

SFTP vs. API

Which Integration Method Is Best
for Employment Data?

Introduction

It's no secret that data connectivity is reshaping business as we know it. From streamlining onboarding to reconciling financial accounts to automating payments, integrations between software systems are allowing businesses to get things done more efficiently. In turn, this is freeing up decision-makers to focus their efforts on driving growth. The market is flush with B2B apps that differentiate themselves with connectivity, offering superior user experiences through unfettered access to business-critical information from multiple sources.

Among the most crucial datasets to leverage are those tracked and stored in the HRIS and payroll systems. This includes everything from an employee's personal email address to the day they started work to the deductions taken from their last paycheck. These systems serve as sources of truth for all employee records, and integrations are the key to unlocking the trove of data they hold.

Determining how to approach employment data integrations is a critical decision for modern businesses; but the right choice isn't always obvious. The decision usually boils down to two integration paths: SFTP or API.

This guide will walk you through how to decide which one is right for you. But first, let's break down exactly how employment data integrations help you build more valuable products and stay competitive in a dynamic market.

Maintaining a Competitive Edge

With the proliferation of specialty applications and point solutions over the past decade, businesses have gained the freedom and flexibility to configure highly tailored stacks — often at a fraction of the cost they used to pay monolithic vendors. With those advantages come new challenges, including data silos that can lead to miscommunication, errors, and productivity loss.

For this reason, buyers today demand that their applications can speak to one another. In a recent survey of HR decision-makers, 97% agree that employment integrations are important to them. Today, you'll be hard pressed to find a customer willing to volunteer themselves for manual data entry when there are faster, more automated options to choose from.

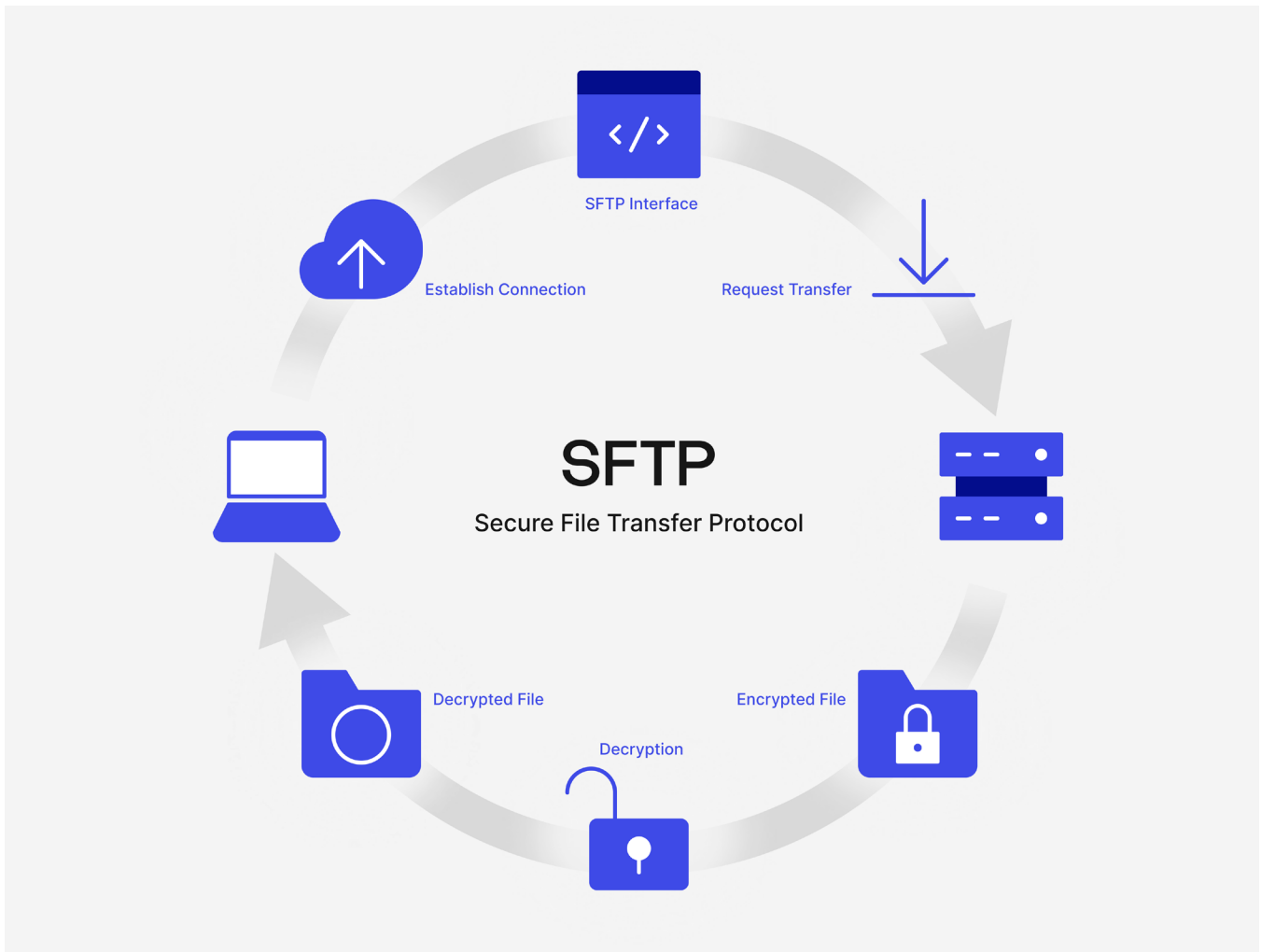
In order to maintain a competitive advantage, gain market share, and improve customer retention, B2B applications need to leverage employment data in increasingly innovative ways that cater to their customers' needs.

