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# Payroll outsourcing: How to know when you need it





## When should you outsource?

In today's everchanging landscape, organizations are looking for strategies to improve efficiency and drive business performance. When your organization is focused on sustainable growth, it can be difficult to ensure your workforce operations remain agile while reducing risk exposure.

More organizations are shifting focus away from administrative functions toward more strategic initiatives that can create a competitive advantage. Payroll is a fundamental component of business, but it's not most organizations' core strength. Payroll has become one of the most frequently outsourced HR functions. With thousands of businesses seeing the value of outside expertise, the outsourced payroll market itself is expected to grow by around \$7 billion between 2022 and 2027.<sup>1</sup>

It's not always easy to determine if and when outsourcing is the right move for your business. The right partner can expertly augment your HR and finance teams so that you can focus on your core business and your most important resource — your people. Outsourcing can help you reduce risk across your payroll activities, scale more easily, and refocus on your strategic objectives.

Let's explore the benefits of payroll outsourcing and some of the most common signs it could be an effective model for your organization.

<sup>1</sup> Payroll Outsourcing Services Market by Product, Type, and Geography – Forecast and Analysis 2023-2027, Technavio, 2022.

# Consider outsourcing:

## Your team is struggling to manage compliance

Maintaining payroll compliance can be challenging with ever-changing requirements. Ceridian's *2023 Future of Payroll Survey* found the top payroll pain points were compliance challenges, the complexities of multi-region payroll, and inefficient processes.<sup>2</sup>

Further complicating the compliance landscape is the rise in remote and hybrid work models, where employees may work in one city and live in another with different laws in each location. Additionally, there is a rise in globally dispersed workforces and employees working from abroad, which also have complicated tax implications. Organizations are also relying more on contract, part-time, and gig workers to supplement the work of full-time employees, creating a mix of different employee classification requirements to consider.

Organizations run the risk of fines for non-compliance in the event a deadline is missed, payroll data is incorrect, or local payroll laws are overlooked. Avoiding errors and staying on top of updates can require a significant investment of time and resources, taking away your ability to focus on strategic objectives and high-level talent planning.



**14%**  
of companies surveyed  
indicated they had litigation  
issues related to payroll  
errors in the past year.

EY<sup>3</sup>

<sup>2</sup> *Future of Payroll Survey: Mapping the journey ahead for payroll professionals*, Ceridian, 2022.

<sup>3</sup> *Cost and risks due to payroll errors: Results of the 2022 HR Processing Risk and Cost Survey*, EY, 2022.

## How outsourcing payroll can help you simplify compliance:

The right payroll partner can help you position your payroll practice for success, with credentialed professionals to lean on and innovative technology that cuts through complexity and helps you manage compliance proactively.

### Help avoid time-consuming audits

A PwC survey showed that the majority of payroll specialists spend an average of 22 hours per audit gathering information related to the audits, while managers spend up to 26 hours responding to audits and trust exams.<sup>4</sup> Outsourcing payroll to a team of trusted professionals can help augment your HR and payroll teams so they can get back to more strategic areas of the business.

### Reduce risk of legal expenses

Professional payroll administration can help reduce your organizational risk of lawsuits from governmental bodies, unions, and employees.

### Improve engagement and retention

Accurate and timely pay gives employees confidence in their employer's ability to manage them and act in their best interest. This can positively impact engagement, productivity, and even brand reputation.

### Help reduce risk of penalties, interest, or back payments

Lean on professionals to assist you with calculations, deductions, or tax filing to help avoid costly penalties and interest payments.



<sup>4</sup> Payroll in focus: The cost of employer compliance and public policy implications, PwC, 2020.

# Consider outsourcing:

## Your organization is expanding to new regions

Considerable opportunities await organizations that pursue geographic expansion: new markets, new audiences, and access to a larger talent pool. Expanding to new regions, however, also brings a host of challenges for your payroll and HR departments. Payroll practitioners are often certified at the regional or national level, so they may not be equipped to take on new legal environments. The alternative is adding payroll headcount in each new region, but that can become costly.



### How outsourcing payroll can help with the challenges of regional expansion:

A unified payroll system can help your team simplify operations and reporting across your operating regions, whether you're growing quickly or contracting individual roles overseas.

### Manage compliance with local wage and tax laws

When it comes to international expansion, compliance with local laws is a significant concern. Three quarters (72%) of respondents to a GPMI survey stated that compliance was their biggest challenge.<sup>5</sup> An outsourcing partner can help you account for different processing times and varying tax structures across your operating structure.

### Improve visibility with compatible IT systems across regions

Disconnected information systems are another challenge with global expansion. Sixty-nine percent of organizations cited issues with their payroll data in the *Future of Payroll Survey*, with the most common data challenge being lack of tools to properly analyze data.<sup>6</sup> Outsourcing payroll to a partner with a single system can help improve payroll visibility and access to data.

### Reduce the burden on HR and payroll staff

Many payroll personnel are only certified at a regional or national level and may feel unqualified and ill-equipped to take on new legal environments. Instead of overburdening your team, offloading the responsibility onto a specialized partner allows your team to focus on strategic initiatives that will move the needle for your business.

<sup>5</sup> GPMI Survey Reveals Compliance is Biggest Global Payroll Challenge, GPMI.

