

SYNERGISTIC SURGE

Why Payroll Service Bureaus and CPAs are Homing in on HR



The conventional workplace has disappeared in an era of unprecedented globalization and evolving business landscapes. Cubicle dwelling and in-person meetings have given way to the home office and online conferences – a trend. This trend was already well underway over the past decade but accelerated by the COVID-19 pandemic shutdown, then cemented once employers realized the consistent productivity boost and financial savings of remote work done right. And technology has further pushed that envelope, leading companies to take advantage of the multiple benefits of hiring internationally.

“In a boundaryless world, work isn’t defined by jobs, the workplace isn’t a specific place, and many workers aren’t traditional employees,” wrote researchers compiling Deloitte’s 2023 Global Human Trends Survey, which polled 10,000 businesses and HR leaders in 105 countries.

Of course, freedoms of any sort come with a cost. For U.S.-based employers, that cost includes a torrent of new and constantly evolving legislation affecting virtually every aspect of employment on federal, state, and even hyper-local levels. And the perceived glamor of going global presents its complications.

But all these factors together represent a potential boon for payroll service bureaus and CPAs savvy enough to realize that offering integrated payroll and human resources services alongside traditional financial expertise is a strategic and highly beneficial move. While payroll and accounting remain crucial components of business operations, the complexities of a globalized economy have prompted a paradigm shift that necessitates a broader range of expertise. By combining financial acumen and HR services, payroll service bureaus and CPAs can provide clients with a synergistic, streamlined, and comprehensive approach to managing their human capital needs, enabling employer clients to make data-driven decisions that optimize financial performance and workforce productivity.

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FOUR TOP FACTORS THAT MAKE HR A SAVVY BUSINESS STRATEGY FOR FORWARD-THINKING PAYROLL SERVICE BUREAUS AND CPA FIRMS:

1. CONSOLIDATE, AUTOMATE, DOMINATE:

Continued inflationary pressures are driving employers to seek ways to cut costs while maintaining a high-quality level of service that keeps them competitive.

2. COMPLIANCE CHAOS:

The legislative tsunami that created or intensified scores of compliance requirements governing everything from pay and benefits protections to social-centric issues like discrimination based on natural hairstyles over the past few years has many employers needing help to navigate the continual changes effectively.

3. GOING GLOBAL:

As data and communications technologies continue tearing down conventional notions of the “workplace”, employers and employees are taking advantage of opportunities abroad. But crossing oceans can mean crossing legal and ethical lines if employers are unprepared.

4. MORE THAN A JOB:

While an adequate paycheck remains critical, it's just one part of an increasingly multi-factor package that attracts and retains top-quality employees.

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1. CONSOLIDATE, AUTOMATE, DOMINATE

The benefits of consolidating multiple related services and processes into a more streamlined, one-stop-shop model have long been touted as a savvy business move that saves time, boosts customer retention, and increases profit margins. Such was the case for Austin, TX-based Kazdon, Inc. Already operating as a highly successful payroll and benefits services provider for over two decades, the company made a bold move in 2018 when it added HR to its software and services roster.

“We saw a huge gap in the industry for affordable outsourced HR solutions for the small-to-middle market,” said Holly Acosta, Chief People Officer.

Meanwhile, consolidation’s equally critical counterpart, automation, is earning its own spotlight. In a recent study by SnapLogic and the Centre for Economics and Business Research on the economic impact of automation, researchers found that employers’ investments in automation are directly linked to increased business revenues (up 5-7 percent), job growth (up 4-7 percent), and long-term productivity (up 15 percent). Spurred on by the COVID-19 pandemic, adoption of automation is accelerating at breakneck speed, with companies in the U.S. and U.K. spending 8 percent and 13 percent (respectively) of their annual revenues on automation-related technologies.

There’s no getting around it. Once the futuristic stuff of James Bond movies, items like fingerprint scanners, remote control doors, and GPS tracking devices today are commonplace. Businesses of any sort, including CPAs and payroll providers, that fail to embrace task and process automation technology will inevitably struggle to keep up with their competitors and cover costs.

