

Special Edition

PROFESSIONAL EMPLOYER ORGANIZATIONS – Part 1

Each month, I try to address specific challenges that are facing the trucking industry, and I provide recommendations on how to improve and protect a trucking company during difficult times. Over the last year, the industry has been plagued with financial challenges;

- There are too many trucks.
- Not enough freight, and;
- The economy is not rebounding as quickly as we would like it to.

At the same time, unemployment is rising. The insurance industry is challenged, and the outlook for the insurance industry dictates insurance rate increases; especially for trucking companies.

For the trucking industry, the last thing we need is an increase in the cost of insurance. Additionally;

- More and more people are becoming unemployed.
- The unemployment rate is estimated to reach 11%.
- When workers are unemployed, they look for ways to generate income and one of those ways is through lawsuits, such as;
 1. Unemployment claims.
 2. Workers compensation claims.
 3. Wrongful termination claims.
 4. Discrimination claims.
 5. Unfair Labor Practice claims, and the list goes on and on.

You can be the most honest, hard working, sincere company, and if you become the target of an employee (s), it can have a devastating financial impact to your company.

The long and short of survival in the 21st Century is;

- Be prepared!
- Expect the unexpected, and;
- Be creative.

Today, a company is much better off outsourcing as much of their “back office” as possible. Hence, every trucking company should look at a Professional Employer Organization, regardless of employee size.

What is a Professional Employer Organization, how does it work, what do they do and how can it provide an economic benefit to a trucking company?

How does a PEO work?

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A PEO takes your existing employees and places them onto their payroll;

- **You do not lose control** of your employees, but;
- **The PEO becomes the legal W2 employer.**
- You can still hire and fire your employees, but;
- **All payroll, payroll taxes, insurance, and employee benefits are now handled by the PEO provider.**

In reference to payroll;

- The PEO calculates wages and payroll deductions.
- They process wage deductions and quarterly wage garnishments.
- They prepare management reports and reconcile payroll accounts, and;
- They prepare and deliver checks.

In reference to payroll taxes, the PEO calculates and deposits federal and state withholdings;

- They pay FICA, FUTA, and SUTA taxes.
- They prepare all required reports for these taxes, and;
- They prepare the W-2 reports at year end.

Since the PEO is legally the W-2 employer, they must provide statutory workers compensation insurance;

- **The PEO provides workers compensation, at the lowest possible cost, and no insurance deposit is required.**
- **The insurance is automatically computed into the PEO servicing fee, which is charged to a company at their normal pay periods.**
- **The PEO can, additionally, provide medical, dental, life and disability supplemental insurance if desired – (not mandatory), but for many trucking companies, you get access to volume insurance purchasing.**
- **For larger transportation companies, you can offer additional benefits to your employees, at discounted prices and they can be sold to the employees utilizing payroll deductions; even if you don't pay the cost.**
- The PEO handles all application, processing, administration, claims and audits.

To provide some PEO background, the PEO business initially started as employee leasing in the 1970's, when a "Safe Harbor" division in the Federal Tax Legislation enabled companies to maintain pension plans for management and key employees different from those of regular staff employees – providing the staff employees were leased. Although The Safe Harbor disappeared in 1982, with a passage of the tax equities and FISCAL Responsibility Act, the trend that established the leasing of employees continued, and today PEO's perform a variety of tasks.

A PEO (today), provides such a large economy of scale on such complex issues, that more and more trucking companies are becoming part of the PEO trend. Perhaps the single, most attractive advantage when entering into a PEO relationship is the ability to offer employees a much larger selection of benefits, at considerably less costs, and also being able to partially insulate your company from regulatory concerns.

According to a Department of Labor survey, a PEO can handle its administrative responsibilities at 1/3 – 2/3 of the cost, the average business incurs to provide similar services.

In essence, a PEO, if managed and controlled properly, can offer substantial benefits to any trucking company. Since all trucking companies are cost conscious, all companies should consider reviewing PEO possibilities, in the coming year.

In the next several issues, I will discuss the benefits that a Professional Employer Organization can provide to a trucking company.

QUOTE OF THE WEEK:

“Maybe, if we did a better job of listening; history wouldn’t have to repeat itself”.