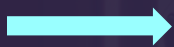




# Multinationals' guide to the 3 most common global payroll models

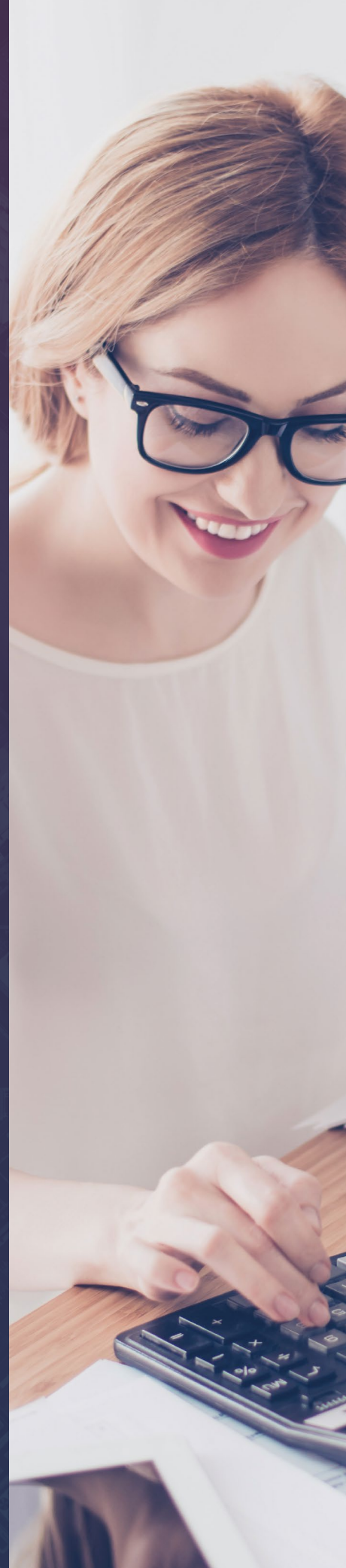
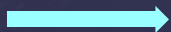
Let's dive into the benefits and challenges of the three common global payroll models to determine which could be the best fit for your company.



**“While the end goal of each global payroll model is the same—the benefits, challenges and considerations each present are quite different.”**

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## INTRODUCTION

### **Managing payroll at a multinational company can be fraught with challenges, including navigating diverse regulations, currencies and languages.**

But multi-country payroll can also present various opportunities for the companies that realize its strategic importance and prioritize efficiency, local expertise and business intelligence. The key to this is finding the right way to deliver international payroll.

As local, national and regional regulations, taxes and benefits laws continue to change and evolve, companies must adapt to ensure compliance. Failure to comply can have a significant—and even costly—impact on the business.

Due to this, many multinational companies are looking elsewhere to ensure their global payroll is processed as efficiently—and as free of errors—as possible. In fact, “the number of Gartner analyst interactions relating to payroll increased by 13% from 2019 to 2020.” International workforces have only become more complex due to the rise in remote-first employment, and because of this processing payroll has become that much more difficult for companies.

**Beyond the ever-changing future of work, companies may consider switching how they process their payroll due to:**

- The need for improved efficiency
- Process standardization, especially when it comes to business expansion
- Ease of access for payroll data
- Compliance
- Expertise—having the ability to go to one place that has the answers for all the markets you do business in

In this guide, we will walk you through the benefits and challenges of each of the three common global payroll models—in-house, decentralized and centralized, so that you can make an informed decision on which model works best for your company.

# IN-HOUSE GLOBAL PAYROLL MANAGEMENT

**This system requires building from the ground up—organizations will need an in-country payroll team that can serve each of the countries they operate in.**

## **Benefits:**

An in-house system offers the company total control, with all payroll and employee data—including the processing and validation of hires—managed internally.

## **Challenges:**

To maintain complete payroll control, an in-house system requires staff around the globe, which may put undue pressures on HR staff responsible for hiring and meeting corporate demand for quality skills and local expertise. Additionally, creating an in-house system may require time and budget to build out a complete payroll infrastructure.

Ultimately, by bringing the entire payroll function in-house, you're able to control every part of the process without involving other vendors, but you also depend on regional staff (whom you must recruit, replace and arm with tools and software) to avoid errors, process payroll on time and help you with reporting.

