

CAXTON
EVERY PAYMENT • ONE PLATFORM

THE HIDDEN COST OF THE STATUS QUO

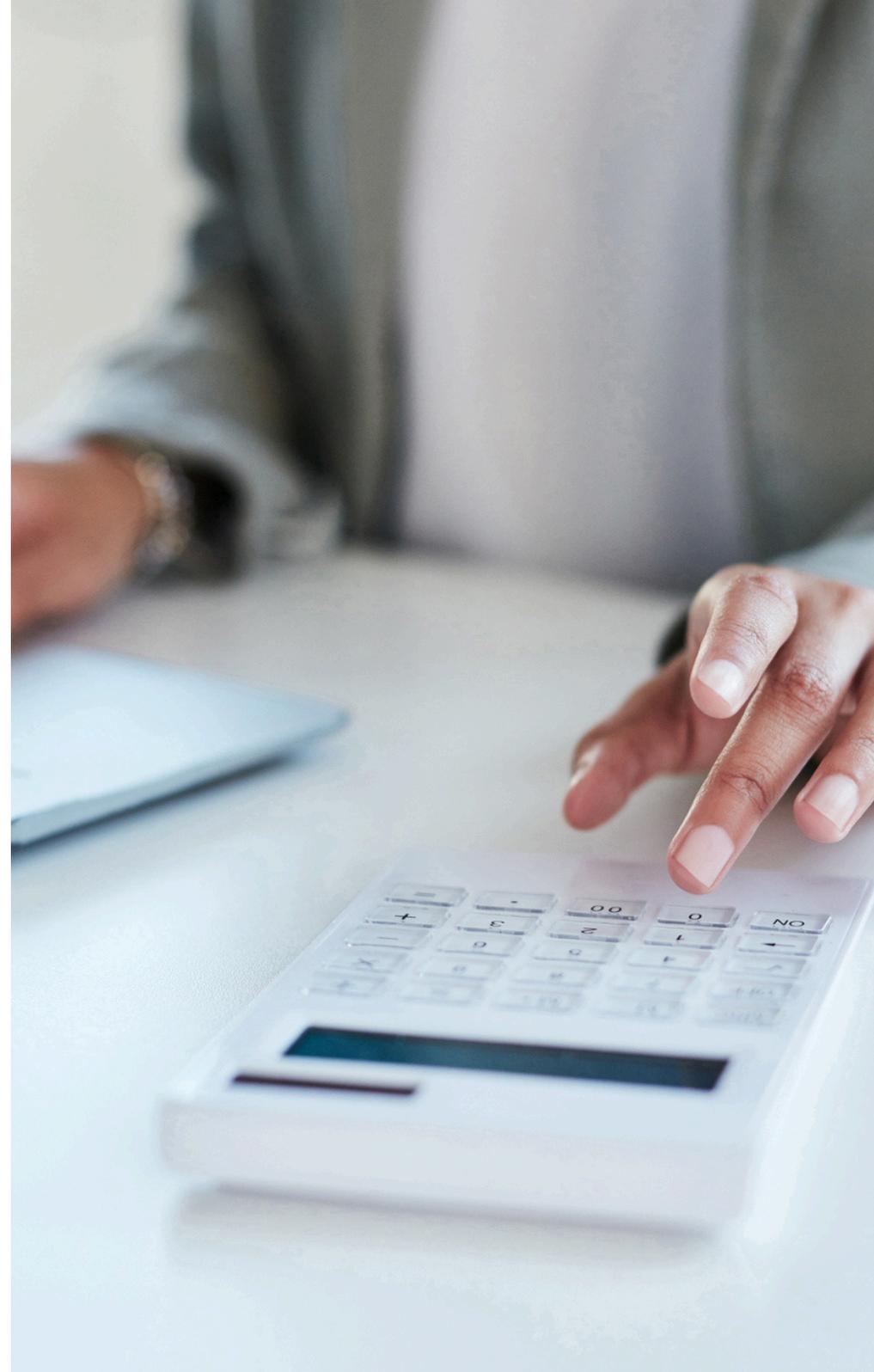
Delivering Resilient Payroll for More Mobile Workforces

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FORWARD

If we were to choose a single word with which to define the nature of employment in the twenty-first century, a good choice might be **mobility**.

