

BEWARE THE HIDDEN COSTS OF MANAGING ESPP PAYROLL FILES



As with any benefit, the employee stock purchase plan is not without its costs. But apart from the known costs like administration fees and purchases fees, there are the hidden costs. These are the ones that rear their ugly head when there are problems with running a plan properly.

A lot of these problems can be tied back to managing the processing of your payroll files. If your plan is global, or you use multiple payroll providers, you are dealing with multiple files in multiple formats that require far too much manual work to prepare them for your stock plan administrator. If you insist on keeping this process in-house, beware of these hidden costs:



1. Non-Compliance

When employees are overwhelmed, the quality of their work suffers, which leads to mistakes. These same mistakes can impact the integrity of the purchases, share allocations and overall qualification of the plan, and can in turn cost you money.



2. Fraud

Without a system to reliably control your ESPP program operations, fraud can be relatively easy for someone to carry out. The costs of fraud are self-evident, but just as deadly is the cost to the reputation of the plan itself, which can easily kill it through lack of participation.



3. Decreased Cash Flow

A side benefit to employee participation in ESPPs is increased cash flow. But when the plan isn't working right, when payroll files are delayed, purchases are delayed and allocations are delayed, participants lose interest and exit the plan. Fewer participants means a serious decrease in cash flow.



4. Loss in Employee Morale

Participation in ESPPs is known to actually improve morale among plan participants. Higher productivity, fewer absences, and even a willingness to recommend the company to others as a place to work are all correlated to ESPP participation. But if the plan isn't working right, you lose out on all that positive value participation can provide.



5. Productivity Problems

If the process is complicated and time-consuming enough, you will spend much more time than is necessary carrying it out. Relatively simple operational ESPP tasks, such as processing contribution changes, can take forever when done manually. And this has a direct effect on productivity as employees could spend this time far more usefully and profitably, like growing participation in the plan.

The negative impact of labor-intensive administration is most obvious in the amount of time and effort involved in people doing the tasks. Manual work around managing ESPP payroll files may be sucking up resources and having an impact without you even realizing it. So why keep doing it in-house? Just get rid of it. Outsourcing is often a fast and easy way to alleviate your team of the tasks that consume their time without providing much benefit to the company. It may even prove to be a cost savings in the long run.



6. Analytics

When you are forced to manage your program on a country-by-country basis and with little or no technology solution to support this, inconsistencies, patterns or trends aren't easily identified and areas of concern aren't flagged.



7. No Centralized System

When parts of the plan are managed on a fragmented basis - with different systems for different tasks - reporting is time-consuming and costly to produce.

If you need help managing the payroll files for your ESPP, Computershare's Professional Services Group can help. We will work with you to take the entire process out of your hands and into the hands of our experts.

Find out how we can save you time and money while minimizing risk. Learn more at www.computershare.com/psg