



The hidden costs of in-house payroll

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Payroll Management made easy



“ Do you know how much your organization is really spending on payroll processing? You may not be considering all the “hidden” costs, and as a result, may be spending much more than you think.”

It is usually easy for organizations to identify visible costs such as manpower and technology acquisition, but there is certainly more to it than meets the naked eye. The cost of operating and integrating interdependent processes & the different functions are usually not taken into account.

Here are some of the hidden costs that you should consider:

Manpower

Apart from direct salary costs, senior executives are involved in training and driving the process culture for the teams involved. These costs are often overlooked. Also attrition causes a lot of problems and all the training needs to be provided all over again.

So while manpower costs may be taken into consideration, the related costs like training, knowledge transfer and management time needed may not be considered.

Technology

Buying technology is one-time cost, but maintaining it for your business is an ongoing running cost. Doing frequent customizations consumes a lot of bandwidth and cost. In most companies, this may not be possible to do in-house as well because of competency gap.

Even technology acquisition is not a one-time cost, as technology becomes outdated over time. Organizations need to spend money on upgrades or moving to newer & better technology products.

Infrastructure

Up-time of critical systems needs to be maintained. Also due to confidentiality reasons, the hardware used may need to be dedicated to payroll. To comply with statutory regulations, companies also need to maintain back-ups of data for specific period of time. All of this involves cost, and bandwidth.

Process Automation

Each organization has a particular way in which HR inputs are captured (with appropriate approvals) and then considered before payroll processing. To define the entire process and automating sections of it with the technology available takes effort and time. Senior people in the HR team need to spend time on this to make it possible. Most organizations fail to recognize this effort in their costing.



Reports availability

For most organizations, creating standard reports is not cumbersome. But when it comes to thinking about how reports can be effectively used in decision making and then making such reports available, senior HR professionals need to spend time.

Non-availability of these reports can lead to poor decision making. Most of the times, the data may not be available for taking the right decisions. Having strong MIS reports and a centralized dashboard certainly helps in simplifying decision making.

The true total cost of ownership will only be apparent when looking at all the different elements of the payroll process, rather than treating it as a individual based activity. Organizations that fail to do so tend to underestimate the costs associated with managing in-house payroll.