

Dominion

COVID-19

Best Practices for Payroll & HR



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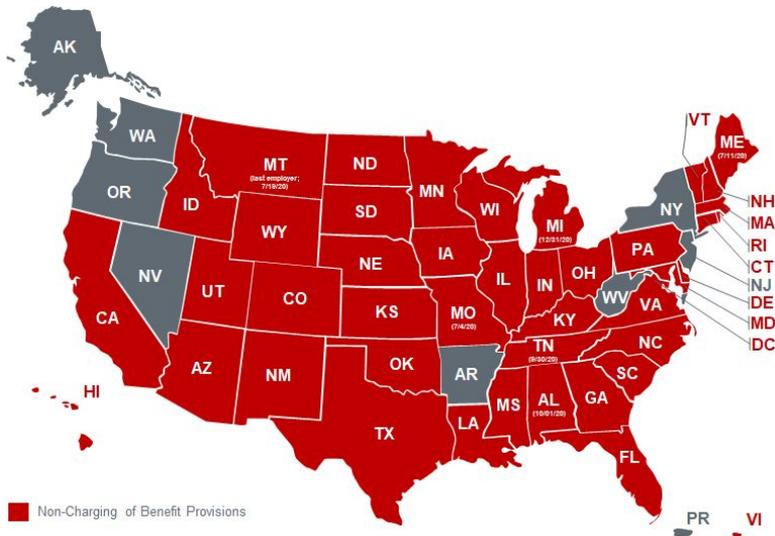
COVID-19 & Unemployment

- Trust funds are being depleted at a rapid pace.
- Twenty-three states have already borrowed \$46.3B from the Federal Government.
- State factors used in rating calculations have now become more relevant.
- Some of the potential increase in SUI tax costs will be felt in 2021, some in 2022 and beyond.
- Twelve states have increased their taxable wage bases for 2021 and more are expected.
- Annual benefits have exceeded annual tax revenues (taxes) for the first time since Q3 2011.
- Some of the new and proposed state provisions will attempt to mitigate tax costs.
- Employers will ultimately bear the financial burden associated with COVID-19.

COVID-19 & Unemployment

- Currently, there are 18 states that will be subject to FUTA credit reduction in 2022. Federal UI rate is 6%, but due to legislation signed during the Obama Administration, there is a credit of 5.4% if you stay current on State UI. Credit Reduction will effectively lower the amount of the 5.4% credit given by 0.3% annually until the affected state repays the federal government. The amount of states is expected to grow by the close of 2021.
- The State of Michigan has already increased the taxable wage base for 2021 to \$9500 (up from \$9000).

COVID-19 & Unemployment



Unemployment: Some employers are experiencing upward spikes in hiring while others are experiencing upward spikes in furloughs or layoffs.

Initial UI Claims:

- The unprecedented number of initial unemployment insurance claims has placed stress on the systems nationwide
- Over 73 million initial unemployment claims filed during the 41 weeks ended December 26, 2020
- State trust funds are being depleted, with 23 states borrowing \$46.3 billion from the Feds to date

2021 Rate Forecasting: What will be unique about forecasting rates for 2021 is the uncertainty surrounding how states will alter rating calculations to compensate for the volume of claims currently being experienced.

Non-Charging of Benefits: The mutualization or socialization of charges is a way to provide relief to employers most impacted by COVID-19. This spreads the impact across all employers in the state.

Charge Audits: You should audit benefit charges to ensure that fraudulent claims are detected and that socialized COVID-19 charges are not assigned to your account.

PPP Loan Coverage

So, you're a business that has stayed open during the pandemic but need to still make payroll. Your cash flow has been impacted due to a decrease in sales. The PPP loan can cover the following payroll costs:

- Employee compensation (USA residents) in the form of salary, wages, commissions, or similar
- Cash tips or equivalent (based on employer records or, in the absence of records, a reasonable, good-faith employer estimate of such tips)
- Payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal
- Payment for the provision of employee benefits consisting of group health care coverage, or group life, disability, vision, or dental insurance, including insurance premiums, and retirement
- Payment of state and local taxes assessed on compensation of employees
- For an independent contractor or sole proprietor, wage, commissions, income, or net earnings from self-employment or similar compensation

PPP Loan Coverage

At least 60% of your PPP funds must cover qualifying payroll costs. The remainder can be used in the following ways:

- Employee benefits (healthcare and retirement benefits)
- Mortgage interest payments (not including payments on the mortgage principal)
- Operations costs (software or cloud computing service)
- Rent
- Utilities
- Property damage caused by public disturbances in 2020
- Supplier costs
- Worker protection expenses (masks, plexiglass shields, gloves, and more)

PPP Loan Restrictions

The PPP loan cannot be used in the following scenarios:

- Any compensation of an employee whose principal place of residence is outside of the United States
- The compensation of an individual employee in excess of an annual salary of \$100,000, prorated as necessary
- Federal employment taxes imposed or withheld during the applicable period, including the employee's and employer's share of FICA (Federal Insurance Contributions Act) and Railroad Retirement Act taxes, and income taxes required to be withheld from employees
- Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (Public Law 116-127)

PPP Loan Forgiveness

To qualify for PPP loan forgiveness, you have to use your PPP loan according to the following:

- Payroll costs such as salary, wages, commission, tips
- Employee benefits (healthcare and retirement benefits)
- Mortgage interest payments (not including payments on the mortgage principal)
- Operations costs (software or cloud computing service)
- Rent
- Utilities
- Property damage caused by public disturbances in 2020
- Supplier costs
- Worker protection expenses (masks, plexiglass shields, gloves, and more)

If you do not use PPP for these purposes, your PPP loan will not be forgiven and you will be required to pay back the loan. Businesses have up to 24 weeks from the date you received the loan to spend the funds and be eligible for loan forgiveness.

