

HUMAN RESOURCES

ONE LESS MATTER TO WORRY ABOUT

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Today's economy is uncertain. Workplace compliance is tougher. Grape crops are unpredictable. Alcohol and Tobacco Tax and Trade Bureau regulations are ever-changing. Acquisitions threaten. Consolidation of distribution makes marketing harder.

Times are especially tough for wineries, but some successful operations are keeping their heads above water and ahead of the pack by outsourcing human resources (HR).

An effective business strategy contains innovative marketing and branding, financial savvy, technical know-how, and creativity. But a winery still needs well-compensated, trained, and talented people — a human resources program that can actually strengthen a brand.

According to the Bureau of Labor Statistics, the average human resources specialist in California earns \$80,000 to \$90,000 per year. However, if you cannot afford to have an HR specialist on staff, you may spend as much as one-fourth of your time dealing with paperwork and other non-revenue-generating employment tasks. One so-

lution that many wineries have turned to is human resource outsourcing.

Outsourcing human resource specialists

When Cyndee Donato purchased Antelope Valley Winery (Lancaster, CA) in 1990, she knew that she hated doing payroll and needed to outsource the task.

"I could have picked a payroll company or hired a part-time bookkeeper," says Donato, "but I was more concerned about HR compliance and the potential for employee problems." "I wanted to offer our few full-time employees medical, dental, vision, and retirement benefits. I knew there was a solution out there that would take these administrative burdens away from me."

HR outsourcing solutions can be found through ASOs (Administrative Service Organizations) and PEOs (Professional Employer Organizations). On the surface, ASOs and PEOs appear to offer similar competencies, but fundamental differences exist between their approaches.

Single-source outsourcing providers (ASOs) enable a business to take advantage of outsourcing without transferring the entire HR organization to a service provider. A winery can outsource one or several difficult or time-consuming

HR processes — such as payroll, recruiting, or benefit plan administration — while retaining control over other applications.

In an ASO arrangement, the vendor is an agent and the winery client remains fully liable and responsible. It is not unusual for a winery to maintain a business relationship with two or even a handful of single-source outsourcing providers, with each firm offering a critical service in its own area of expertise.

A PEO, on the other hand, takes care of all HR responsibilities, and many other employer responsibilities for their customers. A PEO handles every HR task — from workers' compensation and payroll to employment tax compliance, benefits, and even creating an employee handbook. A PEO also shares liabilities and legal responsibilities with its clients.

A PEO delivers its services by establishing and maintaining an employer relationship with the employees at the client's worksite, and by contractually assuming certain employer rights, responsibilities, and risk. The shared employment relationship of a PEO provides an additional number of benefits for clients compared to the agent role of an ASO.

As to cost, the services provided by a PEO and an ASO provider are different, and not comparable dollar by dollar. Payroll services from each are generally the same cost. Workers' compensation is usually less expensive with a PEO, since it is able to provide large-business coverage up to 40% lower than available to small businesses. Unemployment insurance costs are unaffected by either choice of provider.

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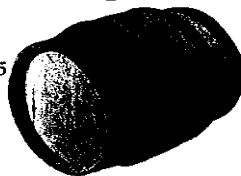
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WINE BUSINESS

The biggest service difference between a PEO and an ASO is the HR expertise that you get from using a PEO. The comprehensive services they deliver are built into the fees PEOs charge, whereas with an ASO you have to purchase each service separately, or retain an attorney.

The National Association of Professional Employer Organizations (NAPEO) find that a PEO client generally will not pay more to their PEO than they were paying for all of their services before using a PEO. Although the cost will generally be the same, they will receive more services than they had a la carte, or through an ASO. The economies of scale of a PEO allow more services for a comparable cost.

Buying a team of experts

"Running a business, especially in California, is complex," says Lisa Ortman of Ortman Family Vineyards (Paso Robles). "It is important to have all your legal bases covered, and a PEO

does it for us cost-effectively. If you do not have the resources for your own payroll and HR staff, you should definitely consider a PEO."

Ortman explains that they started using their PEO, Your People Professionals, as soon as they were ready to hire someone other than family. Ortman has used the PEO for four years with satisfying results.

