

SFTP vs. API

Which Integration Method Makes
the Most of Employment Data?

Introduction

It's no secret that data connectivity is reshaping modern business as we know it. From reconciling financial accounts to automating payments and countless more use cases, integrations between software systems are allowing businesses to get things done faster and more efficiently—freeing up decision-makers to focus their efforts on driving growth. In turn, the market is flush with B2B applications devising integration strategies to provide their customers with superior user experiences through unfettered access to interoperable, business-critical information.

Among the most crucial datasets to leverage are those tracked and stored in the HR information and payroll systems businesses use every day to manage their workforce. These systems serve as sources of truth for all employee records, and integrations are the key to unlocking the trove of data they hold. But determining how to approach employment data integrations is a critical and not always clear-cut decision.

For many B2B applications looking for a solution to employment data integrations, the choice often comes down to two: SFTP and API. This guide will walk you through how to decide which one is right for you. But first, let's break down how integrations help you make the most of your customers' employment data and stay competitive in a dynamic market.

Maintaining a Competitive Edge

As specialized, next-generation B2B applications proliferate, businesses have the freedom and flexibility to configure highly tailored stacks at a fraction of the cost they used to pay monolithic vendors. With those advantages come new challenges, including a meteoric rise in data silos that threaten to impede productivity if not solved.

Now, businesses expect their chosen solutions to speak to one another, and B2B applications are heeding their call—so much so that you'll be hard pressed to find a customer willing to submit to drawn-out onboarding flows or data entry requirements 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.

Are SFTP Builds Right for Your Application?

For years, flat-file solutions, also known as SFTP integrations, were the most reliable method of transferring large datasets between systems. Even in the age of digital transformation, they remain a viable option for reasons that range from coping with the limitations of older systems to needing to access and upload datasets that are offline.

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

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 such as employment data in confidence. With a flat-file transfer, the desired file is uploaded onto a server then downloaded by the recipient on the same server.

Because SFTP integration is convenient for processing multiple files quickly in one go, it's often used for bulk file transfers. It also allows businesses to send and receive a wide variety of files like CSV, XML, and JSON. What's more, because SFTP only needs a single connection to initiate the file transfer, an internet connection is unnecessary.

So, who should use SFTP?

Organizations using on-premises servers

Because SFTP doesn't need an internet connection, flat-file transfers are 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, flat-file transfers may be adequate.

The downsides of SFTP

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

Setting up a file for transfer requires your users to build out a report with each and every data sync. If not composed correctly for your purposes, you'll have to jump on the phone to walk them through the process step by step.

The setup can also be prohibitively technical, with users having to input host domains, keys, and other server-specific information into their system to establish a scheduled sync. For non-technical users, the learning curve might be too difficult, daunting, or time-consuming.

SFTP's most serious drawbacks are:

1. that it relies on manual data entry, which must be validated to avoid errors—a process that drains time and resources for all parties, and
2. that it doesn't allow for real-time data access. By nature, SFTP can only deliver static data, precluding your ability to power the seamless, next-generation functionality business customers are looking for in their technology solutions.

Why APIs Are the Future of Employment Data Access

Unlike 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, but rather, 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 permission the connection by entering the credentials 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 from the highest-fidelity data without additional intervention from your users.

Is API integration 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. Whereas flat-file transfers are time-consuming and necessitate manual data validation, API integrations transfer the most accurate data in milliseconds.

Furthermore, because they can push and pull employment data to and from siloed systems, APIs can power innovative use cases across industries. Here are just some examples:

- **Retirement plan/401(k) providers**
Automate participant onboarding and offboarding, deductions and contributions management, and recordkeeping.
[Learn more →](#)
- **Health benefits providers**
Circumvent manual plan enrollment, eliminate CSV file uploads from their workflows, seamlessly change payroll deductions, and manage compliance requirements. [Learn more →](#)
- **Employee engagement solutions**
Streamline employee onboarding, map out organization charts to identify team members, track team retention, and pre-populate contact information to send recognition gifts to employees on their work anniversaries and birthdays.
[Learn more →](#)
- **Training and learning development platforms**
Automate account openings, import critical role hierarchy and job data, track training progress by employee, monitor retention, and surface important career development insights.
[Learn more →](#)
- **Financial planning and analysis providers**
instantly integrate data from employment systems with other key business software (billing, ERP, CRM) to provide valuable forecasting tools for department costs and headcount planning.
[Learn more →](#)

- **R&D tax credit platforms**
Retrieve the historical payroll information necessary to qualify and enroll businesses in critical federal and state tax break programs. [Learn more →](#)
- **Security compliance platforms**
Instantly access workforce census records to track employees' background checks and training requirements. [Learn more →](#)
- **Sustainability solutions**
Leverage employee and workplace location data to populate emissions calculations and quantify customers' carbon footprint. [Learn more →](#)
- **Insurance products**
Improve underwriting and unlock pay-as-you-go plans, utilizing up-to-date census and payroll data to actively assess risk and adjust premiums.
- **Commercial lenders**
Cross-reference organizational payroll numbers with data from across the employer business operations stack 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 responsibilities for their organizations' core product and roadmap, as well as any integrations they've built.

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 for optimal usability no matter the source. We also handle routine maintenance, bug fixes, and the hard work of keeping up to date with the latest HRIS platforms, 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 170+ 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