Is SFTP Integration Right for You?

For years, file-based data transfers, also known as SFTP integrations, have been the most reliable method of transferring large datasets between systems. Even in the age of digital transformation, they remain a viable option: SFTP integrations are well-suited to cope with the limitations of older systems and to share offline data sets.

If your company doesn't have the bandwidth to build out API-based integrations in house, opting to leverage an SFTP integration might seem like a good idea. But before choosing to stick with the old standard, it's important to understand SFTP integrations work and consider the pros and cons that come with them.

What is SFTP?



SFTP stands for secure file transfer protocol. It's a process that uses shell encryption to allow businesses to send and receive sensitive information like employment data securely. With a typical SFTP integration, a file is generated by the data provider, uploaded onto a server, and then downloaded by the recipient on the same server.

Because SFTP was designed for bulk file transfers, it's convenient for processing multiple files quickly in one go. It also allows businesses to send and receive a wide variety of files like CSV, XML, and JSON. What's more, SFTP doesn't require an internet connection.

So, who should use SFTP?

Organizations using on-premises servers

Because SFTP doesn't require an internet connection, it's preferable for organizations that rely on on-premises servers.

Organizations using legacy systems

SFTP is also the preferred option for organizations that either run or need to integrate with legacy systems that aren't compatible with APIs.

Organizations that transfer data infrequently

Lastly, SFTP may make sense for companies syncing large amounts of data but at infrequent intervals. For one-off use cases like historical reporting or auditing, purely file-based transfers may be adequate.

The downsides of SFTP

But even in an ideal scenario, SFTP integrations have significant drawbacks.

Because SFTP integrations were built for batch-file transfers, they aren't well suited for real-time data requests or updates. Instead, a file is typically generated and transferred from one system to another at regular intervals (such as each day or week).

SFTP transfers are usually limited to flat files or CSVs, which can be a challenge if you're handling complex data structures. Once the files are shared, recipients often need to transform the data in some way to make it useful to them. This file processing requires additional operational overhead, and often manual intervention that increases the risk of errors.

This complexity only grows as you introduce more systems into the mix. Because file formats and data transfer logistics are generally custom to each provider and/or employer, it can quickly become too difficult to support new systems.

Finally, perhaps the most glaring issue with SFTP integrations is the end-user experience. The steps required to configure, map, and test a single SFTP integration can take months. Successful implementation requires constant back and forth between provider, employer, and application—and often comes with hefty implementation fees.

SFTP's most serious drawbacks are:

1. It doesn't allow for real-time data access. By nature, SFTP integrations limit the use cases you can support with restrictions on how and when you receive data.
2. File-based data transfer is limiting. Complex data structures, nuances between integrations, and manual workarounds can quickly overwhelm your operations resources.
3. It requires a drawn-out, technical onboarding process for the end-user. This might be realistic for an enterprise employer, but certainly not an small business owner.

Why APIs Are the Future of Employment Data Access

Unlike integrations powered by SFTP, API integrations allow for secure, real-time data transfer between two or more systems—providing your B2B application with the most up-to-date employment data possible. Short for application programming interface, API integrations essentially act as the middle man between siloed systems by leveraging a network connection that allows the systems to talk to one another. APIs don't rely on bulk uploads of data like an SFTP integration; instead, APIs make individual calls to request information from the system of your choosing. From an employment systems perspective, that means you can securely retrieve a business's historical and present organization-wide employee census and payroll data in a clean, standardized format that's interoperable with your own data model.

