

Solving Payroll Problems: The New Employee Management System

Payroll services providers are now delivering comprehensive employee management solutions that can help you overcome common HR obstacles.



The Current State of Payroll Processing Services

Today's super-charged payroll services providers are now employee management system providers, offering businesses the ability to manage payroll, benefits, and employee data. If you have two or more employees, processing payroll starts to get complex. All online payroll services and payroll services providers should be able to cover basic paycheck calculations, including direct deposit of employee paychecks, electronic payroll tax filing, and electronic payroll tax payments - all for a nominal monthly fee. Most services charge a flat rate for that package, plus an extra amount per month, per employee. You might also be charged extra for more than one user who can access the system. Other fees are charged based on the optional extras in the payroll package.

Human resources departments and managers spend 25% of their time on recordkeeping and auditing¹. Organizations managing payroll and employee administration in-house spend on average 18% more on these functions than those that outsource².

Payroll processing is a must for any business owner or human resources manager. One of the highest costs for businesses is its employees and errors in payroll processing can be damaging. From past-due wages to tax errors, outsourcing payroll can save you from a number of headaches such as these.

The current state of payroll processing services is evolving into a more comprehensive employee management system, simplifying payroll, taxes and benefits administration for businesses of all sizes.

For a more robust employee management system through your payroll services providers, you may choose to add benefits management, 401(k) management, health insurance management, or other enhancements to the basic payroll processing service. **Here are some common HR obstacles and ways in which payroll services can mitigate these challenges.**



1. "Effective Human Resource Management: A Global Analysis," Edward E. Lawler III and John W Boudreau, data collected in 2010.

2. "The hidden reality of payroll & HR administration costs," PricewaterhouseCoopers, Jan. 2011.

Mastering Benefits Management

Benefits administration can be a big burden for your human resources manager and team. With changes in policies and compliance regulations, administering and managing benefits – and their impact on your payroll – can be a strain on the efficiency of your HR department. A 2012 study from bswift³ found that:

- **30% of large employers and 96% of small employers still manually reconcile health insurance billing data**
- **43% of large organizations use manual processes to adjust coverage amounts**
- **54% of big businesses have administrators monitor and notify new hires of their enrollment windows**

With this many resources being dedicated to manual operations, consider how much time your HR managers (and accounting department) could save by outsourcing benefits administration to a payroll services provider. **Payroll services providers can help you become more time and cost-effective** by providing your business with automated enrollment options for new hires and automatic coverage cancellation when an individual's coverage or employment is terminated.

As these processes become more automated, you can expect increased payroll accuracy and benefits distribution.

A payroll services provider, whether it is a firm or a software solution, can automate many benefits administration processes that your business may be doing manually. Automating and mastering these tasks allows your human resources managers to get back to top talent acquisition and development of strategies for increased employee engagement. Many payroll services providers offer bill reconciliation services, eligibility tracking, new hire benefit communications, and online enrollment capabilities along with more standard payroll administration services.

For over half of all businesses, reducing the costs of benefits administration is very important⁴. Another common objective for companies and human resources departments is increased productivity. Benefits administration incorporates a number of responsibilities including maintaining employee records, administering benefits, processing payroll following deductions, managing employee claims, ensuring regulation compliance, and negotiating insurance rates.

Simply by doing some research and outsourcing, you'll be able to reduce those benefits administration costs and the time needed to complete these tasks. You'll provide your team with more opportunities for increased productivity by outsourcing.

3. "2012 Wellness & Benefits Administration Benchmarking Study," bswift, Aug. 2012.

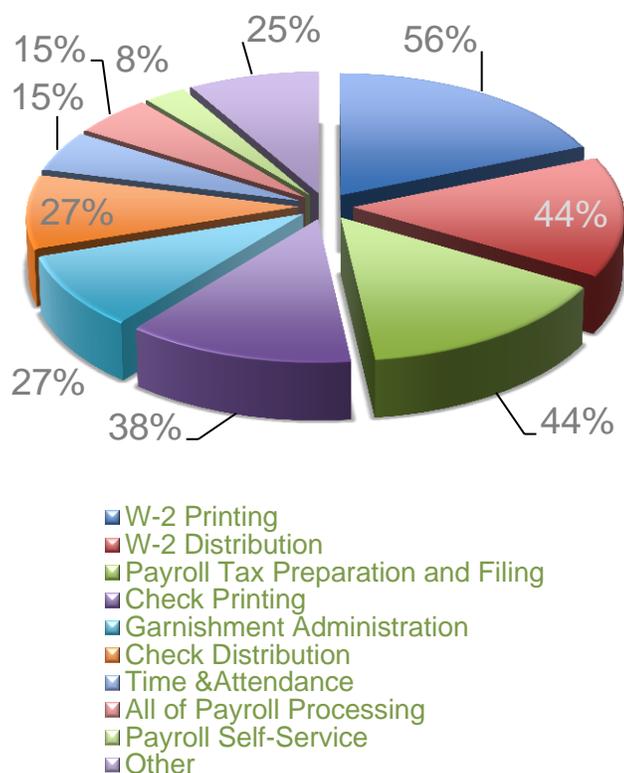
4. "Sixth Annual Study of Employee Benefits: Today & Beyond," Prudential Group Insurance, 2011.