Consider these 10 telling statistics:

1. The Global Business Process Automation (BPA) market size is expected to hit \$19.6 billion by 2026, up from \$9.8 billion in 2020 – A CAGR (compound annual growth rate) of 12.5 percent.
2. Marketing automation alone drives a 14.5-percent increase in sales productivity and a 12.3-percent reduction in related overhead.
3. 88 percent of small and medium-sized businesses say automation allows them to compete with larger companies because it enables them to close leads faster, cut time spent on busy work, reduce errors, and improve customer service.
4. 69 percent of employees say automation reduces time wastage, and 59 percent believe they’d have more than six spare hours per week if repetitive tasks and positions were automated.
5. According to a McKinsey report, 45% of current paid activities can be automated by today’s technology, an equivalent of \$2 trillion in total annual wages.
6. In a study by Unit 4, office workers spend 69 days a year on administrative tasks, costing companies \$5 trillion a year.
7. In the same study, 67 percent of respondents said implementing digital or software solutions would be essential to remain competitive.
8. 58% of organizations say their onboarding program is focused on processes and paperwork rather than on people and performance.
9. Of those, 21% said their onboarding process and paperwork was inconsistent, informal, or reactive.
10. HR professionals feel that lack of technology hinders their work. 36% responded that their inability to automate and organize the onboarding process negatively impacts their ability to train managers.

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Given these facts and figures, it's no wonder that small and medium enterprises around the globe are expected to adopt business workflow automation on a large scale, creating a nationwide market of opportunity of more than \$1,600 million between 2017-2026.

For Kazdon, it meant paring down reliance on five different software providers into just one comprehensive solution by IRIS Software Group.

"When we were first looking to switch to a new payroll and HCM software, the most important thing we sought was an effective API integration," Acosta said. "The IRIS payroll software has an open API giving us the opportunity to bring together all of our clients under a more streamlined system and allowed us to offer a different, fuller line of services."

That industry-leading API integration allowed for the compatibility and consolidation of multiple popular software platforms like Employee Navigator, Swipeclock, Equifax and Xero into a singular platform. It also cleared the way for integrating multiple partner programs offering added-value perks such as telehealth, behavioral telehealth, KazPay (wages on demand), veterinary telemedicine, online banking, Human Interest (401k), Pay-As-You-Go Workers Comp and much more.

"All of these integrations have helped our HR side be more successful," Acosta said, adding that partnering with IRIS helped Kazdon not only expand offerings, but boost revenues and accelerate growth. When Kazdon first switched to an IRIS HCM software solution, the company's business had been growing by five to ten percent year over year. After the switch, those year-over-year growth rates increased from 18 percent to 20 percent, even through an

economic downturn. Going forward, Acosta estimates continued significant annual growth of 20 to 30 percent.

"The market is really driving that single-stop shop," adds Matt Sheridan, Senior Manager North America for U.K.-based IRIS. "From a payroll service bureau or CPA firm point of view, you want to provide an end-to-end service for your customer that incorporates HR into your services. Increasingly, customers don't want the complexities of multiple contacts, multiple contracts, different rates, and that 'fear of the gray' – Having option A and option B, but finding out later that there's a bit in the middle a customer needs but isn't fully covered by either singular option."

Payroll service bureaus and CPA firms that consolidate their existing services with added HR capabilities and help employer clients more fully integrate and automate their payroll and HR undoubtedly will dominate their competition.



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2. COMPLIANCE CHAOS

U.S. businesses saw more new and intensified legislation in 2020 than any other year in the prior two decades. Much of it was a direct result of the COVID-19 pandemic shutdowns and aimed at helping employers and employees grapple with a new reality that upended business as we knew it. While the legislative tempest has slowed slightly, three years later, it's still rough seas for businesses that lack the financial and staff resources to ensure that all new compliance requirements are consistently met.

"Compliance legislation continues to rise, and it is not going to slow down," said Wes Muschara, Director of Product, IRIS Software Group. "There will be further change coming down the pike. There is absolutely no doubt about that."

