

A Publication Dedicated to Employers' Current HR Issues & Solutions

The **BOTTOM LINE**

Volume 3

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WHEN HIRING SAVES YOU MONEY

With constant changes in Washington, it's difficult to keep up with new legislation, determine how it affects you and your business and know what you need to do to stay in compliance. Professional Employer Organizations (PEOs), which help your company manage human resources, employee benefits, payroll, workers' compensation and other strategic services, can keep you in the loop and up to date on all that happens in Washington. Here are the fast facts about the recently enacted Hiring Incentives to Restore Employment (HIRE) Act.

THE BILL IN BRIEF

On Thursday, March 18, 2010, President Obama signed into law an \$18 billion job-creation package, the **Hiring Incentives to Restore Employment (HIRE) Act** (H.R. 2847). The new law creates an immediate incentive for businesses to hire unemployed individuals in 2010 by providing payroll-tax forgiveness with an additional tax credit for each qualified retained worker on its payroll.

The HIRE Act has two major provisions that may assist small businesses:

- 1. JOB TAX INCENTIVE AND JOB-RETENTION TAX CREDIT.** The job tax incentive exempts businesses hiring unemployed workers from having to pay the normal 6.2% Social Security employer payroll tax on wages paid to those workers from March 19, 2010 through December 31, 2010. The new law also provides a business income tax credit of \$1,000 or 6.2% of wages paid to the qualifying employee, whichever is less, if new workers stay on the job for 52 weeks.
- 2. EQUIPMENT PURCHASE WRITE-OFF.** The HIRE Act extends enhanced Code Sec. 179 expensing, which allows small businesses to write off equipment purchases as a business expense. The maximum deduction is \$250,000, and the phase-out limit for qualifying property purchased during the year is \$800,000 through December 31, 2010.

The centerpiece of the HIRE Act is \$13 billion in tax breaks for private-sector businesses to boost hiring of unemployed workers in 2010.



FAST FACTS

WHO QUALIFIES FOR THE FEDERAL JOBS TAX-CREDIT LEGISLATION?

Qualified Employers: Only private-sector employers, including nonprofit organizations, are eligible for the payroll-tax forgiveness. Qualified employers may elect to opt out of payroll-tax credit if desired.

Qualified Employees: A qualified employee must have begun employment after February 3, 2010 and before January 1, 2011. The qualified employee must not have been employed for more than 40 hours during the 60-day period before having begun employment and cannot displace a current employee unless the employee left voluntarily or was terminated for cause. Immediate family members* of the employer or one who directly or indirectly owns more than 50 percent of the business will not qualify for the tax credit.

HOW DO THE INCENTIVES WORK?

Job Tax Incentive for Hiring an Unemployed Worker

If you hired an individual after February 3, 2010 who has not been employed for more than 40 hours during the 60-day period before the date he or she start working for your company, you will avoid paying the employer's share of Social Security taxes (6.2%) on that worker beginning March 19, 2010 through the rest of 2010. Any new hire must certify by signed affidavit that he or she has not been employed for more than 40 hours during the 60-day period before his or her employment start date.

Based on the FICA wage cap of \$106,800, the maximum value of the incentive is \$6,621 for any qualified employee.

The HIRE Act's payroll-tax forgiveness does not apply to employer's Medicare tax.



Job-Retention Tax Credit

For each qualifying worksite employee hired after February 3, 2010 and employed for at least 52 consecutive weeks, you will receive the lesser of either \$1,000 or 6.2% of wages paid to the qualifying worksite employee over the 52-week period. This tax credit applies to your business's income tax return for the taxable year when your company has satisfied the retention period — the 2011 tax year for employers hiring eligible workers in 2010. It's important to note that wages paid to these individuals during the last 26 weeks of this period must be at least 80% percent of wages paid for the first 26 weeks, so you must be able to maintain current or similar wages for the entire one-year period to be eligible for the credit.

According to the Joint Committee on Taxation, an employer may qualify for the incentive by rehiring workers who had previously been laid off. For example, an employer may qualify for the incentive with respect to any wages paid in accordance with the reopening of a facility such as a factory that had been closed due to decreased product demand.

Equipment Purchase Write-Off

First introduced in 2008, enhanced Code Sec. 179 expensing expired on December 31, 2009. Without legislation, Code Sec. 179 expensing for 2010 would have been limited to \$125,000, with a \$500,000 cap. The HIRE Act extends the enhanced Code Sec. 179 expensing, at the \$250,000/\$800,000 threshold levels, through December 31, 2010. Sec. 179 is keyed to the business's tax year rather than the 2010 calendar. Purchases can be made in tax years beginning after December 31, 2009 and before January 2011.

Planning Tip: Under the HIRE Act, off-the-shelf computer software continues to be Code Sec 179 property for one more year.

Since Code Sec. 179 is keyed to the business's tax year rather than the 2010 calendar, some fiscal-year small businesses can take advantage of the HIRE Act's one-year expensing extension until well into 2011.

DO YOU NEED TO HIRE A FULL-TIME EMPLOYEE TO RECEIVE THE INCENTIVES?

No. A qualified individual may be hired for any number of hours, full-time or part-time. However, since the benefits to the employer are tied only to 6.2 percent of any salary paid, the higher the salary paid, the greater tax benefits the employer will receive.

IF I AM THINKING OF HIRING, IS THERE ANY BENEFIT TO HIRING EARLIER IN 2010?

Yes. The longer a business has a qualified worker on its payroll, the greater the tax benefit. For example, if you hire an employee earning \$60,000 on April 1, 2010, you will save approximately \$2,800 in Social Security taxes; that same employee hired on June 1, 2010 will save you approximately \$2,200.

* Immediate family members include spouse, child, brother, sister, step-brother, step-sister, father, mother, stepfather, stepmother, aunt, uncle, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law of an individual who owns more than 50% of the business.

How can a PEO such as ADP TotalSource help you with the HIRE Act?

As an employer, you're stretched thin enough as it is, which can make the complexities of the HIRE Act tough to navigate. ADP TotalSource can help your company take advantage of tax savings and comply with the HIRE Act requirements by:

Offering convenient options for new hires to complete the certification process.

