



Focus on Human Resources

IF YOU WERE CAPTAIN OF THE TITANIC, WOULD YOU HAVE SEEN THAT ICEBERG IN TIME?

By Allan Milder, SP3 Group

“Employee absenteeism is an early warning sign of sinking productivity.”

As with icebergs, employee behavior problems are often not visible until they become a crisis. The knack of perceiving the problem early enough to take corrective action can help ensure your ship doesn't sink. In fact the benefits of intervening early include higher productivity, better employee morale, and more reliable customer service. The employer can usually improve profitability.

One of the most common early warning signs that an 'iceberg' is on the horizon is absenteeism and/or tardiness. Ask yourself the following questions, and the answers may show you the tip of the iceberg.

1. Do any of your employees usually request time off at the last minute or even after the workday has begun?
2. Do any employees constantly use all their accrued time as soon as they earn it?
3. Do any employees frequently have unexplained periods during the workday when they have 'personal business' that requires them to leave the office?
4. Do any employees consider time off without pay as an entitlement that you cannot deny?
5. Is there a pattern to an employee's absenteeism, e.g., day after payday, day before or after weekends, arriving late, leaving early, long lunches, etc.?
6. Are any of your employees consistently unavailable to work required overtime when reasonable notice is provided?

Sound managerial practice includes managing attendance. If you assume people get 2 weeks vacation, and 10 days of paid holidays, then a full time employee is expected to work 48 weeks per year. Deducting a reasonable amount of additional time for normal 'sick time' might represent 10 more days, leaving you with 46 weeks of work from each person. With a 40 hour workweek that leaves you with an expectation of approximately 1840 hours per year. Every

Diamond Corporate
Services, Inc.
P.O. Box 1587
Manchaca, Texas 78652

Phone:
(512) 431-7620

Fax:
(512) 291-9830

We're on the Web!
www.peosales.com

week of unexpected missed time, including time off without pay, reduces your productivity for that person by more than 2%, leaving work undone, done by other workers, or done by you. For some businesses, productivity of the entire operation drops dramatically whenever a key employee or two is not there.

Employee requests for time off should therefore be evaluated based on workload, the effect on customers and other employees, and the requesting employee's track record, including but not limited to the answers to the six questions listed above. It's OK to say no! In fact, if you feel the request should not be approved it may be helpful to have a conversation with the employee. While they may not like your decision it is important for them to see that you have business reasons for denying the request and you are not being unfair or arbitrary. By setting these boundaries you are making it clear to your employee what is expected of them.

Often when you begin addressing attendance issues you will realize that there are other performance or behavior problems that need to also be considered. This is how you can use the early identification of problems to hopefully prevent the problems from getting out of control and causing great harm to your business. Often when you do address these problems early the employee will show improvement and the other employees will appreciate that you are dealing with the issue in a fair but firm manner.

Your ship does not need to sink, and as the Captain it is up to you to be on the alert and act when icebergs are still far enough away to be avoided.

This tip is provided by Allan Milder, Vice President, Human Resources Consulting Services, SP3 Group, Inc. Their assistance is available to all clients of Diamond Corporate Services without charge. Contact Allan directly at 512.249.8427 (office) or 512.970.3646 (mobile), or call Ron Rice at Diamond for a referral.

PEO PRICING STRATEGIES

Learn How PEO's Price their Services

By Ronald Rice, Diamond Corporate Services

Quite often I am asked how a PEO (or employee leasing company) does its pricing. PEO pricing can be confusing because PEO's generally set a "labor burden" fee which is a percentage of payroll wages. Another way of stating this is "dollars per \$100 of payroll". By way of contrast, payroll processing companies and accountants who are not PEO's usually have a more traditional pricing method, using dollar prices based on "per check", "per month" or "per hour". Thus comparing payroll pricing vs. PEO's is a challenge.

"How does one compare the cost of a PEO vs. a payroll service, or even doing it myself?"