The days when a job was for life are long gone and today's workforce is more willing to **embrace mobility** than ever before.

Accelerated by technology, entire careers that might once have been physically tethered to a particular office or a particular city can now be **conducted online**. The average tenure of employees in one role has been trending downwards for some time. For businesses, this means the competition to retain good staff can be intense.

Given that, businesses are now competing on employee benefits, work-life balance and a range of other incentives to retain staff and give them the flexibility that the twenty-first century demands. **Payroll is now a key aspect of this.**

A more mobile workforce is demanding more **adaptable payment solutions**. Whether it's flexible or more frequent payment dates or the ability to process payments in multiple jurisdictions or currencies, many businesses are demanding flexible solutions to meet employee needs. This year's report explores the ways in which payroll payments run entirely on legacy systems like BACS are failing to deliver this agility, **leaving business at risk and becoming less competitive**.

Furthermore, in a world of employee mobility, getting payroll wrong is a risk businesses are increasingly keen to avoid. Once again, payroll providers relying on BACS alone in a world where fintech and paytech is growing ever more ubiquitous, **increasingly lack resilience compared to their competitors**. Our latest survey reveals that many businesses are growing frustrated with this lack of resilience and the impact it can have - and regularly is having - on their staff.

For payroll service providers too, there's a growing sense of frustration with systems which rely on BACS alone. In terms of efficiencies, these systems are not keeping up and there's a sense that **embracing new technologies could reduce the administrative burden, freeing up time to focus on better customer service and building on resilience to reduce risk**.

The last few years of rising inflation and geopolitical uncertainty have been challenging for many businesses. While we are seeing business confidence return, caution nevertheless remains. While there is an appetite amongst payroll providers, as amongst all businesses, to embrace new technologies like paytech and automation, any investments are subject to significant challenge from budget holders. What comes through in our latest data however is that concerns about making tech investments must be **balanced against the hidden costs of the status quo**.

In terms of productivity, employee morale, customer satisfaction and reputation, standing still is an increasingly costly endeavor.

I hope you enjoy our latest report, and thanks for reading.



Rupert Lee-Browne
CEO and Founder - Caxton

INTRODUCTION

The Chartered Institute of Payroll Professionals (CIPP) is delighted to present this collaboration with Caxton, offering **valuable insights** into the evolving **challenges** faced by payroll professionals.

Payroll remains a cornerstone of effective business operations, not only ensuring compliance but also fostering **trust and satisfaction among employees**. In an era marked by increased workforce mobility, economic uncertainty and technological innovation, the demands placed on payroll systems have never been more critical.

Key findings from this year's research reveal **significant vulnerabilities** within current payroll practices. For example, **more than a third (35%)** of payroll professionals lack a **BACS backup system**, leaving organisations exposed to operational risks.

Meanwhile, **29% of payroll professionals** believe payroll issues contribute to staff turnover, underscoring the direct link between **payroll performance and workforce retention**. By surveying both payroll professionals and employees, the findings reveal a compelling need for **agility, flexibility and resilience in payroll**.

The research underscores the hidden costs of maintaining outdated systems—costs that affect **employee morale, productivity, client satisfaction and overall business resilience**. At a time when organisations are striving to attract and retain top talent, the payroll experience plays a vital role in shaping employer reputation.

