5 steps to turn your payroll into a business asset

Introduction

Successful businesses have one thing in common – they invest in their workforce. Employees are crucial to business success. Recent studies in Australia have revealed:

- 26% of employers increased salaries by 3% or more in 2016[1]
- 1 in 3 employers are planning to increase staff numbers[2]
- 76% of Australian professionals are actively or passively looking for work[2]

Managing changes of this nature can put significant pressure on payroll systems, creating mounting costs and risks. Payroll inefficiency and errors may affect many aspects of your business from employee morale to financial stability. Here's a step-by-step 'how to' guide to help you turn your payroll into a business asset that:

Increases Profitability

Reduces Risk

Boosts Growth

Supports Your People

Becomes More Competitive

1. Hays Salary Guide, 2016
2. Hudson Report H2 2016

Australian studies reveal

26%
of employers increased salaries[1] by more than 3%

76%
of Australian professionals are actively or passively looking for work[2]

The demands of payroll are only getting worse, with mounting risks and costs

HOW TO:
## INCREASE PROFITABILITY

Increase Profitability

As a business leader, it's on your mind every day: how do I maximise the return on my investment?

Businesses face HR costs on an almost daily basis, including staffing and administration costs. Occasionally they can run into major problems too: 20% of FairWork resolutions resulted in penalties above $8,000.[4]

Other costs of running payroll and HR systems in-house include:

- Keeping track of on-the-road or remote workers

- Businesses growing and expanding, bringing international tax and employment law compliance into play

- Ongoing IT maintenance fees

- Labour costs of staff working to keep the payroll systems running on time

Cost per payslip per month

$18.43

$8

The cost of outsourced payroll per payslip

Cost for internal payroll per payslip
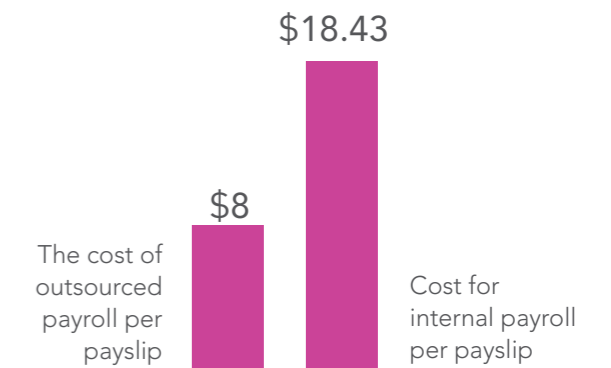
940
Additional costs
of internal payroll
per employee per year

Companies with less than 200 employees who process their payroll on internal systems believe the cost per payslip to be about $18.43; whereas the cost to outsource is approximately $8.00. That is over $940 per employee paid each year for a company of 200 or less employees.[5] It's a major headache, and one you could do without. Increasingly businesses are finding that passing the responsibility onto third party experts is cheaper, more efficient and far more reliable. Run by experts, for you, at a transparent price.

4. Resolving issues, disputes and dismissals, The Fair Work Commission, Australia
5. Australian Payroll Association Benchmarking Report 2015

HOW TO:
REDUCE RISK

Reduce Risk

Reputation is your lifeblood. You need to protect your brand and your business so you're as secure as possible when mistakes happen or people leave.

The pressures and reality of running a business sometimes mean that best intentions aren't always easy to follow. ADP research finds that 37% of companies' data is left sitting in Excel or similar types of databases.[6] This is playing with fire. You're only a software crash away from people not getting paid accurately or on time. Or equally if the wrong person falls sick, and nobody can work out their unique spreadsheet system, then again you have a payroll nightmare on your hands.

The American Payroll Association estimates that mistakes caused by using manual methods costs companies 1% to 8% of their total payroll. That's an awful lot of money. To reduce any risk, you turn to experts for help. By outsourcing payroll technology you reduce risk by having:

- A team of local experts to support your business

- Instant software upgrades

- Instant compliance to new payroll regulations

- The latest in cyber security

- Standardised technology that would continue to work even if all your team fell sick!

6. ADP Global HCM Study, January 2014

37% of companies' data is in Excel[6]

Manual methods mistakes cost companies **1% to 8%** of their total payroll

HOW TO:
BOOST GROWTH

Boost Growth

You're working in a highly competitive environment, always trying to find new clients and money for expansion. By partnering with an established global provider and having a consolidated payroll system, you can free up your time to focus on what matters.

Payroll outsourcing offers businesses of all sizes growth by providing:

- Payroll in the cloud, accessible anytime, anywhere– be that on the road, or even while opening a new office

- Local payroll knowledge - you don't need local payroll knowledge as you look into new markets and territories, there's a whole team in the background able to do that for you

- A clear line of sight between digital investments and their business objectives.

- The latest in software innovations, improving the user experience for employees and managers, which impacts on your customer satisfaction.

The Australian Bureau of Statistics[7] has found the benefits of cloud computing included a 34% reduction in IT costs and 46.3% increase in productivity for businesses. That's the recipe for growth.

34% reduction in IT costs from cloud computing[7]

46.3% increase in productivity from cloud computing[7]

7. The Australian Bureau of Statistics, Business Use of Information Technology, 2013-14

Support your People

Good quality people are critical to the success of your business, and you need to attract, retain and grow the right people. The direct labour costs involved in running in-house payroll are high because payroll is only one small part of the job you, and your finance staff, have to do.