PEO companies charge bundled rates which include these main components: FICA tax, Federal Unemployment Tax, State Unemployment Tax, Workers Comp Insurance, and the PEO's Administration Fee. All of these, except the Admin Fee, are already based on a percentage of payroll wages. All of these are your companies' costs, which are added to (over & above) the gross wages earned by every employee. These costs are costs you would have anyway if you did your own payroll, or hired a payroll processing firm. Sometimes these are called "pass through" costs because all employers have these costs regardless how they process their payroll. Payroll companies do not specifically charge a fee for these items because they are not responsible as the employer. Yet, you are required to pay them anyway. These items do become the legal responsibility of a PEO, which becomes the primary employer of the workers in your place of business. Since the payroll taxes and workers comp fees have always been based on percentages of payroll, PEO's created a percentage rate for their Admin Fee so that all the labor overhead costs could be put together to create a package price for their clients.

The biggest variables in the pricing model are workers comp insurance, the state unemployment tax and the admin fee. Workers comp insurance is based on a code number that defines the type of laborer you have. The employer is then charged a percentage of whatever payroll the laborer earns doing that type of work. Typical rates for the workers comp portion range from less than 1% for a clerical office worker to more than 30% for a worker in a high-risk construction trade. The exact percentages can vary based on the employer's claims experience, years in business and amount of payroll expected.

The state unemployment tax is a percentage of payroll based on how many of your ex-employees have successfully claimed unemployment compensation. The "new business" rate in most states is 2.70% of your payroll. Usually a client-specific rate is given by a state after 2 years of operation. The percentage could drop to 1% or less if the employer has had no claims. The percentage could increase if there were any claims charged to the employer. PEO's often have advantages in pricing workers comp and unemployment tax because of their higher volume of payroll and their longer time in business. PEO's are usually good at tracking claims and following up on the paperwork, too. The result is cost savings for the client in these areas.

Although it is a small part of the overall labor burden fee PEO's charge, the Admin Fee attracts the most questions from clients. Many PEO's will not "break out" their true admin fee. If separated from the other costs in their overall price, the admin cost for PEO's ranges from about 2% to 8% of payroll. PEO's base their admin % on the payroll volume they expect from your account, divided by the number of employees you have. They also consider how many payroll checks per year, how many employees will be using benefits,

how many locations you have, and other factors. Many PEO's track their admin fee dollars collected per employee per year. Large publicly traded national PEO's expect to collect close to \$2000 per employee per year. Thus a \$2000 admin fee on a \$40,000 salary employee would be 5% of payroll. Smaller regional PEO's usually have an admin fee between \$500 & \$1000 per employee per year. Thus a \$500 fee on a \$20,000 salary employee would be 2.5% of payroll. Smaller PEO's seem to have a lower overhead cost than national PEO's, perhaps because of the advertising expenses of larger firms and the cost associated with being publicly traded and having many office locations in different cities.

By way of contrast, payroll processing companies charge a dollar figure that usually equates to less than 2% of payroll, often less than 1%. PEO's charge more in admin fees than payroll companies. However, PEO's take on many administrative duties other than payroll administration, within their fee. Some of these are: benefit administration, human resources activities, risk management & safety, new hire paperwork, INS compliance, labor law posters, employment verifications, administer COBRA, workers comp administration, etc.

PEO's have generally been able to show clients a savings in overall workers comp cost, unemployment tax rate or medical insurance. Often, the savings in these areas offsets the admin fees charged by a PEO. The bundled pricing of a PEO helps clients focus on the big picture, instead of smaller line items in their budget. One example I heard was in buying a car. Auto dealers don't break out the cost of the engine, the steering wheel and the seats. You just evaluate the total cost for the car as a package.

Add-on fees are a concern for most clients. Some PEO's and payroll processing companies market a low initial price. However, add-on fees can include: application fee, new client set-up fees, new hire set-up fee, fees for year-end processing, down payments, computer software, etc. When comparing costs, be sure to ask about all the fees.

FOCUS ON SAFETY: OSHA REPORT POSTING REQUIREMENT

By Ronald Rice, Diamond Corporate Services

The Occupational Safety and Health Administration has a requirement that most businesses must post their injury/illness summary, Form 300A, during February to April. The form should be posted in an area where all workers have access to view it. The summary must list the total number of job-related injuries and illnesses that occurred in

“Are you or your employees at risk to have a large workers comp claim?”

2004 and were logged on the OSHA 300 form. Businesses using a PEO may be given this form by their PEO. Some PEO's have decided to maintain all the OSHA 300 and 300A in their home office. If you wish to see your form 300 or 300A, or if you have been visited by an OSHA representative, contact your PEO directly.