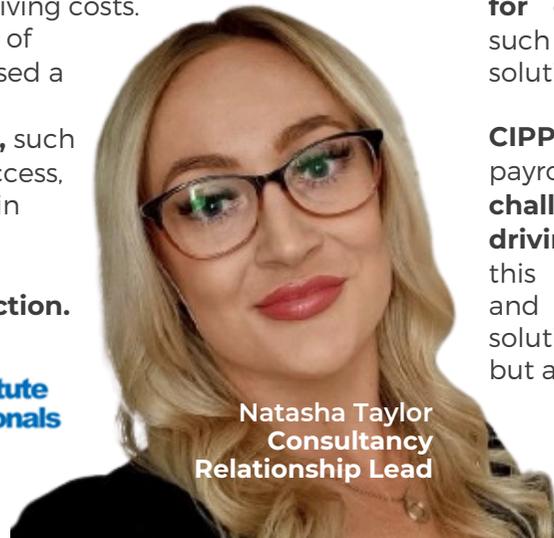
On the employee side, the data paints a concerning picture. Over **half (52%) of employees** have experienced late payments, with **35% waiting more than 48 hours for resolution**.

For many, these delays have **tangible financial consequences**, with **20%** reporting an inability to meet essential living costs. Furthermore, **44%** of employees expressed a desire for **flexible payment options**, such as earned wage access, as a critical factor in their **financial well-being and employer satisfaction**.

The report also emphasises the cost implications for businesses. Payroll professionals spend an average of **16%** of their time **resolving payroll errors**, which equates to thousands of pounds in lost productivity annually. Nearly **half (46%) of employees** report that payroll issues erode their trust in management, while **22%** of businesses face monthly complaints about payroll performance, **threatening client relationships and company reputations**.

For payroll professionals and organisations, this report offers more than just a reflection of the current challenges; it provides a **roadmap for embracing innovative technologies**, such as faster payments and paytech solutions, to overcome these obstacles.

CIPP remains committed to supporting payroll professionals in **navigating these challenges, promoting excellence and driving industry-wide progress**. We trust this report will inspire meaningful change and encourage organisations to invest in solutions that not only meet today's demands but also **future proof their payroll systems**.



PAYROLL RESEARCH

Methodology



METHODOLOGY

Payroll service providers, whether in-house or external support, are engaged by businesses globally to deliver payroll solutions that can help their **business grow and succeed**.

It's crucial therefore that we engage those customers to track sentiment and see what's working well, what could be improved and the direction payroll service providers need to go in, to keep up with a changing market.

To this end, for this year's survey we engaged **56 finance professionals responsible for payroll – both in an in-house and bureau setting**.

As with our previous report, payroll professionals will always have an eye on their end user, the employee. These are the people on whom any business relies and payroll can have a huge impact on the perception they have of their business. So, to track sentiment amongst this group, we also engaged **958 working people to see how they feel about payroll and how their needs are changing**.

Our research was conducted internally by Caxton in partnership with the **CIPP between June and September 2024**.

60%

Faster payments increasingly used to add resilience to payroll services, when payroll issues occur and follow-on payments are needed - **60% use faster payments**.

>1/3

More than a third of payroll professionals **don't have a BACS back-up**, leaving them vulnerable to risk.

29%

Recognising the impact this can have on a highly mobile workforce, **nearly a third (29%)** of payroll professionals think **payroll issues make people want to leave their jobs**.

35%

For end users (employees), **35%** report having had to **wait more than 48 hours for a late payment**, with around a **fifth** of those saying it has **impacted their ability to meet day-to-day living costs**.

PAYROLL RESEARCH

Cost of The Status Quo/ Payroll Industry



COST OF THE STATUS QUO / PAYROLL INDUSTRY

Economist Francis Fukuyama famously declared, following the fall of the Berlin Wall, that we had reached *'the end of history'* and were now entering a time of unprecedented peace and prosperity. History has a habit of proving predictions wrong however and the story of the twenty-first century has been one of disruption.

From the unraveling of the financial system during the crash of 2008/9 to the rise of the internet and its impact on social and economic relations, and from a global pandemic to an energy squeeze and inflation, recent years have thrown unprecedented challenges at businesses of all sizes. As such, there is **more need for business resilience than ever before**. Systems need to be stress-tested and ready to cope with external pressures.

