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NEWSLETTER

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How To Set Up and Maintain Payroll Policies

The endgame is accurate and timely employee paychecks. How do you get there? Have a payroll plan that outlines what the procedures are to get to your goal.

The plan should describe how employees document and submit time. Use a reliable timekeeping system. A computer-based system is probably the most efficient, but if you still use hard-copy timesheets, make a note of their trafficking procedure for future users. The best way to make sure you include all the steps necessary to process payroll is to go through the actions yourself.

Write down how to calculate employee wages. If you've got a computer software program for payroll, write the steps needed to enter payroll information in the system. The following should be part of your system:

- Review how to make payment adjustments. Describe the procedure so anyone who does payroll can adjust the wages paid to employees.
- List the payment schedule, including a description of how often payroll checks are cut—weekly, biweekly or monthly.



- Clarify the communication procedures with the payroll service. After the employee enters the payroll information in the computer software or time-tracking system, specify how to print payroll checks or submit the payroll records to the payroll service so they can print checks.

- Maintain accurate records. The Internal Revenue Service suggests maintaining employee records—W-2s, timecards and tax statements—for at least three years. Keep these stored safely, and create a system for filing them and saving them as long as legally necessary.

- Do a trial run. Once the first draft of the steps is written, ask an employee to follow the instructions to see whether the payroll is processed correctly. This will help both of you see where there is any lack of clarity.

Note these key points

You may want to consider payroll calendars to help employees understand when they will be paid and when timecards are due. Your payroll software or payroll processor may automatically create a payroll calendar, but you can use a spreadsheet to set up one for yourself. You can give managers and supervisors a copy of the calendar to distribute to employees. The effective payroll calendar will show all pay periods for the year to reduce employee confusion about when they'll be paid and the time frames their paychecks will cover.

Problems arise because of misunderstandings of the payroll system—by instituting wholly transparent payroll procedures, you're setting up reporting responsibilities. This strategy helps when analyzing and auditing your

payroll system. Consider updating payroll templates to make them accessible to everyone on the payroll team to improve productivity, lower your risk of payroll mistakes and make payroll more reliable.

Proper payroll management is the key to ensuring that your employees are paid on time and your legal obligations are met. You want to avoid cumbersome administrative and tax-related nightmares. Create a workflow—a process flow chart in your documentation—that can be followed by internal employees or external processors to help explain and communicate payroll policies to employees. It can take significant time for new hires to learn small details, so writing down procedures can minimize the negative effects of losing team members. It will be useful to have instructions on how to process payroll manually in case of emergencies.

Is This Your Situation: Considering Pay-As-You-Go Workers' Comp Insurance

Pay-as-you-go workers' compensation insurance is designed to smooth out the premium changes that occur during the year as employees come and go.

- Premium payments are made at the end of each payroll cycle and are based on the actual payroll cycle, so there's no need for adjustments at the end of the policy year.

- Companies don't have to deal with estimates and cash flow surprises.

- Companies don't have to put down much money and can spread

out payments over the course of the policy year.

- Required audits require little to no involvement by the employer. Since the policy is based on real-time payroll wages, the insurance carrier already has the information it needs.

- Pay-as-you-go insurance is available in a large majority of states.

Letting someone else do the work

Of course, no matter how simple the product is, you still have to

spend time managing it. So consider the advantages of outsourcing your workers' comp insurance administration, such as:

- Audit assistance. Even though pay-as-you-go audits may be simpler compared with conventional policies, it can still be a headache. A third-party can help you with this and work directly with the insurer to make sure you don't pay more than you should.

- Calculation hassles offloaded. You may find that premiums are based on varying class codes, locations, overtime, rate of pay and

a host of other variables unfamiliar to those outside the insurance industry. An outside insurance professional can do all these calculations for you.

- **Deadline management.** Meeting the myriad federal and state tax deadlines is already a headache. A third party can make sure you make all your premium deadlines.

- **Consolidation of insurance.** Depending on the kind of company you have, you may have other business insurance. A third party may be able to handle all your policies, giving you just one point of contact.

If you're frustrated and overwhelmed by workers' comp insurance, give us a call and we'll be happy to help.



References Add Insights to Resumes

How much thought have you given to reviewing job prospects' references? Conducting a reference check is a skill in its own right, requiring sensitivity and instincts for weeding out valuable input from generalized responses. The latter is presumably positive — after all, candidates choose the references themselves.

