

## Understanding Payroll Costs for Small Business

Payroll costs for small businesses go well beyond the wages paid to employees. Accurately determining the total costs of paying employees is essential to understanding your business clients' financial health and can help pinpoint areas where they can streamline.

### What Are Payroll Costs?

Payroll costs are the total expenses associated with compensating employees for their work at a business. What are typical payroll costs?

- Base pay (whether paid on an hourly, piece, salary, or other basis)
- Bonuses and commissions
- Paid time off and other employee leave
- Employer's portion of payroll taxes
- Employee benefits contributions
- Workers' compensation insurance
- Payroll administration costs

If a business uses payroll or accounting software, there may be additional fees, such as payroll processing fees, payroll tax filing costs, or other add-ons. Many businesses find that investing in a third-party payroll can help them mitigate payroll errors, provide additional tools to help them follow applicable laws and regulations, and save time each pay period.

### Strategies for Managing Payroll Costs

Businesses may also be able to reduce payroll costs over the long term by:

- Outsourcing payroll functions
- Auditing benefits
- Classifying workers correctly
- Following applicable business laws
- Investing in time tracking

### Automation in Payroll Processes

Integrating payroll software with other business functions can lead to substantial cost savings for small businesses. Tools that integrate payroll with HR, accounting, and time-tracking systems can automate manual processes, reducing the need for multiple platforms and the associated administrative costs. This can save time and reduce the risk of costly compliance errors.

Ask how Paychex can help your business clients with their business payroll costs.