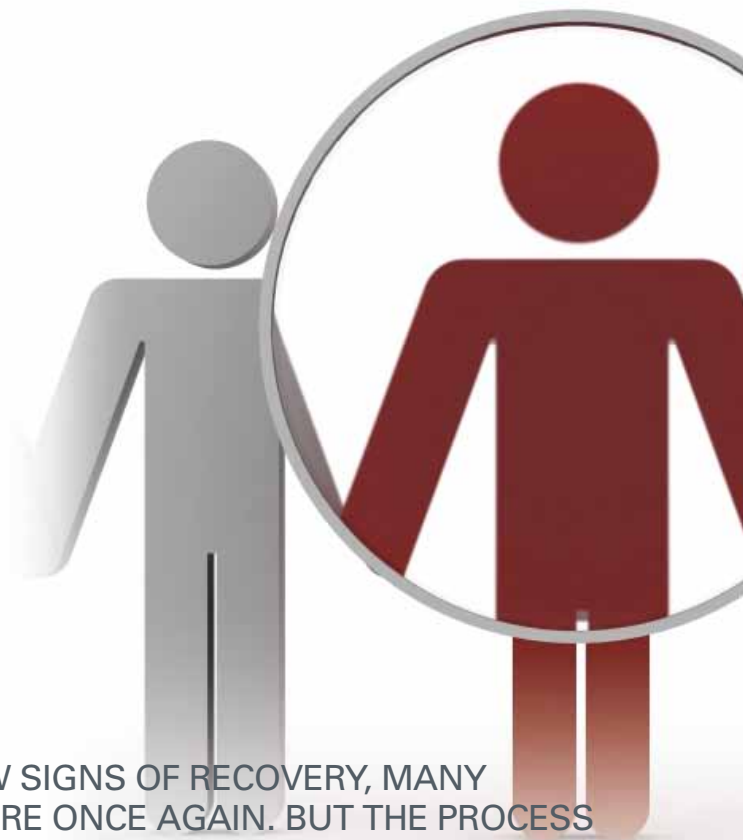
Maintaining copies of the certification documentation.

Providing reports that indicate which new hires may be eligible under the HIRE Act.

Notifying you when you are eligible to receive the job-retention tax credit for your company (after the eligible employee completes 52 weeks of employment).

ADP TotalSource can relieve you of the burden of keeping up with the changes in legislation and help assist your company in taking advantage of tax-credit legislation as soon as it's available. With the help of a PEO, you'll be able to balance legislative developments with everyday business needs.

STAYING COMPLIANT: RECRUITING & HIRING



AS THE AMERICAN ECONOMY BEGINS TO SHOW SIGNS OF RECOVERY, MANY EMPLOYERS ARE STARTING TO RECRUIT AND HIRE ONCE AGAIN. BUT THE PROCESS OF BRINGING ON NEW TALENT IS BESIEGED WITH COMPLIANCE POTHOLES THAT CAN DERAIL YOUR PRODUCTIVITY. ARE YOU PREPARED FOR THE COMPLIANCE REQUIREMENTS THAT ACCOMPANY RECRUITING AND HIRING NEW EMPLOYEES?

BEFORE YOU START THE RECRUITING PROCESS:

REVIEW FEDERAL AND APPLICABLE STATE LAWS

There are many important federal and state laws that play a key role in the hiring process. It's important to ensure you comply with each applicable law, so here are a few reminders:

- Job posting(s) must meet all lawful and nondiscriminatory requirements. For example, you generally may not require that an applicant be of a certain gender, race, age, religion, weight or height to be able to perform job functions.
- You may not exclude applicants with military obligations or those who *could* have military obligations.
- Federal contractors/subcontractors must advertise all positions open to the public with your state's employment-services agency.
- All job advertisements, even notices posted on community bulletin boards, should include a statement clearly stating that your company is an Equal Opportunity Employer.

ENSURE JOB APPLICATION COMPLIANCE

It's a good idea to have all candidates fill out an application form that you create in addition to submitting a résumé. Because you determine what information you want from candidates on your application form, it can help you compare candidates' education, skills and experience. Does your application comply with federal and applicable states' laws?

For example, many states limit an employer's ability to inquire about certain types of convictions and/or convictions that may have been imposed over a certain number of years ago.

ASK THE RIGHT QUESTIONS

During the interview process, you want to find out more about your candidates' education, skills and experience, but you need to be careful to ask questions in a way that doesn't seek protected information. Creating a list of appropriate interview questions is an effective way to help establish consistency in the interview process and reduce the likelihood of allegations of discriminatory practices. For example, don't ask, "What's your native language?" Instead, say, "We have many Spanish-speaking customers. Are you fluent in Spanish?" Also, while you may not ask applicants about disabilities, you may ask them if they are able to perform the essential job functions with or without a reasonable accommodation.

PERFORM BACKGROUND CHECKS FAIRLY

State and federal laws govern the use of background checks. While some employers ask applicants to sign a release within their job applications to authorize background checks, this approach may not fulfill all the compliance requirements around performing background checks. A better practice would be to obtain the candidate's consent to conduct a background check in a stand-alone form that complies with all federal and state requirements.



ONCE YOU'RE READY TO BRING A NEW HIRE ON BOARD:

COMPLETE I-9 VERIFICATION

The Immigration Reform and Control Act requires that a company representative examine each new employee's original identification and work-authorization documents and record that information within three days of hire. Certain federal contractors and some state contractors must also use E-Verify, the federal government's Internet-based system, to confirm the employment eligibility of all persons hired during a contract term and that of current employees who perform contract services for the federal government within the United States. Failure to use E-Verify may result in the loss of government contracts. To ease the burden of I-9 compliance, electronic signatures and verification are now permitted, and I-9 forms can be maintained in various electronic formats, such as PDFs, to speed storage and retrieval.

ENSURE W-4 VERIFICATION

The IRS has increased the number of compliance audits performed over recent years, so it's smart practice to ensure your W-4 forms are coded correctly. Having visible, written policies and procedures in place for proper completion of W-4 forms can help a potential audit run more smoothly. All W-4 forms must be completed in compliance with federal regulation by December 1 of each year.

FULFILL WORKERS' COMPENSATION REQUIREMENTS

With approximately 700 workers' compensation classification codes available, it's easy to miscode your business operations — which could add significantly to your workers' compensation premiums. If you're unsure whether your employees are correctly coded, check with your insurance agent or the National Council on Compensation Insurance.