Antelope Valley Winery has been using CPE hr (PEO), for 10 years. "We needed a full-time HR person without a full-time price tag," recalls Donato, "but it was really not about price. It was more about HR expertise that I knew I could not get from any one person.

"I have always had great employees, but CPE hr has helped me through a few sticky situations, including a layoff and a termination. The PEO even traveled to the unemployment insurance hearing with me."

Employers also have HR concerns related to economic recovery. As business ramps up and wineries begin to

hire again, they need to know whether they are obligated to offer jobs to laid-off employees, what hiring criteria should be used, and how to lawfully pay employees in compliance with federal and state wage and hour laws.

Another important service that a PEO provides is I-9 administration with INS regulations. A PEO can also assist winery clients by auditing current pay methods, to improve compliance with Fair Labor Standards Act regulations. This is helpful for wineries with special events for tastings, weddings, and retail operations.

As an account manager with Avitus Group (PEO based in Montana with offices in California), Widney Hawthorne has helped many winery clients with job costing to ensure that special events are profitable, and employees are paid correctly. Employees may work mainly in the retail shop where they are paid an hourly rate plus commission, but then may work a wedding, where they are only hourly, or paid a set fee for working the event.



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"Audits are costly and time-consuming, so Avitus Group tracks pay for both the employee and winery," explains Hawthorne. "We also make sure workers are classified correctly for workers' compensation purposes as they switch roles."

As a family business open seven days per week with 24 employees, Sunstone Winery (Santa Ynez, CA) would need the specialization of three different HR people to fill the services the winery receives from their PEO partnership with Your People Professionals, owner Ashley Peters reports.

Reaping the benefits

Building a successful benefits package can never be a solo effort. It requires skill across areas such as communication, design, marketing, sales, and finance, which is why many small businesses choose to use a PEO. The average PEO client has 19 employees, and without a PEO, is not able to offer a comprehensive benefits package.

The economies of scale provided by PEOs are helpful when administering health benefits. By aggregating all of its worksite employees, a PEO can contract with providers all over the U.S., and provide more types of health benefits from which wineries can choose.

Forty percent of businesses that use PEOs upgrade their benefit packages with supplemental health-care choices, including vision and dental care, employee assistance programs, and even adoption assistance. Clients may pick and choose from the PEO's offerings.

When Donato took over operations at Antelope Valley Winery, the business was only open on weekends with part-time employees. Today the winery is open full-time, and has a mix of full-time, part-time, and seasonal workers. Donato wanted some of the part-time employees to become full-time, requiring one of them to retire from another job. The glitch was to provide an entire benefits package, including a 401(k). CPE hr was able to quickly provide a satisfactory package with health, dental, vision, and retirement options.

PEOs provide the value of a single-source solution, streamlining business operations, keeping an owner focused on revenue-generating tasks, and ad-

ressing employee needs as services are added. Once established, PEOs provide wineries the flexibility to quickly add new employees to their organization, or to make adjustments to payroll and benefit coverage.

Donato is not worried about health care reform. "CPE hr will help me navi-

gate through it, and will advise me on what to do," she says.

Peace of mind

Every business owner runs into frustrating pitfalls, especially concerning workers' compensation. Premiums for workers' compensation have risen

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WINE BUSINESS

50% nationwide in the last three years — the fastest pace in a decade, according to the New York City-based Insurance Information Institute.

Due to diversity in the workforce and hospitality operations, wineries have to comply with more regulations and compliance issues than 90% of the general business population. Food and alcohol service present a different set of policies and procedures that have to be dealt with.

For more than 25 years, workers' compensation and risk management has been a central component of the total human resources solution that PEOs have been providing. A PEO initiates and integrates policies and procedures for risk management, loss management, and regulatory compliance. In addition, PEOs assist in educating employees through the development of a safety handbook.

Antelope Valley Winery decided to expand a few years ago and add a lab. Donato turned to its PEO to educate her on all the guidelines for lab operations, and to incorporate them into the winery safety manual.

Avitus Group's safety team has helped winery clients with small issues that carry big OSHA fines, such as occupational training for forklift drivers. "Without a certification card, OSHA would fine you heavily," says Hawthorne.

