

Special Edition

PROFESSIONAL EMPLOYER ORGANIZATIONS – Part 2

In last week's newsletter, I indicated that;

- Professional Employer Organizations offer a way to reduce cost and assist trucking companies in insulating themselves from various regulatory concerns.

Unfortunately, in too many instances, when trucking companies are reviewing Professional Employer Organizations, they attempt to compute only the tangible cost and not the intangible cost;

- The tangible cost is the cost of workers' compensation insurance, and the cash flow advantages.
- A carrier will take a quotation from a PEO and then will provide that proposal to their insurance agent and have the insurance agent match the cost of the PEO's worker's compensation cost.

The problem is; the carrier is missing the purpose and major reason why a PEO should be considered as part of an overall business strategy. First of all;

- A PEO provides all payroll administration and taxes. As I stated previously, they calculate the wages and payroll deductions, prepare management reports, reconcile payroll accounts, deliver paychecks, calculate and deposit federal and state withholdings.
- Pay FICA, FUTA and SUTA taxes.
- Prepare W-2 forms at year end.
- Handle wage garnishments, and;
- Tax levies.

The above represents just a part of a PEO's services. In reference to human resources, a PEO can;

- Provide a complete human resource department, at no additional cost.
- Assist in dismissal procedures.
- Drug and alcohol policies.
- Create employee handbooks and supplement employee handbooks, at no additional cost to the customer.
- Handle unemployment claims, and;
- Handle all of the other claims that, normally, are directed towards a trucking company, such as:

MANAGEMENT CONSULTING • OPERATIONAL REVIEWS • DIVESTITURES • ACQUISITIONS • MERGERS

THE AHERN ADVISORY

in this issue

Professional Employer
Organization – Part 2



Ahern & Associates, Ltd.

Accredited Member
National Bureau of Certified
Consultants Inc.

September 14, 2009

- Unemployment Claims, Workers Compensation Claims, State Department of Labor Claims, Federal Wage and Hour Claims, Unfair Labor Practice Claims, Discrimination Claims, IRS Payroll Audits, State Department of Revenue Audits, Department of Employee Security Audits, Wrongful Termination Actions, Employee Regulatory Compliance Audits and they keep you updated on all the changes in the legal and regulatory requirements.

It's impossible for a small to medium size trucking company, to be able to effectively handle all these human resource functions. Most importantly, it's very difficult for a trucking company, to be in compliance, with all state statutes, since many trucking companies are simply trying to survive.

By outsourcing these functions;

- A trucking company can partially insulate their company.
- They can offer additional benefits to their employees, even though they may not be paying for the benefits, and;
- It creates an environment that says "you care" about your employees.

Since the PEO is legally the W-2 employer, they have to provide workers compensation insurance coverage by statute. Therefore;

- The PEO provides claims management, with immediate cost savings.
- They handle claims in a timely and expedient manner.
- They provide "Allstates" insurance coverage endorsement, and;
- The PEO becomes the safety department with an experienced staff of safety expertise, to take care of safety issues.

A PEO can;

- Evaluate a carrier's DOT and OSHA Compliance programs.
- Assist in establishing safety procedures and recruiting procedures, and;
- Take care of the increase in amount of employment regulations and paperwork needed to demonstrate compliance. In essence, you are hiring an experienced safety, recruiting legal and human resource department.

There are so many other functions, a properly managed PEO can provide. It's important to understand that all PEO's are not created equal; I'm not talking about dealing with a small PEO employer. **I'm talking about a company that;**

- Has been in business for a substantial amount of time.
- Main focus is transportation.
- Offers a human resource department.
- A safety and recruiting department.
- A compliance department, and;
- A legal department.

In essence, all the above services allow a trucking company to:

- Focus on operational issues.
- Eliminate the high cost of processing payroll.
- Provides a free legal source regarding employee relations/claims.
- Reduces a large amount of paperwork and personnel cost, and;

- A PEO allows a trucking company to hire quality employees, by offering benefits (whether you pay for them or not) comparable to those of much larger companies.
- You now have a free source for keeping up with local and national government compliance requirements.
- You have access to human resource consultants to assist in recruiting, risk management, dismissal procedures, drug and alcohol policies, and employee handbooks, and;
- You become part of a much larger purchasing group, designed to lower your operating cost.

In addition, if you are with a large, well managed, PEO provider, you can also do online reporting;

- You have the ability to view and print invoices and reports.
- Update employee information.
- Complete time sheets, and;
- Enter new employees directly into the PEO database.

You will be able to publish web documents and other announcements to be viewed only by your employees. In addition, employees will have the capability to view payroll and personal information; update basic demographic information, print paycheck stubs, and review benefits and tax information.

In reference to employee background checks, you can now utilize the PEO to assist you in completing that process.

Next week, I will focus on additional benefits.

QUOTE OF THE WEEK:

“Never allow yourself to become one of those people who, when they are old, tell you how they missed their chances”.