

How can Payroll Outsourcing Improve your Organization's Growth Faster?



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OUTSOURCING
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Even though payroll is a time-consuming affair, it is a very crucial part of any business operation. There are several businesses that still continue to manually operate payroll through bookkeeping, but successful business organizations have realized that opting for **payroll outsourcing** is vital.

Now there are still many queries and doubts in the minds of business owners when it comes to payroll outsourcing and how exactly it is beneficial for the company's growth. **HR and payroll outsourcing** is the process in which an organization hires an external agency to manage all the payroll activities of the companies, which in turn helps save time and money.

Outsourced payroll services also help in increasing the accuracy rates in comparison to in-house payroll have better scrutiny and analysis by top-class professionals. Payroll outsourcing is mainly required for reserving more time and resources, which can be dedicated towards the core tasks of the company and contribute towards the overall growth.

The **benefits of outsourcing payroll functions** are plenty, and individually they will all contribute towards the faster growth of the organization. The enhanced productivity of the employers allows them to focus more on those tasks that will lead to better expansion of the business, and the reduced costs help invest in other operations that will promote the business further.

How much does it cost to outsourcing payroll?

The cost of **outsourcing payroll service** depends on the kind of package chosen. There are service providers who get the most basic jobs done, such as calculating and depositing the cheques of the employees, and then there are also service providers who are responsible for offering prepaid cards and the management of state unemployment insurance.

Packages offered by **payroll management outsourcing services** include one-time fees, tax preparation fees, and the monthly fees of the package opted for. The basic fee charged by payroll service providers can range from 20 dollars to 250 dollars per month. The cost breakdown includes paycheck processing, direct deposit, tax filing, and the management of an online portal that is accessible by both employees and employers.

The costs that are included in a basic payroll plan are constructed by including all the pertinent details of a company, such as the size of the workforce, the complexity of the jurisdiction's payroll tax, and pay period frequency. A small business comprising of 25-30 employees that uses a well-known payroll provider might have to pay 1500 dollars per month for basic services.

For larger companies, there are discounted packages offered, in turn bringing down the per capita payroll cost for big employers. The frequency of pay periods is another factor that determines the cost of outsourcing payroll. When a company owner is outsourcing the payroll, then he/she has to alter the pay periods to avoid additional costs that are required for the processing of payroll transactions.

When an organization is paying weekly or bi-weekly for the **business payroll outsourcing**, additional costs might be charged compared to a company that pays monthly. Reducing the payroll frequency might benefit the employer, but that will negatively impact the employees, which is why it is always advised to pay the service providers on a monthly basis.

Most basic packages offered by payroll service providers encompass tax assistance. However, there are still many companies out there who charge extra for the end-of-the-year processing so as to prepare themselves for the tax season. This can cost an extra 25 dollars to 75 dollars per employee, not to forget the costs of mailing, printing, and reporting.

Hence, while choosing the **best payroll outsourcing**, it is important to always verify the costs and packages and which services will be charged extra. Having employees in

different states will only increase the overall costs because payroll service providers charge extra fees to handle their taxes.

How to Save Money on Payroll Processing?

The costs for **payroll outsourcing** can exponentially increase, especially for operations that are not included in the basic package chosen. However, there are many tips and tricks that can help a business owner decrease the payroll costs, such as streamlining business processes, adjusting the pay periods, and making use of field service management software.

Studies and surveys show that 40 percent of medium-sized businesses have to pay additional costs for penalties. Penalties are charged due to the inability to pay withholdings or committing mistakes in filings. Even the smallest of mistakes can lead a company owner to pay hefty amounts of the penalty during the tax period. Hence maintaining payroll processing accuracy is a must to avoid payroll penalties.

As a company owner, it is always advisable to choose an **HR and payroll outsourcing** company that uses professional accounting software because that will make sure that the amounts are directly deposited into the employees bank accounts. Most of the packages facilitate direct deposits and charge a nominal amount per paycheck. This helps business owners save the additional costs and make use of the amounts for other marketing tactics.

When payroll is outsourced, it automatically means that there will be fees and charges involved for the packages and services offered. However, as an employer, it is wise to perform a cost-benefit analysis to ensure that the company can save money in the long run.

How the outsourcing of payroll management helps employers?

