

THE MYTHS OF OUTSOURCING

Companies today have two options for paying their employees: outsource their payroll or bring it in-house. Companies are often drawn to payroll outsourcing by their promises of saving the company time, money and resources. However, those companies quickly find the hidden fees and lack of flexibility and control after they outsource. If this applies to your company, take the time to learn more about the “myths” of outsourcing and how an advanced, in-house payroll solution can provide complete control without the hidden fees.

Myth #1: “If we outsource, someone else is doing all the work”

FACT: Companies often have the false impression that they will no longer need to worry about any payroll functions if they decide to outsource. The reality is that companies are still responsible for providing the outsourcing company with the essential information. The company must collect and input items such as time, vacation, and pay information and then transmit the information for the outsourcer to print the paychecks. As a result, all of the payroll functions are being completed internally.

Another issue that can arise with outsourcing is the loss of control over the payroll process. Service providers mandate that you meet their deadline and work on their schedule, not your own. If there is a problem with submitted payroll information, the company must alert the outsourcer of the error and wait for them to correct it – potentially delaying your payroll.

Full-featured in-house payroll applications automate everyday functions such as tax reporting, vacation accruals, time input, direct deposit and garnishments. The current personnel would be completing the same tasks, whether the company chooses to outsource or bring the payroll process in-house.

Abra Payroll customer:

Kathy Pittsley, accounting manager at Henley Enterprises, was frustrated by the limitations of the company’s outsourced payroll provider. “We were spending more than \$100,000 every year for the service, but felt we were doing 90 percent of the work,” she recalls. The final straw came when the service provider inadvertently postdated a batch of checks, preventing employees from cashing those checks on payday. “It was a mess – hard to resolve and just embarrassing for us and our employees.”

Myth #2: “If we bring payroll in-house, we have to become tax experts”

FACT: Most full-featured in-house payroll applications will maintain and update all tax tables and calculate the necessary taxes, thereby automating the tasks of tax filing. With an in-house system, there is no need for your staff to become tax experts. In fact, an in-house program can simplify the process – making electronic tax filing available at the click of a button.

Abra Payroll customer:

“Sage Compliance Services is a godsend,” remarks Pittsley. “We run payroll, and then simply upload a file—they handle the rest.” Pittsley receives e-mail notifications from Sage Compliance Services of payments processed and upcoming payments due. “we have the best of both worlds. In-house payroll that gives us total control, and outsourced tax filing so we don’t have to do the paperwork and keep up with the requirements.”

The savings Henley Enterprises has found, are significant, "We pay just \$1,000 a month for Sage Compliance Services," says Pittsley. "We were paying \$4,000 per week for outsourced payroll!"
-Kathy Pittsley, Henley Enterprises

Myth #3: "If we outsource, it is more cost-effective"

FACT: The true cost behind outsourcing is often difficult to predict. Over time, a company will be faced with numerous hidden costs, fees for every report needed and price increases solely at the discretion of the outsourcing provider. Companies will also often be presented with additional fees for W-2 filing, tax filing and printing of checks. By bringing payroll in-house, many companies will see a return on their investment in as little as one year, as the purchase price of an in-house system is often equivalent to the company's fee for only one year of outsourcing.

Companies will often falsely believe that they will need to hire additional employees if they bring payroll in-house. The truth is that the same staff responsible for outsourced payroll information can easily manage the duties needed for an in-house payroll system.

Companies are also often concerned that they will need additional IT staff if they bring their payroll in-house. Most companies must have basic IT support in order to maintain equipment needed for daily activities. With in-house solutions, all support and maintenance is provided directly by the vendor, and is completely automated, therefore no additional IT staff is required.

Abra Payroll customer:

"Previously, staff collected paper timesheets from each store and manually keyed employees' hours into a spreadsheet which was then sent to the outsourced payroll service. By eliminating the data entry, we save a full labor day each week." Kathy Pittsley, Henley Enterprises.

Many companies have discovered that bringing payroll in-house can save a significant amount of money and receive superior support, thereby providing more value-added services to the company.