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ADP Research Institute® Uncovers a Gap in Understanding the 'All-In' Cost of Managing a Mid-sized Workforce

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ROSELAND, N.J. - November 4, 2014 - A new study released today by the ADP Research Institute® reveals a gap when it comes to mid-sized companies' ability to estimate and understand their business' true Total Cost of Ownership (TCO) related to managing their workforce. TCO is a measurement that enables an organization to understand what it is actually spending on its employees and the cost of managing them. One of the key findings the study revealed is that it appears mid-sized businesses tend to underestimate the all-in costs of managing a workforce. The 2014 Total Cost of Ownership Study was conducted by Harris Poll (on ADP's behalf) and includes insights from over 1,000 U.S. employees working full-time, part-time or self-employed in a mid-sized company (50 to 999 employees).

The study found that while six in 10 mid-sized businesses indicate familiarity with the concept of TCO and two-thirds believe it is important, nearly three-quarters are not able to calculate TCO correctly. TCO is a "Big Number" that consists of five key areas of Human Capital Management (HCM): payroll, employee benefits administration, talent management, human resources administration, and time and labor management. It is the total amount that companies spend on all direct and indirect costs for managing their employees.

In today's highly competitive world, businesses must continue to find ways to differentiate themselves while keeping a close eye on the bottom line. Companies that miscalculate important metrics such as TCO risk losing opportunities for a competitive advantage. This especially applies to mid-sized businesses, which represent nearly one-third of private sector U.S. gross domestic product (GDP) and contribute to more than a third of U.S. jobs.

"One of the most important metrics any organization needs to think about is TCO related to managing their employees. Their 'Big Number' is much more than salaries and benefits," said Anish Rajparia, President of Major Account Services at ADP. "Understanding your all-in TCO allows businesses to obtain a realistic picture of what they spend on their employees and what it takes to manage them."

On average, just over one in three mid-sized businesses have done a formal cost analysis on any one HCM area to get their "Big Number" in the past year and fewer, one-fifth, have done it for all five pillars of HCM. Additionally on average, only one in six have done any kind of analysis in three years or longer.

However, the study found that there is no one trusted advisor that dominates this space. There are at least a dozen or more credible sources for assistance in analyzing TCO costs within any one of the HCM functions. Typically these include accountants, HR and payroll vendors, banks, HR and benefits consultants, lawyers, and financial advisors.

Regardless of how well mid-sized companies think they are managing TCO, many of those working in or responsible for at least one pillar still have daily concerns. About two-thirds worry about better ways to lower their company's overhead costs while more than half think about the total cost of managing their company's employees.

To obtain a free copy of this ADP Research Institute whitepaper, please visit www.adp.com/tco, and to view or download an infographic on the study please visit www.adp.com/tco_infographic.

About the Total Cost of Ownership Study

The 2014 *Total Cost of Ownership Study* was conducted online by Harris Poll on behalf of the ADP Research Institute (ADPRI) and included 1,004 U.S. employees working full-time, part-time, or self-employed in a company with 50-999 employees and have responsibility for one or more of the following areas: payroll, time and attendance, HR management, employee benefits administration, and talent management who participated in an online survey between July 29 and August 13, 2014. Results were weighted to represent U.S. companies with 50-999 employees (excluding federal agencies). Respondents for this survey were selected from among those who have agreed to participate in Harris Poll surveys. Because the sample is based on those

who were invited to participate in the Harris Poll online research panel, no estimates of theoretical sampling error can be calculated. A full methodology is available upon request.

About The Harris Poll

Over the last five decades, Harris Polls have become media staples. With comprehensive experience and precise technique in public opinion polling, along with a proven track record of uncovering consumers' motivations and behaviors, The Harris Poll has gained strong brand recognition around the world. The Harris Poll offers a diverse portfolio of proprietary client solutions to transform relevant insights into actionable foresight for a wide range of industries including health care, technology, public affairs, energy, telecommunications, financial services, insurance, media, retail, restaurant, and consumer packaged goods. [Contact](#) us for more information.

About the ADP Research Institute®

The ADP Research Institute provides insights to leaders in both the private and public sectors around issues of human capital management, employment trends and workforce strategy.

About ADP

Employers around the world rely on ADP® (NASDAQ: ADP) for cloud-based solutions and services to help manage their most important asset - their people. From human resources and payroll to talent management to benefits administration, ADP brings unmatched depth and expertise in helping clients build a better workforce. A pioneer in Human Capital Management (HCM) and business process outsourcing, ADP serves more than 610,000 clients in 100 countries. [ADP.com](#).

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