

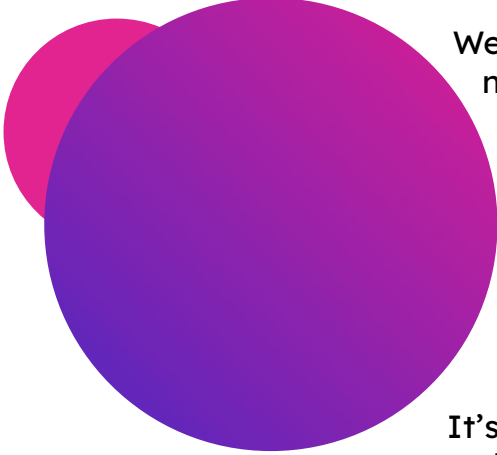


Outsourcing Payroll and HR: A Shopper's Guide

Brought to you by **PAYDAY HCM**
ONE SERVICE. ONE HEART. ONE TEAM.

Introduction

Shopping for a payroll provider can be hard, but does it have to be?

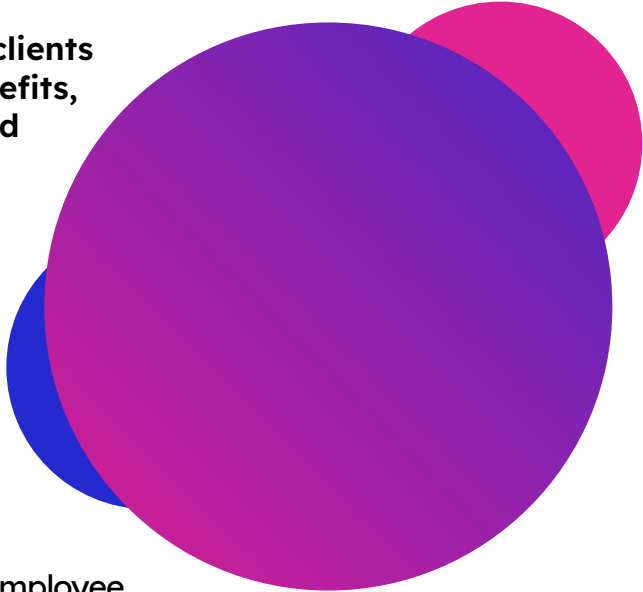


We live in an age where all the information we could ever need is available to us right at our fingertips—and yet, it feels harder than ever to find the information we actually need. **With all these sponsored results, AI overviews, and SEO-engineered websites telling you that this big-box, corporate provider has all the solutions you'll ever need, you may find yourself feeling overwhelmed with information that doesn't even really feel like it's speaking to the problems your business is currently facing.**

It's likely you've also heard many of these same corporate payroll providers say something along the lines of, "Hey, we get it. Don't worry: we're here for you." But when we say we understand what your business is going through, we truly mean it.

With over 40 years of experience working with clients on payroll, human resources, and employee benefits, we've not only seen it all, but we also understand how each business we interact with is entirely unique from the last.

That's why we've put together this **Outsourcing Payroll and HR Shopper's Guide**: to provide you with the answers to the questions you have that will help you make the most informed decision when it comes to outsourcing your payroll and HR. Of course, this document is by no means all-encompassing—rather, this guide is designed to give you a general overview of what you can expect when it comes to outsourcing your payroll, HR, and employee benefits, and to help you make the best decision when it comes to choosing a provider.



So, let's get started.



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1. Payroll Services

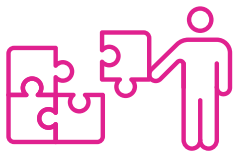


How much does it cost to outsource payroll?

The cost of outsourcing payroll varies depending on the size of your business, the services included, and the provider you choose. Most providers charge a base monthly or per-payroll fee plus a per-employee fee. Initial setup fees are common and can range widely. Additional costs may include year-end tax filing, direct deposit processing, garnishment handling, and HR add-ons. When evaluating cost, be sure to account for the time savings, reduced compliance risk, and the cost of errors that outsourcing prevents. Many businesses find that the ROI of outsourcing far exceeds the service fees.

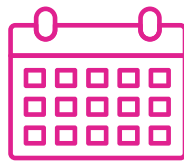
Costs to consider when outsourcing payroll:

Initial set-up fees



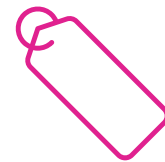
These are one-time fees needed to get your software and payroll solution off the ground.

Monthly payroll fees



Monthly fees that cover the costs of continual payroll services and software.

Add-on features



Some software features or service options will come with additional fees.

When is the best time to switch payroll providers?