## FEATURES

- **Total company control**
- **Clear lines of sight for management**
- **Custom processes allow for personalization**
- **Ability to decide on a combined regional and global approach**



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**“To maintain complete payroll control, an in-house system requires staff around the globe, which may put undue pressures on HR staff responsible for hiring and meeting corporate demand for quality skills and local expertise.”**

# DECENTRALIZED GLOBAL PAYROLL MANAGEMENT

**This hybrid payroll system incorporates payroll teams inside company headquarters with outsourced in-country payroll processing partners (ICPs) in each country where the company operates.**

In most scenarios, users of this model maintain a network of in-country providers themselves and manage interactions with them one-by-one, but some companies choose to use or augment this with Business Process Outsourcing (BPO) where a vendor may take over certain functions such as ICP management, tax reporting and/or other functions.

**Whether you manage the in-country providers yourself or outsource management, the benefits and challenges will be similar.**

## **Benefits:**

By outsourcing certain payroll functions to local in-country providers, you gain immediate cultural and legislative expertise in the countries in which you operate, which helps you reduce compliance risk in those countries. By going with a standard model versus BPO, you gain even more control of the process.

## **Challenges:**

In a decentralized system, you have to manage multiple vendors in different regions and time zones, and there may be inconsistent reporting from in-country provider to provider. You also have to vet your own ICPs—and each of them will have different standards for the format in which they expect their inputs. They will also have different Service Level Advisories (SLAs) for how

they expect to be contacted, how long they need to resolve problems and what problems they consider their issue versus yours. And because data comes from discrete sources, you lack a global view into your payroll data and output.

Decentralized reaps the benefits of local in-country expertise and in-region support, but includes the challenges of inconsistent reporting, lack of global view of your payroll data, and management of multiple vendors in different regions and time zones. If your in-house team has the resources to manage multiple vendor relationships and the post-payroll consolidation of data for analysis, then this model could be a good fit for you.

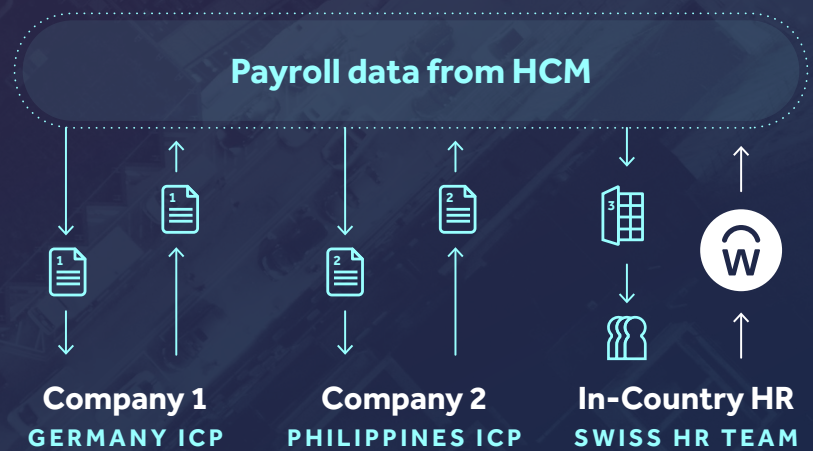
## FEATURES

- **Divides vendors by region**
- **Control and reporting spread among locations, resulting in lack of standardization**
- **Region specific software**
- **Local and regional pricing**

**“If your in-house team has the resources to manage multiple vendor relationships and the post-payroll consolidation of data for analysis, then this model could be a good fit for you.”**



**Your HR team**



# CENTRALIZED GLOBAL PAYROLL MANAGEMENT

**In a centralized global payroll model, a single provider carefully coordinates payroll requirements and manages the payroll activity of all in-country providers for your company.**

Within centralized payroll, there are two sub-models—aggregators and unified providers—and the one that works best for your company will depend on your needs.

For example, different global managed payroll providers may offer services including treasury, accounting, reporting, entity formation, authority payments, as well as payroll processing. There are also global managed payroll providers that can easily integrate with Human Capital Management (HCM) solutions to expand payroll processing capabilities (i.e., Safeguard Global and Workday integration).