A worthwhile conversation

References serve several functions. The straightforward process depends on asking the right questions. An interviewer can often judge, according to how the reference responds, whether the candidate is respected. Is the candidate regarded as an outstanding worker or are they more run of the mill?

First, the reference should validate key facts provided in a candidate's application. Second, they may be able to expand superficial information into a deeper view of a candidate's knowledge, skills and personality. Third, their answers may signal discrepancies in the application, like factual inconsistencies.

A hiring manager must sometimes use a sixth sense to decide whether a potentially promising candidate will fit in with the culture of the organization and the team. A third party can provide useful clues as to the candidate's performance and behavior as well as impressions of their work ethic or response to challenges.

As an additional layer of background checks, employers and HR personnel use references to verify experience and credentials. The checks can add extra value for employers by reducing the risk of careless or negligent hiring. It's important to know that people who provide references are protected in some states for disclosing employee information. Otherwise, references might be wary of the legal consequences arising from failing to reveal enough relevant information or overdoing it with an excessively harsh review.

Framing the questions

Prepare your questions for references in advance, obtaining input from other team members who have been involved in the hiring process. By starting the process pre-

pared, you will find it easier to stay on track as well as finesse compliance issues. Try to avoid yes-or-no questions, which are unlikely to add much useful material. Where feasible, ask all references the same questions.

Above all, stay well away from discriminatory or illegal topics, including age, family, religion, country of origin, health, disability, finances or credit history. In fact, try to generally steer clear of all questions unrelated to the job at hand.

Here are some suggested questions for references:

- How did you interact with the candidate in terms of your own role?
- Did you see the candidate perform or show any marked accomplishments?
- Can you suggest a couple of areas for growth? (A diplomatic way of saying weaknesses.)
- Have you observed any negative behaviors that affected performance (e.g., lateness, missed deadlines)?

- What is the candidate's working style (e.g., solitary, collaborative, creative, detail-oriented)?
- When exactly did you work with the candidate?
- Why did the candidate leave?
- Why would or wouldn't you recommend the candidate?
- Can you give an example of how the candidate responded to a stressful situation?
- How did the candidate manage team conflict?
- Would you rehire the candidate?

• Can you tell me something positive the candidate may not have already mentioned (e.g., volunteer work or hobbies)?

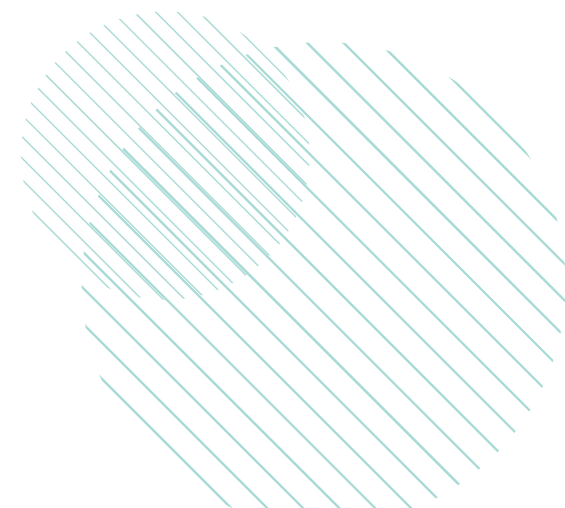
A chance to enhance

Conduct reference reviews productively, staying mindful of everyone's time. Before you start, make sure to notify candidates in

the initial job posting that references will be required and obtain their explicit consent, as some applicants see the process as invasive. Then wait for all your hiring feedback before talking to the references, at least one of whom should be a former manager.

Most discussions take place briefly by phone, which is more conducive to candid responses. Fifteen minutes is typical. If the candidate will be reporting directly to you, do not delegate. You understand the position thoroughly and can best establish rapport with the references.

Look out for red flags, such as inordinate praise. And if the candidate says not to call someone they have listed, or provides the wrong phone number, you need to explore that—don't just let it go. Nevertheless, don't assume the worst—give the candidate a chance to explain.



Artificial Intelligence in Recruiting: Trends and Concerns

Artificial intelligence is generally defined as “machines that respond to stimulation consistent with traditional responses from humans, given the human capacity for contemplation, judgment and intention,” according to the Brookings Institution. Basically, AI “makes decisions that normally would require [a] human level of expertise.”

How are HR professionals and recruiters using AI?

