

Is payroll outsourcing right for your organization?

An all-in-one guide to outsourcing payroll

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Payroll may seem straightforward when you first get started with your business, but as you grow, it becomes a much more significant investment of your time and energy.



Getting it right takes a great deal of specialist knowledge around compliance, technology, and watertight data security.

Not only is managing payroll costly, but it often results in quite a bit of stress; everyone expects payroll to be processed on time with 100% accuracy, but most don't know about the stress of juggling deadlines and keeping up with ever-evolving legislation.

When payroll becomes a source of stress and anxiety as well as a financial burden, businesses can look to specialists who can take the process off their hands.

This is payroll outsourcing.

What to expect from this guide

Whether you're actively looking to outsource your payroll, looking to change your provider, or you're just curious, this is the guide for you.

We cover everything from what exactly outsourcing is and how to pick a provider to common concerns and considerations.



In-house vs outsourced payroll: what's the difference?

Choosing between in-house and outsourced payroll depends on various factors, each with its own set of pros and cons.

In-house payroll is managed internally, offering direct control over the process and allowing for customization according to your needs.

Employees can receive personalized assistance, akin to the character Angela from "The Office".

However, the constant demands of payroll processing can lead to stress and burnout, particularly if whoever is managing payroll has other responsibilities.

Outsourced payroll, on the other hand, involves hiring an external provider to manage the payroll process.

This option saves time and minimizes stress while ensuring timely and accurate payments without burdening internal staff.

Why outsource your payroll?

Managing payroll can be a significant administrative burden, and it's intricately complex, especially without top-notch payroll software.

Businesses often opt to outsource payroll for two primary reasons:

1. It saves valuable time and frees up internal teams to focus on more value-driven work
2. It involves specialized knowledge or complexity beyond the scope of in-house expertise

Payroll outsourcing addresses both of these concerns.

However, relinquishing control over the process may be unsettling for some business owners, as it means they must hand over some control of the process.

Ultimately, the decision boils down to your specific needs, resources, and preferences.

If you prioritize control and customization, in-house payroll may be more suitable, provided you have the capacity and internal expertise to handle the workload and address employee concerns.

Conversely, if efficiency and compliance are paramount, outsourcing payroll can alleviate internal pressures, ensure accuracy, and decrease risk.

The benefits of payroll outsourcing

Cutting-edge payroll applications: access top-notch payroll applications through vendors, tailored to your company's needs. These tools streamline payroll tasks and offer expert support for resolving employee queries efficiently.

Accuracy and time: payroll outsourcing services invest significant time and effort into ensuring accuracy, including precise calculations, tax withholdings, and compliance with local, state, and federal regulations. Equipped with specialized tools, technology, and expertise, payroll outsourcing ensures timely and error-free processing, reducing the risk of audits and penalties.

Compliance with ever-evolving regulations: third-party payroll service providers maintain expert teams, staying current with state and federal tax regulations. They ensure compliance as your business expands geographically, handling local and national regulations efficiently. With access to cutting-edge technology and continuous training, they manage payroll rules, regulations, and legislative changes effectively, keeping you and your employees informed and compliant.

Data security: security is paramount for all businesses, regardless of size. Third-party payroll services provide smaller businesses with secure payroll management, reducing risks associated with in-house management. Trusted providers safeguard data using advanced technology, including secure cloud-based servers, ensuring protection against threats and maintaining data integrity at all times.

How to save money with payroll outsourcing

Outsourcing can offer significant benefits, including cost savings through:

Time efficiency

Managing payroll involves navigating complex regulations and deadlines. By outsourcing, you reclaim valuable time to focus on core business activities. Professionals handle the intricacies, ensuring accuracy and timely processing, freeing you up to focus on more value-added work.

Penalty prevention

Errors or delays in payroll processing can result in costly fines and fees. Outsourcing providers guarantee precise and punctual payroll management, eliminating the risk of penalties. In the rare event of an error, they assume responsibility, sparing you financial repercussions.