BACK INJURY PREVENTION

Everything we do affects our back. Unfortunately, the back is not very resilient. Once the back has been injured, it will never be as strong as it was before the injury. How many times a day do we lift, push, pull, stretch, and otherwise put a strain on our back? Prevention and knowledge are keys to protecting our back from injury.

Body Mechanics: Body Mechanics is the proper way to move and position the body for different activities in order to prevent injuries. It is important to remember that our bodies do not stop functioning when we go home from work. We need to follow the same guidelines both at work and home.

The natural position of the back is an “S” curve. This is referred to as the neutral position. To keep the neutral position and for good posture, we need to learn to maintain a straight line, from midline of the ears – to the shoulders – to midline of the hips – to midline of the knees – to midline of the ankle. This means standing tall and pulling in our stomach. This will keep our back in a natural “S” curve. Our back needs to be maintained in the neutral position when sitting, standing, sleeping, reaching, and pushing.

Many of us spend a large part of our day sitting. Sitting increases weight on the spine. Slouching can place an additional pressure on the back. Some possible solutions for proper sitting might include: have a chair with maximum adjustability; maintain neutral position; move frequently (take micro breaks); and have adjustable work surfaces.

If a job includes long periods of standing, you should place one foot on a footrest. This technique raises the front of the pelvis and reduces the possibility of a swayback condition. Alternate from one foot to the other frequently. Adjust your work surface height to keep from bending over while working. If your work area is a cubicle, you can adjust the desk height. If you have a regular desk, and cannot find a way to correct the height, adjust your chair to fit the desk and use a footrest.

When arranging your work area or the company storage room, consider each object carefully in order to avoid reaching overhead or bending over. Think about how often the object is used as well as the weight of the object. The best lifting zone is between the shoulders and waist. Place heavy and frequently used objects near

waist height to reduce bending and twisting to reach the object. Place lighter objects higher or lower. Use dollies or carts to move heavy objects rather than carrying them.

Pushing an object is much better for your back than pulling it. If you push, you can see over your load and use your legs, not your back. Keep the object in front of you and stay as close to the object as possible, as this gives you more control and direction.

Common Lifting Mistakes: (a) Bending forward at the waist with legs straight. This requires the use of the muscles in your lower back and the weight of the object being lifted will include the weight of your upper body. (b) Using fast jerky motions. This puts stress on your lower back muscles and may cause sprains and strains. (c) Bending and twisting when lifting forces the spine into a position of weakness and removes the natural "S" curve of strength. (d) Handling the load too far away from the body. The back is like a lever system. A greater distance between the load and the point of support weakens the leverage. (e) Failure to plan the lift. You need to check the path of travel to be sure it is clear.

Eight Steps to Proper Lifting:

1. Size up the load – check to ensure the load is stable and balanced. Test the weight. Try moving it with your foot, if you cannot, you probably need to ask for help.
2. Plan the job – Is the path clear? What is the weight of the load? How much stress might be placed on your back? Is there traffic, a tripping hazard, a doorway, a stairway? Plan a rest stop, if needed.
3. Establish a base of support – use a wide, balanced stance with one foot in front of the other. Make sure you have firm footing and that your feet are a shoulders-width apart. This staggered stance gives you stability and helps secure the load.
4. Bend your knees, keep your heels off of the floor and get as close to the object as possible. Always lift with your legs and not your back.
5. Get a good grip with your palms and make sure you have an adequate hold on the object. You can use gloves to help maintain an adequate grip, but don't rely on gloves because they can de-sensitize the fingers.
6. Lift gradually with your legs without using jerky motions. By using leg strength, your chance of lower back injury is greatly reduced.
7. Keep the load close to prevent arching your lower back. As you begin the lift, tighten your stomach muscles and keep your head and shoulders up.
8. Pivot – don't twist. Move your feet in the direction of the lift. This will eliminate the need to twist at the waist.

Summary: You cannot always avoid lifting, but it is important to know your body's limitations and how to use proper techniques for protecting your back against strains and sprains. The best way to prevent back injuries among your employees is to conduct a short safety meeting and review these tips with them. You should also encourage a healthy lifestyle, including maintaining a healthy weight, walking, and exercising regularly.

This article was written with information provided by the Texas Workers Compensation Commission.