Every component of a business, including payroll, as this report will show, has its **role to play in delivering this resilience**. With payroll often considered one of the most important employer / employee interactions, what comes through in our data is that issues with payroll are a nightmare for employer reputation. And ultimately, **relying solely on BACS alone to manage payroll is not enough anymore**.

A **fifth of our payroll professionals** reported experiencing BACS payments while **10% report being somewhat dissatisfied with BACS**. Reflecting on this, **19% of respondents** report having to run a **follow-up payroll every month, in which lies the broad issue**.

59%

When follow-on payments are needed due to failure of BACS, **59% of respondents** report using **'faster payments'** reflecting the role that this service plays in building the resilience needed.

53%

Given this, it's unsurprising that **more than half of our respondents (53%)** agree that it's **not suitable for modern payroll**.



Yet despite this, 35% of respondents still don't have a BACS back-up leaving them vulnerable to externalities.

BACS alone isn't keeping pace with an evolving industry. While a quarter of respondents remain 'very satisfied' using BACS on its own, the **majority of respondents appreciate the benefits of supplementing BACS with backup systems**.

24%

Very few of our respondents agree that **BACS alone is suitable for modern payroll**, with **24%** strongly agreeing with this statement.

36%

For **most people (41%)**, faster payments is the ideal solution with a further **36% wanting a combination of BACS and faster payments**.

PAYROLL RESEARCH

Cost of the Status Quo for Productivity and Morale



COST OF THE STATUS QUO FOR PRODUCTIVITY AND MORALE

Alongside significant operational risk, relying on BACS alone is also impacting **morale and productivity within the workforce.**



Our responding payroll professionals report spending **16% of their time rectifying payroll issues.** This is valuable time and represents a significant cost of doing business and a significant **hidden cost of the status quo.** This could cost a business **over £6,700** according to a report by global talent services firm Morgan McKinley* who report that the average London payroll specialists salary is at least **£42,000 per annum.**

Alongside impacting the bottom line, this lack of resilience is also impacting teams. **20% of respondents** need to **work additional hours** as a result of these **systems failures** and **38% of respondents** report finding payroll **either very or quite stressful.**

What comes through loud and clear in these results is that the world has changed and BACS alone is not keeping up. Furthermore, our cohort understands the productivity and customer satisfaction gains that could be made by onboarding faster payments.

PAYROLL RESEARCH

Cost of the Status Quo for Client Satisfaction



COST OF THE STATUS QUO FOR CLIENT SATISFACTION

The lack of resilience and flexibility associated with BACS alone isn't just impacting payroll professionals, it's also **impacting the clients they run payroll services for. This is having two major impacts.**

1 Firstly, it's jeopardising client relationships and therefore business viability.

And with the paytech market now valued at US\$240tn* and growing according to EY, it's clear that industries globally are investing. For those that aren't, the threat of being left behind is an existential one. **Over time the business that isn't embracing tech to make smarter payments will be akin to the business that forgoes email in favor of the telegram, or the fax.**

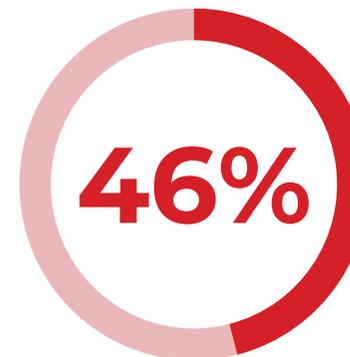
2 The second impact of diminishing client satisfaction is a greater volume of complaints into customer teams, which feeds into the impact on morale described above, creating a negative feedback loop.

5% of our respondents are getting **client complaints on a weekly basis**, representing a significant business risk. A further **22% are receiving complaints monthly** which, given for most businesses payroll is a monthly occurrence, **means 'every time'**.



The payment failures leading to these complaints are having a wide range of **negative impacts** when it comes to client relationships. These range from impacting **client productivity (12%)** to threatening to **terminate the relationship (13%)** to impacting the **mental health of the staff** at the end of the pay run.