Ensuring that your organization complies with the recruiting and hiring polices, procedures and laws can be time-consuming and confusing. As an alternative, Professional Employer Organizations (PEOs) like ADP TotalSource are well versed in federal and state recruiting and hiring requirements and can help relieve your company of the compliance burden. PEOs can provide best-practices guidance in the area of recruiting and hiring, compliant applications and other new hire forms. ADP TotalSource offers these and other optional services, including fully compliant online job posting, online skills and behavioral assessments, résumé searching and screening and full-service recruiting (such as behavioral interviews and background checks) to its clients. ADP TotalSource also offers client companies services that speed new employee on-boarding using Web-based tools and distribution of required notices, streamlining the entire recruiting and hiring process and minimizing compliance risk. ■

- **Criminal Records:** Exercise caution when obtaining criminal convictions reports. You may not discredit an application simply because the applicant has a criminal record, without first investigating the nature of the offense. Be sure to check state law on this.
- **Driving Records:** If you need to fill a position that will require driving as part of the basic job requirements, review each applicant's driving record.
- **Drug Testing:** While state and federal law do not generally require mandatory drug testing (exceptions may include positions that involve working with children, and Department of Transportation-covered positions such as drivers, for instance), many states have a Drug-Free Workplace Act, which supports the employer's right to perform a drug test. If your company participates in drug testing, make sure that your current practices are compliant with state and federal laws.
- **The Fair Credit Reporting Act (FCRA):** The FCRA requires three steps when performing credit checks: you must provide certain notices and obtain consent using a compliant consent form; you must certify to the background-check company that you will comply with state and federal laws; and you must provide a copy of an applicant's report if requested and fulfill other obligations if you make an adverse employment decision. For more information, visit www.ftc.gov.

If you believe a potential candidate may be a good fit for your company, but you still need to perform a background check (on a credit report, driving record, drug test or references), extend a conditional offer that is contingent upon successful clearance of the necessary screenings.

ASK THE EXPERT:

WAGE AND HOUR COMPLIANCE

Is staying compliant with federal and state wage and hour regulations keeping you up at night? ADP TotalSource (TS) spoke with Paul DeCamp, former administrator of the U.S. Department of Labor's (DOL) Wage and Hour Division and current chair of the Wage and Hour Practice Group at national employment law boutique Jackson Lewis LLP, about wage and hour issues – why they're so difficult to manage, and what steps employers can take to stay in compliance.

TS: WHY ARE WAGE AND HOUR LAWS UNIQUELY CHALLENGING?

DeCAMP: Wage and hour laws pose a unique challenge to small businesses. Two-thirds of employers of all sizes are out of compliance with these regulations, and it's not because they're all intentionally defying the law. Wage and hour rules are very technical, arcane and counterintuitive, leading employers who use common sense in an attempt to fulfill their responsibilities to violate the rules. The law, not the employers, is what makes wage and hour compliance challenging — and what makes having a knowledgeable, experienced partner in this area so valuable.

TS: WHAT DIRECT AND INDIRECT RISKS OF WAGE AND HOUR VIOLATIONS EXIST?

DeCAMP: Failing to comply with federal and state regulations can first result in back-pay liability, liquidated damages, civil money penalties and costs and attorneys' fees. The indirect threat of wage and hour non-compliance is larger, however: Your business may be forced to allocate time and resources to lawsuits and investigations and disrupt your normal flow of business. Furthermore, if the DOL issues a press release stating that your organization isn't paying workers fairly, your brand value could drop, affecting sales, investor and consumer relations, employee morale and recruiting efforts. It's no surprise that companies are willing to spend large amounts of money to avoid the bad press often associated with a wage and hour investigation or lawsuit.

TS: IS PROTECTING WORKERS LIKELY TO REMAIN THE DOL'S FOCUS?

DeCAMP: The mission of the DOL's Wage and Hour Division has historically been and will likely continue to be focused on protecting workers and their rights. Employers are not part of the DOL's mission. In fact, the Wage and Hour Division added 250 investigators in 2009, with plans to add 100 more by the end of 2010. An increase in the number of Wage and Hour agents means more cases will likely be investigated, and those investigations are likely to be more thorough than we've seen in previous years.

TS: WHY ARE CHILD LABOR VIOLATIONS A TOP PRIORITY FOR THE DOL?

DeCAMP: In general, 80% of all wage and hour investigations begin after an employee contacts the DOL to report a wage or hour dispute. The other 20% of investigations are "directed cases," in which the DOL

targets specific regions or industries with a history of violations, such as child labor in restaurants. Child labor violations remain on the DOL's radar since these employees rarely speak up — often because they're unaware that laws are being broken.

TS: WHAT REGULATIONS ARE EXPANDING IN 2010... AND BEYOND?

DeCAMP: This year, employers are likely to see a dramatic expansion of the reach of the Davis-Bacon Act's prevailing wage requirements, which apply to certain federally funded construction projects. Another area of renewed focus is the effort to change standards for classifying workers as independent contractors or employees — a distinction that's often very important in the communication, health care and construction industries. Additionally, circuit courts have made progressive decisions on wage and hour cases in recent months, indicating that more changes may be coming. For example, in *Davis v. J.P. Morgan Chase & Co.*, the Second Circuit concluded that a loan underwriter for a bank was not exempt under the administrative exemption because he was engaged in "production" work. Similarly, the Second Circuit held in *Reiseck v. Universal Communications of Miami* that a regional director of sales for a free travel magazine who was responsible for generating advertising sales was not exempt under the administrative exemption because sales work is not administrative.

TS: WHAT STANDARDS ARE ENFORCED FOR CLASSIFYING WORKERS AS EXEMPT?

DeCAMP: The courts apply a high standard for workers classified under an exemption. Unless an employee is plainly and unmistakably within an exemption, the courts generally rule that the employee should be classified — and compensated (including the requirement to pay overtime) — as non-exempt. Employers tend to use two different strategies when determining exemptions. Some employers base their exemption decisions on the facts as they believe them to be, primarily involving the job duties and responsibilities and allocation of time among various tasks that the employer expects of the worker. On the other hand, employers who have experienced a wage and hour investigation or expensive class action litigation tend to be much more focused on the realities of the employee's position, as opposed to the employer's expectations. This approach to classification hinges on what the employer knows it can prove if called upon to do so — things like how much discretion the worker has or the extent to which the employee is involved in hiring and firing or evaluating the performance of subordinates. A good rule of thumb: If there's any doubt, classify as non-exempt.

TS: WHY ARE INDEPENDENT CONTRACTORS A NATIONAL ENFORCEMENT PRIORITY?

DeCAMP: When a worker who should be classified as an employee is mislabeled as an independent contractor, the worker's employer can face a downward spiral of legal woes: for not keeping time records, paying overtime, providing benefits or paying federal and state taxes. The federal government and many state governments are focusing on independent-contractor misclassifications because of the potential tax revenue that could be recovered from companies failing to withhold for their misclassified employees.

TS: HOW CAN EMPLOYERS AVOID OFF-THE-CLOCK TIME CONFLICTS?