Among the exhaustive and continuing laundry list of new or intensified legislative issues dealing directly or indirectly with HR are:

- Employee Retention Credit
- State minimum wage increases
- State Paid Family & Medical Leave expansion
- CARES Act
- Affordable Care Act
- New local taxes
- Expanding non-discrimination laws, including those dealing with pay transparency, pregnancy, sexual orientation, and more
- Rights to unionize

- Misclassification of employees as independent contractors
- Predictive Scheduling Laws
- Equal Employment Opportunity Reporting
- State-required workplace harassment training

As challenging as it seems, the compliance chaos represents a massive opportunity for payroll service bureaus and CPAs looking to round out their services with HR. It's another factor that prompted Kazdon's choice.

"HR expertise was increasingly needed because of so much new and constantly changing legislation which has to be monitored on the federal, state, and city levels," Acosta said. "Companies were getting into legal trouble over compliance issues because they simply didn't know what they didn't know."

Acosta notes that the need for expert HR assistance is exacerbated by the simple fact that today's largely Millennial and Gen Z workforce arguably are the most tech-savvy and informed in recent history.

"Our younger workforce is far more educated than previous generations regarding their rights. But there also is much confusion. It's much like a person having a symptom and diagnosing themselves with 'Dr. Google'. That's very dangerous. But many employers are doing the same when it comes to searching online for answers to various HR and payroll compliance questions, then incorrectly applying what they find."

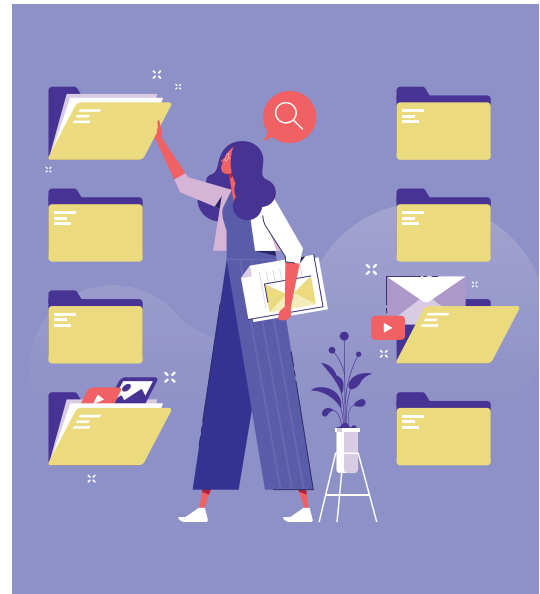
Social and political issues are among the workplace factors that the younger generations are savvier and take more

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seriously. That's why it's important for any firm considering taking on HR to keep up with all emerging legislative and compliance issues – not just those that relate to paychecks and benefits. A top example is the CROWN (Creating a Respectful and Open World for Natural Hair) Act, which bans hair discrimination based on natural hairstyle and texture. The initiative was borne of a study showing that African American women are 30 percent more likely to receive a formal grooming policy during the application and orientation phases of joining a new workplace and 1.5 times more likely to have reported having been sent home from the workplace because of her hair; and 80 percent more likely to feel pressured to switch their hairstyle to align with workplace standards. Though a Senate block kept it from becoming federal law last year, as of June 2023, 22 states have enacted the CROWN Act, and more than half of all states have filed or pre-filed legislation for consideration.

It's critical to note, too, that compliance responsibilities can spill outside of the workplace. To protect their brands, today's employers must respond to a wide range of on- and off-duty employee conduct, including social media activity, protests and rallies, messaging on clothing and masks, and workplace civility and safety. But those responses may be subject to federal, state, and local employment laws, including:

- Laws governing political activity and privacy;
- National Labor Relations Act (NLRA) obligations;
- State free speech protections;
- Americans with Disabilities Act (ADA) and Family Medical Leave Act (FMLA) requirements; and
- Federal and state occupational safety and health obligations



“There are many people who believe their employer should be intimately involved in social issues and in bringing it into the workplace, while others believe such discussions have no place in business at all,” Muschara says. “It is not just about dollars and cents anymore.