Overcoming Compliance Challenges

Compliance is often a top priority for company executives and leaders. Health coverage and other benefits are increasing in costs for business owners as are the level and volume of government regulations. Staying compliant must be a focus to avoid unnecessary costs. Compliance challenges often involve:

- **Health Care Reform legislation**
- **Payroll and other tax laws**
- **Government regulations**
- **Employee relations**

What payroll services do you outsource to an external vendor?⁶



Payroll tax laws and regulations as well as government workforce regulations are areas where businesses must remain focused on compliance. Regulations change and a slip in your policy could result in a penalty. ADP found that organizations that process payroll in-house received nearly three times as many fines or penalties as organizations that outsource their payroll⁵.

One third of mid-sized business owners reported having been fined or penalized in the last 12 months due to noncompliance. Of those that were fined or penalized, each received an average of 6.4 fines or penalties.

Outsourcing your payroll to a services provider can lead to reduced penalties and improved payroll accuracy. Compliance in areas such as payroll benefits laws and regulations is where many businesses suffer. A payroll services provider can save you time and money in maintaining an up-to-date, compliant status. Not only that, payroll services provider can offer a range of compliance assistance services, so you only pay for what you really need help with. Common compliance services include:

- Automatic filing of payroll taxes and forms
- Management of mandated employee garnishment payments
- Monitoring and compliance maintenance of federal, state and local regulations
- Acquiring, preparing and filing of appropriate registrations

5. "Top Concerns of Business Leaders in the Post-2008 Economy," ADP Research Institute, May 2012.

6. "The Payroll Operations Survey," Deloitte, Nov. 2011.

Cutting Down on HR Costs

Employees are expensive and valuable assets for any business owner or HR manager. The more employees you have, the more expensive payroll processing, and any errors, can be. One common goal for many businesses is reducing the costs associated with their human resources department. Outsourcing your payroll processing to a payroll services provider is one way your business can cut down on HR costs.

Mid-size organizations (those that employ between 100 and 1,000 employees) reduced payroll costs by 9% by outsourcing payroll processing, but larger organizations with more than one thousand employees cut their expenses by a whopping 27%².

Your company's largest expense is labor – human capital. A solid investment in your workforce can lead to increased productivity and company revenue. Outsourcing payroll could open up operational costs for other allocation. On average, **direct HR costs account for 28% of overall operating expenses.**

Reducing the operating costs of an HR department is the focus for many business and a payroll services provider can help you cut costs, without cutting back on the quality of services, trainings, and resources provided to employees.

It's well known that streamlining processes can lead to an increase in efficiency and a reduction in operating costs. Increasing self-service payroll options through a payroll services provider, for example, will reduce administration costs. If you outsource a number of HR financial responsibilities already, consider how consolidating the vendors' tasks into a single employee management or payroll services provider can lead to reduced "bundle rates" or more efficient processes.

Many outsourced payroll processing companies offer the integration of payroll and HR data, the integration of tax services and reconciliation reports, self-service options so employees or HR managers can update information at any time, electronic and automated payment options, and employment and salary verification. Reducing the manual effort and time these responsibilities require will greatly reduce resources strains associated with an HR department.

A payroll services provider can also provide your business with guidance in reducing the number of policies that affect payroll, e.g. time and attendance. By reducing 97 time and attendance policies to 5, one company was able to substantially reduce the HR and payroll time associated with payments⁸.

While outsourcing can reduce HR related costs, make sure your expectations are realistic. The smaller the organization, the smaller the percentage you are likely to save. Many reports and case studies have shown that companies can expect an average savings of 20-30%.

7. "US Human Capital Effectiveness Report," PwC Saratoga, 2009.

8. "Reducing HR and people costs in consumer products," Deloitte, 2009.

Combating the HR Analytics Challenge

HR is increasingly turning to analytics

as a key tool to provide evidence and insight that supports decision-making, but many businesses are lagging behind in using data and analytics for workforce management. While 75% of organizations have an established approach to people measurement incorporating mainstream techniques such as KPIs, dashboards and benchmarking, only 5% have full workforce analytics capabilities. Payroll services providers and software can provide you with the data you need to make more strategic, predictive HR decisions, such as:

- **New hire quality and success of hiring source**
- **Performance and absenteeism**
- **Engagement drivers and performance influencers**
- **Employee demand and supply by role**

A payroll services provider or more robust payroll software will provide you with insight into these areas of your workforce that affect payroll and your business's bottom line. New hires, absenteeism, engagement and employee demand all affect payroll and having the ability to predict these things can help human resources better manage employees, develop employee engagement programs and predict the possible payroll fluctuations.

HR managers that struggle with analytics

management could find their obstacle is overcome with a payroll services provider. Whether you select a firm or a payroll software solution that provides analytics, managing the data your human resources team collects can become much easier to analyze with outsourced payroll services or consultants.



9. "Key trends in human capital 2012. A global perspective," PwC, 2012.

Summary

Businesses can outsource a number of HR functions, including payroll processing. In fact, **79% of organizations outsource some payroll administration tasks**, including tax reporting/filing and garnishment administration. Outsourcing payroll processing to a payroll services can *save your business time and money* and help you avoid headaches that come with benefits administration and non-compliance.

Visit Business.com for more information about [payroll services](#).