<sup>6</sup> Future of Payroll Survey: Mapping the journey ahead for payroll professionals, Ceridian, 2022.

# Consider outsourcing:

## You're facing a payroll talent shortage

As much as you might like to keep all your payroll in-house, finding and retaining specialized experts can be challenging. And, whether spurred by turnover, retirement, or other sources of attrition, organizations may face an acute talent shortage in essential roles.

Recruiting and retaining skilled in-house payroll talent for the complex new world of work isn't easy. And nearly half of payroll professionals said their organizations don't use succession planning for payroll roles in Ceridian's *2023 Future of Payroll Survey*.<sup>7</sup>



## How outsourcing can help solve your payroll labor challenge:

### Streamlined processes

Keeping payroll management in-house can lead to roadblocks and inefficiencies if you don't have the right people to manage this core business function. Plus, introducing new technologies to help solve for some of these inefficiencies can present a significant learning curve, depending on the technical proficiency of the payroll team. By outsourcing this function to outside trusted professionals, you can help improve efficiency across your payroll processes.

### Accurate pay

Overlooking or missing key aspects of payroll management can result in errors that adversely impact your employees – and your organization. Rather than entrusting this responsibility to a single administrator, or an HR team with other priorities, outsourcing to a team of professionals can help you better ensure your workforce is paid accurately and on time.

### More visibility

Overburdened payroll staff may struggle to keep the wheels in motion, let alone provide extra reporting to improve business insights. By opting for an outsourced payroll model, dedicated professionals can help process and monitor your payroll data proactively. A cleaner system of record helps drive better decision-making for your people and business.

### Time and cost savings

Hiring, training, and reskilling a specialized team of payroll experts takes time and resources. Partnering with a third party to help manage payroll on your behalf may reduce the need to continually recruit, hire, and train new team members.

<sup>7</sup> Future of Payroll Survey: Mapping the journey ahead for payroll professionals, Ceridian, 2022.

# Consider outsourcing:

## Time spent on payroll is taking away from other priorities

Most organizations aren't exclusively dedicated to payroll, yet it's a fundamental requirement of doing business. With the changing world of work, HR teams increasingly serve as strategic partners to the business. Often tasked with both talent management and payroll responsibilities, HR teams are under immense pressure to deliver more, with the same staffing and resources. Keeping up with new compliance requirements, upskilling and learning the latest software, and checking payroll entries to catch costly errors, are just a few of the tasks that take HR teams away from their core mandate of building and developing talented workforces.

Similarly, payroll practitioners can spend more time digging into payroll data to unlock valuable insights. These payroll experts can help leaders across the organization with compensation benchmarking, identifying patterns in absenteeism, and assessing the overall cost of the workforce against revenue to make more strategic staffing decisions.

## How outsourcing payroll can refocus your HR team on your core business:

Outsourcing payroll to a specialized provider can help your organization gain time to focus on your core business and build a competitive advantage.

### Improve company performance

By outsourcing payroll, you can give your HR leaders more time, resources, and mindshare to focus on activities that generate revenue and create a competitive advantage. Outsourcing can help improve change readiness, compliance, and risk management, all essential for taking your business to the next level.

### Gain time back for other priorities

Analysts at PwC found that 73% of businesses choose to outsource specifically to eliminate the 75% of HR work hours spent on transactional tasks.<sup>8</sup> You can reclaim precious hours that your HR and payroll team can use for productive and strategic work.



# 73%

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PwC<sup>8</sup>

<sup>8</sup> HR Outsourcing 2.0 – Revising outsourcing contracts to reflect lessons learned, PwC, 2011.



# Building a business case for outsourcing payroll

If your organization is experiencing any of the above scenarios, it may be time to consider outsourcing your payroll. The right outsourced professionals and systems will help guide you through the complexities of payroll, reduce your risk of noncompliance, deliver more reliable payroll, and help you scale into new regions more efficiently. Ultimately, embracing an outsourced payroll model helps empower your HR and payroll teams to spend less time worrying about paperwork and compliance, and more time driving your talent strategy and propelling your business forward.

When evaluating outsourcing vendors, look for a partner with good internal controls, best in-class technology, and good customer service. Then, be sure to consider three factors:

## Compliance:

- Does this partner take a proactive approach to the changing legal and regulatory landscape?
- Does this partner offer integrations that are built in or created via open API?
- How do they manage time and attendance processes and compliance requirements?
- Are time and payroll managed in different systems of record, or are they integrated? If siloed, what mechanisms are in place to reconcile data differences proactively?

## Growth:

- Is the technology built to scale and change with your business in the long run?
- Does reporting and contracting change as your organization grows?
- Does this partner provide support across all potential regions your organization is considering?

## Expertise:

- Will this partner support your goals while you allocate resources back to your business strategy?
- Does this partner demonstrate security measures that include robust account governance and internal controls?
- How often are there checkpoints and audits into payroll administration processes?
- What are industry analysts saying about this provider's approach to compliance?

By outsourcing payroll, you can ride the wave of change **more confidently**, help **reduce your organization's exposure to risk**, and better **ensure your people are paid accurately, wherever they work**.



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At Ceridian, we create innovative technology that organizations around the world use to attract, develop, manage, and pay their people. Our award-winning Dayforce solution helps our customers manage compliance, make better decisions, build great teams, and drive engagement with their employees. Ceridian has solutions for organizations of all sizes.

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