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# 2023 Global Payroll Complexity Index

Top 40 countries ranked by payroll complexity highlighting trends shaping multi-country payroll management



**alight**

## OVERVIEW

### Ranking and analysis of country payroll complexity

The Alight Global Payroll Complexity Index (GPCI) is a biennial benchmarking survey that ranks the complexity of payroll processes in the top 40 countries,\* focusing on crucial factors such as tax regulations, mandatory deductions, social security contributions and reporting requirements.

The 2023 GPCI report shows that France retains its position as the most complex country for payroll processing. Germany, Switzerland, Italy and Canada round out the top five.

The 2023 report reveals the top 10 countries are 29% more complex than the remaining 30. Canada, Turkey, the Netherlands and Slovakia enter the top 10, while the U.S. drops to 14th.

Despite recent simplifications in the U.S., challenges persist, particularly in multi-state employment scenarios. Notably, nine out of the top 10 countries for payroll complexity are in Europe.

The GPCI report offers valuable insights to navigate ongoing challenges in the evolving payroll landscape.

The report identifies three key factors that differentiate the top 10 countries from the other 30, these are mandatory deductions, social security calculations and types of governmental mandatory reporting.

These factors highlight the need for payroll teams to continuously adapt their processes to comply with relevant laws and regulations.

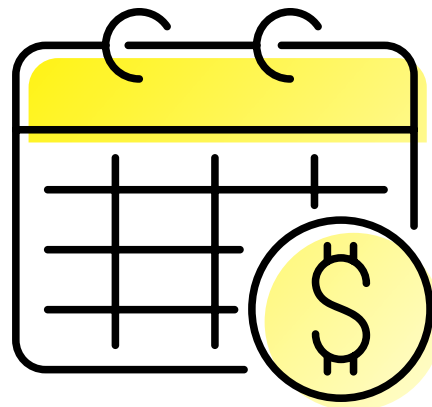
It also shows that governments continue to make changes to their payroll requirements meaning companies need to continuously adapt their payroll processes.

### Be prepared for change

Being ready for these changes requires up-to-date technology, data processing and reporting that can respond efficiently to avoid payroll errors.

Given that the top 10 countries are in technologically mature markets, any company operating in these markets should be able to adapt and be ready.

The ever-evolving complexity of payroll processes can have several negative impacts including increased workload for payroll teams, higher risks of errors and noncompliance and potentially reduced levels of employee satisfaction and retention.



\*Alight ranks the top 40 countries based on payroll complexity out of nearly 200 countries where it processes payroll.

## OVERVIEW

### Current trends

In addition to government requirements, there is growing demand by HR and the wider business for payroll data related insights. Equal pay, for example, is now a standard reporting requirement as part of ESG communication.

Other trends such as when or in what currency people are paid in are on the horizon. These demands mean payroll teams and processes may need to pivot yet again.

Payroll teams need to remain informed about changes in labor laws and regulations and adapt their processes accordingly to ensure compliance and accuracy.

This may include implementing technology solutions that can help automate and streamline the payroll process, reducing the risk of errors and increasing efficiency.

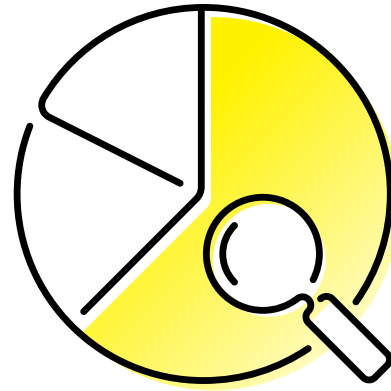
Technology today brings analytics and AI capabilities, which means if companies fail to invest they could miss anomalies, outliers or deviations in their payroll. Information that could potentially result in significant cost savings.

### About this report

For over a decade, the GPCI has been an indispensable resource for organizations looking to optimize their global payroll processes.

The report provides crucial insights into payroll trends, complexities and risks, empowering companies to take proactive steps to manage payroll processes and control labor costs.

The report highlights the risks of failing to invest in technology and resources to automate and streamline payroll processes, which can lead to payroll failure, decreased employee engagement, poor operational performance and reduced net profits.



