

A Business Owner's Guide to HR: Is There a Better Way?

FrankCrum PEO Shares Answers
to Your HR Questions



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Introduction

Most business owners spend too much time playing defense. You know what we're talking about: you never seem to find the time to focus on what studies say that small- and mid-sized business owners are most concerned about growing their revenue.

Where does the time go? A big chunk of it usually goes toward human resources-related administration that include things like payroll and payroll reporting, employee benefits, workers' compensation, risk management, employee onboarding, employee retention, unemployment claims – and the list goes on.

It's clear that there are a lot of HR answers out there (often from consultants and others who give you answers before they even ask the right questions). So we dug into some research and asked some small- and mid-sized business owners what it is about human resources that is most problematic for them.

Here are their top 9 questions:

1. What sort of benefits package should I offer?
2. How can I handle workers' compensation insurance affordably?
3. I know risk management is important but how can I afford it?
4. How do I hire and retain the right people?
5. What happens if I hire the wrong person?
6. What do I need to know about unemployment claims?
7. How can I stop worrying about employee discrimination lawsuits?
8. How do I classify employees vs contractors and exempt vs non-exempt employees?
9. What's the best way to handle payroll and payroll reporting?

Looking at this list, it's no wonder so many employers choose to stick their heads in the sand rather than deal with these questions!

How about you – how many of these questions can you answer with confidence? Don't feel bad if you can't, because we suspect that many HR professionals couldn't answer all of them either. That's because they are either generalists who know a "little bit about a lot of things" but not much in depth; or specialists who may know a lot about one area like benefits but very little about others like risk management and workers' comp.

There's a better way to do business and there's no need for you to reinvent this wheel. It's called a Professional Employer Organization, or PEO as it's commonly referred to. And even though PEOs have been around for a number of years, the very businesses that could benefit most from them often don't even know about them or don't understand what they offer in terms of results for business owners and managers.

That can stop right here. Here are the plain facts about PEOs and why they are so beneficial for business owners, courtesy of FrankCrum, a national PEO with a great combination of knowledge, technology, accountability and the genuine personal touch.

There are a lot of reasons why businesses of all sizes choose to work with a PEO like FrankCrum, not the least of which is that they gain access to a full range of professionals who can answer the HR questions most business owners have.

Probably the best reason, though, is the response to this question:

"How can I do right by my employees and my business without spending so much time on HR?"



Briefly, here are answers to that question, including statistics from independent surveys performed by McBassi & Company for the National Association of Professional Employer Organizations:

- + Small business executives who use PEOs to outsource their HR functions are better able to focus their attention on their core business. Often referred to as working on the business rather than in the business, this type of outsourcing reduces the owner/manager's time burden for performing basic human resources processes like onboarding, payroll, benefits, taxes, compliance, workers' comp and more; allowing them to focus their time and efforts on business growth and profitability.
- + Perhaps not surprisingly, then, PEO clients enjoy higher growth rates than other small businesses, as they are free to spend more time on sales, business development and meeting customer needs.
- + Businesses using PEOs for outsourced HR services can provide a broader array of HR services at a lower cost. A conservative estimate from Bersin by Deloitte, a research and advisory services firm, indicates that PEO clients enjoy a 21 percent savings on HR administration. Another study, from Sourcing Analytics, indicates that companies with outsourced HR services for more than 60 months achieve 62 percent in savings as opposed to benchmark companies.
- + Businesses that use PEOs for outsourced HR services are able to offer better benefits and a wider range of employee-related services. We believe this is a major contributor to "levelling the playing field" for SMBs that compete not only with each other, but also with much larger businesses to attract the best talent and boost their sales.
- + Employee turnover rates for PEO clients are 10-14 percent lower per year than that of comparable companies.
- + Businesses that use PEOs are approximately 50 percent less likely to fail from one year to the next when compared with similar companies.



So what do PEOs do? PEOs provide a wide range of HR services that many SMBs either don't or can't perform due to limited staffing resources and/or lack of HR experience and knowledge. A PEO can supplement your existing HR staff or take care of any or all of a wide range of services, including:

- + Payroll processing
- + Payroll tax administration and reporting
- + Benefits and 401(k) administration
- + Workers' compensation insurance
- + Risk management
- + Unemployment claims management
- + Employee onboarding
- + HR compliance assistance
- + HR consulting and management

If these are the types of results you're looking for in your business, we invite you to [contact us](#) to learn more about how FrankCrum PEO works and whether it's a good fit for you.

In the meantime, we thought you might be interested in what the FrankCrum professionals have to say about the other nine most frequently asked HR questions mentioned above. Consider these the "CliffsNotes" for the sake of brevity – just [contact us](#) for more detailed information about your specific interests.





What Sort Of Benefits Program Should I Offer?

You offer benefits because you want to provide a well-rounded compensation package. What may surprise you, though, is the value current and prospective employees place on workplace benefits, which may include health care, retirement savings, Flexible Spending Accounts, paid time off and a number of voluntary benefits such as dental, vision, life, disability and various discounts – most or all of which are available through a PEO.