Remote work facilitation

Embracing remote work expands your talent pool but may entail grappling with diverse regulations, particularly in states like California. Whether employees are local or remote, outsourcing providers ensure compliant payroll processing, enabling you to confidently offer remote work and hire from a wider talent pool.

Signs your business might benefit from outsourcing payroll

Do any of these areas resonate with you?

1) Handling payroll can impede your business growth

Initially, managing payroll for a small team might seem feasible without assistance.

However, as your company expands, the payroll process becomes more intricate, demanding more time and resources.

Especially if you're balancing payroll among your day-to-day, it can consume so much time that it hinders your other responsibilities.

At this juncture, outsourcing payroll becomes essential.

Outsourcing offers an ideal solution as seasoned professionals handle your payroll, freeing up your schedule to focus on business management and growth, with the assurance that your payroll remains accurate.

2) Compliance obligations must be met to avoid penalties

Federal and state laws, along with ever-evolving regulations, necessitate strict adherence.

Regulatory requirements encompass various aspects such as minimum wage, overtime, pay frequency, payroll taxes, and recordkeeping.

Additionally, compliance extends to remote workers, where each state's regulations must be observed to avoid fines and legal repercussions.

Issues with compliance and monitoring new regulations warrant consideration of payroll outsourcing.



3) Consistent payroll errors or delays pose significant risks

Rectifying errors not only consumes time and resources but also risks losing employees.

Given that a considerable portion of Americans live paycheck to paycheck, even minor errors or delays can impact essential living expenses.

Employees may seek alternative employment if errors persist, jeopardizing retention.

Regardless of the source of errors, persistent payroll discrepancies warrant outsourcing.

4) Outdated software compromises accuracy and compliance

With payroll regulations frequently updated at state and federal levels, using inadequate software can lead to costly errors.

While outdated software may seem functional when processing payroll, it often fails to adhere to the latest regulations, resulting in inaccuracies.

Maintaining up-to-date software can incur substantial investment, making outsourced payroll an appealing option.

5) Missing tax deadlines incurs fines and adversely impacts finances

The IRS imposes penalties for late filings, with the severity increasing the longer the delay.

For instance, even a one-day delay in submitting Form 941 or Form 944 for one employee incurs a 5% fine on the total amount due

Each missed deadline translates to increased financial penalties, affecting your company's bottom line.

Outsourcing payroll ensures timely and accurate submissions, mitigating the risk of fines.

6) Managing deductions and garnishments adds complexity

Offering benefits entails deducting and withholding employee contributions, while managing court-ordered garnishments further complicates payroll processing.

Mishandling these deductions can lead to fines and legal issues for both you and your employees.

Outsourcing payroll alleviates the burden, ensuring accurate handling of benefits and garnishments.

If so, it may be time for your organization to consider payroll outsourcing.



Payroll Outsourcing: Frequently Asked Questions (FAQs)

We understand that transitioning from handling payroll in-house to outsourcing is a significant move that can raise various questions.

Here are a few common queries we hear from organizations considering payroll outsourcing and what we advise.

Q: Will we lose control of our payroll?

Naturally, control is a common concern when considering outsourcing, as it involves delegating tasks to a third party.

However, outsourcing doesn't automatically mean relinquishing control.

On the contrary, you still retain ultimate approval authority over payrolls before employees get paid, despite the provider managing the day-to-day details.

Q: Do we still need in-house payroll expertise?

Although not obligatory, having someone with payroll experience internally could be beneficial.

With payroll outsourcing, you designate authorized contacts within your organization to liaise with the provider.

These individuals upload employee data to the provider, who then manages the payroll process.

Upon completion, the provider sends a report with payroll details for approval.

Q: Will the service be reliable?

When evaluating providers, inquire about their turnaround times, client guarantees, and business continuity plans.

Also, seek industry-standard accreditations like ISO 27001, ISO 9001, and ISO 22301 to ensure confidence in entrusting your payroll to them.

Q: Will I have access to run reports when I want?

This varies depending on the payroll provider you select.

Ideally, you'll have access to a range of reports that you can generate as needed.