Alight's research team sources intelligence from its country payroll specialists who process accurate and timely pay for tens of thousands of employees worldwide. This ensures that the GPCI methodology continuously evolves to account for all micro and macro changes in payroll rules, legislation and regulations.

### SUMMARY OF FINDINGS

- France remains the most complex, recording a 10% increase in their complexity since 2021
- From 2021 to 2023, overall, complexity shows a slight decrease of 6%
- The top 10 countries are 29% more complicated than the remaining 30
- The top three factors driving complexity in the top 10 countries are mandatory deductions, social security calculations and compulsory reporting types
- Payroll complexity varies 91% from the most to the least complex country

# The most and least complex countries for payroll processing

France remains the most complex country for payroll processing for the fifth consecutive report, standing out with a complexity score of 7.96 out of 10.

In contrast, Saudi Arabia, making its first appearance in the index, is the least complex country among the 40 ranked. The country's debut in the index is likely due to the increase in international businesses setting up operations there, which has led to the need for aligning its payroll regulatory requirements with those of other countries.

Some European countries such as Austria, Hungary and Poland require a mix of manual and digital processing as well as reporting payroll processes. The challenge to switch between two different modes, increases complexity and potential for errors.

Turkey saw the second-highest increase in complexity with a 30% rise, while the United Arab Emirates experienced the highest increase of 50%.

## Workplace evolution

The 2023 report highlights the impact of work and workplace evolution on payroll since the 2021 GPCI. Managing payroll across jurisdictions involves navigating tax laws, employment regulations and reporting requirements.

Mature organizations are investing in payroll strategies to support employee-led cultures with earned wage access, transparent calculations and diverse benefits.

Streamlined integration with core systems automates processes, improving pay accuracy, data security and compliance.

## Innovation reducing complexity











The GPCI top 40 shows a 6% reduction in payroll complexity driven by technology and process innovations.

Ongoing evolution is crucial for payroll to support a competitive workplace and business growth, especially in the most complex countries for payroll processing.





















# Top 40 countries

| COUNTRY  | 2023 | 2021 | CHANGE |
|--|------|------|--------|
|  France           | 1    | 1    | 0      |
|  Germany          | 2    | 4    | +2     |
|  Switzerland      | 3    | 8    | +5     |
|  Italy            | 4    | 2    | -2     |
|  Canada           | 5    | 30   | +25    |
|  Poland           | 6    | 6    | 0      |
|  Turkey           | 7    | 36   | +29    |
|  Netherlands      | 8    | 16   | +8     |
|  Belgium        | 9    | 3    | -6     |
|  Slovakia       | 10   | 26   | +16    |
|  Australia      | 11   | 21   | +10    |
|  China          | 12   | 14   | +2     |
|  Sweden         | 13   | 17   | +4     |
|  United States  | 14   | 10   | -4     |
|  Spain          | 15   | 5    | -10    |
|  Luxembourg     | 16   | —    | —      |
|  Denmark        | 17   | 12   | -5     |
|  Finland        | 18   | 20   | +2     |
|  Ireland        | 19   | 33   | +14    |
|  Czech Republic | 20   | 27   | +7     |

## Top 40 countries (cont.)

| COUNTRY  | 2023 | 2021 | CHANGE |
|--|------|------|--------|
|  India                  | 21   | 25   | +4     |
|  Austria                | 22   | 18   | -4     |
|  United Kingdom         | 23   | 31   | +8     |
|  Philippines            | 24   | 37   | +13    |
|  Brazil                 | 25   | 19   | -6     |
|  Portugal               | 26   | —    | —      |
|  Slovenia               | 27   | —    | —      |
|  Russia                 | 28   | 7    | -21    |
|  New Zealand          | 29   | 32   | +3     |
|  Malaysia             | 30   | 29   | -1     |
|  Singapore            | 31   | 38   | +7     |
|  Hungary              | 32   | —    | —      |
|  United Arab Emirates | 33   | 40   | +7     |
|  Romania              | 34   | 22   | -12    |
|  Mexico               | 35   | 15   | -20    |
|  South Korea          | 36   | 24   | -12    |
|  Argentina            | 37   | 23   | -14    |
|  Japan                | 38   | 9    | -29    |
|  Hong Kong            | 39   | 39   | 0      |
|  Saudi Arabia         | 40   | —    | —      |

# Top 10 countries for payroll complexity



The 2023 Global Payroll Complexity Index ranks **France, Germany, Switzerland, Italy, Canada, Poland, Turkey, Netherlands, Belgium and Slovakia** as the **top 10 countries** for payroll complexity.

