



PAYROLL PORTAL

Study of business spending on payroll and savings generated by the EDICOM solution



Payroll management in Mexico involves an average cost of 37.11 pesos per document

This is one of the main conclusions of the study carried out by EDICOM in interviews with benchmark companies in Mexico, conducted to pinpoint the costs incurred by the country's businesses in managing their employees' salaries.

In Mexico, the payroll process usually takes place twice a month, and businesses are required to obtain and store for 5 years a receipt signed by the worker for each salary paid.

This process entails significant inefficiencies that may be resolved by applying electronic solutions such as those developed by EDICOM, which allow savings of up to 62% per document.

STUDY FILE

Aim: To determine costs associated with payroll management in Mexico.

Methodology: Interviews with businesses employing 400 workers or more. In each case, the person interviewed was a manager from the HR department or administrative area responsible for payroll issuance and delivery tasks.

Sample: 20 telephone interviews with companies in the consumer goods, services and audiovisual production sectors.

Companies with 400 to 499 employees: 4 interviews

Companies with 500 to 999 employees: 6 interviews

Companies with 1,000 to 2,500 employees: 7 interviews

Companies with over 10,000 workers: 3 interviews

STUDY DATA

	Business Type (by nº of Employees)				TOTAL
	From 400 to 499	From 500 to 999	From 1,000 to 2,500	> 10,000	
Average salaries issued monthly	779	1,225	3,241	19,801	7,552.42 *
Businesses issuing salaries by their own means	1	6	7	3	17
Businesses outsourcing the payroll issuing service	3	0	0	0	3
Businesses delivering salaries in paper format	4	6	6	3	19
Businesses delivering salaries by mail	0	0	0	0	0
Businesses delivering salaries by other means	0	0	1	0	0
Businesses that collect handwritten receipts	4	6	7	3	20
Businesses that collect electronically signed receipts	0	0	0	0	0
Businesses that notify withholdings on paper	4	6	7	3	20
Businesses that notify withholdings by mail	0	0	0	0	0
Average number of people dedicated to payroll management	2.33	2.00	5.60	17.50	16.07 *
Average number of hours dedicated to payroll management	52.50	70.50	87.36	236.25	178.17 *

* Average weighted in line with number of employees

DATA DESCRIPTION

Payroll issuing involves the generation of a high monthly volume of documents, ranging from the 779 printed out on average in the smaller companies consulted, up to the more than 19,000 printouts for those businesses with more than 10,000 workers.

In the vast majority of cases, the process of issuing and delivering salaries, obtaining signed receipts and safekeeping of the same is handled by the Human Resources departments of the companies concerned. The tasks associated with payroll delivery, collection of signed receipts and their storage are carried out in all cases by in-house staff.

The method used to deliver workers' salaries in almost all cases is manual.

Payroll receipts are also gathered manually in most cases, by handwritten signature of a printed document.

The tasks analysed involve the processing of over 15,000 documents per month on average among the companies

surveyed. This means payroll processing along with the corresponding receipts and ranges from 1,400 documents a month in the smaller businesses (salary + receipt) to more than 40,000 documents in the largest companies.

Those interviewees not using technologies such as e-mail for payroll distribution justify this by claiming that the use of e-mail does not constitute an advantage for them, since the receipt then has to be obtained with a handwritten signature.

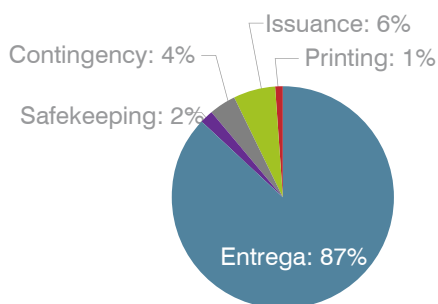
The companies surveyed dedicate an average of 178.17 hours a month to managing their payroll issuing and receipt collection processes. The hours vary greatly among the businesses depending on the number of employees.