ROI on Performance Reviews

Is it worth the hassle and frustration to conduct annual, quarterly, or even more frequent performance reviews? The short answer is YES. Consider the following:

- The **cost to replace an employee**, according to SHRM, is between **90%-200% of their annual salary**
- 41.4 million US employees left their jobs voluntarily in 2018. The Work Institute study said that the increase in voluntary quits could result in 35% turnover rate by 2023
- It can take **1-2 years before a new employee is as fully productive** as an existing employee (Training Industry Quarterly)
- Succession planning for smooth transitions of leadership can make or break a company

Performance Reviews

Performance review software can automate reviews and eliminate time and paperwork. It is ideal for a remote workforce, since employees and supervisors submit reviews online. Some features to look for in a performance platform:

- Notifications and reminders are sent automatically to all parties to fill out reviews
- Customize reviews based on job title, seniority, skill set, etc.
- Have employees submit self-evaluations and/or 360 reviews
- Automate scheduling and track progress
- Calculate scoring to recommend and award merit increases or bonus payments
- Store and share review results electronically for easy access
- An approval process for supervisor reviews, allowing HR to audit content and edit when needed

How Reviews Increase Employee Retention

Quite simply, reviews can improve employee retention rates due to their frequency and type of feedback. To improve your process, here are a few ideas:

- Conduct more frequent reviews, perhaps quarterly or even monthly
- Set clear expectations for each role and make sure they are understood by all
- Encourage open, honest feedback from all parties
- More frequent reviews = less content in the review
- Tailor the review to the role
- Make sure the review process and its outcome is understood by all
- Engage employee feedback if there is conflict

Timekeeping and Labor Management

There are many options that offer great ROI when it comes to tracking employees time:

- Biometric time clocks
- Geofencing
- PC or Mobile punching (allows the employee's computer or device to become a punch kiosk)
- Flexible and easy-to-use scheduling
- Integration with your payroll platform
- On demand labor reporting (approaching overtime, no-call/no-show, scheduled vs. worked hours, etc.)
- Ability for frontline supervisors to review, edit, and approve schedules and time cards for their direct reports

Biometric and Touchless Clocks

This is an example of a touchless Time Clock equipped with a thermal temperature reader. The temperature can be set to a certain value. If the temperature recorded meets or exceeds that value, then the clock does not record the punch.

Some clocks even have the ability to read whether or not a mask was put on AFTER the facial scan occurs. If the mask is missing, then the punch does not record.



What is Geofencing?

A geofence is a virtual boundary around a specific location that records when someone on a mobile device enters or exits that boundary. It is, quite simply, an invisible fence.

Geofencing is used in a variety of ways, too. A prime example is receiving a text alert on your phone when you are in a store, and there is an offer for a certain product.

Geofencing works great for employees that need to record time from a variety of locations or are working remotely. Geofencing allows employees to punch in and out from their mobile devices, giving them a safe and personal punch method.

It can eliminate costly time clock hardware and/or the reliance on kiosk devices, such as a laptop, to record employee time. Since employees use their own smartphones, there is no need to sanitize a time clock or computer in between punches.

Geofencing Vulnerabilities

As with any technology, there are limitations. Geofencing has a margin of error unique to the device and its age/OS. Keep this in mind when reviewing punch locations.

The other caveat is that employees using their own device, not a company purchased one, have the option to turn location services on or off. It goes without saying that location services need to be on in order for Geofencing to work correctly.

If an employee elects not to share, then a punch can still be recorded without location data. In addition, if the employee has an iPhone using iOS 14 or higher, they will also need to turn on “Precise Location” in the settings for the app you decide to use.

Some Geofencing software will even prevent an employee from punching until they are within the range set by their company.

Geofencing Advantages

The benefits of using geofencing to record employee punches outweigh the technology drawbacks. To recap, here is a list of benefits:

- Geofencing can replace costly time clocks
- Eliminates the need for kiosk devices, providing a safe and personal punch method
- Displays punch locations in case of an emergency or issue
- Ideal for employees that travel to different job sites and a remote workforce

Earned Wage Access or Instant Pay

Did you know that 22% of Americans are either unbanked or underbanked? Earned Wage Access (EWA) offers a way to pay employees that is fair. In addition, it is increasing in demand and popularity due to COVID in a tight labor market.

EWA can differentiate you from competitors as an employer benefit and help attract (and retain!) top talent. Consider listing this as a perk of the job on job descriptions.

EWA can make any day pay day for an employee by letting them access funds when they need it.

EWA can also decrease payroll costs. Some providers offer a pay card (at no charge to you!) and become the employees bank for direct deposit. This can reduce or eliminate costly paper checks and pay cars for your company.

EWA Provider Key Features

There are a lot of apps on the market that offer EWA. Some are better than others. When looking for a provider, keep the following in mind:

- No or low cost to use for employees AND employers
- Does not interrupt your company's payroll processes or cash-flow
- Prevents employees from overdrafting or taking withdrawals when funds are insufficient
- Offers financial wellness tools for employees to use
- No minimum contract or costly set up fees
- Many providers only work with companies that have 250 or more employees
- Assumes all liability should an employee overdraft or have insufficient funds

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Thank you for joining us!