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# Top 10 countries for payroll complexity

The top 10 countries for payroll complexity, predominantly from Europe, have government regulations that can pose unique challenges that significantly impact complexity.

While some of the payroll complexity can be attributed to regulations aimed at protecting employee wellbeing, working conditions and pay, others may relate to taxes, social security, or other areas that don't directly relate to employee protection.

Therefore, it's crucial to understand the specific regulations and how they impact payroll processing complexity on a country-by-country basis.

## Top three drivers of payroll complexity

Our research identifies the top three payroll complexity drivers as mandatory deductions, social security calculations and mandatory reporting. These, along with compulsory deductions, social

security calculations and types of reporting, are among the main complexity drivers in the top 10 countries.

Businesses operating in these countries must be aware of these complexity drivers and adapt to changing regulations and requirements.

Examples of these include dependencies on certain banks to handle pay transfers or single sign-on requirements to do reporting.

The rankings have changed since the previous report in 2021, with Canada, Turkey, the Netherlands and Slovakia joining the top 10 while the United States, Austria, Spain and Russia have dropped out.

To decrease complexity and benefit businesses operating in these countries, the report highlights the advantages of implementing digital reporting as well as reducing the number of fields in payroll reporting.





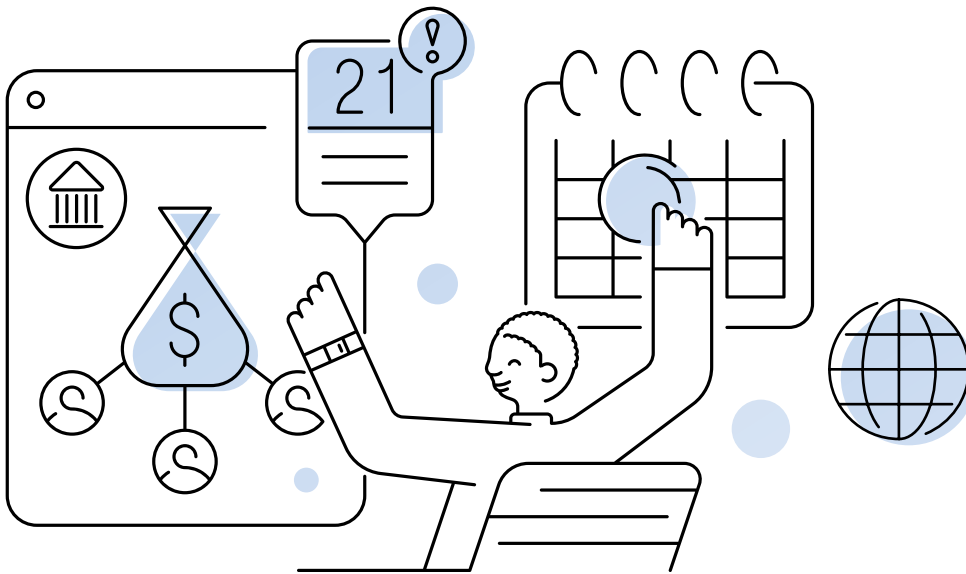
# Solutions to help with complexity in the top 10 countries

Complex governmental and social structures, along with the necessity of time tracking, serve as key drivers of payroll complexity in the top 10 countries. These challenges are further compounded by each country's unique regulation and labor laws. However, adopting digital solutions, such as digitization of government reports, can significantly help reduce this complexity.

Agile and automated payroll solutions can streamline processes and ensure compliance with ever-changing regulations. Embracing innovation and expertise to navigate the complexities of payroll in all countries, not just the top 10 countries, is key.

