

SME Growth Vertical: What Role Does Payroll Outsourcing Play?



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For any business, it is important to manage resources like time and money. However, when startups, small and medium enterprises manage payroll in-house, they end up cutting down their profits. Although SMEs often believe that managing payroll manually is the right cost and time-effective choice, it is not. Outsourcing payroll is the right cost and time-effective choice.

When you use payroll outsourcing services, you are able to focus on core business functions while allowing the outsourcing partner to look after payroll responsibilities. So, here we ask you again:

Are you tired of manually preparing payroll every month?

Do you need to reduce costs associated with payroll activities?

Are you trying to decrease the time that you spend on the payroll?

If you were nodding all along, then read on and see why a payroll outsourcing solution for SMEs is the best choice for you.

Importance of Outsourcing Payroll for SMEs

If you are finding it hard to clearly understand the importance of outsourcing payroll, then think of it this way:

One person is managing payroll and preparing it. This person is also looking after other [HR](#) activities. Now, there's no one else to manage your payroll, which increases your risk. There's no one to check whether the payroll has been despatched correctly or not. There's no one to correct errors. There's no one to take over other HR responsibilities when in need.

You need to mitigate risks and use payroll outsourcing for SMEs to ensure correct payroll dispatch at all costs.

1. Advanced Technology

Outsourcing payroll offers you access to the newest technology. As a small and medium business, you may not be able to use technology that perfectly fits your organization. For instance, payroll automation, automatic attendance capturing, employee self-service, etc. However, your payroll outsourcing solution for SMEs has these tools for payroll and tax computation. So, you get access to the latest tech.

2. Reduced Hassle

When you use payroll outsourcing services, there's less hassle. The chaos at the end of every month, the mistakes during the tax season, and TDS deductions – everything is handled by the [payroll partner](#). You need to just offer details.

3. Expert Advice

With a payroll outsourcing service, you also get expert advice. If you are planning to change the payroll structure or are stuck on anything related to it, you can call your payroll partner and ask them for advice. This expert advice is missing in the in-house structure.

How Payroll Outsourcing Services Reduce Risk and Cost?

There are so many benefits to outsourcing payroll, and the major ones are reduced risk, cost, and time spent on payroll. These are the most value-generating advantages, let's see how:

1. Risk Reduction

In payroll processing, there are so many challenges and risks:

- Risk of compliance
- Changing tax requirements
- Changing Labour laws

- Risk of payroll errors
- Risk of tax errors

All these things contribute to the collective payroll risk of the organization. Ideally, it is not even possible for SMEs to focus on these requirements as their core business functions are varied. For instance, a software development company won't be able to keep updated with new payroll laws.

This is something that comes with a [payroll outsourcing partner](#). They offer you experts who keep you updated with industry requirements.

2. Cost Management

Outsourcing payroll also helps you manage costs. From inaccurate tax filings to manual processing, everything eats your money – quite literally. If you pay the wrong salary to the employee, they may take action against it, which may cost you more than the original payment. Further, the lost time also accounts for lost productivity hours – this leads to lost money eventually.

Payroll Challenges Faced by SMEs

Every entrepreneur handles so many responsibilities:

They are managing accounts.

They are overlooking core functions.

They are managing payroll.

They are keeping employees engaged.

And the list goes on and on...

In between so many responsibilities, it is natural to face a variety of challenges. Some of these are:

1. Manual Processing

The biggest issue with payroll functions is that you need to manually process it. For small and medium organizations, taking organized tools is an added cost. Hence, they take help from basic tools, such as Excel. These are complex and error-prone for payroll. Of course, Excel is an advanced tool for many other tasks, it is just not right for payroll automation.

If you look at it, then this manual processing also puts your confidential data at risk. All your files are stored on your computer, being accessed

multiple times. These can be stolen or accessed by someone not authorized to do this.

2. Record Management

Another crucial issue is record handling. You need to keep employee records secure. It contains address, personal details, phone numbers, account details, and many other details. You can't lose it. If you do, then you are putting the reputation and money of the organization at stake.

You have to spend extra money and time on this record management.

3. Compliance

Every SME needs to calculate taxes, deduct them, and pay them regularly. If the HR department is not able to calculate these taxes accurately or pay the correct amount on time, they may face penalties and fines. In fact, the employees of the organization may stop trusting the business due to this major payroll error.

Therefore, compliance is another major roadblock on your way when you are trying to execute payroll functions in-house.

4. Cost Management

When it is about payroll processing, you additionally need to manage the cost of overall activity. This is a constant challenge faced by small and medium organizations.

The admin costs of the payroll department are too much to handle. You need to hire employees, manage them, train them, retain them, and much more. There's just so much to do that your costs increase. When that happens, your ROI is equal to nothing. A better solution would be to consider payroll outsourcing.

5. Reporting

Similar to other challenges, reporting also increases costs. This is why many organizations don't analyze data and create reports. As a result, they don't know the problem, and they are unable to figure out the effectiveness and productivity of their payroll processes.

If reporting culture is maintained in the business, it is easy to understand what is working and what is not. This helps you implement tasks that are offering better outcomes.

Why SMEs Need To Consider Outsourcing Payroll?

We have already discussed enough reasons to consider outsourcing payroll. However, if you have even an inch of doubt, then read on. We have a few more reasons to help you make a decision in favour of payroll outsourcing services:

1. Data Privacy

The first major benefit that you will get with a payroll outsourcing service is data privacy.

They will help you file taxes, generate reports, integrate systems, and manage the entire payroll without any compliance issues. The outsourcing payroll provider has experts who can help follow the rules and regulations.

However, you just need to check the past history of the payroll provider. If they have previously faced charges for compliance glitches, then you can't trust them.

2. Data Security

Another thing that outsourcing payroll offers you is data security.

- Payroll outsourcing for SMEs ensures information protection. The data of your employees are kept safe from any theft and unauthorized access.
- The outsourcing payroll provider additionally ensures the confidentiality of your information. They have a security structure that keeps you safe from attacks and helps you keep your employees' tax and payroll data concealed.

3. Employee Self-Service

Lastly, you get an employee self-service portal. You need employee self-service to help employees:

- Keep track of their payroll
- Ensure correct deductions
- Check leaves
- Apply for leaves
- Check tax payments and returns
- Download pay-slips

With this self-service portal, your employees can sign-up on the backend, and check their payroll documents. When you need to update data, they just need to edit information, such as phone numbers, without reaching out to HR. Similarly, employees can resolve most of the payroll-related queries without connecting with HR.

Conclusion

The payroll functions of the office are crucial. Think about the chaos you will create if you delay the salaries of your employees even by 5 days. You can't go down that lane, hence, it is logical to use payroll outsourcing services at the right time.

Paysquare is the right choice for outsourcing payroll. We have served in different industries for more than a decade. This has helped us grow our team of experts, improve our subject matter expertise, and adopt the best industry methods. If you are willing to use payroll outsourcing for SMEs, then connect with us now. Visit our [website](#) for more details!