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CT Xpo for Business '07

Have you heard what's new at OEM?

Stop by booth 618 and check what programs we have in the pipeline!

Editor Ritsa LaFond

IS YOUR BROKER TELLING THE WHOLE STORY

Health insurance premiums are hurting employers and their employees but there is a way to lessen the pain, Cafeteria Plans. But it is possible for brokers to conveniently not include Cafeteria Plans as a cost-saving alternative to employee benefits that may help your bottom line because it hurts theirs.

Whatever misconceptions you have heard about Cafeteria Plans will be eased by the time you finish reading this article. The most discouraging part of a Cafeteria Plan is the set-up, understanding and communication of how the plan works and then there is the administrative work. But lucky you, you have a PEO that takes care of all those hassles for you.

Employee Benefit

To start, employees get to pick and choose the benefits that work for them, whether they want life, dental, vision or medical benefits. In addition, there are extras on the menu to choose from such as child care, elder care, prescription drug coverage, co-payments, eye exams, contact lenses and supplies and other medical expenses.

While variety is great for all our diverse workforces, the most enticing piece to a Cafeteria Plan is the tax advantage. Employees withhold a portion of their pre-tax salary to cover certain benefits. For

example if an employee spends a \$100 on medical expenses, he/she is not taxed on that amount, an obvious benefit. This amounts to an increase in the take-home pay for employees. And if employees are paying a part of the expense for health insurance this is a great way to ease the burden of soaring health care costs.

Employer Benefit

What does all this mean for an employer? For one, it's a recruitment and retention device. The more you can offer with flexibility, the happier your workforce will be; increasing loyalty and longevity and ultimately making a more favorable environment to work in.

Secondly, it is a cost containment device as well. It allows employers to save tax dollars. Employers do not have to pay unemployment taxes or workers comp premiums on the employees' paycheck deductions. In many cases, this savings can add up to as much as 20 percent of every dollar being passed through the plan according to Trent D. Bryson of Entrepreneur.com.

Cafeteria plans allow employers to offer more variety in healthcare options without having to spend any additional dollars; providing an innovative way to recruit quality candidates and help keep them,



allowing the employer to stay a step ahead of the competitors while saving tax dollars. And it creates a creative way for employees to pay for medical expenses that normally wouldn't be covered by traditional benefits while increasing their take home pay. This is one of those win-win situations that is hard to turn away from.

But, one thing to note, if you have some employees that will be nearing retirement, this may not be a plan they want to participate in. While this will decrease what they are taxed on and increase what they take home, it will also decrease what is put into Social Security. It all depends on what their situation is. One way to counter-act this minor setback is to use some of the tax savings to invest in retirement plans such as a 401(k) or IRA. ■

BULLETIN

Reminder from Payroll Department – Changes, corrections, direct deposits, tax changes, etc. can only be processed with the correct paperwork and submitted to the payroll department in a timely manner.

Changes to an employee such as pay raises, employee loan, address change, termination of an employee,

etc. should be submitted with an Employee Maintenance Form.

If an employee requests direct deposit or makes changes to an account this should be submitted with a Direct Deposit Form.

Changes to federal or state taxes can only be submitted by filling out

Federal W-4 and the State W-4 Forms.

If your company has a new hire, the full New Hire Packet should be submitted to payroll immediately. If there are any questions, or you need copies of the forms mentioned, you can contact Jalica Nieves at 860-528-5555.

FROM THE EDITOR

As the season changes to warmer weather, it always puts a little pep in my walk, a smile on my face, and the urge to do a little spring-cleaning. Whether I'm looking to add some credentials to my professional repertoire, revamp the home, or make a commitment to get outdoors more, it's all about changing things up a bit to get more out of life.

Employers should try a little spring-cleaning of their own to get the most out of their business. Ninety percent of small business owners say generating stronger revenues is their top priority for the year, according to the 2007 Gallup Poll. Now is a perfect time to review current strategies in place; are you seeing the results you had hoped for? Are the right activities in place? Are you shielded from any employee litigious actions from handbooks that are unclear or, a poor safety plan? This is a perfect time to review and revamp for the approaching second half of the year.

