

Special Edition

PROFESSIONAL EMPLOYER ORGANIZATIONS – Part 3

During the last several weeks, I have discussed advantages of a PEO. I've indicated that;

- The PEO becomes the legal W-2 employer when a company engages their services.
- The customer now has the ability to outsource many of the administrative functions so he/she can focus on their business.
- A properly managed PEO allows a trucking company to have access to a HR, and legal department to assist in areas in employee issues, which can be very sensitive and costly, and a safety department to deal with DOT issues;
- The PEO prepares the W-2 forms, 1099's, and they do all the payroll administration and taxes.

Legally, as the W-2 employer, the PEO must provide workers compensation insurance. In essence, I've suggested that every transportation carrier review the possibility of outsourcing to a PEO, but I also stated that all PEO's are not created equal.

Today, I want to review the PEO business model because the business model is what needs to be understood. A PEO operates under the business model of;

- "Shared employment/co-employment"
- They take over the administrative and legal responsibilities of managing the employees.
- They reduce, to some extent, the legal liability for trucking companies.
- The client maintains hiring, firing and salaries, but;
- The PEO's expertise provides a work environment/expertise to reduce exposures to various claims.
- The PEO focuses on work place risk management, and safety compliance, as well as;
- Human resource practices.

In essence, the PEO takes over non revenue producing and time consuming business functions like;

1. Processing payroll.
2. Risk management.
3. Workers compensation, administration.
4. DOT compliance assistance.
5. Safety programs.
6. Human resource guidance, and;
7. Bank administration.

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This allows a trucking company to focus on revenue generating activities, AR management and the execution of business goals.

In reference to payroll management, again, the PEO:

- Handles the payroll administration.
- The payroll tax deposits.
- Government tax reporting.
- Processes garnishments and child support orders.
- The PEO provides the ability to print payroll checks on site, direct deposit, or delivery checks.
- There is a secure online access to customers for their records, and:
- The PEO issues the W-2's annually.

From a HR aspect:

- **The PEO manages initial employee enrollment and organization.**
- **They maintain permanent employee files.**
- **They manage unemployment claims.**
- **They assist in dismiss procedures.**
- **They assist a carrier in drug and alcohol policies;**
- **They handle discrimination and harassment claims consisting of:**
- EEOC, ADA, USERRA.

I've stated that operating a trucking company has become much more complex. There are so many issues to deal with, so many rules and regulations to comply with and the laws are changing constantly. An average carrier is so overwhelmed with trying to make a living, that many of the important functions are not attended to (properly) because they can't afford the expertise and they don't have the knowledge within their company.

In reference to insurance, workers compensation is on the rise, again. A trucking company needs to utilize an expert to manage cost, and that's what a PEO does;

- A PEO assists with DOT and OSHA compliance.
- They review the maintenance for OSHA laws.
- They have their own claims management and administration department.
- Their own return to work programs.
- They assist in establishing a safety program to prevent injuries., and:

In many instances, they will produce, for a company, a monthly newsletter which fully demonstrates to employees that you care.

That coupled with the opportunity to add employee benefits such as;

- Medical insurance.
- Dental insurance.
- Vision insurance.
- Life insurance.
- Supplemental accident.

- 401K retirement plans.
- Pre-paid legal and identity theft coverage, and;
- Pre-paid tax options for insurance premiums; are all benefits that can assist a carrier through these challenging times.

The goal of a PEO is to:

- **Increase** company profits.
- **Improve** cash flow.
- **Improve** key competency.
- **Better manage risk/workers compensation exposure.**
- **Reduce** overall cost associated with employment, and;
- **Allow** a trucking company to focus on their core business – moving freight.

A properly administrated PEO increases company profits;

- There is a reduction in time and money spent on the administrative task, such as benefit management, payroll processing, claims, administration, etc.
- The net impact is less time and money spent, but what you need is a lower bottom line cost associated with employment.

At the same time, it also increases cash flow;

- **A PEO helps avoid larger outlays of cash, typically associated with workers compensation and medical insurance deposits** by offering the “pay as you go” system.
- All insurance and employee costs are tied to payroll.
- **These items are paid for within each payroll period, and not up front, in the form of a down payment or year end audits and adjustments.**

Since a trucking company can outsource so many of its vital functions to a third party, this reduces their cost. A PEO;

- **Enhances** employee screening practices.
- **Better manages** workers compensation exposures, as well as all compliance issues with OSHA, and;
- **Assist in reducing overall costs associated with employment; because you’re outsourcing your HR risk management to a third party** and you’re focusing on moving freight.

My point; the model that I’ve outlined is a model that allows a 3rd party to take over the burdens, headaches, liabilities, and time associated with all of the above functions. They are not only time consuming, but if not managed properly, can be extremely expensive.

In closing, I would encourage any trucking company that is concerned about;

- Reducing cost.
- Discrimination and unfair labor practice claims.
- Cash flow.
- Medical and 401K insurance benefits.
- Human resources.
- DOT or OSHA compliance, and;
- Desire to focus on reducing their overall employee cost, should consider a PEO.

In my next article, I will discuss the pitfalls of a PEO and what to look for prior to entering into such a relationship.

QUOTE OF THE WEEK: “One of the most dangerous forms of human error is forgetting what one is trying to achieve”.