

Taking payroll to new heights

The Great Resignation has clients clamoring for new HR- and payroll-related services



Hitting new heights

Accounting firms are adding human resources, benefits and other related services to their payroll offerings

By Antoinette Alexander

One of the greatest challenges facing business owners today is attracting and retaining quality employees. With a record number of people quitting their jobs and reevaluating their careers, the Great Resignation is forcing many employers to find new ways to become talent magnets. For accounting professionals, this is resulting in greater opportunities to provide business owners with more financial and people management guidance that extends beyond payroll.

"As the firms are growing, they're definitely getting into a clientele that needs to have additional services related to payroll," said Carla Caldwell, founder and CEO of Caldwell Consulting & Training in Atlanta. "Payroll is kind of a baseline compliance that needs to happen, but once that is tackled, [clients want firms to be] able to get into those other areas. And we're seeing that quite a bit from people needing to make sure that they keep the current staff that they have or to attract new staff. They need to be able to offer benefits. ... The accountant is a natural resource for them, one that they already trust. So, for accountants to provide that type of advisory service related to the additional payroll-adjacent services is definitely a natural role that we're seeing accountants be able to fill and offer that to their clients."

Said Erron Stark, general manager and vice president of ADP's east region, "Since not just the onset of the pandemic, but really from the institution of the Paycheck Protection Program and the Employee Retention Credit and the alphabet soup of all the legislative opportunities that were presented during the pandemic, it has caused firms to become more of a subject-matter expert in areas that I would say they were peripherally aware of or had expertise in, but now it has caused them to become like ninjas as far as how they are able to not just service their clients in those areas, but also proactively identify when those needs can be serviced."

The reality is that client demands were evolving even before the onset of COVID-19. The pandemic, however, accelerated the shift in client expectations and kicked the war for talent into higher gear. Underscoring this point, the most recent data from the United States' "Job Openings and Labor Turnover" survey revealed that 4.5 million Americans quit their jobs in November 2021. This was up from 4.2 million in October and was above the prior record of 4.4 million reached in September.

Furthermore, recent research by Paychex found that

employees are looking for the following to remain loyal:

- ▶ Increases in pay (61%);
- ▶ Stay bonuses (39%);
- ▶ More paid time off (39%); and,
- ▶ Flexible working hours (35%).

It is interesting to note that, according to Paychex research, employees from younger generations prioritize other key benefits above a pay increase. Flexible work hours, mental and wellness benefits, and familial care benefits all outranked pay increases in terms of what changes their employer could make to increase their loyalty. As a result, many employers are looking for ways to entice and retain staff, whether it's boosting pay or offering attractive perks, while also curbing costs and driving operational efficiencies.

A recent survey by Gusto of more than 2,000 employers found that 77% of owners reported taking steps to improve their payroll or benefits offerings. Among those who did, 80% said their team was more productive and 60.9% said employees were less likely to leave for another job.

However, Gusto also noted that the challenge for some employers is to know what steps to take. As a trusted advisor and strategic business partner, accountants are ideally poised to help clients navigate not just the complexities of payroll, but also payroll-adjacent services like HR consulting, benefits administration, etc. In fact, according to the Gusto survey, 41% of respondents said they would pay their accountant more for people advice.

"Firms are realizing that there's huge market potential, huge revenue potential to really take their payroll services to the next level in a way they have not seen before. ... Really looking at that fundamental offering of payroll and wanting to upscale it, to upgrade, to kind of revamp or reimagine that service as we know it," said Will Lopez, head of Gusto's accountant community. "And then from the other side, we're seeing a lot of demand from employers on their people strategy."

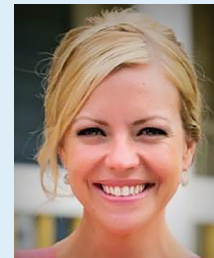
Firms that have the right tools and resources in place to help clients navigate payroll-adjacent spaces in today's environment undoubtedly stand to reap the benefits and remain competitive.