Many times we want to make changes, they even make it on our "To Do List," but end up getting pushed back on the priority level because day-to-day issues are always arising. That great idea you had-move it back to the top of your list and take action! Leaders that challenge company convention, think innovatively and most importantly follow through on those ideas experience greater success. I hope your inspirations lead to endeavors that foster great achievement.

Happy Spring!

Ritsa LaFond

SPECIAL REPORT: BUSINESS COSTS ARE CT'S COMPETITIVE "ACHILLES HEEL"

CBIA GOVERNMENT AFFAIRS REPORT

(April 5, 2007) A new study released by Northeast Utilities and conducted by Global Insight, one of the world's leading economic consulting firms, shows that Connecticut is generally competitive in terms of business costs in its Northeast 'neighborhood,' but considerably more expensive than states in the South that have been more rapidly gaining jobs and population.

The study compared several types of costs across nine industries in Connecticut, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Rhode Island and Texas.

While Connecticut's overall business costs are comparable with those in Massachusetts and Rhode Island and somewhat less expensive than in New York and New Jersey, they are markedly more expensive than those of states like North Carolina, New Hampshire and Texas – which are winning the competition to attract and retain businesses and working professionals.

Connecticut also fares poorly across the board

when comparing individual cost factors. The costs of workers' comp and unemployment insurance, health care, energy and municipal property taxes in Connecticut are among the highest of the eight states analyzed, which place Connecticut at a competitive disadvantage.

Labor and workplace costs: It should come as no surprise that two of the primary cost drivers of Connecticut's economy are related to workplace and personnel costs. According to the study, workers' comp and UI costs combined in Massachusetts are one-third lower than Connecticut's while Rhode Island's are 10% lower.

Health care: Connecticut has one of the oldest labor pools in the country, which means that we pay higher health insurance premiums. In this study, Connecticut's premiums for manufacturers were second-highest among the compared states, and significantly higher than those in North Carolina. Moreover, according to CBIA's latest membership survey, more than three-quarters of Connecticut businesses say

high health care costs have affected their ability to hire additional workers.

Energy: The cost of energy in Connecticut is also well above average. For industrial customers in the state, says the study, electricity costs are 25% higher in Connecticut than in New York and Texas, and 55% higher than in North Carolina.

Taxes: The last proverbial thorn in our economic side is high municipal tax rates. While property taxes vary within each state, Connecticut is generally second- or third-highest in this factor among the other states in the study.

Ultimately the study found that targeting these high cost factors and leveraging natural non-cost advantages, such as Connecticut's educated workforce, geographic location, and its historical knack for entrepreneurship and innovation, could help Connecticut to change its reputation as a difficult place to do business.

Many states have responded to global competition by aggressively marketing their assets and making themselves more appealing to business through responsible legislative and regulatory measures. Many in the Connecticut legislature, however, appear to believe that the state's highly educated workforce, excellent educational institutions and good quality of life are all that are needed to retain and attract businesses.

Other studies have found that from 1995-2005, Connecticut's job and population growth were less than half those of the rest of the country, and much slower than other New England states'. When firms leave Connecticut, says the Global Insight study, they often cite the state's high costs of doing business as a major reason for their relocation or closure.

If the numbers tell the story, then it's clear that there is much work to be done, and it must start with the legislature approving pro-jobs and business-friendly measures. CBIA encourages lawmakers to work to reduce business costs in order to promote new job growth, maintain those that we have, and strengthen the state's economy. ■



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DEALING WITH A RETIRING STAFF

The US economy depends enormously on the success of small businesses. Small businesses create the bulk of new jobs, data from 2003 details that employers with less than 500 employees created 1,990,326 net new jobs. Over the next several years small business owners will certainly get their chance of creating new jobs as the baby boomers begin to retire. It's time to determine your staffing needs.

Businesses are in for a significant change in the next several years as baby boomers retire. Do you have an aging work staff? Do you know when they will be retiring...if they are retiring? This is a good time to take a survey. Owners will have to plan how they will deal with the effects of skilled labor leaving and what they will do to counter-act it.

People over 45 years of age are now 40 percent of the workforce. As they retire, they'll set off a labor shortage that experts say businesses must start planning for now, according to the NAPEO's Workplace Today February survey.

However, research also shows a large number of baby boomers are not ready to retire and plan to stay in the workforce well beyond traditional retirement. According to AARP's survey, eighty percent of baby boomers expect to work past traditional retirement age.