Such issues collectively signal a burgeoning opportunity for payroll service bureaus and CPAs to embrace all aspects of HR. After all, the overlapping core value proposition is in assisting clients with a range of business factors already heavily laden with compliance requirements. There has never been a more critically essential or opportunistic time to make employer clients more reliant on end-to-end service.

3. GOING GLOBAL – CAPITALIZING WITHOUT COMPROMISING

In the rapidly evolving landscape of today's interconnected world, the traditional concept of a workforce has undergone a profound transformation, particularly post-pandemic.

"At the beginning of the COVID-19 pandemic, everybody thought it would be over in six months if we could just hang in there," AdventHealth President and CEO Terry Shaw in a recent report. "But what became very true, very quickly, was that this is not a short haul, it's a long haul—and that we were going to have to fundamentally rethink what work means, where work is done and how we lead work in a different environment."

For many U.S.-based companies, redefining the workplace means going far beyond the office walls. Today, fueled by technological advancements and diminishing communication barriers, it means crossing oceans. North American firms are increasingly tapping into the global talent pool to drive growth, expand their reach, optimize costs, and access a diverse talent pool that brings a vast array of skills, perspectives, and experiences that may be scarce in domestic markets. Plus, that talent often comes at a significant cost savings. The consistently favorable exchange rate of the U.S. dollar means employers can cut staff costs while still offering competitive compensation based on foreign workers' local economies. Plus, with team members scattered across the globe, employers can capitalize on varying time zones to ensure 24/7 productivity.

Benefits like these are precisely why 80 percent of the top 100 highest-grossing recruitment agencies operate across multiple countries. They're also why 66 percent of recruitment professionals

surveyed by Bullhorn in 2020 said they've seen globalization as a prime opportunity for several years.

NAVIGATING ROUGH WATERS

Amid the rewards of international employment, however, lie substantial challenges. Global HR management demands intricate navigation, particularly for companies unaccustomed to the nuances of varying labor laws, taxation systems, and cultural norms across nations. Companies making a solo attempt often encounter compliance roadblocks, legal uncertainties, and potentially severe financial repercussions when things go awry.

"Global business and international employment are hot right now. There's no way around that," says Daniel Grace, IRIS Software Group's Director of HR Consulting. "But it's a complex issue, and there are risks."

The chasm between U.S. and international payroll and HR requirements is striking. Grace notes stark differences in requirements for employee benefits, overtime, pay frequencies, and, perhaps most notably, stringent employment protections that often surprise U.S. employers accustomed to at-will hiring and firing laws.

"France is one of the most legislatively complex areas in the world regarding employment law," Grace says. "In the U.S., a company can hire someone but also fire them for any reason. In France, you cannot do that. Once you hire someone, they have a probationary period of just a month or even less. Once that is done, you're effectively locked into that employment relationship, and it becomes tough to dismiss an employee without the court's approval."

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Grace notes that many employment factors that are optional benefits here in the U.S. are mandatory in other places. France requires pre-employment medical checks, health and life insurance, and pension contributions and mandates that employers keep copious payroll records for a minimum of 50 years. Payroll and HR issues can get complicated even as close as Canada, where employment standards and regulations fall under provincial jurisdiction, which means numerous and complex variations in minimum wage and overtime rules.



“For employers who have invested a lot of money into growing and expanding their international reach, there is always an element of complexity that most often is unexpected,” Grace says. “Our international payroll and HR software and services help simplify those complexities.”

IRIS also can help facilitate moving a domestic employee to a foreign location. It starts with a complete analysis that includes recommended salary ranges and cost of living adjustments. Once a relocation decision is made, IRIS can arrange for all necessary documentation, including employer registrations, employee and family visas, and work permits, plus set meetings with admissions attorneys and embassy and government officials.

Fran R, of the California-based Consortium for Children, trains and supports child welfare professionals. IRIS’s help proved pivotal when the organization made its first international hires five years ago.

“From the very first inquiry they [IRIS] have been responsive, informative, professional, friendly, and affordable,” she says. “I’m not sure how I would have navigated the complexities of payroll [and HR] in a different country without them!”