Many businesses assume January 1st is the only time to switch payroll providers, but that's a myth. While switching at the start of a new year simplifies year-end reporting, mid-year conversions are entirely possible and sometimes preferable—especially if your current provider is causing ongoing issues. The key is thorough planning: ensure all year-to-date payroll data is transferred accurately so W-2s and tax filings remain correct. Working with an experienced provider who has handled many mid-year conversions can make the process seamless.

“From an industry standard, I can tell you this: payroll happens every day, and it doesn't matter. What you need to take a look at is what internal projects you have going on that might conflict with a payroll conversion.”



-Kristi Feist,
Vice President of Sales
at Payday HCM

Should I choose a national payroll provider or a local one?


Both have their advantages. National providers often offer sophisticated software platforms with broad feature sets. However, they can fall short when it comes to personalized customer service—you may find yourself navigating automated phone trees and waiting days for a response.

Advantages of a local provider:


- **Personalized Service:** A local payroll provider can take the time to get to know you and your business, providing service that goes beyond just call centers and online support articles.
- **Scalable Software:** While you might associate local payroll providers with less powerful software solutions, this usually isn't the case. With Payday HCM, we offer our clients the isolated HRIS platform, an HR software that grows with your business.
- **Real Working Relationships:** For many local payroll providers, it's not just about business—helping you with your payroll, HR, and employee benefits is a personal matter, meaning you'll always get the answers to your questions when you need them and from someone who you know, recognize, and trust.

How do payroll systems ensure accuracy and compliance with tax regulations?

While the specifics will vary by payroll system, most should be equipped with advanced algorithms that automatically calculate taxes based on the latest federal, state, and local tax laws. It should continuously update to reflect any changes in legislation, ensuring that your payroll remains compliant and accurate, thereby reducing the risk of penalties and errors.



“We work with a lot of people to, one, build out a general ledger so that they don’t have to calculate all of those numbers from payroll, and then, two, sync it up to their accounting software.”



-Lisa Bodie,
Operations Manager
at Payday HCM

Can payroll systems integrate with my existing HR and accounting software?

Again, while the specifics of each system will vary, generally most payroll solutions are designed for some level of integration with a wide range of HR and accounting software. This integration capability ensures a smooth flow of data across systems, enhancing efficiency and reducing the need for manual data entry.

Do payroll providers support multiple pay schedules (weekly, bi-weekly, semi-monthly) within the same company?

Yes. Most providers allow you to run different employee groups on different pay frequencies simultaneously. This is common in businesses where hourly staff are paid weekly and salaried staff are paid semi-monthly.

How do payroll providers run off-cycle payroll for bonuses, commissions, or corrections?

Most providers will be able to run on-demand, off-cycle payroll runs so you can process bonuses, corrections, or final paychecks outside of your regular pay schedule.

Tips for running bonuses:

- **Create a bonus plan:** Create a detailed bonus plan or policy, outlining things like eligibility, bonus structure (flat rate, percentage of income), and timing.
- **Tax withholding:** You’ll need to decide whether you’ll pay out bonuses separately from an employee’s regular wages or in aggregate with their regular wages.
- **Communicate ahead of time:** Informing your payroll specialist or your provider about a bonus payroll run.

What happens if there's a payroll error? How are corrections handled?

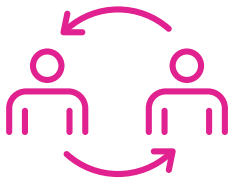
Corrections can be made via manual adjustments, void/reissue of checks, or supplemental pay runs. The system maintains a full audit trail of changes. For tax corrections, amended returns (941-X, W-2c) can be generated as needed.

How do payroll providers handle multi-state payroll for businesses with employees in different states?

Most payroll systems will automatically calculate and withhold the correct state and local taxes for employees, regardless of where they work. The system should be able to stay up-to-date with changing tax laws across all states, so you never have to manually track rate changes.

What multi-state workplaces should look for in a payroll provider:

Consistency across properties



Same general ledger setup, time clock configuration, applicant tracking system and hiring processes.

Multi-state capability



Ability to handle varying tax laws (New York complexity vs. Texas simplicity, for example).

Accessible client service representatives



Dedicated teams that understand your business and each of its locations, available when you need them.

Scalability and options for growth



Software and service that can expand with your business.

For businesses that operate in multiple states, outsourcing your payroll, human resources, and employee benefits management can help ensure your day-to-day tasks are taken care of while giving you time to focus on the bigger picture operations of your business. It can be a method for relieving administrative burden while ensuring those day-to-day tasks are still being completed at a high level. It also can increase compliance, ensuring your business is meeting standards that may vary from state to state.

What should I expect during a payroll conversion?

A payroll conversion is the process of moving your payroll data and processes from one provider to another. It typically involves gathering historical payroll data, setting up your employee and company information in the new system, running parallel payrolls to verify accuracy, and transitioning to live processing.