There are 76 million baby boomers expected to retire. When exactly they will leave the workforce is unknown. But, they will eventually retire and it will cause labor issues; there is only a projected 46 million workers to replace them.

A recent innovation that has come about from increases in retirement, known as the phased retirement plan, lets older workers keep working at reduced hours, while starting to draw on their pensions. The advantage for a business owner relies on the ability to continue to draw on their experience at a lesser cost.

Because this innovation is relatively recent it is rare, laws restrict the pay out of pensions until a person stops working completely. Employment lawyers at Feagre & Benson say "the rules are changing and the Internal Revenue Service has proposed regulations that make phased retirement more plausible in handling retirement plans."

Tax rules allow employees to make withdrawals from 401(k) plans after age 59 1/2, even if the employee continues to work. And if you have employer-match program, employees can draw on those contributions even earlier.

One of several issues that arise from phased retirement programs comes from the IRS not wanting the program to be used for non-retirement purposes. Since of course,

retirement plans are supposed to be the vehicle that provides benefits through the retirement period.

Additional impacts that arise from the phased plan include employees who move to part-time status may lose their benefits. If employers want to offer continued health, disability and life insurance to participants, will that cause commotion from the other part-time employees who are not retirees? And will this phase plan cause discrimination issues for employers under the ADEA? These are just a few questions that have surfaced, there are still many gray areas for the phase retirement plan.

While many would agree this is a step in the right direction, we will need to deal with the changing social and economic trends. People will continue to push for greater flexibility in the workplace. ■

CONSEQUENCE OF HIRING

Recently there has been an escalation of illegal immigrants being uncovered nationwide. Immigrations and Customs Enforcement, the federal agency responsible for investigating illegal hiring, has stepped up its enforcement leading up to a dozen major busts and cracking down on more employers each day.

Today, employers must take extra precautions when hiring prospective employees. The ramifications of finding out some of your staff are not legal can be costly, not only in fees but jail time as well.

In November, a man was sentenced to 1 1/2 years in prison and ordered to forfeit \$1.5 million. Authorities said he operated a contracting business in Indiana that used mostly illegal immigrants to perform stucco work.

Federal officials said they are taking a new approach: focusing on criminal cases against company officials. Since civil penalties were viewed by some violators as the cost of doing business, federal officials have stepped it up.

For instance, a first offense carries civil fines from \$275 to \$2,200 for each illegal immigrant hired. The criminal penalties however, are as high as \$3,000 and up to six months in prison for each illegal hiring.

Even with a 20-year-old federal law prohibiting businesses from knowingly employing illegal

immigrants, it has not stopped many employers. While not all actually know they have an illegal immigrant amongst their staff, there are those who go ahead with blatant disregard.

"Some opponents of illegal immigration complain that businesses' use of illicit labor is encouraging people to sneak across the borders," reports Associated Press Writer, Jacques Billeaud.

Cracking down on employers is a priority. And whether you knowingly hired illegals or not, expect some type of ramification. To avoid federal and even state questioning your staff, make sure to have your I-9's in order. Some guidelines to keep in mind as you hire employees:

Employers must ensure the I-9 form is complete by date of hire (i.e. 1st day of paid work) and the employee has signed and dated the form.

An employer must retain the I-9 of each employee for either 3 years after the date of hire or for one year after employment is terminated, whichever is later.

An employer who discovers that an I-9 form is not on file for a given employee should request the employee to complete section 1 immediately and submit documentation as required in Section 2. The new form should be dated when completed, never



post-dated. When an employee does not provide acceptable documentation, the employer must terminate employment or risk being subject to penalties for "knowingly" continuing to employ an unauthorized worker if the individual is not in fact authorized to work.

If an employee is rehired within 3 years of the date of the initial I-9 form the employer may reverify the information or have the employee complete a new form. ■

For more information on I-9 forms and properly documenting employees, contact Barbara Horowitz at 860-528-5555.

LEADER OF THE PACK

The past 50 years we have seen several different leadership styles. From the top dog barking orders, to the unleader, a hang-loose management style. Today's leadership roles are increasingly complex and diverse and the dynamics are in constant change. Today's leaders are decisive, insightful and always challenging company convention.