As payroll is critical very often senior stuff take on this role. Not only would their skills and time be much better used to do other things, but they are only able to keep half an eye on payroll and HR tasks. This means you are not utilising the talent in your organisation, and at the same time are exposing your business to risks of getting payroll wrong through human error, or simply lack of knowledge, if new minimum wage or tax legislation has come into force.

Remove payroll from your small band of employees' job responsibilities, and your business benefits by:

Freeing up time to operate on people core job roles

Improving performance and job satisfaction

Having reassurance that payroll is always up-to-date

Gaining experts on hand to answers any pay and tax queries

HOW TO:
SUPPORT YOUR PEOPLE

HOW TO:
BECOME MORE COMPETITIVE

Become More Competitive

The benefits of outsourcing can go far beyond just costs. Organisations that outsource payroll spend on average 30% less,[9] but having a partner that can also provide expertise, technology and understands your business can help you become more competitive due to the flexibility they provide.

Change can be hard enough without having old, inflexible internal systems and processes holding you back and limiting your competitiveness. Internal teams find that far too much time and resources get tied up in the monthly (or weekly) pay runs instead of supporting the business.

Centralisation is key. A network of in-country payroll specialists with deep knowledge of local legislation and HR details would lighten the load of any organisation, small or large.

Outsourced payroll can provide strategic value to your business and makes you more competitive, with:

An outsourced partner also helps to protect your business from errors stemming from lack of knowledge or visibility while helping to drive organisational growth and international expansion.

Ultimately, it comes down to this: focus on what you do best, outsource what isn't core to your skill set.

- Predictable and scalable fees, with one pricing scheme and a single invoice

- No maintenance and infrastructure costs

- Up to date compliance knowledge

- Clear overall payroll costs

- A single, easy to use, cloud based platform.

Organisations that outsource payroll spend on average
30% less[9]

8. PwC (2013), 'How much is your organization really spending on Payroll and HR Administration?'

Case study

Raw Talent Academy "relieving the pressure on HR and payroll"

When Raw Talent Academy, a UK sales recruitment business with circa 30 staff, founded by former winner of The Apprentice, Lee McQueen, expanded quickly the company selected ADP as its preferred partner to streamline HR, payroll and talent management processes. "When we started growing quite a lot it meant that things had to change", recalls McQueen. "We were doing things on piece of paper and spreadsheets. It was just a mish-mash".

They chose to go with a trusted, global outsourced HR service provider because "we got to the point where we were spending so much time and effort [on this], that we needed something that was able to collate all that information together. Quite frankly we haven't got that expertise in-house. We needed something that was scalable and sustainable, and in choosing our solution we wanted to go with an organisation that was credible. One in six people in the US are actually paid [by this provider] – it's a massive organisation, but at the same time you feel like you're dealing with a local partner.

We deal with a team that specialises in small business. I was genuinely quite surprised by how affordable the solutions are, and I believe this solution can help us manage our team not just to do the administration side of the HR function and get people paid, but also the personal development of our staff. If we can make our business more efficient, then that is going to drive us further forward."

"The most painful part for me in HR and Payroll is when the business has grown", says Raw Talent Academy finance manager Heather Saunders. "Just trying to keep track of everything." The outsourced delivery partner is "going to relieve the pressure from me", she says. "When the difference in somebody's pay is quite significant ADP will flag it up to me first, so I don't have to sit there and analyse the figures. It's going to stop all the mundane paperwork, and it's going to stop me getting email after email of questions. ADP make me feel safe knowing that they are going to really help me. Every person I have dealt with and worked with so far has built up that trust."

Conclusion

Payroll becomes a business asset

Outsourcing means you can see all your people, digital investments and business objectives, in one clear snapshot.

The New York Times bestselling Business Expert, Susan Wilson Solovic, foresees major changes in the way businesses use technology to find increased profits and ongoing success: "Legacy small business service providers will be replaced by cloud-based services. The in-house bookkeeper or local consultant - or the old-style payroll service, for example - will be replaced by software as a service that's available on the cloud… [And] IT and data storage will move to the cloud. Small businesses will be able to reduce overhead by cutting their IT payroll and hardware expenses via farming out IT and data storage/backup services. They will get improved networking that can be scaled on the fly to the size of their current demand."[10]

Why this sudden shift? Yes, the technology is great and getting better by the year. But it's the expertise that you ultimately pay an outsource partner for. They offer true oversight of your entire operation, your employee needs, your sector, your national and legislative requirements, and all your software systems. These are not issues that can be left to amateurs. If a provider just does payroll, they cannot offer a truly holistic service that can help your business. The best partnerships become relationships, with trust and understanding becoming stronger the longer they last. ADP clients find that five years after replacing their in-house systems, the costs savings can reach 62%.[11] The best providers know your business inside out, and have the technology solutions and expertise always at hand to help you.

The best providers know your business inside out, and have the technology solutions and expertise always at hand to help you

62% costs savings

five years after replacing in-house systems[11]

9. Solovic, S (2016), Top 10 Trends for Small Businesses in 2016, The Huffington Post, 04 January
10. Sourcing Analysis (2012)

About ADP (NASDAQ-ADP)

ADP has worked with Australian businesses for more than 35 years and has over 7000 clients. Globally, the ADP group is one of the largest providers of Human Capital Management and payroll solutions, with over 610,000 clients. We are driven to provide our customers with a platform to mitigate compliance risk, deliver business insight and gain operational efficiency. From software to outsourcing solutions, organisations of all sizes take advantage of ADP's deep expertise to free their teams and help them focus on driving greater business results. For more information, visit adppayroll.com.au