A smooth conversion requires careful planning, clear communication with your current provider to retrieve all necessary data, and close collaboration with your new provider's implementation team. After the conversion, expect a brief period of adjustment as your team learns the new system and processes.



2. Employee Benefits

Why do employee benefits matter for my business?

Employee benefits are one of the most powerful tools you have for attracting and retaining top talent. In today's competitive labor market, a strong benefits package can set your company apart from competitors offering similar salaries. Beyond recruitment, benefits impact employee morale, productivity, and loyalty. Employees who feel financially secure and physically well are more engaged and less likely to leave. **A robust benefits package also signals that your company values its people—which strengthens your overall workplace culture.**

Is it better to keep our employee benefits with one HCM provider and HRIS system?

In most cases, yes. When payroll and benefits are managed through a single, integrated platform, you reduce data entry errors, eliminate the need to manually reconcile deductions between systems, and create a more streamlined experience for both HR administrators and employees. Split providers often lead to discrepancies in payroll deductions, delayed benefits updates, and finger-pointing between vendors when issues arise. An integrated approach also simplifies compliance reporting and ensures that benefit elections are reflected accurately in each paycheck.

The benefits of keeping your payroll and benefits administration with one provider:



Streamlined payroll deductions

A unified HCM system, where benefits management and payroll deductions harmonize under a user-friendly platform, offers a centralized solution where these tasks are automated, ensuring deductions are accurate, timely, and fully compliant with regulatory standards.



Simplified carrier communications

Instead of managing multiple logins, interfaces, and contacts, HR managers can work within a single system that streamlines communication and data management. Benefits coordinators act as liaisons, interfacing with each carrier and ensuring that information flows seamlessly from one entity to the next.



Easier enrollment & reduced manual data entry

Keeping your payroll and benefits under one HCM provider allows for a more seamless process when it comes to relaying employee information for benefits and payroll purposes. Keeping both of these services under one roof not only keep employee data more secure, but it also helps to simplify the enrollment process as well, creating less manual data entry both for benefits administrators and employees.

Do benefits agencies handle ACA compliance reporting?

Benefits agencies are typically equipped to track ACA eligibility, generate 1095-C forms for employees, and file 1094-C forms with the IRS electronically. However, this is often a good question to ask any benefits agency you may be considering: How do they monitor ACA compliance? Do they offer tax filing services in conjunction with their benefits services to streamline the ACA process?



“Enrollment & education meetings, year-long support, compliance assistance—we can help differentiate your package ‘cause we’re in it for the right reasons. We just need to understand what maybe a new package looks like or needs to look like for your business.”



- Patrick Sanders,
Benefits Expert
at Payday HCM

How can a benefits agency help my employee benefits package stand apart from others?

Working with a third-party benefits agency can help ensure your benefits package stands out with a high degree of customization, comprehensive options covering a wide range of needs, and a commitment to aligning benefits with the specific goals and culture of your organization.

How does open enrollment work for employees?

Open enrollment is the process in which employees will enroll in benefits. Each year, either employees will be able to either enroll in benefits for the first time or make changes to the benefits that they initially signed up for as to better fit their needs for the upcoming year. These changes can vary from the level of coverage of health insurance to signing up for a company-sponsored gym membership.

Open enrollment is a good time to review your current health insurance plan and see what sorts of things you might or might not need heading into the new year. Some common things to look at are:

- **Adjusting coverage levels**
- **Adding or removing dependents or a spouse**
- **Enrolling in new benefits**
- **Switching between plan types, like a HMO, PPO, or HDHP**
- **Signing up for a health savings account or flexible spending account**

If an employee misses open enrollment, the only way they’ll be able to enroll in any health insurance benefits is following a Qualifying Life Event.

A Qualifying Life Event can take a few different forms, including:

- **Loss of health coverage**
- **Changes in your household, such as having a baby or getting a divorce**
- **Changes in residence**

How do benefits brokers get paid, and how do I know I'm getting the most value?

Benefits brokers are typically compensated through commissions paid by insurance carriers—usually a percentage of the premium. This means broker advice can sometimes be influenced by which plans pay the highest commissions rather than which plan is the best fit for your workforce.

When working with a broker, ask upfront how they are compensated and request a transparent breakdown of all fees. A good broker will present multiple options, explain the pros and cons of each, and advocate for your employees' needs as well as your budget.

Can benefits agencies assist with employee benefits education and enrollment?

The level of involvement a benefits agency will have in the open enrollment process and education of employees on what benefits are available will vary from carrier to carrier. It's important to look for agencies that will provide extensive support in educating your employees about their benefits options and assist in streamlining the enrollment process, making it as straightforward and informative as possible.

Your employees should always be provided with benefits enrollment materials, information from carriers, as well as in-person and virtual enrollment sessions. It's also crucial that these resources are available year-round, ready to answer any question you or your employees may have at any time.