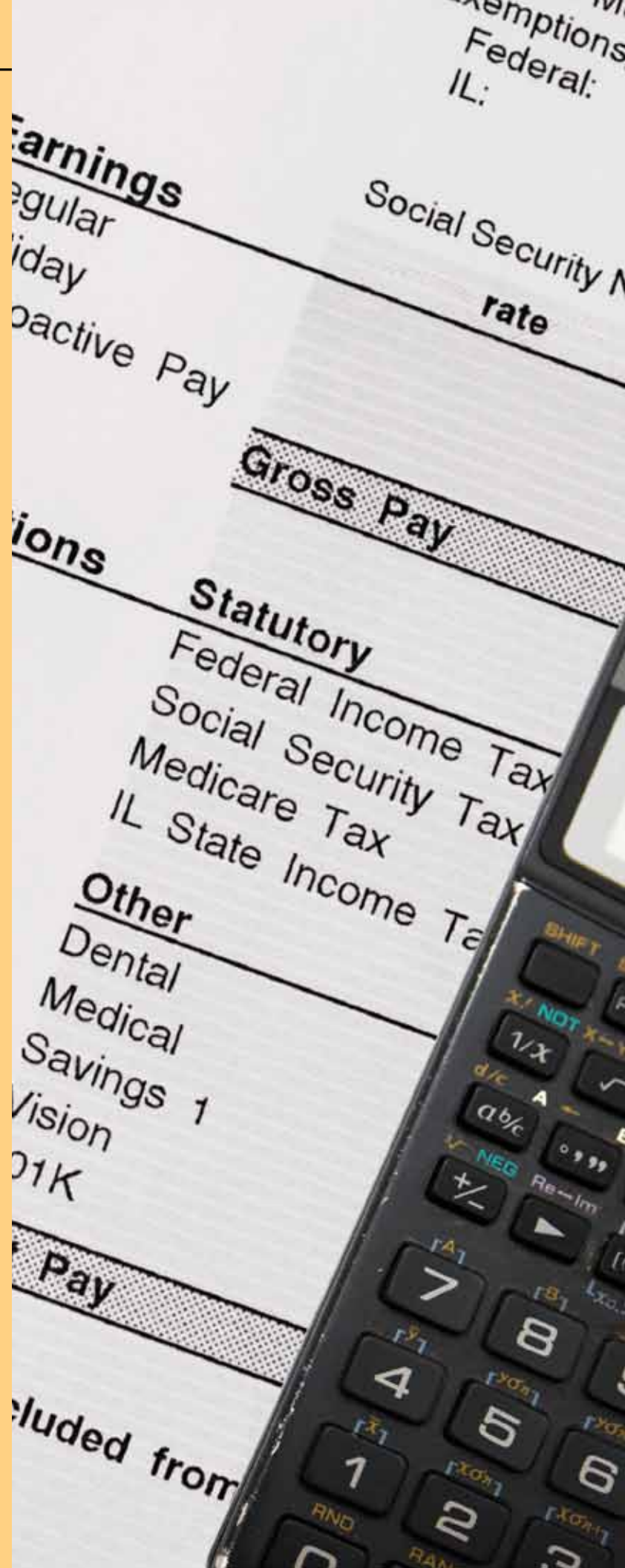
DeCAMP: Employees must be paid for all hours they work, even if that work is supposedly "off-the-clock." Employers need to have clear, compliant policies and communication concerning timekeeping and prohibiting off-the-clock work – and they must strictly enforce these policies. Because managers may have conflicts of interest leading them to erroneously allow or even encourage workers' off-the-clock time (budget constraints, bonuses for limiting overtime, etc.), it is the responsibility of employers to educate their managers *and* employees on off-the-clock time policies.

TS: WHAT DAILY ACTIONS CAN LEAD TO COMPLIANCE?

DeCAMP: Accurately and adequately accounting for employees' time daily, including start and end times, will help employers stay compliant. Employers also need to realize that as workers' job duties change, their status as exempt or non-exempt may also need to change. Companies with strong internal timekeeping policies have a solid starting point for full compliance.

TS: WHAT FIRST STEPS SHOULD EMPLOYERS TAKE TOWARDS COMPLIANCE?

DeCAMP: If you realize your organization is out of compliance with wage and hour rules, you need to evaluate the violations and correct these missteps immediately. Seeking HR guidance or legal counsel can help you determine the extent of the violations and assist in developing internal policies. Smaller employers may find value working with a PEO on this matter, because PEOs can provide guidance on wage and hour practices and assist you in becoming compliant. In an area as complex as wage and hour compliance, partnership with an experienced advisor focused on your organization's legal conformity *and* continued growth can help you avoid sleepless nights. ■



WHAT'S IN HEALTH CARE

Over the past year, Congress and the White House struggled to create legislation aimed at increasing the quality of health care in America while reducing its cost. Although health care reform is now the law of the land, the future of the legislation and how it will ultimately affect employers and workers is still unknown. So where do America's employers, their employees and the nation go from here with respect to national health care reform?

A Change in the Senate Landscape

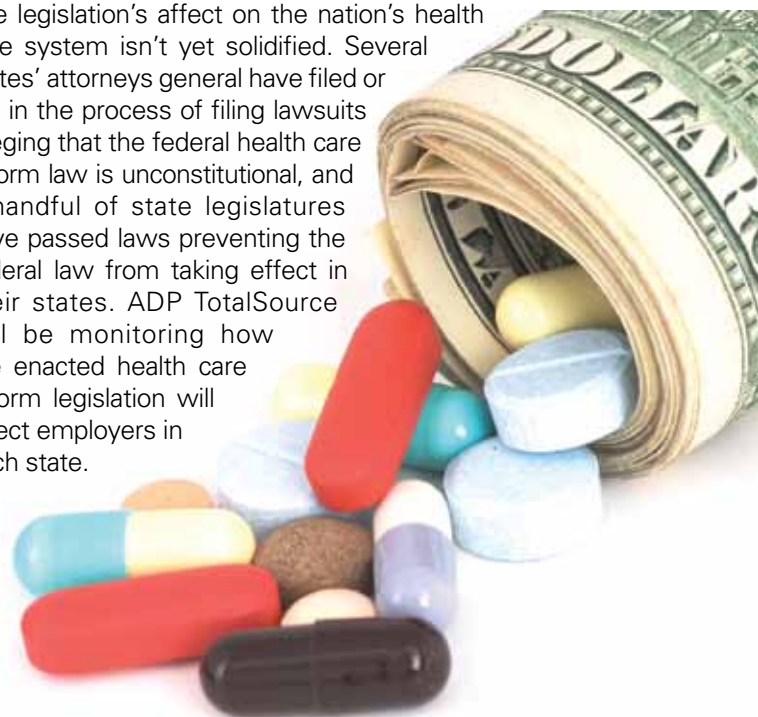
In February, the national health care reform debate shifted fundamentally when Republican Senator Scott Brown was elected to the Massachusetts Senate seat left vacant following Democratic Senator Edward Kennedy's death in 2009. A Republican's election to this seat is significant because in the Senate, the minority party can prevent a vote on a bill by using a filibuster. A filibuster can be overcome only by a supermajority of 60 votes (out of 100 total) — which Democrats had in

the Senate before Brown's election. Massachusetts voters' election of a Republican to that Senate seat took away the Democrats' supermajority voting advantage and gave Senate Republicans 41 votes to uphold a filibuster, which could have blocked the passage of revised health care reform legislation. However, the shift of power in the Senate did not mean the end of health care reform.

