DRAGON HCM

MID-MARKET BUSINESS GUIDE

What Does It Cost to Support Your Workforce?

Understanding the Hidden Investment Behind Every Employee

The people, systems, and services behind the paycheck.



Let Us Connect Your World.

A PRACTICAL GUIDE FOR MID-MARKET LEADERS

The Investment Behind the Paycheck

Salary is visible. The work that supports each employee is spread across the business.

Your workforce is an investment in the business. The pay and benefits provided to employees are one part of that investment. The work required to recruit, onboard, pay, equip, support, and manage those employees is another. Understanding the second part requires looking beyond the payroll invoice or the HR department's budget.

A manager reviews time records. Payroll resolves an exception. Finance reconciles an allocation. IT prepares access for a new employee. A provider manages part of the benefits process. These activities may be essential and well executed, yet their combined cost is rarely visible in a single account. A useful assessment brings them into view without assuming that the tools or people performing them need to be replaced.

Where Investment Works Harder

The aim is not to make every administrative cost smaller. Some expenditure protects accuracy, service, and continuity. Additional training may reduce dependence on one specialist. A better connection may remove repeated entry. An existing system may remain the best choice. The decision depends on what the business receives for the money and effort it commits.

This guide presents a practical way to define the cost of workforce administration, follow the work across departments, establish a defensible baseline, and compare improvements. It is designed for Dragon HCM's mid-market focus of approximately 50 to 1,000 employees, while recognizing that operating complexity matters as much as headcount.



A connected view of HR, payroll, IT, and finance.

01 / SEPARATE THE QUESTIONS

Employee cost and administrative cost

Two useful views of the same business, but not two totals that can simply be added together.

Direct employee cost, as used in this guide, means compensation and employer-funded employment costs: wages, salaries, incentive payments, employer payroll taxes, and employer contributions to benefits. It is a management definition for this analysis, not a claim about financial-statement classification. SHRM's total rewards resources frame compensation and benefits as strategic investments in the workforce. [1]

Administrative cost answers a different question: what resources does the business use to support and manage that workforce? The scope may include payroll operations, HR administration, benefits administration, timekeeping, employee-related IT support, reporting, software, and external providers. It includes the relevant share of people's time, even when that work sits outside a department labeled HR.

The employee investment

Pay, employer taxes, and benefits across the workforce. Includes the people who administer the work.

The administration view

The allocated people, systems, and provider costs used to support the workforce.

These views overlap. Reconcile shared costs before combining them.

01 / DEFINE THE COST BOUNDARY

Count the relevant work. Count each cost once.

A clear scope makes the numbers useful and prevents apparent savings that exist only on paper.

Set the boundary before gathering the numbers

Decide which services the review will cover and which employees they support. For example, general IT infrastructure for the whole business is not the same as the portion used to administer employee accounts and devices. Benefits premiums are not benefits-administration fees. A payroll provider's charges are not the wages and taxes that pass through its payment process. Separating these items makes the result meaningful.

The scope can be narrow initially, provided it is explicit. A review of payroll, benefits administration, and timekeeping should not be presented as the full cost of human capital management. Recruitment, learning, employee relations, and other services can be added in a later phase with their own cost and activity evidence.

Prevent an important double count

Total employee compensation already includes pay and benefits for HR, payroll, and IT staff. Their allocated compensation can appear in an administrative-cost analysis because that is a different view of the same expenditure. Do not add the entire administrative total to company-wide compensation without removing the overlapping personnel costs.

ONE COST, ONE PLACE IN THE BASELINE

Employment cost

Allocate only the share supporting the review.

Shared systems

Separate included services from unrelated use.

Provider charges

Exclude wages and taxes passed through for payment.

02 / UNDERSTAND THE ECOSYSTEM

Follow the work and the information

The cost accounts show what is spent. Observation explains what the spending supports.

Begin with a recurring process that crosses several teams, such as onboarding, a role change, time approval, or a payroll adjustment. Identify where the information originates, which system holds the authoritative record, and how the next person receives what they need.

Consider a fictional employee, Jay, moving to a new role and location. HR records the approved change. Payroll reviews the effective date and affected setup. IT adjusts access and equipment arrangements. Finance confirms the allocation. Examine how the teams coordinate, what they repeat, and how they resolve exceptions.