Moreover, these are processes that require the participation of up to 12.6 people on average. Again, this is a weighted value with a high degree of variation, ranging from one person in the case of the smallest businesses up to more than 17 in the largest firms.

COSTS ASSOCIATED WITH PAYROLL MANAGEMENT

On the basis of the data compiled, we have defined a model to estimate the costs incurred by a typical company in managing a worker's salary according to the following variables:

VARIABLE	DESCRIPTION	CALCULATION
Issuance	Time used by HR departments to manage issuing of wages/salaries and the corresponding receipts	Average hours dedicated by interviewees to these tasks, considering an average salary of \$150,000
Printing	Includes outlay on paper, consumables and depreciation of printing equipment	Average price of one A4 or letter size sheet, increasing by 20 % to offset depreciation of equipment and consumables
Delivery	Costs arising from the task of delivering salaries to each worker	Time lost by each worker in going to HR department to receive wages and sign the receipt 40 minutes a month per employee per salary for an average wage of hundred \$150,000 per annum The calculation includes a proportion equal to one month for delivery of records of withholdings
Safekeeping	Costs arising from storage of wage receipts for 5 years	The cost of printing each document was taken into account, with a 25% increment to offset the management entailed in storage, preservation and retrieval of the documents as required
Contingency	Costs arising from having to reprocess salaries due to different aspects such as losses, error correction or additional management tasks	It was considered that 5% of the salaries generated would have to be processed due to these issues



Cost Distribution per Variable (percentage)

	Issuance	Printing	Delivery	Safekeeping	Contingency	TOTAL
400 - 499	17%	1%	76%	2%	4%	100%
500 - 999	24%	1%	70%	2%	4%	100%
1,000 - 2,500	8%	1%	85%	2%	4%	100%
> 10,000	6%	1%	87%	2%	4%	100%

Costs per Document (pesos)

	Issuance	Printing	Delivery	Safekeeping	Contingency	TOTAL
400 - 499	6.76	0.23	29.92	0.17	1.60	39.22
500 - 999	9.83	0.22	29.09	0.69	1.64	41.47
1,000 - 2,500	3.04	0.21	31.63	0.75	1.60	37.24
> 10,000	2.19	0.24	31.64	0.75	1.70	36.39
PROMEDIO	2.35	0.24	32.16	0.77	1.60	37.11

Total costs (Monthly/ Annual)

	Issuance	Printing	Delivery	Safekeeping	Contingency	MONTHLY	ANNUAL
400 - 499	69,162.60	2,328.00	305,937.48	7,275.12	16,347.24	33,420.87	401,050.44
500 - 999	162,377.40	3,663.00	480,737.52	11,446.80	27,031.56	57,104.68	685,256.16
1,000 - 2,500	122,272.80	8,559.24	1,271,737.56	30,280.20	64,526.64	124,781.37	1,497,376.44
> 10,000	536,603.76	59,194.80	7,769,237.52	184,983.72	385,832.40	744,654.35	8,935,852.20
PROMEDIO	383,390.04	39,720.12	5,251,316.40	125,032.44	261,429.24	505,074.01	6,060,888.12

CONCLUSIONS

Average cost of payroll management is \$ 37.11

Issuing and delivering a salary incurs an expense for businesses of just over 37 pesos on average.

This value varies depending on the number of workers, and ranges from \$ 36.39 in the largest companies (over 10,000 employees) to \$ 41.47 among companies with between 500 and 999 workers.

Issuing, printing and storing a salary accounts for 9% of the total cost

The tasks associated with the issuing, storage and safekeeping of a salary entail an estimated cost of 3.36 pesos on average out of the 37 involved in the total transaction of said document.

There is a great disparity depending on the size of the companies. For those with the highest numbers of workers (over 10,000) the average is \$ 3.18, whereas those businesses with 400 to 499 employees invest \$ 7.70. The reasons for this discrepancy must be sought in the greater efficiency demonstrated by the larger companies in their issuing processes.