Beyond payroll

Once viewed as a labor-intensive loss leader, payroll processing has undergone significant change in recent

Spotlight on

Paychex



Leslie Bolton
Director of channel partnerships

Why should accountants consider adding to their payroll offerings with other

personnel-related services?

We've noticed a significant increase in firms seeking to change their payroll strategy. Due to the Great Resignation, firms are finding it hard to attract and retain the staff needed to process payroll in-house. As a result, we're seeing a shift of CPAs focusing on other areas to increase client advisory services and support. Firms are providing proactive support by analyzing data and metrics to provide a financial model and overall financial strategy for clients.

How are you helping accountants offer those services?

Accounting partners are using the Paychex AccountantHQ portal for mutual client data available in Paychex Flex. Through this dashboard, an accountant can access human resources data and analytics, live reports, and benchmarking to assist with this proactive support for clients. Firms are also leveraging new ways to partner with Paychex and our technology to eliminate work that is not profitable or that might be slowing their progress towards expanding their CAS model.

Paychex makes it simple for accountants to meet the ever-changing needs of their clients by relieving the complexities of payroll, HR, benefits, and insurance administration. Through our unique combination of industry-leading technology and personal service, we work with clients the way they want — online or via their mobile device, over the phone or in person, and we extend that same level of service and flexibility to our accounting partners. With five decades of experience and more than 710,000 clients, we're proud to be the preferred payroll, retirement and human resource services provider for CPA.com, a division of the AICPA.

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Tax Facts payx.me/2022-cpa-tax-facts

Create customized listings of federal and state payroll and retirement rate information for specific states and territories in a PDF format, with the option to add your firm name and address.

Accountant Knowledge Center (AKC) payx.me/2022-cpa-knowledge-center

Access the online 2022 U.S. Master Tax Guide®, state, local, and federal resources, matrices, law summaries and comparison, wage tax information, and much more.

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Special Report: **Beyond Payroll: Adding HR services and more**

years, thanks in large part to advancements in technology. The pandemic, however, has elevated the importance of payroll processing — and the role that accountants and payroll providers play — to new heights.

And as employers continue to navigate the impacts of the COVID-19 pandemic — whether it be implementing remote work environments, managing regulatory changes, dealing with financial instability, or safely bringing employees back into the office — the need for assistance from trusted advisors remains. “We position ourselves primarily as a payroll service bureau,” said Damon Urenda, payroll services director at San Luis Obispo, California-based Better Business Payroll. “We handle payroll needs, but that inevitably comes with millions of phone calls, frantic calls from business owners who need some kind of HR advice. ‘I need to write an employee handbook. How do I start? What do I do? What are the rules? What are the laws in my state?’ So, that type of thing, and also, ‘How do I deal with terminations? How do I deal with overtime?’”



Added Urenda, “I spend a lot of time every day on the phone answering questions for my clients, ‘How do I deal with this? How do I deal with that?’ Yes, I do bill for my time, [but] it’s not really what I want to be doing because I think my clients could be better serviced if they’re dealing with actual HR experts who can guide them at any given time of day.”

Urenda said that his practice, which leverages AccountantsWorld’s Payroll Relief, is working to broaden its service offerings and is looking into partnering with third-party vendors of HR solutions to become even more of a one-stop shop for clients. Through the tax preparation and planning arm of the business, known as Better Business Financial Services, clients are provided a full range of tax services.

Urenda is far from alone. In today’s complex business environment, employers are increasingly turning to trusted advisors for proactive advice not just on payroll compliance, but on people management.

In fact, Gusto research found that employers would be willing to pay more if their accountant provided proactive advice that helped them with the following:

- ▶ Staying compliant with payroll (51.2%);

- ▶ Efficient and compliant employee onboarding (38.4%);
- ▶ Improving the culture (33.9%);
- ▶ Understanding how team morale impacts business results (26.5%); and,
- ▶ Managing a remote or hybrid team (24.6%).

More than two-fifths (41%) of business owners indicated they would be willing to pay more for at least one of those services. Furthermore, according to Gusto’s research, business owners said they find accountants who offer people-centered services more valuable, and are willing to move their business to those kinds of firms.