Specialized knowledge and tailored solutions are crucial for managing the unique challenges posed by each country's complex governmental and social structures and the organization's unique payroll requirements.

The Global Payroll Complexity Index emphasizes the importance of staying ahead of the innovation curve in a rapidly changing landscape.



# Spotlight on the top 10 countries for payroll complexity

## 1 France 🇫🇷 (1st, 2021) ▲

In 2023, the country increased in complexity by 10%, surpassing second-placed Germany by 11%.

It is also 91% more complex than the least complex country, Saudi Arabia, due to the high number of required fields for reporting, manual reporting to the government and the use of both cheques and bank transfers for salary payments.

Additionally, frequent legal updates and the longest record-keeping time (20+ years) contribute to its complexity.

## 2 Germany 🇩🇪 (4th, 2021) ▲

Its complexity increased by 2% in 2023, making it on par with third-placed Switzerland and 72% more complex than last placed Saudi Arabia.

The country's complexity is due to the high number of mandatory deductions, varying pay frequency for white-collar and blue-collar workers and the number of data fields required for processing.

## 3 Switzerland 🇨🇭 (8th, 2021) ▲

Managing Swiss payroll presents a range of challenges, from navigating three languages to diverse regulations across its 26 cantons.

The complexity of the social security system further compounds these challenges, while manual mandatory reporting and extensive record-keeping requirements add an additional layer of complexity.


## 4 Italy 🇮🇹 (2nd, 2021) ▼

In 2023, the country decreased in complexity by 2%.

The country's complexity is driven by court-ordered deductions, the type of mandatory reporting required and the frequency of reporting to the government.

Changes that have simplified payroll processing between 2021 and 2023 include reducing the number of data fields, court-ordered deductions and the frequency of reporting to the government.



**5 Canada**  **(30th, 2021)** ▲  
Surged from 30th to 5th in 2023, despite a 2% decrease in complexity.

While other countries simplified their payroll systems, Canada remained steady or even increased in complexity in certain areas, such as the influence of unions.


The country's complexity is driven by the volume and frequency of mandatory deductions as well as powerful unions.

The biggest changes were the number of mandatory deductions, powerful unions and salary payment types.


**6 Poland**  **(6th, 2021)** ▼  
In 2023, the country decreased in complexity by 3%.

The country's complexity is due to the years of payroll data that needs to be kept, the type of mandatory reporting required and the number of organizations to which payroll-related data must be reported.


Changes since 2021 include a reduction in the number of data fields for payroll processing, simplification of calculations for social security and the number of optional allowances.

**7 Turkey**  **(36th, 2021)** ▲  
Its complexity increased by 29% in 2023, driven by the number of data fields required for payroll processing, court-ordered deductions as part of payroll and powerful unions.

Changes since 2021 include different calculations for social security, time-tracking regulations and salary payment types.


**8 The Netherlands**  **(16th, 2021)** ▲  
Its complexity increased by 2% in 2023, driven by the frequency of reporting required to the government, court-ordered deductions, number of unions and pay frequency for white and blue-collar workers.

The biggest changes witnessed since 2021 were the requirement for reporting data about new hires, salary payment types and languages.

**9 Belgium**  **(3rd, 2021)** ▼  
Complexity decreased by 19% from 2021 to 2023, primarily due to changes in how individuals are taxed, the number of years required to keep records and data protection laws.

This decrease was accompanied by fewer data fields for payroll processing and reporting and fewer mandatory allowances.

Belgium's drop in complexity is attributed to payroll field deductions, mandatory allowances and the classification of employees based on blue or white-collar jobs.

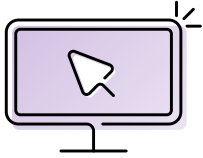
**10 Slovakia**  **(26th, 2021)** ▲  
In 2023, the country's complexity increased by 4%, driven by the number of data fields for payroll processing, legal updates, salary payment types and the number of years payroll records must be kept.

In 2023, the most significant changes in payroll complexity were in the simplification of mandatory deductions, taxation of individuals, the frequency of government reporting and automation of local government reporting.

