If your business needs human capital management (HCM) and you're looking to decide whether to upgrade an existing system or switch to a new one, you may also be anticipating significant costs. Before investigating the options, you should understand the implementation costs associated with upgrading to a new HCM solution.

The size of your business determines price

To determine your total cost, you’ll need to know how many employees you have. As previously mentioned, if you are planning to add payroll features to your existing human capital management system, you may already have paid an implementation fee. If you are planning to add payroll features, you’ll have to pay the implementation fee for payroll to be added.

Typically, providers charge by the number of employees or base.

For instance, a payroll implementation fee may range from $1,000 to $2,500 per employee depending on the provider. New payroll features may add an extra $500 per employee.

The cost is

Before you begin comparing HCM features, it is important to know how many employees you have.

Example:

100 employees × 1,000 = 100,000

Typically, providers charge by the number of employees or base.

The cost is

26 employees × 1,000 = 26,000

Another common payment method is a periodic payment fee (PPF). As the name implies, you’re charged by the number of employees or a monthly basis.

Example:

100 employees × 1,000 = 100,000

$100,000 ÷ 12 months = $8,333/month

In some cases, you may pay for certain services on an AdP fee basis and others on a PPF basis.

Other Costs to Consider

In addition to the purchase price, you will incur extra fees not included in the implementation fee. For instance, adding payroll requires a new payroll implementation fee, which may be around $1,000 per employee.

In one such payment model, known as Payroll Payment Per Payroll (PPPP), you are charged for each payroll you process. For example:

12 months × 1,000 = $12,000

In some cases, you may pay for certain services on a PPF fee basis and others on an AdP fee basis.

Implementation fees may vary

Implementing HCM software is usually a one-time fee, charged upfront. Costs, however, may vary depending on how many employees you have, the size of your business, and the specific provider.

Before choosing a provider, verify the payment model (PPF vs. AdP) and what it includes. For instance, some providers offer a one-time fee for an annual fee.

Example:

Payroll cost = 26 employees × $1,000 = $26,000

Annual Processing Fee = 26 employees × $1,000 = $26,000

In this case, the total cost is $52,000.

Before choosing a provider, verify the payment model (PPF vs. AdP) and what it includes. For instance, some providers offer a one-time fee for an annual fee.

HCM Bundles Offer Advantages

Bundling HCM software into one package may be less effective if your company needs more than just payroll. Bundles can include additional functionalities such as time tracking, benefit administration, talent management, etc. Depending on the quality of the individual features and how many employees you have, it may be more cost-effective to bundle them into one package.

Example:

Bundling cost = $52,000

Annual Processing Fee = 26 employees × $1,000 = $26,000

In some cases, you may pay for certain services on an AdP fee basis and others on a PPF fee basis.

Before choosing a provider, verify the payment model (PPF vs. AdP) and what it includes. For instance, some providers offer a one-time fee for an annual fee.

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