Looking to help accounting professionals better fill this “guidance gap,” in 2020, Gusto launched People Advisory powered by Gusto, which uses payroll as a gateway to broader and deeper advisory services. It also unveiled its People Advisor Certification program, which aims to provide accountants with the skill sets needed to further support small businesses and deliver people-focused advising. And, more recently, the company unveiled its



People Advisory Accelerator Program, which is all about monetization and marketing. It’s a little more specialized and was built to help professionals package, staff, price, and deliver People Advisory as an additional service at their firm.

“What we’re seeing is definitely a very strong uptick in People Advisory adoption or basically adoption of trying to provide clients more than just payroll. Payroll-plus — moving into benefits, moving into HR, into people operations, and the like,” said Lopez. “On our side, we’re already more than 2,000 People Advisors strong, and we’ve heard from others that they’d like a more programmatic way to launch their People Advisory practice — that more holistic approach that includes benefits. ... [The Accelerator Program] is kind of the next leg for monetizing advisory training around People Advisory that is really taking payroll to the next level by including things like benefits.”

When asked about specific payroll-adjacent areas that are getting more attention as of late, Lopez said that employers are especially interested in improving employee onboarding.

“What we’re seeing major transformation around is the

onboarding experience of employees. When you think about benefits and what that fundamentally means, I think we look at benefits as this medical/dental/vision kind of coverage, but it’s actually more holistic than that,” he said. “Having a great onboarding experience as an employee really sets the tone and sets a great first impression from the company down to the employee, and really sets the company up for achieving a great place to work and great company culture. So, the onboarding experience is actually being really revamped out in the marketplace, led by accounting professionals because the workforce is becoming so remote.”

Caldwell of Caldwell Consulting & Training, a Gusto partner that works with accounting firms to implement the tools and processes to help them be more successful, said that she is seeing firms gain greater interest in providing advisory-type services related to payroll-adjacent areas, and stressed that, in doing so, it doesn’t mean firms have to take on additional risk.

“What [firms] want to do is be able to offer advisory



related to [HR consulting or benefits administration]. So, being able to discuss the types of benefits that might be helpful for a business to offer and being able to do the financial analysis related to those offerings. ‘Can I offer this? Can I offer that? What would that do to my bottom line? How could that potentially allow me to retain staff or attract staff?’ That type of consulting around those additional services is something we’re seeing more of,” said Caldwell. “We’re also seeing a lot of conversations, again advisory/consultative-type of conversations, where we’re discussing ways that they can understand their numbers as it relates to their people.”

For example, a smaller employer may be looking for guidance on the cost of bringing on an additional staff member, from payroll all the way through to the benefits. Additional questions might include: How much will it cost them to recruit a new employee? What would be the financial impact should they lose an employee? How do they find new employees and attract them? How can they effectively implement benefits in a way that helps them retain talent?

“A lot of advisory around the people in a small business — that is the type of advisory we are starting to

see and have requests for more and more as accounting professionals," Caldwell said.

Added Caldwell, "There's a lot of confusion, I think, in some areas when we think about what is beyond payroll. I think a lot of firms get a little concerned that it means that they have to become legal advisors, or benefit brokers, or provide HR services themselves. They don't have to. They can, I mean that's a definite area that we have seen some firms go down. Other firms firmly do not want to, but it doesn't mean that they can't do People Advisory and move beyond payroll and provide additional advisory services. ... They don't have to open themselves up to all that risk that they think of related to those types of things, but they can still be advising clients in this area and really providing great value to the client."

Paychex is also working to help business owners, and the accounting professionals who serve them, through its tools and resources, including a new tool designed to provide insight into potential employee turnover.

"There's about 32 different points, kind of an algorithm,

the docket. So, this is going to impact small, medium and large business owners. They are going to be required to offer a 401(k). The Pooled Employer Plan is a great way to offer that service through a pooled environment that drives down the service cost."

