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F O C U S

This
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Service Providers



Compliance and SUTA – The silent killers in construction

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What has changed over the last year? Our national unemployment rate is still extremely high; there are more federal and state regulations and labor laws for employers; gas prices have skyrocketed; there are more OSHA inspectors looking to hand out fines; most companies state unemployment tax (SUTA) rates have increased dramatically; and the majority of construction companies labor costs have increased. Let's face it; it's not getting any easier to run your construction business. The good news is Texas has created more jobs than any other state over the past year.

With all that being said, I like to focus on positive solutions to problems that blue-collar business owners face. I will address a couple key issues, and look at the professional employer organization (PEO) solution that may provide a better and more streamlined way to run your business.

Compliance: How many contractors are currently in 100% compliance with the most recent labor laws and OSHA regulations, have their employee handbooks updated yearly, and carry EPLI insurance to further insulate them from employee lawsuits? The reality is less than 10%.

The complicated world of federal and state employment laws continues to bog down business owners who would

rather be focusing on their core line of business. The issues involved with properly interpreting and administering such laws as Fair Labor Standards Act (FLSA), Immigration and Nationality Act (INA), Family Medical Leave Act (FMLA), Occupational Safety and Health Act (OSHA), and Davis-Bacon Act are not only time consuming and expensive, but can also be extremely frustrating.

And what about the Patient Protection and Affordable Care Act (PPACA) also referred to as "Obamacare"? How is your company prepared to deal with it when the final mandates are decided? There are nearly 200 federal labor laws currently enforced by the Department of Labor (DOL), which continue to be modified yearly. How can small to medium

sized contractors reasonably keep up with it all? It would take a full time professional HR department to manage this mountain of paperwork. Wouldn't it be nice to lean on a team of professionals to help navigate the ever-changing landscape of being an employer and the compliance that goes with having W-2 employees? That's exactly what a PEO allows owners to do. Construction companies who partner with PEOs spend less time pushing paper and more time making money.

SUTA: The majority of construction company owners I've met with in the past year have shared with me their ongoing frustrations of rising SUTA costs, which have ultimately increased the cost to run their business. SUTA ironically is the only tax that businesses actually have any control over, yet sometimes it's the most neglected. The down turn in the economy has forced thousands of lay-offs over the past two years. Because SUTA is calculated on a three year running average, the consequences of downsizing your labor force one year will negatively impact your SUTA rate for the two following years.

Many small to mid-sized owners had no idea how losing just one or two unemployment claims would negatively impact their bottom line and ultimately increase their SUTA rate. The SUTA maximum rate in Texas for 2011 is 8.25 percent with the average new company starting out at 2.7 percent. Many owners have seen their SUTA rates nearly double since

the economy went into decline. This typically results from mismanagement of unemployment claims or the lack of proper and timely follow up on the initial claim. This is understandable as most owners are usually focused on the things that make their company money, not HR issues.

This is where a PEO adds value by handling the unemployment claim, and following up on required paperwork and deadlines during the claim process. Owners who go from a "stand alone" situation to using a PEO usually see a substantial drop in their SUTA rate, which greatly helps lower the cost of running their business.

Construction companies who partner with PEOs for help with payroll, workers' compensation, human resources, and safety/risk management increase profitability by focusing on their core business which grows the bottom line. They reduce time pushing paper, streamline their cash flow, and share the risks and liability that goes with having employees. Ultimately, they have peace of mind knowing that a PEO is helping them manage the ever changing, complex, and expensive world of being an employer.

Mark Mettelle is the owner of M2 PEO Solutions. M2 assists construction and blue-collar companies with solving employment problems in the areas of Payroll, Human Resources, Workers' Compensation, and Safety/Risk Management. –dn