

The Real Cost of Not Using Modern Payroll and Recruiting Tools

We would like to pose a question to payroll and hiring managers: do you know how much your company spends on payroll and HR AND whether or not a good return on investment is being realized? If you answered 'no', you are not alone. American companies spend billions of dollars on payroll administration and HR annually. Very few really know what their money is getting them.

Exacerbating what has long been a problem in American business is the lack of adoption of modern payroll and recruiting tools. Far too many companies are still doing things the old way. They are not using payroll solutions hosted in the cloud. They are not utilizing an applicant tracking system for new hires. They are spending a ton of money without knowing if such expenditures are producing anything of value. Therein lies the issue.

The real cost of not using modern payroll and recruiting tools is observed in watching companies do the same things they have always done without ever getting better results. Isn't the definition of insanity something similar?

Spending a Lot to Recruit

It used to be that companies spent a small fortune preparing job analyses, following up with job evaluations, posting ads, and interviewing every candidate with a decent looking resume. Modern companies do much the same thing with a couple of exceptions.

First, job postings are now published online. Second, a lot of companies have turned over recruiting and hiring to specialized contractors. Otherwise, the hiring and recruiting of today looks very similar to what it was 50 years ago.

All of this is fine except for the fact that companies don't know whether their hiring and recruiting processes actually result in hiring the best candidates. Worse yet, the [Harvard Business Review reports](#) that employers spend an average of \$4,129 to fill a single job. American companies are spending some \$20 billion annually just on hiring alone.

Making Hiring More Efficient

Modern recruitment tools – like applicant tracking systems – make hiring more efficient by streamlining the entire process. That saves both time and money. But there's more. Applicant tracking systems provide employers with a plethora of reliable data that can actually tell them whether or not their recruiting efforts are producing the desired results.

This further increases efficiency by helping employers understand what is working and what is not. Data can be utilized to modify the recruiting and hiring processes for even greater efficiency and productivity. The right tools save money over time by gradually improving performance.

Spending Too Much on Payroll

While the HR department is spending more than \$4,000 to hire a new employee, the payroll department is spending money on legacy software, manual data entry, and other wasteful processes and systems. Money is lost to inefficiency and low production. How much money are we talking? No one knows for sure, but the general rule is that [spending more than 30%](#) of gross revenues on payroll invites failure.

Of course, a big part of that 30% are the actual wages paid to employees. But what does not go out in wages is spent on processing and administration. And just like in the HR department, outdated payroll systems only waste money.

New payroll tools – like cloud-based payroll software and digital time and attendance tracking – reduce the manual labor of payroll processing. New tools increase accuracy, reduce costly mistakes, and save money by making the payroll department more efficient.

The real cost of not using modern payroll and recruiting tools is failing to produce better results. Money spent is useless if it does not offer a positive return.

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