Specifically, the payroll issuing process of a company with more than 10,000 workers constitutes 6% of the total cost, whereas in the smaller businesses analysed the figure is 17%.

Delivery to workers accounts for 87% of payroll management outlay

Payroll delivery is the most expensive item and represents an average cost of \$ 32.16 out of the 37.11 it costs on average to process a document.

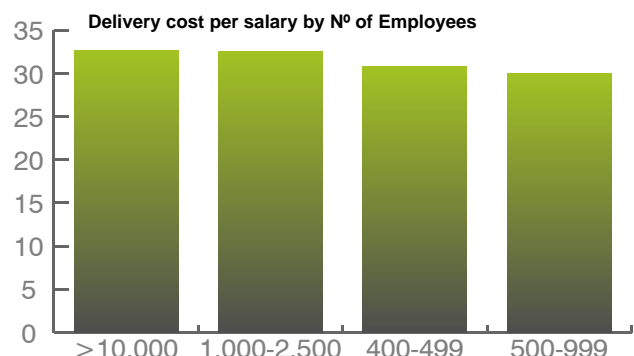
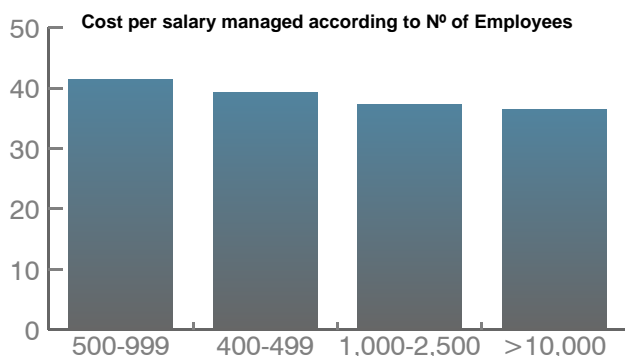
The larger the company, the higher the impact of these costs on the total. For businesses with more than 10,000 workers, this figure can reach \$ 31.64, whereas for those with 400 to 499 employees, the value is around \$ 29.92 for each salary (76% of the total)

So, although larger companies show great efficiency in the issuing process, they are clearly less efficient on the delivery side, given the large number of workers who have to travel regularly to their HR departments to receive their wages and sign the receipts.

Payroll management entails annual costs ranging from \$ 400,000 to 9,000,000 for the companies surveyed

Companies with 400 to 500 employees can spend up to \$ 401,050.44 a year on managing their payrolls. The companies with more than 10,000 workers analysed spend more than 8 million each year on payroll management.

90% of payroll cost goes on printing, delivery and safekeeping of the receipt signed by the worker



REFLEXIONES FINALES

“Manual” payroll management entails significant operational inefficiencies

The payroll processing procedure followed by the majority of companies involves carrying out different tasks manually.

These tasks involve not just printing paper documents and delivering them manually to each worker, as the corresponding signed receipts then need to be obtained.

Payroll delivery tasks give rise to the greatest inefficiencies, and therefore higher costs, up to a point where they account for almost 90% of the total outlay involved in managing a payroll document along with its receipt.

For the largest companies, this outgoing can mean up to \$647,436.46 pesos per month on average. But beyond the economic value of this management, there are also the opportunity costs that arise when employees temporarily leave their post to go to the HR Department to collect their wages.

The cost analysis performed considered that this lost time is 20 min. This time can be considerably increased when it comes to companies with a large number of workers, notably accentuating the problem.

The study concluded that 5% of salaries had to be recalculated. This comes under what are known as “contingency” expenses. It should be emphasised that the notion of contingency includes those cases where a document has to be generated again because it has been lost or because the data in it were incorrect.

Electronic management of delivery, signature and safekeeping processes would remove these inefficiencies

Article 776 of the Federal Labour Law establishes electronic payslip documents using advanced electronic signature as legitimate and valid proof in the event of any legal process.