The centralized payroll provider that is the best fit for your company will depend upon which of these services your company needs. However, the clearest way to visualize the global payroll market is this: there are payroll aggregators and there are true, natively unified global payroll providers.

The biggest difference between the two is that aggregators use a network of vendors (in-country processors) who all submit payroll into one single tech platform or user interface. Whereas in a unified model, payroll processing is run by a single global provider in one single platform.

	Aggregator	Unified provider
Consolidates payroll data from multiple global processing centers in a single dashboard	✓	✓
All gross-to-net calculations performed and harmonized within a single platform	✗	✓
Most or all payroll processing is handled by a single provider	✗	✓
Most or all requests for service or resolution of errors is handled by the same provider	✗	✓
Uniform timetables and workflows support enhanced automation and notifications	✗	✓



### Benefits:

The benefits are similar for both models. With a centralized global payroll partner, payroll validation is provided in a single language and currency, reducing inconsistencies and the chance for error. Additionally, workforce costs and reporting information from around the globe are accessible through a single point of access, offering you quicker, faster and more accurate data for analysis. However, a unified model would ensure quicker processing and more accurate data being that only one provider is doing the processing for all countries.

### Challenges:

Outsourcing global payroll to a single partner requires a high level of trust between the company and provider. Careful vetting is necessary to ensure that all capabilities promised will be delivered—and that the provider can continue to grow with you.

Centralized payroll processing, no matter which sub-model, can be highly efficient and cost-effective as its fluidity makes the most of available HR resources. If you would prefer to manage a single provider, then this model could be a great fit for your company.

## FEATURES

- One set of reporting tools, allowing access to centralized data
- Centralized vendors and reduced vendor management
- Service delivery alignment
- Different types of vendors based on company's needs

**“Centralized payroll processing, no matter which sub-model, can be highly efficient and cost-effective as its fluidity makes the most of available HR resources.”**



# Factors in determining which model is best for your company

**Due to the ever-changing nature of today's global labor market, no global payroll model is going to be perfect for every company at every time.**

But if the HR professionals responsible for global payroll management continually ask themselves the right questions, choosing the model best suited for an organization's expansion goals becomes a little less daunting. The most important of which are highlighted below:

## **How many global employees do you have?**

- How quickly do you plan to grow your business?
- How many employees do you currently have in each country today? Fewer than 100? More than 300?
- Do you or have you hired HR professionals with local expertise in the countries in which you operate? Do you plan to in the future?

## **How do you currently manage compliance risk?**

- Have you identified which employees or providers have the necessary employment expertise to ensure compliance in the countries in which you employ labor?
- Are you up to speed on current employee privacy laws and the risks that come with violating them?

## **How are you reporting workforce spend and payroll data back to/through the company?**

- How long does it take to retrieve/reconcile payroll data when you need it?

## **How efficient is your current payroll model/team—and will this change as you meet your growth goals?**

- How often are you running off-cycle payroll because payroll was not completed correctly?
- How much time does your team spend sending payroll inputs to your various in-country partners?
- How much time do they spend completing transactions and conversions to validate payroll?

## The answers to these important payroll questions can help you to identify which payroll model is the best fit for your multinational business.

While it may seem easier to stick with the status quo and change a process that appears to be working, it's probably time to stop doing things how they've always been done and learn how your payroll processing can be improved for the better.

### Choosing the right global payroll method offers distinct business advantages, such as:

- More efficient processing, thus leading to consistently accurate payroll for the most important asset of any company: its people
- Constant and continuous compliance in the various countries you operate in
- With a decentralized or centralized model, it can free up HR to focus on other parts of the business versus manually processing payroll
- Invaluable in-country expertise: should issues arise, the ICPs can resolve them quickly, ensuring employee satisfaction and thereby improving your corporate culture

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While your multinational's needs can and will change due to further expansion—**thinking ahead can ensure your payroll processing and view of global payroll data is seamless and equips you to make even the toughest strategic business decisions.**



**Want to learn more about  
Global Managed Payroll, Safeguard Global's  
centralized payroll management system?**

Visit [safeguardglobal.com/global-managed-payroll](https://safeguardglobal.com/global-managed-payroll)  
or contact us today at [safeguardglobal.com/contact](https://safeguardglobal.com/contact)

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