwC survey of payroll professionals (2020)

Payroll professionals have a critical role to play when it comes to fostering and driving buy-in for the adoption of self-service payroll tools and applications. This is because they are often responsible for educating employees on what tools are available and how to use them. For example, one interviewee described hosting “lunch ‘n learn” sessions to bring staff up to speed on new self-service platforms.

By providing targeted education and communications, payroll professionals can help make the transition to a self-service model less frightening and more exciting for employees. This, in turn, enables an organization’s digital transformation and enhances the overall employee experience.

Enhancing the employee experience by raising the profile of payroll

Looking at the many different activities that payroll professionals conduct within an organization, it is easy to see how they are a foundational building block to the provision of a positive employee experience. Yet, few people within organizations understand what payroll professionals do or the degree to which they contribute to the employee experience.

Increasing the awareness of payroll within organizations and raising the profile of payroll professionals can offer many benefits to

organizations. These actions can help organizations attract and retain highly skilled people into payroll functions, encourage and enhance two-way communication of information and data, and help drive interest and buy-in for different payroll-focused tools. For example, one interviewee described how her company worked to actively market payroll internally. During National Payroll Week™, her organization highlighted the value of the team to the internal network. Employees got to see the team behind payroll, prompting the sharing of many favourable comments.

Raising the profile of payroll professionals can also foster a broader array of cross-functional projects and, therefore, cross-functional outcomes. For example, one interviewee shared how he collaborated with their internal tax department to conduct a review of the business traveller tax – which he then presented to his organization's management team. This project showcased the strategic value of payroll, paving the way for payroll professionals to get more involved in other strategic endeavours.

It is important to note that raising the profile of payroll professionals is important to pursue not only within the organization that the payroll professional works, but also externally through industry and professional organizations that help to establish standards for the profession. Several of our interview participants highlighted that professional organizations (e.g. The Canadian Payroll Association), and the availability of professional certification programs (e.g. Payroll Compliance Practitioner™, Certified Payroll Manager™) are doing a lot to enhance the credibility and value of payroll professionals in Canadian society.

Conclusions, implications, and next steps

Canadian organizations and governments should better recognize the value that payroll professionals provide and their critical role in the present and future well-being of the Canadian economy. Every year, payroll professionals process billions of dollars' worth of remittances, playing a crucial role in the smooth functioning of government finances; we estimate that payroll remittances account for 37% of government revenue.⁹ The impact of payroll professionals, however, extends well beyond contributing to a seamless payroll process; in addition to generating a significant impact to the Canadian economy, their work also contributes to organizational productivity and to an enhanced employee experience, which in turn can play a large role in attracting and retaining top talent. While payroll professionals are an important part of organizations today, there is far more that they can do to create additional value in the future. Companies that embrace the possibilities with respect to the value that payroll professionals can provide and look to reshape the future of payroll will be well positioned to thrive regardless of the challenges that come their way.

For more information on the future of payroll, read our companion report, *The future of payroll*.

“

[In the future], I think payroll professionals will be seen less as 'processors' and more as people who can add value to the organization.”

”

Interview participant

⁹ Total government revenue from CANSIM Table 10-10-0015-01 Statement of government operations and balance sheet, government finance statistics

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Appendix B: Limitations

Receipt of new data or facts: PwC reserves the right at its discretion to withdraw or revise this report should we receive additional data or be made aware of facts existing at the date of the report that were not known to us when we prepared this report. The findings are as of June 2020 and PwC is under no obligation to advise any person of any change or matter brought to its attention after such a date that would affect our findings.

Input-output analysis: Input-output analysis (a model used to estimate GDP and employment impact) does not address whether the inputs have been used in the most productive manner or whether the use of these inputs in this industry promotes economic growth by more than their use in another industry or economic activity. Nor does input-output analysis evaluate whether these inputs might be employed elsewhere in the economy if they were not employed in this industry at the time of the analysis. Input-output analysis calculates the direct, indirect and induced economic impacts that can reasonably be expected to affect the economy based on historical relationships within the economy. This analysis does not take into account fundamental shifts in the relationships within the economy that may have taken place since the last estimation of multipliers by Statistics Canada, nor shifts that may take place in the future.

Use limitations: This report has been prepared solely for the use and benefit of, and pursuant to a client relationship exclusively with the Canadian Payroll Association. We understand that the Canadian Payroll Association may share our report with third parties. The Canadian Payroll Association can release this report to third parties only in its

entirety and any commentary or interpretation in relation to this report that the Canadian Payroll Association intends to release to the public either requires PwC's written consent or has to be clearly identified as the Canadian Payroll Association's own interpretation of the report or the Canadian Payroll Association is required to add a link to the full report.

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This report and related analysis must be considered as a whole: Selecting only portions of the analysis or the factors considered by us, without considering all factors and analysis together, could create a misleading view of our findings. The preparation of our analysis is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

We note that significant deviations from the above listed major assumptions may result in a significant change to our analysis.

Appendix C: Economic footprint methodology

The fundamental philosophy behind economic impact analysis is that spending on goods and services has attendant impacts throughout the economy. For instance, building a new manufacturing plant will generate demand for the inputs to this process (including labour) that in turn generates additional demand that extends beyond the initial spending. Our analysis permits the estimation of this cascading effect by using the multipliers calculated by Statistics Canada based on its input-output model of the Canadian and provincial economies.

In order to assess the economic impact of payroll professionals in Canada, we examined two streams of payroll professionals: those working within industry organizations (for example a payroll manager working at a bank) and those working at payroll service and software providers (for example a consultant working at a payroll software company such as Ceridian).

Our methodology is as follows:

1. Determine the overall count of payroll professionals working in these two streams.
 - a. We used survey data of over 2,400 payroll professionals to estimate the ratio of payroll professionals to total employees for varying degrees of organization size.
 - b. We used those ratios against Statistics Canada data on number of organizations by size and province and number of employed persons by organizational size by province, which yielded an estimate of total number payroll professionals working in industry organizations.
 - c. We used Dun & Bradstreet as well as targeted interviews to estimate the number of payroll professionals working at payroll service and software providers.
2. Applied industry multipliers available through Statistics Canada to estimate the GDP, labour income, and tax impact per employee, which was then multiplied by the number of employees in either stream and summed.



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