HELP GOING THE DISTANCE

While the benefits of international employment are clear, the risks can be complex and confusing. Partnering with an established and proven global HR provider is key. Providers like IRIS boast a thorough understanding of local labor laws and regulations, even as they continually evolve, ensuring that client companies remain legally compliant, avoid hefty financial penalties, and keep sensitive employee data safe and in line with international standards.

4. MORE THAN A JOB – ENHANCING EMPLOYEE EXPERIENCE

Gallup recently asked 13,085 U.S. employees what was most important to them when deciding whether to jettison their current job for an offer from a new employer. While a nice paycheck remains atop the list, other factors have gained significant ground, with wellbeing-related issues trailing closely behind. Particularly among the Millennial and Gen Z workers who don't buy into the conventional, cubicle-dweller existence of previous generations; and in the wake of the pandemic shutdown that made us all rethink what a typical workday could – and should – look like, the move toward a more holistic, whole-person approach to employee management is key.

It's non-negotiable for employers who want to recruit and retain the best of the best. In a world where money is no longer the sole motivating factor, "focusing on the employee experience is the most promising competitive advantage that organizations can create," writes Jacob Morgan, author of *The Employee Experience Advantage: How to Win the War for Talent by Giving Employees the Workspaces They Want, the Tools They Need, and a Culture They Can Celebrate*.

From the moment a prospective hire reads your job posting to the moment they leave your company, all that a worker learns, sees, does and feels ultimately will determine how invested they will choose to become in your business and its success. That's why each and every facet of the employee experience is critical, from onboarding to benefits to corporate culture to the technology touchpoints and self-service resources they'll deal with throughout the workday.

"You must make sure that their experience is solid right from the start," Muschara says, noting statistics showing that 64 percent of employees are less likely to continue with a new job if they have an unpleasant onboarding experience. "Because there are plenty of other competitors out there knocking on their door, wanting them to come work for them."

Results of that Gallup poll reveal six top factors that employers and their HR software and services providers should know about emerging employee expectations:

- 64 percent want a significant increase in income or benefits.
- 61 percent want a greater work-life balance and better personal well-being.
- 58 percent want the freedom and autonomy to do what they do best.
- 53 percent want greater stability and job security.
- 43 percent want COVID-19 vaccination policies that align with their beliefs.
- 42 percent want to work for an organization that is diverse and inclusive of all types of people.

Of course, it all starts with making the right hires to begin with – An uncanny ability to spot the top prospective talent out there, woo them with an unbeatable offer, wow them with a highly effective onboarding, and consistently give them what they need to grow and thrive with your company throughout their tenure.

"Companies that invest in employee experience are 4x more profitable than those that do not," Morgan says.

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Research shows that organizations that invest most heavily in employee experience are found:

- 11.5x as often in Glassdoor's Best Places to Work
- 4.4x as often in LinkedIn's list of North America's Most In-Demand Employers
- 2.1x as often on the Forbes list of the World's Most Innovative Companies
- 2x as often in the American Customer Satisfaction Index

Want to help your employer clients hire right, manage well, and, perhaps, make one of those "best employers" lists? IRIS Software Group can help.

CONCLUSION

IRIS offers compliance, advisory, benefits, compensation, immigration, and global mobility expertise consultation, software, and services, essentially becoming a critically important client company's payroll and HR team member.

We provide the HR and payroll solutions you need to boost your firm's profitability, which can scale with you as you grow and your needs change. If you want to offer payroll and HR solutions but don't have the resources needed to manage them in-house, IRIS offers fully managed solutions. This involves outsourcing the entire HR or payroll process while still enabling your business to enjoy the benefits of offering these services. If you want complete control over your payroll and HR, IRIS offers an automated software solution that does the heavy lifting for you. If you want to handle domestic payroll and HR in-house but need a partner to handle all international payroll and HR, IRIS can help you with that too.

[Contact us](#) today to learn which IRIS payroll or HR solution is right for your growing business.



Looking to add HR to your payroll service bureau or CPA firm's offerings? We've got the software and services to round out your offerings.

Ready to take your HR services across the oceans? Our full suite of software and services solutions can get you there.

Just starting your firm and/or considering outsourcing its entire HR, HCM and payroll operations? We can help you take flight.