Compared to SFTP, API integrations are also much easier on your users and require only moments of their time. They simply need to authorize the connection to their HRIS or payroll system account.

Once established, the connection is live and continuous, which means your application can constantly refresh the sync to ensure you are working with the highest-fidelity data—without additional intervention from your users.

If you prefer to receive files, APIs may actually still be the best option for you. It's a simple transformation to "flatten" API responses into a file format, but you still get the advantages of standardization and a better end-user experience.

SFTP vs API integration: Which is right for your B2B application?

If your company is looking for cost-effective ways to optimize your product's user experience, API integration is the way to go. Where pure SFTP integrations are time-consuming for customers to set up and difficult to operationalize, API integrations offer the most accurate data, in the most accessible way, with the best end-user experience. Furthermore, API integrations are flexible enough to enable a natively integrated experience or deliver data in whatever format makes sense for your business. That's why APIs are the preferred method of integration across a variety of use cases. Here are a few examples:

- **401(k) Recordkeeping**
Automate participant onboarding and enrollment, census and payroll syncing, and deductions management. [Learn more →](#)
- **Health Benefits**
Automate eligibility checks, employee enrollment, and payroll deductions while eliminating manual work and CSV file uploads for administrators. [Learn more →](#)
- **Employee Engagement**
Pre-fill forms for faster onboarding, import directory data from payroll to onboard and offboard team members, and track birthdays and work milestones. [Learn more →](#)
- **Employee Learning & Training**
Enroll employees into new hire onboarding, manage certifications by department and tenure, and surface important career development insights. [Learn more →](#)

- **Financial Planning & Analysis**
Use real-time payroll data to power automation and insights into headcount planning, financial forecasting, and more. [Learn more →](#)
- **R&D Tax Credits**
Retrieve the historical payroll information necessary to qualify and enroll businesses in critical federal and state tax break programs. [Learn more →](#)
- **Security & Compliance**
Manage employee onboarding, provisioning, certifications, and off-boarding with real-time updates on employment status, department, and more. [Learn more →](#)
- **Sustainability**
Leverage employee and workplace location data to populate emissions calculations and quantify customers' carbon footprint. [Learn more →](#)
- **Insurance**
Improve underwriting and unlock dynamic pricing by using up-to-date census and payroll data to actively assess risk and adjust premiums.
- **Commercial Lending**
Gain insight into the health and maturity of a business with real-time insight into payroll activity and organization data to augment underwriting.

This functionality, coupled with real-time access to employee data, allows you to create a seamless employee experience—one that is speedy, efficient, and adds value to your customers' organizations.

But building and maintaining integrations in-house can be a complex task, especially for organizations with limited resources and small development teams. Because APIs serve as the bridge between disparate applications, they require ongoing maintenance and have to be frequently updated to ensure continued compatibility and an optimized user experience. This can lead to capacity issues as smaller teams attempt to juggle the maintenance of their in-house API integrations on top of their responsibilities to their organizations' core products and roadmaps.

How Finch Can Help

Finch does the heavy lifting of integrating with HRIS and payroll providers to facilitate the secure, permissioned flow of critical employment data. Our dynamic, unified API offers read-and-write access and abstracts away inconsistencies across systems so the data you receive is ready for use, no matter the source.

We also handle routine maintenance, bug fixes, and the hard work of keeping integrations running smoothly, allowing your engineering team to focus their time and efforts where it really matters—developing the differentiating features that set your application apart from the competition.

Finch is quickly becoming the API of choice for employment system integrations because we are:

- **Developer-friendly**
We focus on developers and empower them to create world-class solutions.
- **Reliable**
Our API does the best job of interacting with and maintaining connectivity with employment systems.
- **Secure**
Finch utilizes TLS 1.2 to encrypt data in transit AES 256 bit encryption for data at rest.
- **Compliant**
Finch is SOC2 Type 2, CCPA, and GDPR compliant.
- **Efficient**
Finch connects you with 200+ HRIS and payroll systems through one API—4x more than any other platform.
- **Enterprise-ready**
Our technology is built for large-scale synchronization with thousands of businesses.

In today's connectivity-driven market, good enough just isn't good enough. Reach out to our team to explore innovative ways to leverage employment data together, or directly partner with Finch to develop and power seamless HR integrations.

To learn more, visit tryfinch.com

