

Ascender

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White Paper

Running Payroll in the Asia Pacific

How much does it really cost?

Staying up-to-date with software solutions can actually reduce payroll costs due to a more compliant, streamlined and effective process.

The real cost of running a payroll function in-house

Many companies fail to adequately prepare for the burden of payroll and HR expenses due to a misguided and unrealistic estimate of the actual costs.

While most businesses are quick to identify the obvious payroll expenses, such as processing staff and technology acquisition, the hidden and indirect costs can make up a significant portion of the total operating expenditure.

As you research the cost of running your payroll function, it can be very easy to assume that you might not save any money by outsourcing. However, an accurate approach to calculate the payroll cost should include a comprehensive list of all direct and indirect expenditure associated with the payroll function.

To help you understand the real costs of running a payroll in the Asia Pacific (APAC) region, this white paper outlines the typical costs of payroll – focusing on the hidden and forgotten (indirect) expenses that you may not have previously considered.

The real cost of running payroll in the Asia Pacific

When considering the cost of payroll within your organisation, you need to be aware of all the possible expenses your business could face.

This includes the overheads that affect organisations in any region, as well as the location-specific costs – such as taxes and legislation particular to certain countries.

During the initial setup, you will need to account for training staff to operate your payroll process, as well as establishing the function within your business' operations.

You may already be aware of such costs, but following are a few that are typically forgotten or could come as a surprise.

- » Indirect labour costs – this includes the cost of labour for employees who are not directly related to the payroll function, but support the process through collecting, approving and preparing employee hours for payroll, for example.
- » Audits and internal controls – are a required expense to ensure the payroll function remains compliant with local legislation. Additionally, internal and external audits can be required, which cost time and money to prepare and execute.
- » The different types of tax and social insurance filings – if your company operates across different countries within the APAC region, you will find certain jurisdictions are required to pay for tax and insurance lodgments. For example, an organisation based in China will contend with different filing processes for Chinese and international/non-Chinese employees.
- » Bank charges – each location across APAC will be subject to different bank charges and fees, such as transaction fees, financial management charges and, for those organisations that hire international workers or operate across multiple jurisdictions, currency conversion fees.
- » Treasury management – the payroll function involves a significant amount of movement in finances across an organisation, through salary payments and other expenses. Treasury management involves the collection, handling and use of cash assets in a process that reduces and mitigates risk while maximising liquidity.
- » The cost of legislative compliance – this cost accounts for the burden of understanding and remaining compliant with the complexities of different payroll legislation, taxes and insurance requirements throughout Asia Pacific. In particular, organisations operating in multiple countries, can find it difficult to run specific payroll functions to comply with different laws in each location. Tax rates and legislation can change regularly, so it is important that compliance is routinely and systematically reviewed and updated when necessary. This process can be a significant burden on time and other resources.

Other hidden considerations

Many hidden costs are fixed, and therefore as your employee population increases or decreases these costs will remain relatively stable. For example, maintaining compliance with tax, social insurance and legislation is generally applied across a complete organisation. While international employees may require specific legislative changes, the cost of reviewing, understanding and updating compliance is typically understood as a department expense, rather than a per-employee cost.

Forgotten and unconsidered costs can drive up the total operating expense of the payroll function far beyond what an organisation's initial estimate generally suggests. For instance, if your internal payroll team is unfamiliar with the complex tax laws throughout the APAC region, this can lead to overpayment/underpayment of employees' salaries, which can attract harsh penalties.

Furthermore, the cost of keeping up-to-date on this payroll legislation can be prohibitive with the multitude of laws for each jurisdiction, together with the ever-changing nature of the legislation. Another consideration is the cost involved in maintaining and managing data, security and overall processes.



Technology – spending less now, can cost more later

Because organisations regularly operate under tight budgets and time restraints, adequate funding is often not allocated to ensure that payroll technology is upgraded and compliant.

Furthermore, some organisations may avoid investing in the most suitable and up-to-date technology altogether, due to the substantial upfront expense. However, failing to upgrade payroll systems could incur additional, unintended costs – through inefficiencies and potential penalties for non-compliance.

A lapse in technology and software upgrades can also lead to increased expenses due to running the payroll function under a mismatch of technology and business processes. While taking the time to properly research systems and software can seem like a significant burden on resources, staying up-to-date with software solutions can actually reduce payroll costs due to a more streamlined and effective process in the long run.

Strategies for a more cost-effective payroll function

When considering these in-house payroll costs, it is easy to see how the payroll function could become a significant financial expense in your organisation. However, there are some simple solutions to help your organisation run a more efficient and cost-effective payroll function.

If you consider outsourcing your payroll and associated functions – such as HR and time and attendance data collection – you can discover financial benefits, as you concentrate your efforts on revenue-generating activities rather than administration. According to Deloitte, 31% of APAC organisations already outsource all payroll processes. These companies typically experience much lower per-employee payroll costs.

When researching payroll-outsourcing options for your business, it's important to look at the whole picture when gathering information for your cost-benefit analysis. This means including both direct and indirect costs. In addition, the choice of provider is a vital element – especially across APAC where legislation and compliance requirements vary widely throughout the region. Choosing a reputable provider that has a proven payroll platform, a strong APAC delivery footprint, and on the ground specialist staff that work to your time zones, speak your language, and understand local customs is essential.

31%

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Deloitte's 2014, 'The Payroll Operations Survey'

With more than 1.3 million employees of Ascender customers being serviced using Ascender's Payroll and Human Capital Management platforms throughout the Asia Pacific, approximately 1,600 accounts across more than 1,100 global brands and listed companies trust us to meet their payroll and HR needs.

Their regional teams and operational centres service a diverse range of customers' payroll requirements through 900+ dedicated professionals across 8 countries, who have local payroll knowledge and expertise in 7 languages across 31 country legislations. Ascender offers payroll outsourcing and cloud-based enterprise integration for businesses seeking to incorporate streamlined payrun capabilities across multi-countries through leading technology and innovative processes.



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