People are changing companies on average of seven times in a career. Fifty years ago that was unheard of. Job-hopping from company to company meant butchering your career, you wouldn't dare leave a company. The work environment and the people have since evolved. "Employee commitment will be inspired by the simple fact that everyone wants to participate in a winning endeavor and follow a dynamic leader," says Jennifer McKenzie Ph. D, a consultant of Right Management Inc.. But with the new generation of workers challenging the concept of loyalty, many companies will fall behind if they fail to find great leadership.

A true leader paves the way for others,



reinventing and challenging what it takes. Leadership requires innovative thinking, adaptability and a willingness to wage constructive war-it's attacking against the competition, the weakness in yourself and the weakness in the organization.

A leader gains followership and builds an environment that fosters and supports success. A leader that people gravitate towards is someone who really cares about those they lead. They demonstrate it by truly having a concern for a person's well-being not only professional but personally as well. A great leader has the best interest of their employees at heart at all times. They have a strong sense of integrity; having a standard they live by and do not compromise or conform. They ante up respect to gain respect and in return they trust and can be trusted. Leaders have their eye on the bigger picture and can engage their employees and keep them engaged; moving towards the goals of the company.

A genuine leader can never be replicated. Those that talk the talk but can't walk the walk

are quickly pushed to the curb. No one wants to follow an imposter. So you better practice what you preach. Leaders are under scrutiny every minute of every day by those they lead. They are looked to for "the way things are done." Especially for the newbie that recently joined a company. They look to the leader even more for how things are done and what is acceptable behavior.

Leaders must demonstrate courage and conviction in what they stand for through the risks, the path they choose and the failures. Effective leaders can admit their mistakes and correct them. Remember how you lead will set the culture and ultimately determines what is acceptable and unacceptable behavior - it is a reflection of your leadership style and will determine how successful your company is. Will your leadership style foster growth or Languish? •

UNHEALTHY WEIGHT, RISING HEALTH CARE COSTS

In a land of fast food and couch potatoes America faces a growing population of obesity and health problems. More than 60 million adults are obese and another 50 million are overweight. While this may not seem like an employers' problem, think again. If you're seeing larger bellies than what are considered healthy, you are probably looking at high Health care cost and less productivity. A survey of more than 1,000 employers by United Benefits Advisors, an alliance of 141 U.S. benefit firms, suggests that health and wellness programs are proving valuable. And according to CBIA, Connecticut Business & Industry Association, it's been estimated that for every dollar spent by businesses on wellness initiatives for their employees, more than \$3 is reaped in returned health care system savings.

A study in the Journal of Occupational and Environmental Medicine reported medical and pharmacy cost rise steadily for employees with above normal body weight. Work environments have been changing over the years with innovative benefits to wellness programs that once were considered out of the norm. But businesses today need to take creative approaches towards their workforce if they want to curtail costs, increase productivity, keep key employees and sustain company growth.

To start the creative juices, looking at large corporations' wellness programs can provide a starting point. According to an article in the

Yoga Journal, companies like Nike, Forbes and Apple offer on-site yoga classes. Small businesses can create similar programs that reach towards the same goal.

Reach out to your local businesses that offer fitness services. Anything from gyms, yoga, tennis, swim class, dance class, karate or even personal trainers. Often, we want to exercise and many of us even manage to squeeze it in, but our exercise time is often dictated by our schedules. With work, we have to get up early or hit the gym after work. And if you have kids your workout may be after they have gone to bed and you've managed to store a little energy.

To help kick-start healthier lifestyles try to allow 30 minutes during the workday for fitness activities, a two or three day per week program can make huge improvements. In addition, invite a guest speaker to give a presentation about nutrition and fitness topics. Any good program takes commitment and perseverance. In order to maintain a healthy weight, there must be a balance between calories consumed and calories expended. This means regular exercise. All it takes is 30 minutes of moderate exercise five days a week or 20 minutes of vigorous physical activity at least three times a week.

If you are serious about implementing a wellness program it will require some changes. However, the upfront investment has long-term payoffs; lower injury rate, less absenteeism, and increased productivity to name a few.

Weight-related health issues are not expected to dissipate. According to an article in the March issue of CBIA News on employee wellness, "Previous studies have linked increased health costs, increased absenteeism and reduced productivity. As the U.S. obesity rate continues to increase, disability rates are expected to rise as well." Companies should consider taking a proactive step to encourage healthier body weight.