An employer has multiple jobs to handle apart from hiring, instructing, and managing employees. The toughest job to conduct in-house for any business or organization is payroll; hence it is always better to hire an **HR and payroll outsourcing** company because not only is it beneficial for the overall business but also reduces the collective headache of the employer.

The exponential return on investment (ROI) achieved through outsourcing is extremely significant for the success of the employer. It is mainly because of technology that outsourcing has become a vital element for any business. There are several online portals that offer incredible speed and great communication, which enables payroll to be outsourced, thus saving up on cost and time.

A few years ago, **payroll outsourcing** was unimaginable, but now advanced technologies and skilled professionals have made it a lot easier. Outsourcing these types of services makes the process of business administration simplified, thus lessening the burden of the employer. It helps the employees and management focus better on the growth and operations of the business.

Payroll is a different kind of hindrance for small business owners and operators because an in-house manager has to be loaded with all the jobs and duties. The biggest advantage is that it helps save up a lot of time, which would have otherwise been wasted doing deductions and calculations, preparing cheques and deposits, etc.

Most importantly, **payroll outsourcing** helps in improving compliance and reporting. Staying in compliance with all the requirements involved in payroll administration is mind-boggling. In between wage and hour laws, filing deadlines, tax regulations, and forms, it is difficult to navigate as a payroll manager. A payroll service provider has the appropriate preparation and knowledge to handle this job and succeed at it.

Challenges in payroll management in next financial year

Payroll management at the surface level seems like an easy task where it is all about consolidating the hours worked, calculating the salaries owed and handing out paychecks to the employees, and updating the records. However, when looked at beyond the surface, payroll management is quite tough, and each and every company faces its own set of challenges and tribulations.

- Recent surveys and studies show that the most common payroll management challenges faced by companies include tax withholding obligations, submitting a report of taxable compensation to the local payroll, and year-end processing drafts. The surveys also show that almost 35 percent of respondents communicated that maintaining the accurate withholding calculations for supplement and regular pay is a problematic avenue.
- The above-stated facts are clearly indicating one common problem faced by most of the companies: processing and managing payroll for employees. The legal and financial consequences attached to payroll management also have to be considered, and faltering on such grounds can have serious repercussions.
- What makes payroll management a tedious and difficult task is navigating complicated tax laws. Hefty prices have to be paid for not filing taxes accurately and misinterpreting regulations. There are serious consequences that have to be faced for mismanagement in payroll and for non-compliance. Individuals responsible for payroll management have to monitor all the changes in the legislation consistently and stay updated.
- Ensuring the security and safety of confidential employee information is a real challenge. Payroll frauds have increased tremendously because they can be committed in many different ways, such as false commissions and wages. Manual payroll processing and bookkeeping increase the likelihood of data mishandling leakage of important information.
- A very common challenge faced by multiple companies when trying to manage payroll operations is the non-compatibility of payroll management software. For example, the software that is assigned for maintaining employee records is completely different from the one that is being used for leave management, employee benefit, or performance.

When it comes to tackling the issues with payroll management, there two ways which are the finest solutions. Firstly, if a company owner chooses to continue payroll operations in-house, then investing in a good quality automated cloud-based payroll

management software is essential because it reduces major workload. The other best way is to outsource payroll processing because it ensures the best professionals handling the job.

Every business will be in an advantageous position if its payroll management process is improved and continuously updated. However, what is even more challenging is to know what exactly should be changed and how the implementation will work. Making random changes without knowing it's a contribution to the overall process is not a very wise thing to do.

A company owner might think that he/she has acquired the latest payroll software package and that will solve all the payroll management issues, but on the contrary, it can be problematic if it doesn't work in accordance with the company's accounting system. Streamlining the existing systems can prove to be an effective method for improving the overall payroll management.

To sum it up

The **payroll outsourcing** solutions market is expanding globally, and the rise is expected to happen exponentially. Outsourcing of payroll activities is advantageous for both large-sized businesses as well as small or medium-sized businesses. By choosing third-party payroll service providers, the owners wash off their hands of activities such as managing compliances, paying salaries, remitting payroll taxes, etc. All these tasks are taken care of without the hassle of worrying about them, thus freeing up resources and time to invest in the business and promote its growth and development. The greatest benefit of outsourcing payroll is that the chances of committing mistakes are very less and the accuracy level is maintained well.