As mentioned at the outset, every business value fundamentally is the sum of its **people**. So, the impact on **employee mental health** is something which will especially impact the **client relationship** and, in the extreme, could expose payroll service providers to **legal liabilities and reputational risk**.



Reflecting the scale of the impact this is having, nearly **half of respondents (46%)** report that payroll issues can lead employees towards a greater **distrust of management** which, in an age of increased employee mobility, can have a significant impact. **42%** also report that it can impact **job satisfaction** while **15%** report it leads to **greater levels of absenteeism and turnover**.

COST OF THE STATUS QUO FOR CLIENT SATISFACTION

Even in the absence of any issues with regular BACS pay runs, the growing demand for flexibility in payments means that those businesses that can't offer bi-monthly, weekly or even 'pay-as-you-earn' are differentiating themselves - and not in a good way - in an **increasingly tech-savvy market.**

19%

Nearly a **fifth (19%) of respondents** report receiving requests for advance payments either **weekly or monthly.**

39%

Meanwhile, a further **63% receive such requests irregularly. 39%** report that an **earned wage access** or **on-demand pay** would be beneficial.

This is especially the case given the recent economic instability and inflation that many countries have experienced. The impact these forces have on employees should not be underestimated and again, being able to offer the flexibility employees need to manage this instability is becoming a **key differentiator.**

2022 PAYROLL RESEARCH

Cost of the Status Quo for Employees



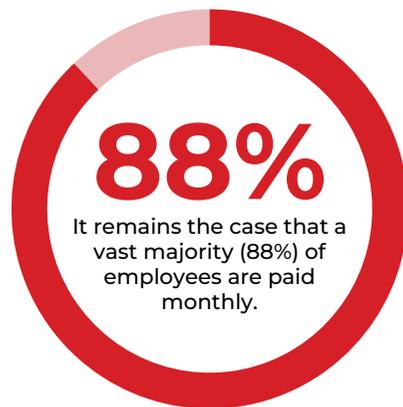
COST OF THE STATUS QUO FOR EMPLOYEES

So, we've heard what payroll providers think, and about the feedback they're getting from their clients - but what about the end users?

How do they want to be paid and what impact does it have when payments go wrong?

As mentioned above, inflation has in recent years eroded purchasing power. Much of this inflation has followed the energy shock caused by unrest and war and the concurrent impact on the supply chains. Longer-term however, many across the Western world are also dealing with longer-term inflationary dynamics in the housing market where diminishing supply and growing demand are serving to put upward pressure on prices both in rented and private accommodation.

It should come as no surprise then that employees experiencing late and delayed payments in such a context are likely to experience at best, **negative feelings towards their employer** and at worst, **significant financial and personal hardships**. This goes beyond the potential impact of **payroll errors on client relationships** and also highlights how building resilience into payroll isn't just good for business but it's **increasingly crucial for millions within the workforce**.



While just **short of half (49%) of employees** are happy with this arrangement, elsewhere, reflecting on the cost of living crisis, there's a **desire for flexibility**.

Some 14% want payments to be more regular than monthly.

£40,000

This is perhaps slightly lower than anticipated given that a **third of the sample** have a **household income below £40,000 (with 8% being below £20,000)** which will often leave them vulnerable to energy price spikes or similar.

48%

Furthermore, while nearly **half (48%) of employees** report having never been paid late by their employer, this leaves **52% who have**. This reflects the scale of the challenge here and the role that payroll professionals can play in meeting this challenge.

Whether being paid late affects your day-to-day life financially or not doesn't mean the experience with your employer is not a negative one, creating a possible sense of mistrust, oversight or worse.

6%

For those that have experienced a delay in payment, this is rarely **(6%) rectified within a day** with the majority being **resolved within a few days** except for **8% of respondents**, who stated it can take **up to a month to resolve these issues**. The reality of this could be financial obligations being missed and **pressure on household finances**.

It's no wonder then that employers recognise the detrimental impact this can have on employer and employee relationships.