Kane Polakoff, national practice leader of client accounting advisory services at Top 100 Firm UHY Advisors in Farmington Hills, Michigan, said his firm is seeing a rise in client requests for human capital management solutions, such as benefits administration, HR consulting, etc. To meet the rise in client demand, the firm has partnered with a number of third parties such as Paychex. "There's been a huge demand for organizations needing to leverage accounting firms or third-party payroll and HR providers to support them, especially in the small to midsized marketplace because of challenges with losing payroll clerks, or their payroll managers, or even their HR staff. Companies are really looking to leverage an outsourced model in order to do that, so that is what I'm kind of seeing in general and it continues to

and they need to have the right platforms, and the right support, and the right legal advice to be able to continue to work in this environment today."

Driving awareness and pricing

Firms interested in broadening their service offerings beyond payroll may still be wondering how to effectively market and price such services.

Hitendra Patil, head of customer success at AccountantsWorld (which, at press time, had just been acquired by IRIS Software), believes that the biggest opportunities often lie within a firm's current book of business and making them aware of the services that can be provided. This could mean, for example, providing payroll-processing clients a copy of a "dummy" report that illustrates the additional information they could receive should they also take advantage of the firm's HR services. In other words, show clients, don't tell.

"Unless [clients] see what is possible, they don't really get enamored by the sales pitch," Patil said. "The second



that runs behind the scenes that will give insight to a business owner of a potential flight risk," explained Leslie Bolton, national director of channel partnership at Paychex. "We're all faced with it — the 'Great Resignation' — and we all know the implications of that to our business. And so this tool is specifically there to help business owners get more of a handle on those potential flight risks so they can reach out to those employees before they move on, obviously with the intent of retaining that employee, developing that employee, [or] maybe increasing their pay if they need to, to keep that employee, because the cost of turnover is not just about restarting the taxes and retraining someone. It is now actually the lead time of not having the role filled."

Bolton also highlighted the Paychex Pooled Employer Plan, which launched about a year ago. PEP is an outcome of the SECURE Act and is designed to provide businesses nationwide a cost-effective retirement plan option for their eligible employees. Bolton said there are now roughly 10,000 PEP clients: "Really what that [PEP] helps support is clients in those states that have mandates for retirement services. ... I think there's 13 states, but there's another 23 [states] with pending legislation on

be the trend already starting in 2022," he said.

Polakoff spearheaded the creation of UHY's CAAS practice in July 2019 to help centralize and standardize the firm's processes and technology across its offices throughout the country. The practice welcomed its first client in November 2019, just months before the start of the COVID-19 pandemic. The service offerings quickly proved to be invaluable as many businesses had to swiftly go remote and navigate the economic challenges brought on by the pandemic.

"I think clients are looking for more higher-end consulting from HR because of some of the changes in labor laws and the impacts of what is happening out there. There's a need to be able to reach out to somebody and have a conversation and try to get the right legal advice or information to make the right decisions," said Polakoff. "I see that as a big need that has been happening recently."

He added, "We want to try to solve a problem. Whether it is a problem that we can solve or not, we want to be able to find the right experts in the industry that can provide and fulfill a need that our clients have. I think payroll and HR are a key factor for an organization

part is in terms of pricing. What we see as a trend is not to charge for the separate service segments but try and include them in different [tiered] packages."

When asked about pricing best practices, Stark at ADP agreed that a growing number of firms are implementing a tiered, subscription-based model (i.e., package A, B and C, or bronze, silver and gold) that ranges from basic-level offerings up to the full suite of services. Said Stark, "Whether or not you take advantage of all of the different options that are included in each one of those bundles, that's up to the buyer, but at least [firms are then] able to advertise the different services [clients are] eligible for."

He added, "If they want the biggest differentiators to be how much the firm is either willing to charge or can charge, it also comes back to the advisory services that they can provide in conjunction with the products that they are introducing to the clients or that are incorporated with those bundles. Those firms that truly feel confident that they are able to articulate how they can advise a client and how that will, in turn, create a more effective, efficient and profitable business owner, are the ones that are able to charge a higher premium for those services." **AT**