

5 payroll trends to watch in 2023 and beyond

 By [Jeff Ryan](#)

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Payroll has a reputation for being a slow-moving sector. But although it seems nothing much changes or happens in the world of payroll - apart from continuous legislation changes - the sector is not left untouched by relentless advances in technology.



Jeff Ryan, MD of AWCape

Added to that, new ways of working and a dynamic tax and regulatory landscape are also keeping payroll administration teams on their toes.

Here are a few of the major trends that will shape payroll in 2023 and beyond.

1. The fluid workforce

The world of work has changed for good. Hybrid work is here for good, with many people working remotely all or some of the time. Many companies are sourcing remote talent nationwide or even worldwide. And many employers are embracing more flexible modes of work, such as using contractors and freelancers more extensively, or offering more flexible arrangements for people who want to work part-time.

Trends such as the four-day week promise even more change to come. Payroll teams need to adjust their processes to accommodate a wider range of working models.

2. Vision 2024

Every February, payroll teams wait to hear about upcoming PAYE changes for the new financial year in the Finance Minister's Budget Speech. These changes typically involve only small tweaks to payroll calculations. However, beyond 2023, we can expect more significant changes as government and SARS start to move ahead with long-delayed items on their agendas — National Health Insurance is one.

SARS' ambitious [Vision 2024](#) envisages doing away with filing season in favour of a more real-time approach to personal

tax. Vision 2024 anticipates using third-party data from third-party returns to pre-populate an "assessment" for the individual through a SARS app where near real-time tax liabilities will be shown.

Employers may be expected to withhold employees' tax (PAYE) based on this data. For example, if an employee contributes to a personal retirement annuity policy or generates income from interest on a bank account, employers will be asked to adjust withholding tax appropriately. It's not clear how close this vision is to fruition, but it's something payroll managers should be thinking about already.

3. Seamless workflows

Mid-sized companies are likely to increasingly follow the example of large enterprises by adopting solutions that enable tight integration of finance, human resources (HR), employee self-service and payroll. This helps them to reduce costs and improve efficiencies by working off consistent data everywhere in the business and eliminating the need to capture the same data multiple times.

Organisations integrating HR and finance with payroll spend less money and use fewer resources, improving the overall business performance of the company. Furthermore, they have accurate, real-time business information to support better decision-making. Integration between payroll and HR systems also enable self-service experiences that empower the workforce.

4. Data-driven decision-making

Most businesses are looking to use analytics to drive better decision-making, and the payroll is a potential goldmine of data. Data about absenteeism, overtime, employee attrition and retention, compensation, job costing and budgeting can yield powerful insights about employee well-being, engagement and satisfaction.

The data becomes even more powerful in a business with an integrated view of HR, payroll and finances. For example, it can also paint a picture of organisational KPIs like productivity or revenue per head. We can expect to see payroll teams ramp up their use of analytics this year, going beyond basic reporting to partnering with other functions on strategic growth.

5. Artificial intelligence (AI) and robotic process automation (RPA)

It's early days for AI and RPA in payroll, but we are starting to see some interesting use cases emerge. We could envisage AI playing a role in data validation and anomaly detection, helping companies to further sharpen accuracy and more rapidly detect potential fraud or errors.

RPA, meanwhile, could help to streamline manual processes such as capturing data from scanned documents. An example of this is the "intelligent time" capture software that analyses previous timesheets as well as your calendar to prepopulate timesheets entries.

The cloud is the foundation for next-generation payroll

Many payroll teams are finding it hard to keep ahead of admin at a time when employee and tax regulations are becoming more intricate. They also recognise that tough data privacy regulations mean they need to be careful stewards of employee's personal information. And of course, the pressure to become more efficient never ends.

This is why we are seeing more and more payroll departments using manual/on-premise systems move to the cloud. A cloud-based system allows HR and payroll employees to work online and collaborate wherever they are – essential in these times of remote and hybrid working models. It is also the foundation for seamless workflows, data-driven decisions and AI adoption.

ABOUT JEFF RYAN

Jeff Ryan is the MD for AWCape, a Sage Business Partner and has over 20 years of experience. He has extensive strategy and technology consulting, project management and business development experience in multiple industries. In addition, having held several senior positions in different organisations has given Jeff a deep understanding of business drivers and needs.

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