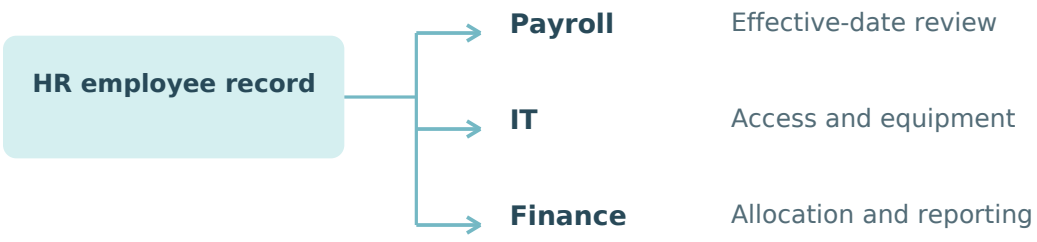
Capture the knowledge behind a reliable result

An experienced processor may know that a late approval needs a different route because the normal cutoff has passed. An IT colleague may know why Jay temporarily needs access to his former team's files. These decisions should be captured alongside the procedure. A record of screen clicks alone cannot explain the authority, reasoning, or exception handling on which the outcome depends.

Observe representative work with the people who perform it, then validate the resulting description with them. Record hands-on effort separately from waiting time, and distinguish required review from duplicate handling. Identify where a colleague could take over and where an absence would expose undocumented knowledge.

CIPD's people analytics guidance supports using people data to inform decisions. The workflow review supplies the operational context needed to interpret those data. [2]

ONE APPROVED CHANGE, THREE COORDINATED RESPONSIBILITIES



Each team confirms completion; exceptions return to a named owner.

03 / BUILD A DEFENSIBLE BASELINE

Measure a consistent scope over a full year

Use actual expenditure where available and make allocations and estimates visible.

Choose a twelve-month period and reconcile the included costs to payroll records, the general ledger, contracts, and invoices. Allocate internal effort using a reasonable sample or a documented estimate approved by the relevant manager. Allocate only the relevant share of each person's loaded employment cost.

Keep a cost register with the amount, source, period, scope, and allocation method for each item. An item needs one home: software included in a provider bundle should not appear again as a separate subscription; shared IT support allocated to the review should not also be counted in the same personnel total. Identify one-time change costs separately from recurring operations.

Choose a denominator that matches the service

For an internal employee-based measure, divide annual in-scope administrative cost by average supported employee headcount for the same period. A practical method is the average of twelve consistently defined monthly counts. Use finer time-weighting if monthly counts do not represent the workforce. State how employees on leave, seasonal staff, and contractors are treated.

Headcount and full-time equivalents are different measures. APQC publishes a cost-of-HR measure using business-entity FTEs and defines process costs across personnel, systems, overhead, other, and outsourced costs. [3] Dragon's broader support-cost view is not that benchmark. Benchmark comparisons require matching scope, cost definitions, period, and denominator.

Annual administrative cost per supported employee

Annual in-scope administrative cost ÷ average supported employee count

Dividing the result by twelve gives a monthly equivalent. This is an internal management measure, not a software price or a finding that the cost should be reduced to a particular level.

Retain both the total cost and the per-employee result. A growing business can lower cost per employee while increasing total expenditure. Also track turnaround, corrections, and unresolved cases.

WORKED ILLUSTRATION / NOT A BENCHMARK

What a baseline can tell you

The following amounts are invented to demonstrate the method. They are not client results or typical costs.

Assume a business averages 300 supported employees over a twelve-month period. Its review covers payroll, HR and benefits administration, timekeeping, and the employee-administration portion of IT. The business reconciles its costs into the categories below. Each line is separate; the allocated IT-support amount is excluded from the personnel line.

Annual in-scope cost	Illustrative amount
Allocated HR, payroll and manager effort	$180,000
Software subscriptions in scope	$42,000
External administration providers	$18,000
Allocated employee-administration IT support	$20,000
Allocated overhead and other support costs	$10,000
Total annual administrative cost	**$270,000**

The annual cost is $270,000 ÷ 300, or $900 per supported employee. Its monthly equivalent is $75. That amount includes internal effort and other support costs, so it cannot be compared directly with a vendor's per-employee subscription quote. Nor does it establish whether this business is efficient without considering service and scope.