According to Mercer's Global Talent Trends 2020 report, most human resources systems and practices use AI in some way. Most

notably, AI now plays a prominent role in candidate selection and decision-making.

Per the Mercer report, the most common AI uses in HR and recruiting are:

- Algorithms to identify the right candidate based on publicly available information (41%).
- Employee self-service, chatbots for information lookup and candidate management during the recruiting phase (39%).
- Wearable technology to track employee habits (35%).

- Integrating AI into the performance management process (34%).
- Virtual reality for learning and training (34%).
- AI as part of onboarding (34%).

HR professionals are also leveraging AI to recommend job openings and career paths to current employees and to screen job candidates during recruiting.

How does AI benefit recruiting?

- Saves time. AI chatbots can perform routine tasks, such as

scheduling interviews, responding to basic questions from candidates and sending job offers.

- Searches for candidates. AI-infused technology can evaluate potential candidates' online presence and help determine whether these candidates might be a good fit for the role and whether they are likely to accept a job offer.

- Enhances the candidate experience. AI chatbots are available to answer candidate questions around the clock, and they vastly reduce response times.

- Offers multiple engagement channels. AI lets employers communicate with candidates via text, web chat and social media messaging.

- Helps remove bias during recruiting and hiring. An article

published in the Harvard Business Review says that AI can eradicate unconscious human bias. Moreover, AI can assess the entire candidate pipeline instead of “forcing time-constrained humans to implement biased processes to shrink the pipeline from the start.”

Despite the benefits of AI, fears linger.

According to the Mercer report, “1 in 3 employees believe their job will not exist in a few years due to AI and automation.”

Additionally, an article published by law firm Fisher Phillips outlines the risks of using AI in recruiting and hiring. These dangers include:

- Privacy concerns surrounding the collection, storage and use of personal data.

- Potential bias and discrimination. This can happen if the AI technology's algorithms and data sets are programmed with certain biases regarding gender, race, ideology or other factors.

It's therefore crucial that employers use AI in an ethical and lawful manner. As for employees losing their jobs to AI technology, the risk level is debatable. Notably, Jacky Carter, the author of an article published by global recruitment firm Hays, says she firmly believes “that people, not machines, will continue to play the dominant role in hiring and staff engagement.”



Work With Your Employees on Withholding

The IRS says, “All taxpayers should review their federal withholding each year to make sure they’re not having too little or too much tax withheld.” However, employees may not be aware of the IRS’ suggestion, which is why employers should tell them about it.

Why employees should re-view their withholding

If they have too little federal income tax withheld, employees may end up owing taxes or being hit with a penalty at tax time. Conversely, if they have too much tax withheld, their paychecks will be smaller — which might hurt them financially, as they must wait until tax time to get a refund.

Employees should submit a new Form W-4 if necessary

All new hires must complete a Form W-4, which helps determine how much federal income tax to withhold from their wages. The employee’s Form W-4 information is driven by a person’s personal and financial situation. If an employee experiences certain life changes during the year, they may need to give you a new Form W-4.

Employees should review their withholding every year if they:

- Have a spouse who works as an employee.
- Have two or more jobs simultaneously.
- Work partially during the year.
- Have dependents who are at least 17 years old.

- Claim tax credits such as the child tax credit.
- Itemized deductions on prior year tax returns.
- Earn high incomes.
- Have complex tax returns.
- Had large refunds or large tax bills for the previous year.

Employees may need to update their W-4 if they experience life changes, such as:

- Marriage.
- Divorce or legal separation.
- Childbirth.
- Adoption of a child.
- Retirement.
- Bankruptcy.
- Home purchase.

- Starting a new job or stopping a second job.
- Their spouse gaining or losing a job.
- Adjustments to income, such as student loan income deduction.
- Gain of tax credits or itemized deductions, such as medical expenses, donations to charity, education credit and child tax credit.
- Gain of dividends, self-employment income, IRA distributions, capital gains, interest income, and other taxable income not subject to withholding.

Although year-end may be a convenient time to review filing and withholding statuses, taxpayers can submit a new Form W-4 anytime. Often, they will see a need to do so after preparing their tax returns each year. Depending on where your employees work, they



may also need to review their state and/or local tax withholdings every year.

Direct your employees to the IRS Tax Withholding Estimator

The Tax Withholding Estimator helps employees ensure the correct amount of federal income tax is withheld from their paychecks. Employees can review the Tax Withholding Estimator FAQs if they have questions about using the estimator. Also, they can consult their tax advisers.

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