The Budget Reconciliation Process

President Obama and some Democrats supported the use of the budget reconciliation process, which allowed a revised health care reform bill to be passed in the Senate with only the regular 51-vote majority, instead of the 60-vote supermajority needed to overcome a Republican filibuster. While the budget reconciliation process avoided a complete collapse of the reform effort, it did require compromises by Republicans and Democrats in the House and Senate, as well as a last-minute promise from President Obama to sign an executive order, to gain enough support for passage. These compromises significantly influenced the provisions of the final legislation. After the House and Senate passed the measures in a series of votes, President Obama signed the Patient Protection and Affordable Care Act (PPACA) into law on Tuesday, March 23, 2010. A separate package of amendments to the PPACA, titled the Health Care and Education Reconciliation Act of 2010, was signed into law exactly one week later. Both pieces of legislation together make up the final health care reform package.

The legislation's affect on the nation's health care system isn't yet solidified. Several states' attorneys general have filed or are in the process of filing lawsuits alleging that the federal health care reform law is unconstitutional, and a handful of state legislatures have passed laws preventing the federal law from taking effect in their states. ADP TotalSource will be monitoring how the enacted health care reform legislation will affect employers in each state.



NEXT FOR RE REFORM?

Implementation Timeline for Health Care Reform

Here's an overview of some health care reform provisions that employers can anticipate over the next eight years:

Year	Event(s)
2010	<ul style="list-style-type: none"> • For Plan Years beginning on or after September 23, 2010: <ul style="list-style-type: none"> – Pre-existing-condition limitations will be eliminated for children under the age of 19. – Lifetime coverage limits will be eliminated, and annual limits are to be restricted. – Young adults will be able to stay on parents' health plans until age 26. • Subsidies begin for small businesses that provide coverage to employees and make a certain level of employer contribution to that coverage. • Federal funding increased for state high-risk pools.
2011	<ul style="list-style-type: none"> • Small employers that establish wellness programs will be eligible for grants for up to 5 years. • Employers will be required to disclose value of health benefits on employees' W-2 IRS forms. • Medicare beneficiaries will get free annual wellness visits and personalized prevention-plan service. • Over-the-counter medications not prescribed by a doctor will no longer be reimbursable through a health care FSA or HSA.
2012	<ul style="list-style-type: none"> • Executive compensation deductibility will be limited to \$500,000 per applicable individual for health insurance providers.
2013	<ul style="list-style-type: none"> • FSA contributions will be capped at \$2,500 per year. • Tax credits and subsidies for lower-income individuals begin. • \$6 billion will be appropriated for non-profit health care cooperatives. • Annual fees will be imposed on pharmaceutical manufacturers and medical-device manufacturers.
2014	<ul style="list-style-type: none"> • Insurance Exchanges will be created. • Employer mandate requirements (auto-enroll, temporary reinsurance program) will begin. • Individual mandate will begin. • Pre-existing-condition limitations for adults will be eliminated. • Annual fees on health insurers and clinical labs will begin.
2015	<ul style="list-style-type: none"> • States may form agreements to allow purchase of non-group health insurance across state lines. • Medicare program rewarding quality of care rather than volume of services will begin.
2018	<ul style="list-style-type: none"> • Excise tax of 40% on high-cost Cadillac Plans that exceed \$10,200 (individuals) and \$27,500 (family) will begin.

Small Businesses Split on Reaction

Small-business owners continue to be divided on their reaction to health care reform. Some are concerned that increased employer responsibility could drive up their health care costs to an unsupportable level, forcing them to stop offering coverage to their employees altogether. They argue that such cost increases could dramatically decrease their competitiveness with larger businesses in vying for top talent; it's widely acknowledged that large companies' health

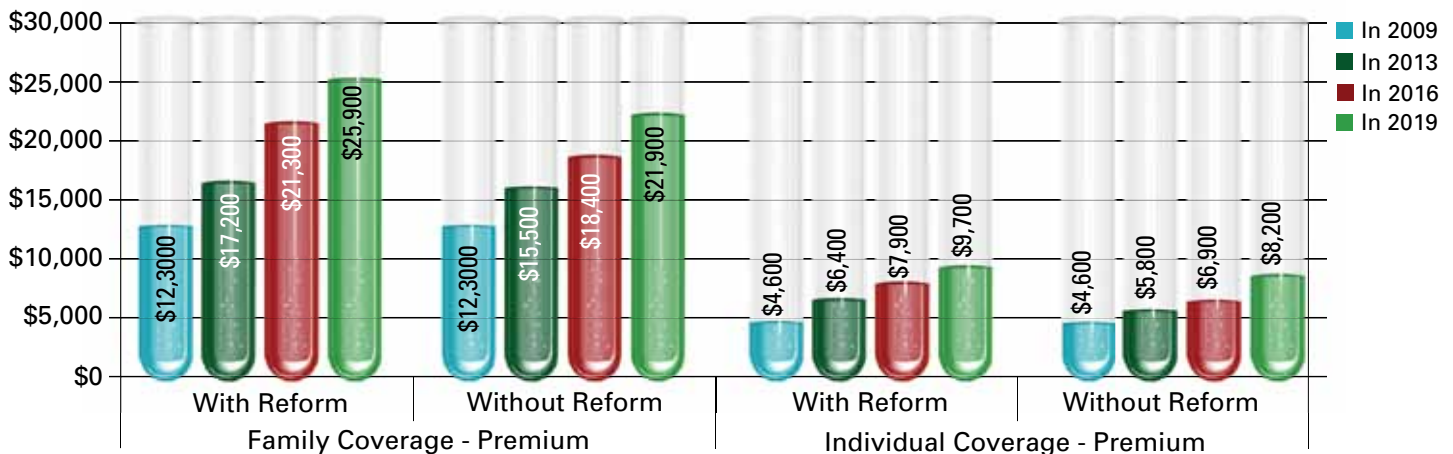
coverage costs per worker average 18% less than small businesses' costs. Those who support the reform legislation anticipate that subsidies included in the legislation for small businesses should allow them to offer plans at a lower overall cost, and that the reform will impose greater regulation of insurance companies to protect them from sudden premium increases when an employee gets sick or their population's age increases.

Will Reform Reduce Health Care Cost Trends?