To keep costs down for its clients, Avitus Group automatically implements risk management strategies. On a monthly basis, they review and document the claims experience to understand the frequency and severity of claims. Results of these reviews help to implement corrective actions.

"Our PEO is like a security blanket," says Peters. "Your People Professionals

is a valued partner providing insight on how to run a smoother business."

Helping hand with hiring

Nothing good comes easy, and that includes hiring and managing good employees. PEOs can help wineries find and hire qualified people. Small business owners often dread the prospect of reading mountains of resumes and conducting interviews for prospective hires. PEOs can deliver candidates quickly, and handle the paperwork for new hires. Some PEOs have entire divisions devoted to recruiting, and helping clients make the right hiring decisions.

For Sunstone Winery, staffing is truly streamlined. The PEO places the blind employment advertisement and weeds out the candidates, which allows Sunstone to focus on interviewing and selecting an employee.

Pre-employment testing is another area PEOs can manage. Without a screening process, you risk placing the wrong person in the job, leading to lost productivity and costly turnover. PEOs tailor pre-employment tests to predict loyalty to the winery employer, and success on a specific job. Background and credit checks can have a big impact.

Selecting an HR provider

Keyways Vineyard and Winery (Temecula, CA) has used several HR outsourcing arrangements. Terri Pebley Delhamer purchased Keyways in 2006, and used an a la carte approach to outsourcing with a payroll company, an individual HR consultant, and a labor attorney. After one year, Delhamer chose to combine all of these needs when she changed to a PEO.

Delhamer has been working with Avitus Group for three years as a PEO

client and has some HR outsourcing advice. "You should not look for a PEO to save you money, but for much bigger reasons and added services," says Delhamer. "It is more about value of services, and peace of mind in the form of simplification with a single-service provider. I feel I am much better protected against liability and exposure with HR handbooks, safety inspections, and better employment compliance. I have a bigger company behind me dealing with delicate employee situations like sexual harassment disciplinary issues."

NAPEO recommends conducting a basic needs analysis for your winery:

- First, lay out exactly what type of HR and risk management concerns your winery has.
- Meet with all PEOs in person to ensure they have the experience to help you reach your goals.
- Find out what they have done to help similar companies your size achieve success.
- Understand how the employee benefits are funded.
- Is the PEO fully insured or self-funded?
- Who is the third-party administrator (TPA), or carrier? Is their TPA or carrier authorized to do business in your state?
- How well does the PEO manage employer risk? Is there a risk management department with trained and certified risk management and HR professionals?
- Ask what kind of on-site services you will receive. While a PEO typically works outside your office, find out how often they will make trips to

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Human Resources

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your winery to discuss any issues or upcoming policy changes with you and your employees.

- You also might want to confer with them for advice on a particular issue that needs an immediate solution, such as an employee dispute, so ask about their policies and response times for both emergency situations and routine questions.

- Find out how the PEO charges and invoices for their services. PEOs typically charge a monthly fee per employee or a percentage of each month's gross payroll. The cost usually encompasses amounts to be paid for employment taxes, workers' compensation, benefits, and any other employment-related expenses. Most PEOs will allow you to meet and pre-screen the professionals who will work with you. This will let you gauge their approach to business and personality.

Finally, determine if the PEO is accredited by the Employment Services Assurance Corporation (ESAC), which is similar to FDIC for banks, or has obtained Certification International (CI) certification of its risk management services. Details on ESAC accreditation, CI certification, and whether a PEO has audited financials, is available on the PEO industry's trade association website at www.napeo.org.

org. The PEO industry has approximately 700 PEOs with an average number of 19 work-site employees. ■

[As President and CEO of the National Association of Professional Employer Organizations (NAPEO) since 1995, Milan Yager is the voice of the \$68 billion professional employer organization industry, serving small businesses of all types across the U.S. For the past 20 years, Yager has spoken at small business industry events and written on subjects including workers' compensation, employee benefits, risk management, management of critical human resource responsibilities, payroll and its accompanying taxes, and oversight issues for the day-to-day operation of small- to- medium-size businesses.]

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