



Payroll Services Help SMBs Attract and Retain Top Talent

Total compensation plays an anchor role as recruitment strategies broaden their reach.

Talent acquisition and retention have long been challenges for small and midsize businesses (SMBs), with new challenges continuing to emerge. The pandemic has permanently changed the underlying dynamics in employer-employee relationships, and that is

reflected in new recruitment and retention strategies. While the battle for top talent is waged on multiple fronts, payroll services play an important role in helping SMBs succeed in their efforts.

Seventy-seven percent of North American businesses polled for

“The Talent Game,” HireRight’s 15th annual benchmark report on workforce trends, cited finding qualified candidates as their most significant talent acquisition challenge in 2022, up from 63 percent in 2021.

At the same time, employee expectations are on the rise. The percentage of workers ranking total compensation packages—including pay, benefits, bonuses, and incentives—as their top concern jumped to more than 35 percent this year from its historical average of less than 27 percent, according to Jack Wiley, president and CEO of consulting firm Employee Centricity.

Workers want more than money

“In today’s talent attraction and retention environment, what employees or prospective employees most want is competitive pay and benefits,” says Wiley, who has been tracking these trends since 2012. But they are looking for more in other areas, as well. The percentage of workers in Wiley’s surveys ranking positive working conditions as most important to them has doubled to 25 percent in 2022 from an historical average of 12.5 percent.

The rising importance of positive working conditions comes as no surprise to Michael Benyamin, managing director for talent & organization, global HR transformation & delivery co-lead at Accenture.

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While compensation remains a top concern, “what makes people stay is the total experience that they have at an employer, and whether that employer leaves them ‘net better off’ by being there,” he says. “Net better off” is Accenture’s term to describe an employment strategy that covers a full spectrum of employee needs from compensation and training to physical, mental, and emotional health.

Overcoming the resource challenge

The perennial challenge for SMBs fighting to attract and retain the best talent is the lack of resources most have in comparison to larger organizations chasing the same candidates. However, there are ways SMBs can overcome that disadvantage.

For example, SMBs often have difficulty competing with the benefits programs that larger companies typically offer, points out Kathleen Hindman, vice president, field payroll & onboarding operations at Insperity. “However, by joining a professional employer organization (PEO), SMBs can provide their employees with access to a benefits package that is more competitive with those offered by larger companies,” she says.

Underlining the importance employees place on a more robust benefits package, proprietary research conducted for the 2022 Paychex Pulse of HR Survey found that nearly a third of employees looking to leave their current employer cited an anemic benefits package as one of their reasons for doing so.



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-Ken Burtnick, senior product strategy manager for payroll and HCM, Paychex

“The good news is employers are listening and responding,” says Ken Burtnick, senior product strategy manager for payroll and HCM at Paychex. “According to the 2022 Paychex ‘Pulse of HR Survey,’ organizations have increased the benefits they are offering by an average of 22 percent compared to 2019.” Tech helps ease the burden. Of course, offering additional benefits results in additional administrative responsibilities. “But the right tools, technologies, and trusted partners are helping employers offer comprehensive benefits packages while mitigating the traditional hassle,”

Burtnick says. Nearly 40 percent of HR leaders polled in the 2022 Paychex Pulse of HR Survey said that HR software/technology has made it easier to manage payroll and benefits administration.

Because SMBs tend to be agile and nimble, they have opportunities to use new technology to level the playing field with larger competitors. “One equalizing benefit is the power of AI (artificial intelligence) and analytics,” Benyamin says. “Just because a company is large doesn’t mean it has optimized the use of AI and analytics in its talent and HR practices.”

In fact, Accenture finds there is “plenty of room for improvement” among large organizations in this realm. “SMBs may gain an advantage if they adopt analytics and digital faster and more comprehensively to understand candidate and employee preferences as well as where the market is heading,” he says.