However, concerns about costs, changing regulations and compliance issues may sometimes overshadow the beneficial aspects of benefits programs in the employer's mind. Following are several points you might consider as you navigate through the benefits landscape:



Will my employees value their benefits program?

In a recent Employee Benefit Research Institute survey, 88 percent of workers said that employment-based health insurance is extremely or very important, far more than for any other workplace benefit. In addition, three-quarters of workers believed that the benefits package an employer offers prospective workers is extremely (36 percent) or very (41 percent) important in their decision to accept or reject a job. As for voluntary benefits offered through the employer but paid for at least in part by the employee, workers identified lower cost (compared with purchasing benefits on their own) and choice as strong advantages. It seems clear that employers who take the time to research and offer a comprehensive, affordable workplace benefits package are better able to hire and retain their employees.

How much will benefits cost? Why is my renewal cost so high?

Renewal rates are based on coverage and value, with utilization and participation being key drivers. One of the best ways to keep your renewal rate low is by increasing your participation to as close to 100 percent as possible.

What about changing regulations and compliance issues?

The best tools an employer can use are awareness of changing regulations and compliance issues, correct interpretation and correct application. These are also directly related to the cost of benefits — you must understand the regulations to know the cost that is attached to them. This is particularly timely in light of the implementation of the Affordable Care Act.



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How Can I Handle Workers' Compensation Affordably?

Particularly for smaller businesses, the question may arise of why workers' comp insurance is necessary. The simplest answer is that it may be required in your state, even for businesses with a single employee. But whether coverage is mandated by law or not, the more important answer is that workers' comp insurance is the sole remedy for risks associated with injuries or incidents that occur in the workplace. It is also insurance against lawsuits and other unforeseen expenses.

Costs for workers' compensation insurance are based on state rates, but adjusted for your company's loss history and whether you qualify for an experience modifier. In addition, though, business owners should shop among carriers for the best premium costs.



3 I Know Risk Management Is Important But How Can I Afford It?

Workplace safety is too important for employers to overlook. With nearly 3 million nonfatal workplace injuries and illnesses reported each year by private employers, the costs are nearly \$250 billion annually, in addition to the pain and suffering experienced by the workers and their families. Costs your business may incur include increases in workers' compensation premiums, loss of productivity, overtime paid to other workers, damage to equipment and disruption of the team, just to name a few.

Proactive approaches to fostering a safer work environment can make a real difference from a cost point of view as well as an employee safety and satisfaction perspective. Studies by insurance carriers indicate that investment in proactive workplace safety programs can yield a return on investment of approximately \$6.15 for every \$1 spent.



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How Do I Hire and Retain The Right People?

There are a number of best practices that can help you do a better job of hiring. These include the use of job descriptions to clarify the role, written employment applications, structured interviews, background checks, drug screenings and past employment verification. Offer competitive salary and benefits packages, along with as much flexibility in scheduling as is appropriate in your industry. Don't forget to discuss your company's goals and core values to ensure the best fit.

In addition, it's important to put the right policies and procedures in place, to make your expectations clear. After you hire, offer a good onboarding program, augmented by thorough, consistent training. Treat all employees with dignity and respect, making sure your supervisors do the same; and consider ways to engage employees such as employee recognition programs, events and community volunteer projects.



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What If I Hire The Wrong Person?

We've all made hiring mistakes! When problems occur, they can be identified in one or more of three areas: performance, attendance or conduct; and corrective action should create immediate, consistent and significant changes.

One of the most important things a supervisor or manager can do is to document the file — unemployment insurance rates may increase if you can't back up the termination and the disgruntled employee wins.

Depending on the severity of the problem, corrective actions may start with a sit-down conversation, followed by coaching and, if the situation continues, a written warning. Always have a written record of these steps and ensure that the employee understands why he/she is being counseled, what they must do and any consequences for not correcting the activity.



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What Do I Need to Know About Unemployment Claims?

No one can really avoid unemployment claims, because former employees are always free to file claims. However, astute employers can minimize the number of claims and maximize their ability to defend themselves against claims that have been filed.

Unemployment claims are most frequently related to employee performance, attendance or conduct; and less frequently to layoffs or an employee's hours being reduced. Here are a few ways to minimize the number of claims:

It starts with the recruitment and hiring processes: Use job descriptions to clarify the role, written employment applications, structured interviews, background checks, drug screenings and past employment verification.

- + Have good policies and procedures in place: Make your expectations clear in terms of the quality and quantity of work to be performed, and document your expectations with written policies and procedures, not just for tasks but also time and attendance, leave, anti-discrimination, substance abuse and other important issues.
- + Provide consistent training: Job performance procedures may vary widely from one employer to another, leading to what may be honest mistakes on the part of a new worker. Be clear with instructions, monitor performance and, if necessary, retrain the employee.
- + If you aren't satisfied, let the employee go quickly, before the state's probationary period expires: In most states, this is 90 days and an employer is generally excluded from unemployment claim liability if the termination occurs before that time. Don't forget documentation — even if the termination occurs within 90 days of the date of employment, you should still have documentation to support your decision if the employee sues for wrongful termination.