From a cost baseline to an improvement estimate

Suppose a tested change releases 240 hours of internal effort annually. At an assumed loaded rate of $40 per hour, that represents $9,600 of capacity value. If the employees remain on the same pay and hours, the business has not saved $9,600 in cash. It has time available for other work, which should be linked to a planned use and checked after implementation.

If the same change also removes a genuinely redundant $4,000 annual subscription, that is a separate potential expenditure reduction. Include termination timing, any retained fees, the cost of the new arrangement, and implementation effort before calculating a financial benefit. Do not subtract both the capacity estimate and unchanged salaries from the cash budget.

04 / COMPARE THE INVESTMENTS

Choose the change that earns its place

Retain and improve, connect selectively, or replace a defined part of the stack.

The baseline does not dictate a single solution. Retaining current systems while improving procedures and training may address inconsistent handoffs or dependence on a few specialists. Connecting selected systems may reduce repeated entry while preserving tools that work. Replacing a defined part of the stack may be justified where capability, service, or maintenance requirements cannot be met economically by the existing arrangement.

Compare these options over the same planning period and against the same expected workload. Include one-time discovery, configuration, data preparation, testing, training, internal project time, and overlapping contracts during transition. Recurring costs should cover subscriptions, providers, integration upkeep, administration, and relevant usage charges.

Include the costs of adoption and continuity

Identify who needs training, how much time they will require, and who supports them after launch. Verify that operating instructions capture exceptions and that an authorized backup can use them. Define the fallback for a service interruption and the approvals needed to resume normal work.

For each option, present cash expenditure, expected capacity changes, and service improvements separately. A sensitivity test should show what happens if adoption is slower or the time reduction is smaller than expected. A focused pilot can check whether the proposed connection reduces work overall rather than moving it from one team to another.

A relevant example, with a limited purpose

Rippling's Morning Consult case describes a 500-employee organization and reports 500 annual hours saved across onboarding, offboarding, and reporting. [4] The historical customer account illustrates why cross-system work is worth examining. It is not a forecast for your organization, and its result should not be inserted into your business case as an assumed saving.

Dragon HCM uses the assessment to recommend an appropriate scope alongside our technology partner, Rippling. The recommendation should explain the proposed change, what remains in place, the expected cost and operational effects, and the evidence needed before expanding.

BRING THE FINDINGS TOGETHER

A useful next step

A short decision brief should connect the cost, the work, and the proposed investment.

An initial assessment should leave leaders with more than a software recommendation. It should explain which workforce-support services were reviewed, what they cost over the selected period, how the work moves, and which improvements merit attention. Estimates and missing evidence should be visible so the next decision is proportionate to what is known.

What the decision brief should contain

Scope and baseline. Identify the supported workforce, included services, cost period, allocation methods, annual administrative cost, and average employee count. Explain exclusions and reconcile overlaps so the figure can be updated rather than recreated.

Operational findings. Describe the material handoffs, necessary controls, repeated work, and reliance on undocumented knowledge. Link each finding to an observed example or supporting record, without treating every manual activity as waste.

Options and implementation. Compare retaining, connecting, or replacing the relevant tools. Show costs, internal effort, training, continuity arrangements, and dependencies. Name the owner and measures for a pilot, including how benefits will be reviewed after launch.

Let us connect your world.

Dragon HCM helps you understand the cost of supporting your workforce and design an ecosystem around the way your business operates, alongside our technology partner, Rippling.

dragonhcm.com

Sources and method

This is a Dragon HCM working framework, not a certified benchmark or a financial reporting standard. Examples on page 7 are hypothetical. Sources below inform the distinctions and context; none establishes a target cost for the reader's business.

[1] SHRM: Total Rewards. Compensation and benefits as workforce investments.
[2] CIPD: People Analytics factsheet. Using people data to inform decisions.
[3] APQC: Total cost to perform the HR function per business entity FTE. Definitions, not a claimed comparable benchmark.
[4] Rippling: Morning Consult customer story. Historical vendor-published results.
Sources checked November 17, 2026.