Making ‘small’ an advantage

While big companies benefit from buying power and economies of scale in some areas of recruitment and retention, there are advantages to being small. “Many employees find the culture and nimbleness of a smaller business more attractive,” Hindman says. “SMBs may also offer employees the chance to gain broader experience, such as by working with leadership or having greater responsibility to make decisions.”

As the Great Resignation gained momentum in 2021, various surveys found that 40 percent of workers were considering quitting their jobs, 65 percent

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of employees were looking to change jobs, and 88 percent of businesses were experiencing higher turnover than usual. Many short-staffed businesses turned to higher salaries, signing bonuses, and other financial incentives to spearhead their recruitment efforts.

"What's interesting is that we are starting to see that some people who changed jobs for higher compensation packages did not find the grass on the other side to be as green as they expected," says Kristen Appleman, senior vice president at ADP TotalSource.

"Some of them—I call them 'boomerangs'—are returning to their previous jobs. They missed certain intangible things about their previous positions that the higher compensation just could not compensate for," she says. "It is important that employers be very conscientious about attracting candidates for the right reasons and avoid first-year attrition."

For SMBs, that can mean stressing the sense of meaning and purpose they can provide to new employees. "Employees at small businesses often get to wear many hats and experience greater opportunities to learn," Appleman says. "They get to have a bigger impact in a shorter period of time than they would at a larger organization. Most employees want to feel a sense of belonging. SMBs need to be diligent about making sure new hires will be a good fit for their culture and their brand."

Payroll services more important than ever

"The Covid pandemic amplified the incredible value HR and payroll play in business



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continuity," Burtnick points out. "Access to accurate and reliable payroll data became a lifeline for many businesses. And quick and efficient access to federal stimulus packages like the Paycheck Protection Program (PPP) and the Employee Retention Tax Credit (ERTC) meant the difference between survival and failure."

The pandemic also triggered a cascade of changes in the workplace, some of which look to be permanent. Along with a competitive and comprehensive total compensation package,

candidates now expect employers to offer things like flexible scheduling and remote work.

"With employees in multiple locations, SMBs need a professional organization to help them navigate through employee administration and payroll more than ever now," Hindman says. "Employers must ensure they are aware of and following labor and employment law requirements in multiple jurisdictions. There is a significant complexity when employees are working from a variety of locations, including their homes."

Outsourcing payroll and other administrative tasks have become increasingly important as businesses seek ways to reduce the amount of time and resources spent on transactions and administration. "The removal of these tasks and subsequent outsourcing to a payroll service organization that prioritizes transactional excellence frees business leaders to focus on more strategic activities," Hindman emphasizes.

Employee expectations have changed

One lasting impact of the Covid pandemic is that employees now tend to hold their employers to a higher standard. "That is particularly evident among the younger generations, which may be due in part to their involvement with social media and their nearly instantaneous access to all kinds of information," Appleman says. "But it's also true in general. All employees now look to their employers to

make good decisions about their safety, their well-being, and their physical, mental, and emotional health.”

“As it becomes clearer that the needs and expectations employees developed during the height of the pandemic are here to stay, companies are gaining a fuller understanding of how vital these benefits—from health care to retirement to remote work and flexible scheduling—are to their employees’ well-being, as well as to their organization’s competitiveness,” Burtnick says.

As dramatic as some of the recent changes in the employer-employee relationship have been, there is some consensus that the future promises even more disruption. Not too long ago, frequent job-hopping was considered an indicator of potential instability or under-achievement in a prospective employee. Now it is sometimes seen as a sign that a candidate embraces innovation and adaptability.

“Compensation is always going to play a major role in winning talent,” says Andrew Moore, director of experienced talent research at Veris Insights, a human resources consulting firm. “But the emergent trend this year, and especially in uncertain economic moments, is that attracting talent requires a more complex pitch, one that sells candidates on how a job will complement and enrich their lives beyond just the pay.”

The more complex that pitch becomes, the more important it will be for SMB leaders to have the right payroll services provider on their team. ■

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