The only clear mechanism to reduce medical trend in the health care reform legislation for employers is an increase in wellness-program incentives. Other provisions, including increased use of electronic medical records, global provider payments and comparative effectiveness research, are long-term approaches with uncertain cost savings for employers. Some experts believe that because of health care reform legislation, employers may actually see increased cost trends due to:

- Reduced provider reimbursement from Medicare in future years that could increase cost shifting to employers
- Insurance market reforms that may increase costs for private health plans offered through Insurance Exchanges
- Additional taxes/fees imposed on health carriers that could increase employer costs

What will this mean for health plan premiums? The impact will vary widely based on each plan's current structure and limits that will have to change as the legislation's provisions go into effect. But according to PricewaterhouseCoopers findings, annual premiums for a family plan could cost \$4,000 more per year, and an individual plan could cost \$1,500 more per year by 2019 .*



How ADP TotalSource Helps Clients Navigate Health Care Reform

Regardless of the ultimate impact health care reform has on the insurance industry, it appears likely that the employer system will remain the source of coverage for more than half the American population. That's why ADP TotalSource believes it's critical that companies continue to have access to cost-effective, efficient and responsive plans for their

employees. Although we can't specifically predict the impact health care reform legislation will ultimately have on your business, ADP TotalSource can provide you with the tools, resources and expertise needed to meet complex compliance conditions as they arise, along with the ability to focus on your business in these challenging economic times.

*Potential Impact of Health Reform on the Cost of Private Health Insurance Coverage, PricewaterhouseCoopers. October 2009. www.ahip.org

Health Care Reform



Achieving Business Results







Through Social



al Media

The social-media revolution is often associated with young people and personal use, but many of the most popular platforms can be used for business purposes. Nearly all public social-media platforms are free to use, and you can easily experiment to see which media tools work best for you.

Here's a quick primer on some of the most common websites, platforms and social-media networks.

Social Media	Capabilities	How Do I Start?
 Social Networks (e.g., Facebook or LinkedIn)	Find and interact with others who share similar business interests. Many companies have their own "pages" on both Facebook and LinkedIn. Both have robust search features and offer ways to communicate interests, values and career information.	Both sites offer limited search to non-members, so sign up at www.linkedin.com or www.facebook.com . It's easy and free to open an account. Once you're a member, you can add information to your account and dictate which audiences have access to your information. Read how other companies are using these sites by searching for articles through online search engines (such as Google, Bing, Yahoo, etc.).
 Twitter	Twitter is a microblogging platform that lets you follow the thoughts of individuals, news organizations and brands in which you may have an interest. Many business luminaries "tweet." You can tweet either as yourself or on behalf of your business — as long as what you write is 140 characters or less!	Twitter's search function offers a treasure trove of information you can access with or without signing up for a free account (http://search.twitter.com). Search for what's being said — the good, the bad and, sometimes, the ugly — about your business, your competitors or virtually any topic you can imagine. It's easy to sign up, and you can get the hang of how others use Twitter before you start to tweet.
 Blogs	A blog is a person's (or company's) site where one posts ideas and thoughts over time. You can often subscribe to get these posts sent to you, either by email or through a "feed reader." There's almost always an opportunity to comment on any post you might see.	Perform an online search (using a blog-specific search engine, such as http://technorati.com) for topics of interest, or visit specific sites to learn if they have a blog. It's also easy to start your own blog (you can start small!) on free platforms like Wordpress (http://wordpress.com).
 Instant Messaging (IM)	A real-time communication system between two or more individuals.	Check out the most popular (and free-to-use) IM platform, AOL Instant Messenger, or AIM (http://aim.com).
 Text Messaging (TM)	"Short" (160 characters or less) messages sent directly to a mobile phone using Short Messaging Service (SMS).	Check your wireless-device contracts to see if you have access to text messaging and whether there is a related charge.
 Podcasts	Audio and video files that you can create, download and play on your computer or MP3 player.	Take a look at online music stores (including Apple's iTunes) for hundreds of podcasts on a wide variety of topics. There are many sites that can help you create and distribute podcasts at no cost or for a very small fee.

Get The Facts

Should you dive into social-media activities now, or wait to see how these tools evolve? Companies that take a chance on communication technologies often prosper, while organizations that delay may be challenged to catch up. A couple of facts support the idea of incorporating social media into your business activities.

Fact:

Engagement = Financial Success

Research shows that more engaged customers and employees help build goodwill and loyalty. A recent study released by Wetpaint.com and the Altimeter Group shows that the brands most engaged in social media are experiencing higher financial success than their non-engaged peers.

Fact:

Increasing Numbers of Small Businesses Are Using Social Media

By the end of 2009, small-business use of social media had doubled to 24% from 2008. Common uses include launching a company page on a networking site like Facebook and building a networking group on LinkedIn. The majority of business users indicate that their social-media activity has met their expectations in terms of identifying and attracting new customers, generating awareness in a target market and staying engaged with customers.

This chart highlights how various social-media tools can help you achieve your internal and external communication objectives:

Purpose	Social Media	Tips
Low-Cost, Quick Wins		
Peer-to-peer and team member communications	<ul style="list-style-type: none"> • Instant messaging • Text messaging 	<ul style="list-style-type: none"> • Set up instant-messaging chat rooms for discussion groups. • Group text messaging.
Remote employee communications	<ul style="list-style-type: none"> • Instant messaging • Net meetings • Podcasts • Virtual training 	<ul style="list-style-type: none"> • With more employees expected to work remotely, social-media tools can help keep them engaged.
Leadership-to-employee communication	<ul style="list-style-type: none"> • Blogs • Microblogs (e.g., Twitter) 	<ul style="list-style-type: none"> • Successful blogs and tweets can feed the grapevine and help you monitor results. • Employees feel included in decision-making and business-strategy implementation, a key element to engagement.

Purpose	Social Media	Tips
Long-Term Investment Ideas		
Employee recruitment, onboarding, orientation and training	<ul style="list-style-type: none"> • Avatars: Websites with avatars give recruits a virtual experience of the workplace for their first day on the job. • Gaming technology (3-D graphics, advanced programming) and podcasts for employee orientation, education and training. 	<ul style="list-style-type: none"> • The investment in gaming technology for employee recruitment and orientation can have a significant return, depending on your costs to replace an employee. • For example, some have estimated the cost to replace registered nurses is about \$65,000, and the cost to replace hourly hotel workers ranges from \$2,500 to \$14,100 per employee.
Employee bonding (sharing the employment experience) <ul style="list-style-type: none"> • Staffing global projects • Knowledge exchange 	Internal social networks for employees (similar to Facebook).	<ul style="list-style-type: none"> • An estimated 85% of employees work on projects with colleagues from other offices, making social networks a source for staffing internal projects.