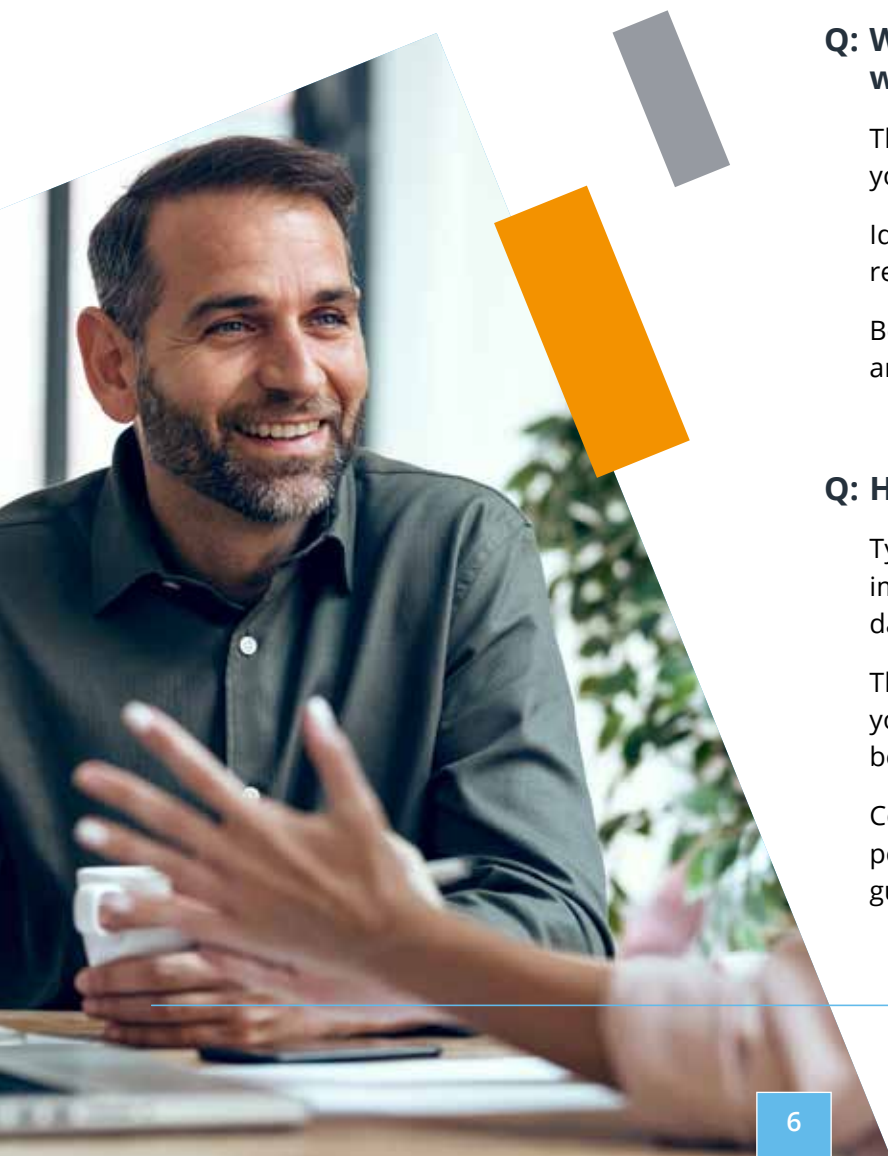
Be wary of providers who restrict data access and charge extra for reports upon request.

Q: How difficult will it be to change?

Typically, outsourcing firms have specialized implementation teams tasked with migrating data and establishing the new payroll system.

They often conduct parallel runs alongside your existing payroll to ensure accuracy before going live.

Consequently, expect an implementation period, but reputable payroll companies will guide you through the process.





Reasons to switch from your current payroll outsourcing provider

For those who have already outsourced their payroll to a dedicated payroll provider, it isn't always plain sailing, and you may want to consider switching.

The good news is that once you have made the initial, often scary, decision to outsource, moving providers should be less of an unknown.

Unsure if it's time to make a change? Consider these pain points and evaluate if they resonate with your current provider.