This allows the implementation of fully electronic processes that do away with the management of these documents in paper format, since it is legally possible to administer the receipts by means of digital files, as long as the signature used complies with all the legal guarantees (advanced electronic signature).

The application of salary sending solutions in electronic format, in combination with digital signature and file storage systems, would contribute to a considerable reduction in the management costs associated with these tasks, substantially cutting the cost per document.

The use of electronic systems for these tasks helps shorten turnaround times, so the opportunity costs cited disappear.

It would also help to significantly cut the so-called contingency costs, at least in the case of salaries that need to be re-issued after going missing. Making electronic documents available on corporate websites not only allows access to the payroll from any location, but also makes them available to the worker for as long as necessary, removing the possibility of them going astray.

Electronic management of this process in particular applies stricter security conditions than a traditional system based on exchanging and storing documents on paper.

PAYROLL PORTAL | SOLUTION DESCRIPTION

EDICOM, leader in developing electronic data integration solutions and certification services provider, has developed an exclusive solution that ends the problems associated with the traditional processes of payroll delivery, signature and safekeeping on paper support.

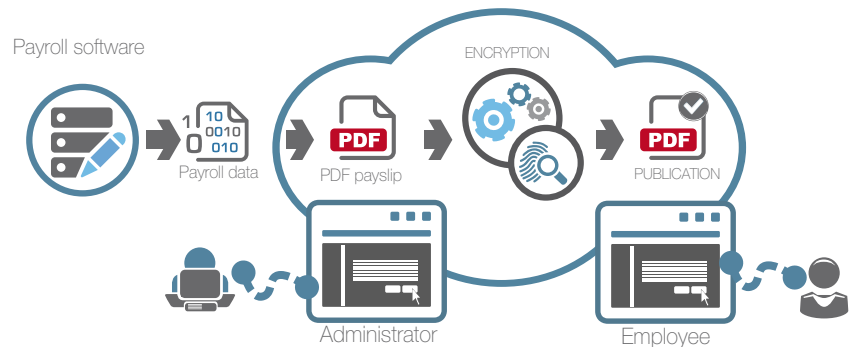
To do so, it implements an application that takes the salary issued by the HR department and publishes it in a web portal that each employee can access securely using an electronic certificate issued exclusively for each individual by the EDICOM Certification Services Provider.

Using this certificate lets each worker decrypt their own salary, so that only they can read the document content. This same certificate can be used to sign a document with an advanced electronic signature system, generating the receipt automatically if the salary is correct, allowing safekeeping of all the documents in digital format and providing better guarantees and efficiencies in management compared to the same process based on physically handling the documentation.

Automated management of all salaries in just 3 steps

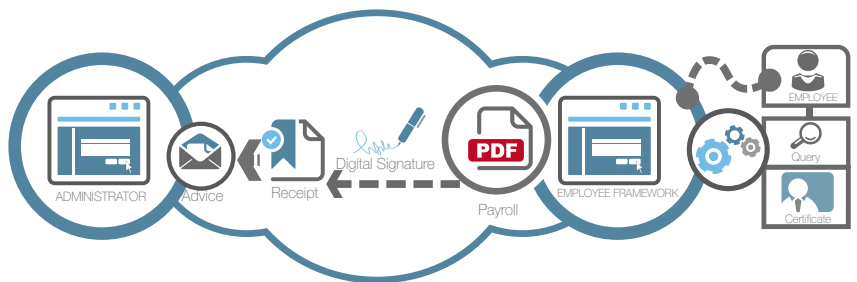
1 | Delivery

The Payroll Portal publishes the document on a website in a legible format for the receiver (PDF). The document is encrypted and only the salary owner can read it.