I'm an employer with 10 or fewer employees—what's the best approach for offering health insurance?

While specific requirements will vary from carrier to carrier, generally, health insurance plans will need at least two employees to be enrolled in a plan, and employers must contribute 50 percent towards employee premiums. Outside of a traditional health insurance plan, smaller businesses can also take advantage of things like worksite benefits or reimbursement models.

Benefits options for businesses with 10 or fewer employees:

Group health insurance



Businesses with a small number of employees can still offer a traditional health insurance plan. However, as mentioned above, you'll need to ensure you can meet the minimum enrollment and employee contribution requirements.

Worksite benefits



Worksite benefits, also known as voluntary benefits, are typically employee-funded benefits that help to cover unexpected expenses or other life events. Life, disability, accident, hospital indemnity, and pet insurance are all examples of worksite benefits.

Reimbursement models



A reimbursement model, like a QSEHRA or ICHRA will allow you to budget for a set amount, as the reimbursement limits are set by the employer. As these arrangements are reimbursements, you'll only pay the amount that reimburses qualifying expenses, which may not always be the reimbursement limit.

3. Human Resources



What is Human Resources (HR), and why does my business need it?

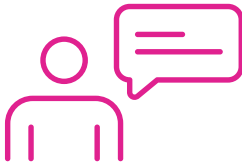
Human Resources (HR) is the business function responsible for managing the people who work for your organization. This includes recruiting and hiring, onboarding, employee relations, performance management, compliance with labor laws, and managing compensation and benefits. Even small businesses need HR support—without it, you're exposed to compliance risks, higher turnover, employee dissatisfaction, and potential lawsuits. Whether you staff an internal HR department or partner with an HCM provider to handle these functions, having solid HR infrastructure is essential for sustainable business growth.

What areas of HR management do HR service provider's cover?

Typically, HR service providers encompass a wide range of HR areas, including talent acquisition, employee relations, training and development, performance management, compliance, and workforce analytics.

HR services typically outsourced include:

HR Consultation



Expert guidance on HR strategies, policies, and best practices tailored to your business's needs.

Legal Compliance Assistance



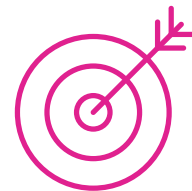
Ensure your business stays up-to-date with changing labor laws and regulations with compliance assistance.

Talent Acquisition



Help streamline your hiring process with expertise in talent scouting, interviewing, and applicant tracking software.

Performance Management



Gauge the performance of your team through advanced analytics to help foster a more engaged work environment.

Can HR services be scaled to suit businesses of different sizes?

It's a common myth that smaller businesses don't need human resources when, in actuality, businesses of all sizes can benefit from an HR presence. Partnering with an HR service provider can help improve the employee experience, boosting retention and ensuring compliance—whether your business has one employee or one hundred.



Can outsourced HR solutions integrate with existing HR systems?

The short answer is yes: if you currently have an HRIS and you're seeking separate HR consultation, you'll be able to pair these two services separately from two different providers, if you so choose. **However, continuity is crucial, especially when it comes to HR. Opting to work with a service provider who can provide both a capable HRIS in addition to HR consultation and compliance assistance can help keep all your different HR processes in one place.** This helps to streamline operations as there's only one point of contact in terms of getting assistance with your HRIS or asking a compliance question.

“The HRIS system that you would also have access to is a good repository to keep all of your employee documents. Not only you, but your employees can access their personnel records, their tax documents. It's not only used for the payroll side, but for the HR side to keep anything important related to your employees and their life cycle during the organization, during their time with the organization.”



- Nancy Wingo,
HR Expert
at Payday HCM

What is an HRIS and how can it help my business?

HRIS software organizes and compiles all sorts of employee data, including sensitive information like a worker's age, gender and address; workplace information, like an employee's title, pay scale and department; the benefits they've opted in to; and their timecard and time-off requests.

An HRIS can help you streamline the employee experience, improve compliance, and reduce manual processes.

How much does it cost to create an employee handbook?

The cost of an employee handbook varies significantly based on how it's created. Hiring an employment attorney to draft a custom handbook can cost anywhere from a few hundred to several thousand dollars. Some HCM providers include handbook creation or template access as part of their HR services. While cost matters, the more important consideration is accuracy and relevance—a **handbook that doesn't reflect current laws or your actual policies can create more liability than having no handbook at all.** Handbooks should be reviewed and updated annually or whenever significant legal changes occur.

Any Questions?

Feeling overwhelmed or unsure of where to start? Don't worry, there's no rush. Take your time with this guide; take the time to understand exactly what your business needs when it comes to a payroll and HR service provider.

Of course, this guide doesn't contain the answer to every question, so if you're not seeing the answer you need, please, reach out to us. We're here for you every step of the way, whenever you feel ready.



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