COST OF THE STATUS QUO FOR EMPLOYEES

Out of pocket costs

37%

Adding insult to injury, further reflecting a **lack of payment flexibility**, **37% of employees** report having been asked to **cover work-related expenses** from their **own pocket**. And once again, these expenses are often taking a **long-time to be reimbursed**.

8%

Only **8% of employees** report expenses being **reimbursed within a week**, while **13%** are **reimbursed within a month**.

24%

Employees are often uncomfortable discussing these issues too, meaning that for many businesses, if there is a problem, it may well be a **hidden one**. **Less than a quarter (24%)**, would feel **comfortable discussing the impact** paying expenses out of pocket has on their **quality of living, with their employer**.

9%

The knock-on personal effects of this too are significant. **9% of employees** report being **unable to sleep** when dealing with **late payments**, while **11%** say it **impacts their mental health**.



Given this, it's unsurprising that **nearly half (44%) of employees** would find being able to **access earned salary in between usual pay days beneficial** and that **nearly a fifth of employees** would differentiate between **different potential employers on the basis of this**.

CONCLUSION

While investing in new tech and payment solutions inevitably comes with a cost, so too does doing maintaining the status quo. **In terms of impact on business resilience, payroll professionals and productivity, client relationships and employee wellbeing, the cost of standing still is real, even if sometimes hidden from plain sight.**

The twenty-first century has brought with it a range of challenges including geopolitical and economic uncertainty, employee mobility and the rapid acceleration of technologies that would have seemed impossible to prior generations.

For payroll service providers looking to step up to meet these challenges and remain competitive, relying entirely on twentieth century solutions will not suffice. Our report reveals what the art of the possible looks like when it comes to delivering an efficient and flexible payroll service. **A solution that not only gets the basics right by ensuring everybody gets paid on time, or when needed, but also offers clients productivity gains and employees the flexibility that they too need as they navigate the challenges of our current time.**

Now is the time then to reflect on the hidden costs of the status quo and ensure they're properly balanced against the returns that will come from embracing change.

ABOUT CAXTON

Caxton is a multi-award winning fintech payments company which processes tens of millions of international and domestic transactions each year.

A founding pioneer in the payments industry, Caxton is regulated by the Financial Conduct Authority and upholds stringent cybersecurity standards to create easier, faster, and more client focused payment technology. Caxton's API-driven platform delivers the global payment needs of businesses and individuals alike, across a range of sectors.

Underpinned by 20 years of experience helping UK SMEs. We help businesses of all sizes make high-volume payments easily – so that everyone is paid on time, every time. Today hundreds of thousands of people trust Caxton to deliver their financial transactions – both domestically and internationally.

Helping clients combine their payment needs, we work with businesses to find tailor-made solutions to their business needs, including payroll payments, expense management, FX, bulk payments, international supplier payments and more.

ABOUT CIPP

Leading the future of payroll and pension professionals

The Chartered Institute of Payroll Professionals (CIPP) is the Chartered Institute for *payroll, pensions and reward professionals in the UK*. With more than 9,500 individuals benefitting from the CIPP's membership benefits and CIPP approved qualifications and training, the Institute is dedicated to raising the profile of payroll in businesses across the UK.

The education and training portfolio, developed, delivered, assessed and awarded by IPP Education (a wholly owned subsidiary of the CIPP), has been developed based on business and individual needs, to ensure we are providing the most relevant training in the market.

Our policy and research team represent our members at government consultation forums, ensuring members are up to date and have a voice; and the Consult service offers compliance health checks in payroll processes and procedures to ensure businesses are complying with legislation to avoid large penalties.

For more information please visit www.cipp.org.uk



MORE RESOURCES FROM CAXTON

Get the 10-Step Checklist for UK Payroll Compliance

Payroll mistakes can send shockwaves through your organisation, impacting team morale, reducing efficiency and tarnishing your company's reputation.

So what steps can you take to ensure payroll accuracy and compliance? Scan the code or visit caxton.io/research/payroll-compliance-checklist



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