Pull Your Prospects and Stakeholders Closer

Listening to customers, prospects and influencers — and using their feedback to shape business innovation — is the foundation for successful business and social-media programs.

Social-media tools allow you to share knowledge and feedback instantly so you can proactively manage key relationships.

DISCOVER WHERE PEOPLE ARE TALKING ABOUT YOUR BRAND AND YOUR INDUSTRY

ONLINE. You can use free tools such as Google Blog search and <http://Technorati.com> to identify blogs and other social-media conversations of interest.

SET UP A BLOG/RSS READER. RSS stands for Real Simple Syndication, which is a format for delivering frequently updated online content of interest, so you don't have to go on the Web and find things repeatedly. Readers such as Bloglines, Netvibes and Google Reader are all very helpful. Select the one you prefer.

SHARE INSIGHTS AND TAKE ACTION. Develop a process for gathering, analyzing and sharing these insights and, most important, finding ways to act on them. For instance, is a customer praising you online? Say thank you by commenting on the customer's blog or forum post. Is a customer complaining about your company? Reach out and fix the situation faster and more thoroughly than you ever could before.

The use of social media will continue to evolve in the business world, but many companies aren't waiting! Map out how you can efficiently use these tools today to effectively engage and retain your workforce and customer base. ■

HR Outsourcing

Offers Significant Financial Benefits for Small Companies

Do you find yourself spending too much time on administrative and human resources tasks rather than developing clients, driving innovation, managing key talent, overseeing important projects or growing your business? Could you place a value on the time you'd gain by placing that burden into someone else's capable hands? While HR outsourcing may sound costly, it can be cost-effective for businesses with as few as eight employees.

Technological Advances Help Small Businesses

A 2009 Hewitt Associates survey notes that the demand for outsourcing is — increasing in spite of the challenging economy — because technological advances have made it more affordable, saving small employers time and money. Hewitt reports, “33% of respondents were more likely today to outsource HR functions than they were two years ago because outsourcing reduced costs and improved efficiencies” (2009). In fact, HR outsourcing often costs less per employee than dedicating one or more full-time personnel to manage payroll and benefits, along with other compliance functions.

What type of efficiencies are small businesses gaining? Here's a quick overview:

- **Overall Cost Savings:** 65% of organizations surveyed indicated that cost savings was their primary objective, and that they were able to achieve these targets using their outsourcing provider (Hewitt 2009).
- **Focus on Strategic Priorities:** Removing the daily administrative burden of many HR functions allowed respondents to focus on developing and delivering their business strategies and solving other important business challenges.
- **Greater Expertise:** As the number of labor laws and regulations increase, small businesses must spend more time on compliance-related tasks: up to 25% of small- and mid-sized-business owners' time, according to the Small Business Administration. Survey respondents said they wanted to be relieved from the burden of making large technological investments to maintain in-house systems and dedicate resources to meet challenging regulatory guidelines and mandates.
- **Improved Service Quality:** 81% of respondents said they had met or exceeded their service-quality targets using their HR outsourcing provider.
- **Legal Compliance:** HR outsourcing organizations can provide companies with the capability to keep important document libraries online for job applications, mandatory employer postings and employee manuals. Greater access to these resources means both employers and employees are better able to remain current on all company, state and federal policies and compliance requirements.
- **Competitive Benefits:** When small companies pool together, outsourcing can allow them to offer “big company” benefits through increased buying power. Having an attractive benefits package gives your organization a significant competitive advantage when recruiting, hiring and retaining top talent.



WHO OUTSOURCES?

The National Association of Professional Employer Organizations (NAPEO) reports that the average client of its membership is a small business with 19 employees, and the average annual gross pay of a PEO worksite employee is approximately \$34,000.

Strategic Outsourcing Increases Efficiency

Some small companies, unsure if HR outsourcing is right for their organization, try outsourcing a portion of their HR or administrative burden as an experiment. They continue outsourcing additional HR responsibilities to different organizations — a retirement plan here, payroll there, for example — but never gain the efficiencies that come from partnering with one trusted outsourcing provider. Duncan Harwood, principal at PricewaterhouseCoopers HR Services, suggests that employers leverage economies of scale by bundling HR services. He says they can reduce their outsourcing costs by 10% or more this way.

If you're considering outsourcing, here are a few questions to consider when choosing an HR outsourcing provider:

- Has the provider been recognized within its industry for excellent service?
- Why did a reference company choose one particular provider over another?
- What security measures does the vendor use?
- What's included in the total outsourcing package?
- Will your provider be able to offer you more advanced solutions should your business needs change?

Two Major Types of HR Outsourcing Partnerships

Human Resources Outsourcing (HRO) vendors: Traditional HROs specialize in providing service in one particular area, like benefits administration. You may engage one or more vendors to manage different HR functions, choosing different providers to meet your specific needs. This arrangement also makes you responsible for managing multiple vendor relationships, potentially leading to a loss of economies of scale.

Professional Employer Organization (PEO): In this single-source relationship, you can bundle your services, thereby effectively outsourcing the management of human resources, employee benefits, payroll, workers' compensation and other responsibilities. Having one source provider manage all your HR functions lets you spend more time with your customers and focus on your strategy, marketing efforts and overall bottom line. PEOs, such as ADP TotalSource, offer outsourcing services that can meet your business needs today and in the future with the following:

- Access to experienced HR, benefits, payroll and risk-management professionals and materials
- Payroll and tax services and other HR regulatory compliance support (OSHA, EEOC, COBRA, etc.)
- Management of many types of employee claims
- Fortune 500®-quality benefits and employee resources
- Access to clear, easy-to-read and professionally written employee handbooks, policies and procedures
- Employee recruiting and selection through online candidate searches, job descriptions and background checks ■

Want to learn more? Request a copy of the full White Paper, *Outsourcing HR Technology for Small and Mid-Size Businesses: the Time is Now*, by contacting your local ADP TotalSource District Manager.



STATE EMPLOYMENT LAW UPDATES

ADP TotalSource offers clients relief from state law regulatory burdens, including the legislation shown here. Timely communication, clear action plans and helpful resources allow ADP TotalSource clients to focus on their business objectives.

These updates reflect developments between May 2009 and February 2010.

Regulatory Development

ADP TotalSource Action

New Hampshire



New Hampshire revised its PEO Licensure Statute, clarifying the allocation of employer responsibilities between PEOs and their clients and requiring clients to submit employee new-hire acknowledgments.

Provided employers with a revised New Hampshire New Hire Summary and Pay Change Form.