- ⊕ If problems pop up after 90 days, take necessary corrective actions and document them thoroughly: The goal of any such program should always be to resolve the problem and maintain the relationship, helping the employee become successful; rather than simply justifying a termination. Corrective actions may start with simple coaching, followed by a sit-down conversation if the coaching didn't resolve the issue, and, if the situation continues, a written warning. If termination is the next step, you should have a written record of all these steps.
- ⊕ Avoid layoffs: Watch your business model and plan ahead to reduce head count through attrition rather than layoffs.



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How Can I Stop Worrying About Employee Discrimination Lawsuits?

Advance preparation is always the best defense. Regardless of the type of discrimination claim, knowing the elements of claims and what can lead to them can go a long way toward preventing claims. Following are best practices:

- + Be aware of EEOC rulings related to hiring, particularly on the use of credit reports, credit history or criminal background, as well as types of screening and selection tools.
- + Post the corporate EEO statement, distribute the company's written anti-discrimination policy and have employees and managers sign copies of these policies and procedures.
- + Institute anti-discrimination policies and procedures, including training, employee manuals, reporting and social media policies.
- + Develop and document corrective action processes that focus on resolving problems and establishing a successful relationship with employees, rather than creating an adversarial relationship.
- + Is it really employment "at will?" Although 49 states are considered "at will employment" states, it's always prudent for employers to document the issues and have good business reasoning for termination.
- + Investigate and never retaliate. Often the "heat level" of a claim rises because the employer either did not take it seriously enough to investigate it or took retaliatory actions against the employee filing the complaint.

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How Do I Know How to Classify Employees vs Contractors or Exempt vs Non-Exempt Employees?

Employee or Contractor?

Misclassifying individuals may open your organization to a number of risk factors and penalties. The U. S. Department of Labor issues guidance on classifying workers under the federal Fair Labor Standards Act (FLSA).

According to the IRS, obligations toward employees include requirements such as withholding income taxes and withholding and paying Social Security and Medicare taxes. These obligations do not exist for payments to independent contractors.

The IRS provides criteria and definitions to determine whether a worker is an employee or contractor. The primary elements in this determination relate to the degree of control and independence. Facts that provide evidence of the degree of control and independence fall into three categories: behavioral control, financial control and type of relationship.

Because there is no one factor that determines the classification, it's important to consider the entire relationship in light of these three elements.



✓ Exempt or Non-Exempt?

All employees are either exempt or non-exempt and the U.S. Department of Labor has established certain criteria for employees to be considered exempt. Violating these criteria can lead to expensive litigation.

Non-exempt employees are those who, while paid in a variety of methods (hourly, daily, piece rate, commissions, etc.), are entitled to certain provisions under the law. Generally, they must make at least minimum wage for all hours worked, and they are entitled to overtime if they work more than 40 hours in a workweek.

Exempt employees are paid on a salary basis and their pay does not fluctuate based on the number of hours they work (or any other factors). While exempt employees generally cannot have their pay reduced for working fewer hours (with limited exceptions), they also are not entitled to overtime pay for working more.



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What's The Best Way to Handle Payroll and Payroll Reporting?

Payroll is the HR area that affects both employee and employer most directly. However, payroll processing can be a time consuming and even complex responsibility; and payroll taxes and reporting can bring significant compliance and risk challenges.

Following are some of the issues you should be concerned with – all of which are areas a PEO such as FrankCrum is well equipped to manage:

- + Online payroll systems for employer and employee with secure online portal
- + Payroll tax compliance
- + New hire input and reporting
- + Employment tax credit services
- + Payroll direct deposit
- + Complex and multi-state payrolls
- + Overtime
- + Holiday pay
- + Tips and wages
- + Per diems/non-taxable reimbursements
- + Wage garnishments



Why FrankCrum

Although FrankCrum clients appreciate our long and successful track record, financial stability, technology capabilities and the wide range of services we offer, what we hear most often is that they appreciate being able to speak with a live person who gives them straight answers to what may sometimes be difficult questions.

That's the way we do business – one person at a time, one client at a time. It's literally part of our DNA as the FrankCrum family of businesses: what we call a “A Family of Employer Solutions.”

Our company history began in 1981, when Frank W. Crum, Jr. and his father started offering temporary staffing services, with a deep commitment to the success of business owners. Because of that commitment, we have expanded our professional offerings over time as clients partnered with us to help them grow.

Today, that family of businesses – still owned and operated by Frank Crum, Jr. and now his son, Matt and daughter, Haley– offer HR services through FrankCrum PEO, workers' compensation and general liability insurance through Frank Winston Crum Insurance and staffing services through FrankCrum Staffing. You'll find the same operational philosophy in all three companies; Frank refers to as “doing the right thing for the right reasons.”

It boils down to this: Running a business can be hard. Managing your human resources program shouldn't be. Let us know how we can help.

CONTACT A SPECIALIST



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