These changes primarily resulted from payroll field deductions, mandatory allowances and the classification of employees based on blue or white-collar jobs.

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## The top 3 learnings from the 2023 Global Payroll Complexity Index



Automate manual processes to help comply with regulations and reduce errors. This proactive approach can help businesses lower costs, improve payroll efficiency and reduce compliance risks.



Build payroll resilience by staying informed, working with advisors and utilizing agile solutions to adapt to uncontrollable factors.



Specialized knowledge and tailored solutions are necessary to manage the unique challenges posed by complex governmental and social structures. Embracing innovation and expertise is crucial for effective management of complex payroll systems in the face of ever-changing regulations and legal requirements.





# Payroll management in an evolving landscape: Final thoughts and strategies for success

In conclusion, the 2023 Global Payroll Complexity Index underscores the need for businesses to stay ahead of the curve in managing payroll complexities across borders.

## **Mitigate risks and improve payroll efficiency**

By managing the controllable factors and building resilience against the uncontrollable variables, businesses can mitigate risks and improve the efficiency of their payroll operations.

Advanced technologies and expert knowledge are crucial for navigating the complex regulatory landscape and staying competitive.

However, businesses must also remain mindful of cultural differences and data privacy concerns when implementing a global payroll strategy.

Centralizing payroll operations and prioritizing strategic initiatives can help businesses simplify record-keeping and ensure prompt and accurate payroll processing for employees worldwide.

## **Control payroll complexity by automating manual processes**

Ultimately, by embracing innovation and expertise, businesses can position themselves to succeed in an ever-evolving landscape and remain fit for the future.

Organizations should take charge of payroll complexity by automating manual processes where possible to reduce errors that could lead to noncompliance risks. Doing so can lower costs and boost payroll efficiency.

## **Data-driven strategies for managing complexity and driving growth**

As demand for payroll insights increase, more and more data is required to run a complete and consistent payroll. This in combination with increased transactions puts significant pressure on the payroll function especially since payroll is run during limited time blocks.

Staying informed, working with advisors and utilizing agile payroll solutions can help businesses adapt to uncontrollable factors.

Investing in ongoing education and training for payroll professionals is also essential to keep up with the latest regulations and technology advancements.

Businesses that embrace the adapt-or-die approach can position themselves to succeed and remain fit for the future.

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**Staying ahead of payroll complexity is critical for businesses to effectively manage their payroll processes.**

**This involves controlling controllable factors and building resilience against uncontrollable variables to mitigate risks and improve efficiency.**

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## How to use the index

The Global Payroll Complexity Index (GPCI) is a valuable tool for businesses needing to manage payroll complexity across different countries.

By providing insights into payroll complexity and emerging trends, the GPCI enables businesses to develop efficient, agile and automated payroll solutions that ensure compliance with evolving regulations.

The index can help inform payroll strategy development, including decisions around centralizing payroll operations, prioritizing professional development for payroll staff and implementing innovative technologies to streamline processes and reduce costs.

The GPCI is particularly useful for businesses operating in multiple countries or expanding into new regions. Moreover, the GPCI provides businesses with insights into emerging trends and developments in payroll regulation and management, enabling them to stay ahead of the curve.



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## The GPCI methodology

The GPCI determines the complexity of payroll processes in the top 40 countries by analyzing parameter shifts from the previous two reports. The methodology is continuously evolving to ensure that all micro and macro changes in payroll rules, legislation and regulations are accounted for.

It is worth noting that an increase in complexity in a specific country does not always correspond to a higher ranking in the Global Payroll Complexity Index. This is due to the index being based on the combined changes and movements in all countries. Thus, a lower or higher ranking in 2023 does not necessarily indicate an increase or decrease in complexity for a particular country.

While this report provides insights into the complexity of payroll processes in the selected 40 countries, it is important to note that the rankings may not reflect the individual experiences of companies. Additionally, the survey is limited to these 40 countries and changes in the methodology over time may impact comparisons.



# How complex is your payroll?

See how complicated your payroll is by taking our [Company Complexity Payroll survey](#). This survey poses questions about your company payroll to give you an indicative picture of your payroll complexity.



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