The New Hampshire Worker Adjustment and Retraining Notification Act (NH WARN Act) took effect on January 1, 2010, requiring employers to provide 60 days' notice before ordering a mass layoff or plant closing.

Alerted employers to the new requirements and the necessary employer actions and penalties for noncompliance; provided access to reduction-in-force checklist.

Illinois



The Illinois Department of Labor issued a new mandatory attestation form for employers that use designated agents to administer E-Verify (employee identity verification system).

Provided information on employer requirements, including deadlines, access to the mandatory form and detailed instructions for completing and filing the form to maintain full compliance.

California



The California Division of Labor Standards issued an opinion letter repudiating its prior limitation on leave-bank deductions to partial-day absences of four or more hours, permitting deductions from leave banks in increments of less than four hours.

Provided access to the opinion letter, as well as additional guidance on FormSource and via clients' ADP TotalSource Representatives.

The Civil Air Patrol Employment Protection Act required California employers to permit employees who have been employed 90 or more days to take a leave of absence to respond to an emergency operational mission of the California Wing of the Civil Air Patrol.

Alerted employers to the new policies; recommended communication to managers, employees and HR personnel; provided a model policy/handbook addendum.

Oklahoma



The 10th Circuit Court of Appeals upheld Oklahoma's authority to enforce a law that requires public contractors to participate in the federal E-Verify program.

Outlined the legal changes created by the courts' rulings and pointed employers to their ADP TotalSource representatives for assistance using the E-Verify system

New York



The New York Department of Labor changed its stance on the use of a mandatory form to notify all new hires in writing of their hourly rate, overtime rate (if applicable) and payday.

Informed employers that the prior form was no longer mandatory and provided access to the state announcement.

The state of New York enacted a payroll tax based on wages and compensation paid to employees who work within the five boroughs of New York City plus seven surrounding counties, and subsequently changed the basis of the tax from gross earnings to Medicare Taxable Wages.

Updated tax remittance and filing to be accurate and timely; corrected future tax calculations and credited invoices for the tax difference.

Washington



Washington state passed a law putting state-registered domestic partnerships on the same legal footing as marriages and granting same-sex domestic partners the same rights, benefits and responsibilities under state law as those in traditional marriages.

Advised employers to carefully review insurance, health and pension benefits and family leave policies to ensure compliance; updated leave administration to reflect new law and instructed clients to contact their ADP TotalSource Representatives for more information about domestic-partner benefits.

Wisconsin



Wisconsin amended its plant-closing/mass-layoff law. The amended law requires employers to provide affected employees contact information for the local workforce development board serving the area in which the affected employment site is located and a list of resources available in the area regarding career planning, job search, job skills training and other support services.

Alerted employers to the new requirements and the necessary employer actions and penalties for noncompliance; provided access to reduction-in-force checklist.

Worried about missing future state law updates? Upcoming volumes of *The Bottom Line* magazine will provide summaries of legislative developments taking place within the past quarter. ■

What ADP TotalSource Clients Are Saying

Building the optimum workforce – with ADP TotalSource

In many industries, employee turnover is an expensive fact of life. For Atlantic and Pacific Companies (A&P), a key strategic goal was to reduce turnover and build an engaged, more motivated workforce through comprehensive training and development and world-class benefits. **A&P's leadership chose ADP TotalSource to realize this business objective.**

As Randy Weisburd, A&P's Chief Operating Officer, explains, "We hire everyone from maintenance and housekeeping staff on up to the director level. Our biggest challenge was that we found it very difficult to find, hire and retain a lot of skilled salaried employees for what we are able to pay."

The ADP TotalSource HR team, led by Kristi Parker, A&P's Human Resources Business Partner, delivers comprehensive screening and selection services, including the drug-free workplace program, that have helped Weisburd and his team find and hire the right people.

Recruitment is the first step; retention is equally vital. As Weisburd puts it, "Turnover costs money in repeated drug tests, screening and related hiring costs. For every employee we can retain year to year, we see a bottom-line benefit." ADP TotalSource has helped stem the tide: 157 A&P employees recently celebrated their first anniversary with the company.

Employee benefits are central to A&P's retention efforts. The comprehensive benefits ADP TotalSource provides "are extremely important," says Weisburd. "The benefits received through the ADP TotalSource Health and Welfare Plan are far better than we'd be able to get on our own."

Training and professional development is another key piece of the workforce solution that ADP TotalSource delivers. "We believe that when employees have training opportunities, they can add value to their own skill set, and they become better employees," says Weisburd. A&P requires all employees to attend ADP TotalSource University seminars that are applicable to their jobs.

Atlantic & Pacific Companies

Industry: Real Estate

Type of Business: Purchases, develops, leases and manages a large portfolio of residential and commercial properties, including condominiums, apartment complexes and office and retail space

Location: Miami headquarters – with employees in Florida, Georgia and South Carolina

Number of Employees: 420

ADP TotalSource Client: Since 2005

Why ADP TotalSource? "ADP TotalSource helps us think smarter and more strategically about HR."

A&P receives additional strategic benefits from its partnership with ADP TotalSource by handing over its compliance burden. Weisburd explains: "For example, we recently had a termination that resulted in litigation. We contacted ADP TotalSource. They guided us through the process, and a law firm with a strategic alliance agreement with ADP TotalSource handled the litigation. The result was that the case was dismissed, and ADP TotalSource helped to protect our business.

The Legal Defense benefit that we used in that case made a big difference. It's a very compelling benefit for us in our relationship with ADP TotalSource." Because of the Legal Defense Benefit, which pays attorney's fees up to \$75,000 for a covered claim, A&P had no out-of-pocket attorney's fees to pay.*

Had the claim against A&P resulted in legal fees in excess of the LDB, A&P would have been covered for the excess under ADP's Employment Practices Liability Insurance policy. That coverage, up to \$1,000,000, is another benefit ADP TotalSource extends to its clients.**

"Kristi Parker and the whole ADP TotalSource team make our own HR coordinators smarter and able to think more broadly and strategically," Weisburd concludes. "They help to keep us and our HR functions relevant from a market perspective and up to date with ongoing market trends. We could have hired a senior-level HR person to run that side of the business, but we've found that with ADP TotalSource, the return on investment is more than appropriate, given the results we've had." ■

*Legal Defense Benefit subject to certain restrictions; up to \$50,000 for all covered employment practices claims in California.

**Annual aggregate/subject to terms and conditions of the policy.





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- ➔ Increase employee productivity, which leads to increased profitability
- ➔ Focus on core competencies
- ➔ Reduce administrative burdens
- ➔ Help mitigate risk/liability and protect assets
- ➔ Become an employer of choice

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cost-effective and productive HR management.**

**Call ADP TotalSource at 1-800-HIRE-ADP or visit us at
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