If your business doesn't have the budget to offer classes complimentary, you can work out discount programs at various fitness providers for your employees. Another great way to get your employees involved in more physical activity is to look to the community. Many towns and cities have community sports team from softball to basket. And it makes a great family event as well.

And do everyone a favor, get rid of on-site vending machines that are filled with unhealthy temptations. Instead of employees paying for extra weight, pool that money for healthier foods such as fruits, nuts and yogurts. Experts suggest that healthy-eating programs can be an excellent step to promoting overall healthy lifestyles. •

SAFETY MATTERS

Safety is a continuous effort that should learn and improve from past mistakes. It is an effort that starts at the top with the employers and permeates down to the employees and then back up. The objective is to produce a safer, healthier workplace. With the right safety plan in place employers can expect greater productivity and a decrease in loss time and claims. Much is to be learned from giants such as Costco and manufacturers like Rockline Industries that produce items such as coffee filters.

As with these big timers, you need to make a commitment to safety. In the case of Costco, their goal is to train and empower line managers to create an environment in which employees are free to raise safety concerns and know someone will take action. Costco has safety committees in place at every location; issues are brought to manager's attention fast and resolved just as quickly.

Rockline Industries performs a review of injuries that took place during the past year. They invite their employees to be involved in the process as well, getting their input on how injuries could have been prevented. Rockline once had an OSHA incident rate of 8 or 9. Since then they have been working on strategies to keep their employees injury free and it has paid off. In 2005 they dropped down to an OSHA incident rate of 2.2.

To create an efficient and effective workforce and to reduce claims and associated costs, business owners must be proactive with safety. There needs to be a cohesive effort, everyone in the company at all levels needs to practice safe behavior for a plan to be effective. Preparing a safety plan is good, but there needs to be

preventative actions as well; benchmarking from previous years and even competitors.

Take from Costco and Rockline. They both have a safety plan and they both have committees that are continuously looking to improve. Create your own action team to produce a safer, healthier workplace.

An action team is created to identify and solve problems and improve system for years to come. A team consists of normally 4 to 6 people. Each member should have some kind of stake in the problem and is made up from a variety of levels, not just management. But leave titles at the door, all team members should be considered equal during team activities. Getting an action team in place will help attack and solve pressing safety issues and provide a method to prevent hazards.

OSHA has long advocated these four elements for a safe and healthy workplace:

Management and employee involvement.

Employers and employees work together to make protection a priority. Employers get workers involved in creating policy; they demonstrate their commitment by investing time, effort and money in a safety and health program.

Workplace analysis. *Employers and employees analyze job conditions to identify and eliminate hazards. This should be done on a regular and timely basis.*

Hazard prevention and control. *This requires a continuous review of the work*

- > Government experts sat that proper eye protection can prevent more than 90% of workplace eye injuries.
- > The Bureau of Labor Statistics reports there were more than 4 million nonfatal work-related injuries and illness reported in 2005. (the most recent year for available statistics).
- > Its been estimated that on average, each employee foot injury costs \$6,000 in medical expenses and lost productivity.
- > Studies show that supervisors' effectiveness in accident prevention is dependent on the behavior they model for employees.

environment and practices. Methods include thoroughly maintaining equipment, ensuring that hazard corrections are in place, and the personnel understand and follow safe-work practices.

Employee training and education.

Employees must be trained to ensure compliance with OSHA regulations and company requirements. Ongoing training sessions and safety reminders are also key. (Business & Legal Reports)

Use these four elements as the mission to your action team. With these practices in place you can rest assured everyone is working towards the same goals and results. ▪



THE WATER COOLER

Immutable Laws About the Business of Being in the Employer Business:

- > If you can't get your work done in the first 24 hours, work nights
- > Anyone can do any amount of work provided it isn't the work he is supposed to be doing
- > There is never enough time to do it right the first time, but there is always enough time to do it over
- > People are always available for work in the past tense
- > If it wasn't for the last minute, nothing would get done
- > Bills travel through the mail twice as fast as checks
- > Little things make a lot more of a difference; but the little things don't get as much recognition
- > The smaller the dollar amount of a contract the longer it will take to negotiate



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