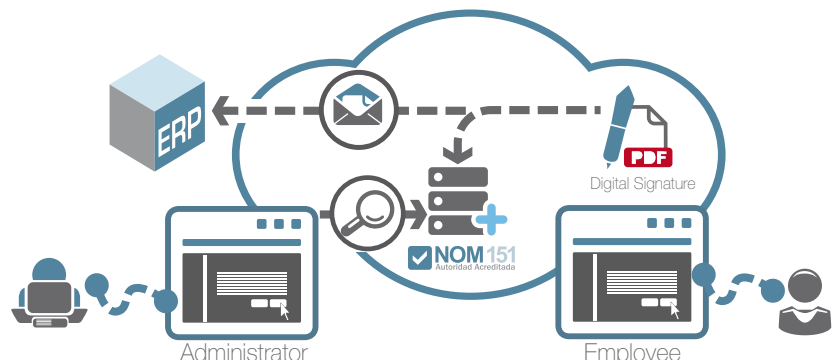
2 | Checking & Signature

The employee accesses the portal. They then select the corresponding salary and proceed to sign the digital receipt, using their own electronic certificate to do so.




3 | Safekeeping

Salaries and receipts are stored in a secure and private framework accessible to administrators and employees. The documents may be subject to NOM151, which designates them as “probatory electronic originals”.



Cutting payroll printing, safekeeping and delivery costs

Paper Management		Electronic Management	
Variable	Cost	Variable	Cost
Issuince	2.35	Issuince	2.35
Printing	0.24	Printing	
Delivery	32.16	Delivery	10.00
Safekeeping	0.77	Safekeeping	
Contingency	1.60	Contingency	1.60
TOTAL	37.11	TOTAL	13.95



The study carried out by EDICOM shows how the costs associated with the printing, delivery and safekeeping of salaries accounts for 90% of the total.

The remaining 10% goes towards issuance tasks and so-called contingency expenses.

The EDICOM payroll portal reduces and optimizes payroll delivery and storage processes, doing away with the need to use documents on paper.

The savings can reach up to 62% per document with respect to the costs defined in the study.

Worthwhile Investment

Number of employees	Return on Investment (in months)
500	5.8
750	4.2
1,000	2.5
1,500	1.6
2,000	1.2
2,500	0.9
5,000	0.4
10,000	0.2
12,000	0.1

The important reduction in costs per document involved when changing from management based on physical documents to a completely electronic model means a swift return on the investment made in rolling out a payroll portal.

The higher the number of salaries managed, the lower the ROI. The savings achieved through electronic management of these processes are such that a company with 5,000 workers would recoup the investment made in rolling out the solution before the end of its first month in production.

PAYROLL PORTAL | BENEFITS (II)

Security, confidentiality, reliability

The payroll portal developed by EDICOM applies data encryption technology to ensure confidentiality of the process. The data encryption systems applied to the payroll delivery process ensures that only the receiver will be able to read the document.

The electronic signature used in the receipt issuing process is more secure than a handwritten signature, enjoys the same legal validity as the handwritten and provides full legal guarantees in the event of any third-party requirements.

Additionally, the electronic documents generated (salaries and receipts) can be stored in compliance with Official Mexican Standard 151 (NOM151) which, in accordance with the law on electronic signature of the Ministry of Economy, grants documents subject to the process legitimate and probative value.

Delivering the salaries, employee access to the portal and management are handled through web interfaces accessible by secure and confidential protocols. The electronic documents are stored and managed in a Data Center operating 24x7, with redundancy systems and guaranteed high availability, ensuring the proper safekeeping and retrieval of the documents at any time.

More Benefits...

Integral solution: Allows integral management of all the salaries from the different offices, factories or distribution points from a single centralized electronic administration platform.

Exclusive solution: EDICOM as Certification Services Provider is the only EDI software developer whose payroll solution can enable functions such as the generation of digital certificates, advanced electronic signature or preservation under NOM 151.

Legal alignment: The Payroll Portal is aligned with the Labour Law in Mexico. A private framework is enabled where the documents are received and remain available for consultation at all times.

Efficient management: Salaries do not have to be printed out. Nor do they need to be delivered by hand or snail mail. They do not even have to be sent by e-mail. The manual management of the document is automated, removing the need to allow physical spaces for storage of printed receipts.

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