Payroll errors

Accuracy is crucial for compliance and employee morale. Errors in payroll signal issues with provider expertise, software quality, and quality control.

Processing delays

Outsourcing should streamline processes. If your provider's software is clunky or approval processes are sluggish, it may be time for a change.

Communication challenges

Traditional outsourcing services may lack consistency or personal interaction. Ensure your provider offers both a trackable help system and accessible expert support.

Limited functionality

Not all systems offer the same features. Assess if your provider meets your technical requirements and payroll complexity.

Inadequate support

Your provider should keep you informed of legislative changes and offer comprehensive training. Look for accessible support options like webinars and help centers.

Cost concerns

Scrutinize pricing structures for hidden costs. Unexpected charges for standard services may indicate an untrustworthy provider.

Confidence loss

Your confidence in your provider is paramount. Evaluate how they handle problems. If trust is eroded, it's time for a change.

Step-by-step guide to outsourcing your payroll

Finding a payroll outsourcing provider, whether for the first time or as a change from your current supplier, can understandably seem overwhelming.

Compared to physical products, with services, there are fewer 'tangibles' to compare.

You need to determine the most critical factors required and how potential partners measure up.

1) Define your requirements

Firstly, outline your payroll requirements, considering aspects you want to maintain, pain points needing improvement, and any additional features you desire.

A great starting point is to create a detailed wishlist, helping guide your discussions with potential providers.

This wishlist ensures that you have a concrete understanding of your priorities before engaging with suppliers.

2) Select your provider

Evaluate the providers' experience and understanding of your specific requirements.

Clarify pricing structures, ensuring transparency and understanding of the fees.

Inquire about their implementation process, including timelines and post-implementation support.

It is also worth looking into what additional services they offer beyond basic payroll processing, such as HR integrations or customized reporting.

3) Communicate with your provider

Involve all relevant stakeholders in discussions to ensure their needs are considered.

Also, appoint a dedicated contact person from your side to facilitate communication and coordinate efforts with the provider.

Having that dedicated point-of-contact will help foster a collaborative relationship and ensure a smooth transition.

4) Implementation

With your selected provider, agree on implementation timelines and milestones.

Ensure all legal requirements are addressed upfront, and coordinate the secure transfer of employee data.

Conduct thorough parallel runs to identify and address any discrepancies between the old and new systems.

Once both parties are satisfied with the accuracy and functionality, proceed with the official go-live process.

Top tip: notify employees of any changes to ensure a smooth transition.



IRIS Fully Managed Payroll (FMP)

If this guide has clarified your options regarding outsourcing your payroll and you have decided to use a third-party provider, IRIS has an industry-leading outsourcing option.

Fully Managed Payroll

IRIS FMP is a trusted partner in 'in-country' and global payroll and payment services for organizations expanding internationally. We provide managed payroll services in the US, Canada, Mexico, and 135 other countries.

Comprehensive global payroll solutions

Payroll is a complex process involving taxes and compliance and of course, ensuring employees are paid accurately, on time, and in the correct currency. It is often time-consuming and can be expensive, but it doesn't need to be.

IRIS can manage every aspect of your payroll for you. We deliver compliant, managed, and simplified global payroll solutions to help your business expand.



Payroll onboarding/offboarding



Payroll processing and calculation



International payments



End-of-year statutory reporting

Benefits of outsourcing your global payroll with IRIS

Single contact

You will have one dedicated payroll manager and a single, online portal for all your global requirements, removing the complexity of deadlines, suppliers, and languages.

Simplified commercials

One contract and one invoice, removing the administrative burden of managing multiple suppliers.

Standardized processes

We have one uniform service across different countries, offering familiarity with localized legislation.

This ensures compliance with complex and varied laws and regulations in 135 countries and the delivery of secure and timely distribution of global payments across 127 different currencies.

Unique perspective

Our comprehensive payroll & HR solutions give us one whole view of the full employee lifecycle.

By unifying and automating your people processes, we also get your employees to rapidly deliver value in new markets – saving you time and money.

[Learn more about IRIS FMP here](#)

