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Trends in Global Payroll— Partnerships, Tech Innovation

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Payments and Payroll,
World FirstBY TREVOR BROWN, WITH
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1 What are some of the emerging trends that have your attention in global payroll?

The big trends I'm seeing center on partnerships and technology innovation. For example, collaboration between competing entities like Workday and ADP is becoming more common as Fortune 100's look to close gaps in service and provide a more comprehensive solution. I'm seeing international payments vendors partnering to provide better technology while leveraging each other's local in-country partners. Some processors are framing themselves as international experts who release content and provide marketing support. Others are offering progressive solutions such as international payments to save money on currency exchange.

Lower costs, innovative technology, and better service are the core value propositions that are attracting customers from traditional banking systems. This includes the HR and finance departments that run global payroll. CFOs may lower their risk on cross-border payments; HR may eliminate the overhead of managing multiple countries' payroll payments. This can now all be brought together by a single payroll outsource provider. While most payroll processing is still done primarily through batch upload functions, eventually companies will use an Application Programming Interface (API) as funding and processing come into a single software-as-a-service (SaaS) platform.

2 What resources do you use to stay current on the latest trends and legislation in global payroll?

I usually go to the American Payroll Association (APA), Global Payroll Management Institute (GPMI), or Global Payroll Association in Europe. NGA also has really good content. I also use LinkedIn forums such as The Forum for Expatriate Management as well as Twitter and Google Alerts.

3 How can a global payroll department integrate with corporate finance, human resources, and other departments to provide competitive advantage?

By simplifying the process. Think about all the moving parts. Finance doesn't really want to take on any additional payroll man-hours, but global payroll needs to have an up-to-date file with accurate pay and beneficiary information every pay period. On top of that, HR has to calculate the total amount for each payment, and finance has to fund it and disperse it into each account. All of these functions are complex and take a great deal of time. This is where a vendor can really help. By outsourcing these functions, you can minimize the complexity and help streamline the process.

4 What would you say to a company just beginning to expand to a global payroll with regard to payments and banks?

Banks pay attention to the funding of international payroll in different ways. If a company has employees in multiple countries, it can fund the payroll two

ways: (1) It can either fund from a central bank directly to the beneficiaries' accounts cross-border; or (2) It may be required to have in-country receiving accounts to meet local regulations. Either one exposes a currency risk as markets change every second. This is why having a dedicated international payments provider is a much better option. Being able to fund with full transparency on rates and using products such as forward contracts can reduce exposure and increase cost savings. You also have the advantage of using your international payments provider to fund the in-country banks and minimize volatility in the market.

5 What options are available for global payroll managers if there is a non-receipt-of-funds claim in other countries?

Because of the sensitivity of salary payments, lost payment plans should be outlined in writing. If a beneficiary claims non-receipt-of-funds, a non-receipt inquiry needs to be sent to the bank to ascertain the status of the funds. After verifying the recipient account details, there needs to be a confirmation of the transfer, such as MT101/MT103 messages. The beneficiary can take this code to its bank to immediately trace the funds and allocate to its account. In some cases, you can issue a recall request where the receiving bank is asked to return the funds.

6 When making payments into different currencies, what should the HR and finance teams know about the costs associated with the exchange?

Banks trade currencies every second, and this dictates the "inter-bank rate" to which international payment services have access. For example, when the euro to U.S. dollar inter-bank rate is 1.10 that means it takes 1.10 U.S. dollars to buy one euro. Many banks then add fees on top of that rate that may not always be apparent to the customer. When facilitating pay runs, this becomes extremely important.

For all businesses, but especially small and medium-sized businesses, it's key to be aware of the buy and sell amounts of your transactions as well as any additional fees. Working with an international payments specialist can give you access to rates and negotiating power to bring down costs. European

companies have been using international payment companies for years. In the United States, awareness of international payments companies is growing, but is still in its infancy. This has driven down rates and has led to a more competitive environment.

7 What are the ways international payments channels are utilized for global payroll?

A plethora of payment types is available for international funds transfer. Some of the most popular are SWIFT, ACH, and SEPA and Standard Wire. SWIFT is a nonprofit association of banks located all over the world. It enables financial institutions to send and receive information about transactions in a secure, standardized, and reliable environment. ACH (Automated Clearing House) is an electronic funds transfer network in the United States that provides interbank clearing of transactions. ACH is typically batched in large volumes and can be slower—up to 48 hours—although same day ACH is now becoming available. Single Euro Payments Area (SEPA) is the payments initiative of the European Union for harmonization of transfers in euro.

Processed in 36 countries, it's similar to ACH but can be slower, although less expensive. Standard wires are carried out domestically and the funds are delivered upon notification of receipt. Standard wire may have higher fees to send, and there may be additional fees by the receiving bank abroad. Your

relationship manager should analyze local regulations, process flow, and technology to identify the best international payment type and will be key to the overall global payroll process.

8 Can you share any best practices about being effective, efficient, and legally compliant in global payroll?

Working with global payroll clients has given me exposure to the HR and finance departments' unique needs. This has uncovered some critical business drivers that are not always cost-related. Outsourcing to a major provider like NGA or ADP may give you peace of mind, but that doesn't mean you should stop the research process internally. Effective payroll departments should keep up with current issues by asking questions, staying abreast of industry news, and getting involved in online communities. Also, consultants in the space can offer important insights your vendor may miss. Realize that your initiative is a work in progress and can evolve based on your needs. ■

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