



"Time off requests create issues; a strategy is needed."

FOCUS ON HUMAN RESOURCES

By Allan Milder, SP3 Group

Question:

I own a small business and often find that during the summer months and holidays my employees all seem to ask for time off at the same time. Since I can't afford to have too many people out at once, how can I most fairly allocate vacation time?

Answer:

There are a number of possible options available depending on the specific nature of your business and the employee tasks and skills your business employs. Underlying all the choices available to you is a sound vacation planning policy. Your vacation policy should include provisions for employees requesting their preferred vacation dates as early in the year as possible, and a fair and understandable methodology for handling competing requests for the same dates. Seniority is often used to determine tiebreakers, but other methods may also work effectively.

If you have the kind of business that tends to be seasonal you may want to close down for a fixed period such as July 4 week or Christmas week, with employees required to use their vacation time to supplement the actual holiday day(s). This reduces the number of discretionary days off each employee can use, thereby minimizing the difficulty of accommodating many requests during the summer.

Another alternative may be to hire summer students and/or interns to perform the jobs of some of your employees, enabling more of them to be gone than would otherwise be the case. Another plus to this is that under some conditions when interns are working in their field of study it may be possible to employ them without pay because they get college credit for their work. If you pursue this you will need to work closely with the school to ensure you are complying with all conditions of such an internship.

In the current job environment you may also be able to find skilled temporary or contract workers who are willing to accept short-term assignments. Many temporary agencies handle a broad variety of professional as well as non-professional candidates if you choose this route.

Another alternative you might choose is to ask employees to volunteer to take their vacations during seasons other than summer, and possibly provide some incentive for them to comply. The incentive can take the form of a cash bonus or some additional time off. Or you may be creative and offer something else you know they would appreciate.

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"If you use a lawn service at home or go out to eat at a restaurant, you are outsourcing."

With any of these alternatives mentioned above, as well as with others that have not been covered, there can be pitfalls resulting in adverse consequences. It is strongly suggested that you seek professional Human Resources and/or Legal advice to ensure that you are designing and executing your plan in a manner that will produce positive results without any unexpected consequences.

Outsourcing

Question:

When does it make sense to outsource something you could do yourself?

Answer:

All of us outsource activities we could do ourselves. Some examples are: (1) going to a restaurant instead of cooking my own supper, (2) hiring a lawn service instead of cutting my grass myself, or (3) going to an oil change place instead of working on the car myself. These non-business examples can offer some insight into our thought process when we consider outsourcing activities in our business.

In a business, the owner hires employees and delegates duties to each one. Outsourcing is an extension of this where the owner hires another company and its employees to perform the duties. So when would it be wise to use your own employees and when is it best to outsource? Let's look at the 3 examples:

- (a) In the oil change example, the work is required only once every 3 months for less than an hour and demands some expertise. The price is low to outsource.
- (b) In the lawn service example, the work is required once per week for about 2 hours and requires equipment. The work is physically demanding.
- (c) In the restaurant example, I get an enjoyable experience with a variety of recipes and foods. It's fun and I'm not much of a cook anyway.

These examples point to reasons for outsourcing:

- (1) We occasionally need expertise we don't have in house. It is not economical to have this expertise in-house.
- (2) The cost is low because someone else specializes and can lower the cost through their volume.
- (3) Special equipment is required which is an expensive investment.
- (4) There is a risk of work-related injuries or accidents.
- (5) We don't enjoy this type of work.
- (6) We've tried and we are not good at this.

When it comes right down to it, do the advantages of doing it yourself outweigh the costs and risks? If not, then outsource. Most business consultants recommend outsourcing for any activities which are not specific to the core of your business. Your "core competencies" are the reason you have a successful business. It's a good strategic exercise to think through exactly what your core competencies are. Any non-essential activities can be outsourced.

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Advantages of Being with a PEO

Part 1

"Are you familiar with the hidden benefits of using a PEO?"

When you think of why you are with a PEO, what reasons come to mind? If you're like most clients, you would think of the payroll functions, employee benefits, human resources and workers compensation. However, using a PEO has advantages within these areas. In some of our articles we will be discussing the hidden benefits of using a PEO.

First, there is payroll administration. This task is time consuming and non-revenue producing, which are good reasons to outsource it. Not only does your PEO do the payroll, they take care of IRS W-2s, W-3s, 940 & 941 reports. They also take care of audits and filings which can take up much of your time. Many industries require certified payroll reports, which your PEO will do, in addition to job costing. They also make sure that you are compliant by making the FICA and FUTA deposits. You don't have to set up an electronic pay system with the IRS. An added bonus to your employees is the ability to offer direct deposit of their paychecks. PEO's also handle child support deductions and cafeteria plan benefit deductions from payroll. Most PEO's also do salary verifications, Health & Human Services responses and new hire filing with the Attorney General's office.

Next, your PEO provides a better way to manage your expense for workers compensation insurance. If you were to obtain workers compensation insurance on your own, you have to estimate your payroll for the year and make a lump sum down payment. At the end of the year you are audited and if your actual payroll was larger than you estimated you have to pay the difference. At the same time, you have to pay the premium for the upcoming year. This may result in a cash flow problem.

This is not a problem when you use a PEO because the workers comp fee is paid with every payroll. You don't have to make a down payment or worry about an end of the year audit. This makes it easier to plan your budget and manage your costs. In addition, your PEO handles compliance management, filings and reports, and workers comp audits.

Professional Employer Organizations are the most cost and time efficient way for businesses to handle the non-revenue producing activities that can consume too much of their time. By utilizing a PEO you reduce your liability and can focus on your core business—the reason you went into business for yourself in the first place!

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