

## **HR Outsourcing**

**Learn more about this tool to decide if it can help your business grow.**

**By Louis Basso**

Despite the American Recovery and Reinvestment Act's infusion of \$27.5 billion for infrastructure spending on highways and bridges, the ripple effects of the September 2008 financial crisis on the construction industry and its distributors persist. Based on other market indicators, the road ahead will still be rocky:

- The Associated General Contractors of American projects that state Departments of Transportation's highway construction budgets for 2011 will drop between 30 and 50%.
- Home builders' confidence was recorded at an all-time low this summer following a decline in housing starts which began after the end of the first-time homebuyers' tax credit program.
- The National Association of Home Builders (NAHB) is forecasting an improvement by year's end and into the next decade. The NAHB's Vice President, Economic Analysis and Forecasting Bernard Markstein noted, "I predict a slow recovery back to normalcy, which is 1.5 million starts per year, over the next 10 years."
- Rising construction material costs have leveled off, but the effect on sales remains.

For construction distributors, these and other market conditions demand that they manage their businesses at the highest level. That means management needs to focus on core revenue-producing functions. Additionally, they must assure that overall operations are at peak efficiency and that there are no unnecessary costs or exposures incurred. These are primary reasons why many distributors turn to human resources (HR) outsourcing.

### **What's involved in HR outsourcing?**

When done properly, HR outsourcing is a seamless, reliable service. Professional Employer Organizations (PEOs) are the optimum choice for an HR outsourcing partner. Most states require that PEOs be licensed or registered in each state in which they operate and the best among them also hold an important credential: certification by the Employer Services Assurance Corporation (ESAC). ESAC is an independent, non-profit organization established by the National Association of Professional Employer Organizations (NAPEO). It was developed to serve the PEO industry through its accreditation and financial assurance programs. ESAC certification is to the PEO industry what FDIC approval is to banks and SIPC is to security firms.

To achieve ESAC certification, a PEO must meet stringent financial, professional and ethical standards. An accredited PEO is covered by a \$1 million bond held in trust by a major national bank which backs the PEO's performance in accordance with its contractual obligations. Additionally, accredited PEOs are covered under the excess coverage held by ESAC in the amount of a \$10 million surety bond.

An ESAC-accredited PEO provides its clients with a comprehensive solution to all HR-related matters. Included in the PEO's HR services are: payroll, tax and employee benefits administration, regulatory compliance, Workers' Compensation, unemployment claims, Employee Assistance Programs and value-added employee services ranging from discounts for transportation, shopping, travel, entertainment and fitness clubs to college tuition assistance, etc.). With a PEO onboard, construction distributors gain access to experienced, highly qualified HR professionals many of whom hold advanced credentials such as those provided by the HR Certification Institute (Alexandria, VA) including the Professional in Human Resources (PHR) designation and Senior Professional in Human Resources (SPHR) designation. They also benefit from the PEO's application of advanced HR Information Technology management solutions which afford secure online access to benefits information both to management in the form of reports and employees who can access their personal account and health insurance claims information directly on a 24/7 basis through their PEO's website.

Probably one of the most common reasons many companies elect to outsource their HR function is to access a better selection of employee benefits than they could as a single, smaller entity. Especially today, in our post-healthcare reform era with the passage of the Patient Protection and Affordable Care Act, more businesses are seeking the best and most cost-effective healthcare plans. Under a PEO, the options can include consumer-driven healthcare plans with higher deductibles and lower premiums. The PEO's offerings also may include health and wellness initiatives to encourage employees' healthier lifestyles, which, in turn, help contain insurance costs as well as absenteeism and its related effects on productivity.

### **Shared risk**

As an HR outsourcing partner, who co-employs the employees of its client companies, a PEO also assumes considerable risk in its client relationships. It manages all of its clients' payroll, employee-related taxes, 401 (k) plans, health insurance plans, workers' compensation program and unemployment claims. Additionally, the company assists in its clients' compliance with the myriad of workplace legislation and regulations (i.e., Americans with Disabilities Act, Title VII of the Civil Rights Act of 1964 and other equal employment opportunity laws, Fair Labor Standards Act and other wage and hour laws, COBRA,

Family & Medical Leave Act, and OSHA, etc.) Along with helping prevent exposures through compliance, the PEO's risk management services extend to the drafting of sound employee policies and procedures and the related employee manual, as well as offering training programs on such topics as discrimination-free workplace, harassment prevention, performance management, interviewing and candidate selection skills, etc.

The Certification Institute is another entity involved in assuring that a PEO has sound risk-management policies. The Institute's PEO Workers' Compensation Risk Management Certification provides independent, professional verification that a PEO's risk-management program meets proven insurance risk-management best practices for reducing work-related accidents and health exposures and controls workers' compensation insurance losses. PEOs with this certification maintain certain risk-management outcomes; an important consideration for a construction distribution considering an HR outsourcing partner.

### **View your PEO as a partner and risk manager**

In the best relationships, clients view their PEO as a business partner and risk manager. They rely on their PEO for advice and solutions in addressing their HR needs and mitigating related risks. There is open and ongoing communication between the client and the PEO staff on matters ranging from payroll and wage and hour concerns to discrimination complaints, new hires and terminations, workplace injuries and employee feedback on benefits and programs.

When this relationship exists, a PEO's client can expect to derive important benefits, including:

- Elimination of the burden of managing complex HR matters, thereby freeing up management to focus on core-revenue producing functions (i.e., new business development, marketing, customer relations and operations)
- Improved employer-employee relations including better retention, positioning to attract higher caliber employees, reduced risk of employee lawsuits and increased productivity,
- Reduced risk of fines and penalties due to noncompliance with laws, rules and regulations
- Enhanced corporate imaging and ability to compete on a more even playing field with larger competitors due to a competitive employee benefits package and more sophisticated HR program.

Today, there are approximately 400 PEO members of NAPEO operating in all 50 states in a \$63 billion industry. As HR outsourcing partners, licensed and accredited PEOs' high standards, coupled with their optimum quality controls and comprehensive offerings make them an ideal partner with construction distributors seeking new business relationships that can help them weather economic storms and position their companies for growth and sustained viability.

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