



Optimizing work productivity
with Happiness

About Assuming Payroll

Making Payroll Swift, Scalable & Hassle Free in Southeast Asia

- Assuming payroll means paying employees in advance of the completed pay period
- Absences between payment and payroll are deducted next month.
- Paying in advance gave companies time to generate payroll.
- It also helped employees avoid long lines at the bank to cash in their cheques.
- If the company has a high churn rate, then money is lost in assuming payroll
- Today it is much faster to generate payroll and then pay because of GIRO and other electronic payment methods.

Doing the math:

If you have 500 employees working at \$100/day with a churn rate of 5% and you assume payroll 10 days before generating it:
Total amount paid will be
 $\$100 \times 30 \times 500 =$
 $\$1,500,000$ per month
Due to churn, you will lose:
 $\$100 \times 10 \times 500 \times 0.05 =$
 $\$25,000$ per month

Assuming Payroll

Assuming payroll is a term we use when a company pays employees in advance of the completed pay period, assuming the employee will make it to work between payment and actual calculation of payroll.

For example, Wayne Enterprises pays Bruce a whole month's salary on January 25 assuming that Bruce will work the next five days. On January 27, Bruce had an emergency situation which led to him missing work. Since he already had been paid, Wayne Enterprises will have to deduct his salary in the next month, to make up for him missing work.

Why is it done?

Since this is clearly a complex way of paying employees, why is it done? Firstly, it gave companies time to go through the tedious calculations for generating payroll. Secondly, back in the day when Wayne Enterprises handed cheques to its employees, Bruce had to go down to the bank and cash it in. Since all companies paid their employees at the end of the month, employees would spend hours at the bank just to cash in a cheque. Paying them in advance solved the problem. The opportunity cost of deducting an employee's salary next month was far lower than paying after generating payroll.

Today, in the twenty first century, that argument does not hold anymore. Wayne Enterprises uses GIRO and other electronic payment methods to pay its employees. The opportunity cost of deducting from the next month's salary is now much higher.

Some companies still stick to the old way of doing payroll. When we dug a little deeper and asked our clients why they did it, they said it was because their board of directors had left the rule as it was made many years ago.

Let's help fix the problem

Our client success head, Kieran, has seen through a number of companies changing their system of Assuming Payroll to the regular kind:

"Many of our customers have seen cost savings by changing from the assuming payroll method to the regular one. It's more efficient, easier and more accurate."

PayrollHero calculates deductions but we always advocate doing payroll the regular way. It eliminates any chance of inaccuracy and makes the payroll process smoother for your HR manager. When you have a high churn rate, it is even more important to adopt the regular method.

Company Name: PayrollHero.com Pte Ltd

Website: payrollhero.com, payrollhero.ph, payrollhero.sg

Contact name: Stephen Jagger, Business Development, sjagger@payrollhero.com