

HR & PAYROLL SERVICES FOR THE HOSPITALITY SECTOR

Alleviate the HR, payroll and benefits administration burden on your staff, and improve your employees' experience.



Introduction

Your employees are the heart and soul of your organization. After all — it's impossible to have happy guests if your employees are unhappy. Yet for many hospitality businesses, the burden of HR, payroll and benefits administration often falls on managers who have tons already on their plates, and things can slip through the cracks. The more time spent managing these areas internally, the less time management spends on things that actually generate revenue for your business. Stretched thin, there's less time to focus on crafting the optimal guest experience.

As labor legislation changes and evolves, so too do the complexities of managing your business. Operators must stay on top of not only changing minimum wage laws, predictive scheduling legislation, and spread of hours, but also variances in requirements on the federal and state levels. In addition to being time-consuming, the risk of non-compliance looms large.

Luckily, there are many options for hospitality organizations to help alleviate the HR, payroll and benefits administration burden on your staff, and improve your employees' experience.

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Challenges Facing Hospitality Businesses

Your people may be the lifeblood of your organization...but rising labor costs can make it feel like you're hemorrhaging money. After all, labor clocks in as the highest cost in the P&L after food and beverage. There are a number of ways to help offset rising labor costs, such as purchasing excellence, reduced waste, and smart scheduling solutions. Managing your HR and payroll practices is an important piece of this complicated puzzle. Reducing liabilities, improving compliance, and freeing your team up to focus on revenue-generating aspects of the business can be critical to helping your business maintain profitability.

Recruitment and Retention

Hiring costs can also eat away at your bottom line, as costs associated with hiring and training new employees have a big impact. Restaurateurs everywhere are familiar with the “revolving door” of employees coming and going, and all that comes with it. In fact, according to the US Bureau of Labor Statistics, the turnover rate for the hospitality industry is five times the national average.¹ On average, restaurants spend \$14,000 to replace a single general manager.² Meanwhile, the turnover rate for GMs is 40% annually.³ Increasing competition for labor in a tight market also poses a challenge for keeping top performers across the organization.

While it may seem hopeless, luckily there are many ways a restaurant can gain a competitive advantage to attract and retain top talent. A positive company culture and a competitive, comprehensive benefits plan are especially attractive to job-seekers. And, they encourage existing employees to stay, reducing the cost to find replacements, lowering hiring and onboarding expenses, and eliminating the time and money spent on training those new replacements.

Non-compliance, Payroll, and Liabilities, Oh My

Getting payroll right is a complex process for any restaurant businesses, with dual roles, seasonal workers, hourly vs salaried employees and more. Add on changes to minimum wage laws, healthcare requirements, and scheduling pitfalls that could result in penalties, and it can not only become unmanageable but also increase labor costs further.

Many cities and states must also contend with predictive scheduling laws, which are designed to help combat last-minute, disruptive changes to the schedule for hourly employees. These laws dictate penalty fees to help compensate employees who have been inconvenienced (or over-worked), while simultaneously providing a financial disincentive for restaurants to make last-minute changes. While these laws are designed to help employees gain some predictability with their schedules, the burden of logistics tends to fall on general managers, who now must juggle multiple requests, nuances, and tricky timings when crafting the schedule.



States Embracing Predictive Scheduling Legislation:

- > California
- > Georgia
- > Illinois
- > New Hampshire
- > New York
- > Ohio
- > Oregon*
- > Washington
- > Washington, D.C.

*The states above have local predictive schedule legislation affecting specific cities, aside from Oregon, which has state-wide legislation.

Meanwhile, hospitality businesses in particular are faced with added complexity when it comes to payroll — not only for cities with predicative scheduling in place, but also for things like spread-of-hours requirements, tip pooling and tip credit, hourly vs. salaried employees, and the like.

In an industry prone to last minute schedule changes and shift swapping, it can be extra difficult to ensure that your employees are being paid for the actual time worked, and at the right rate.

You then need to think about changing regulations around minimum wage requirements, and the Affordable Care Act, which poses firm penalties for non-compliance. Managing regulations and requirements for the Fair Labor Standards Acts, Leave of Absence, and Americans with Disabilities Act (ADA) is intricate and complex. Benefits for employees also come with a host of carrier requirements, which can trip up employers. Non-compliance with any of the above (and other regulations, too) results in frustrated employees, time and attention from managers trying to untangle the problems, as well as risk of fees and fines.

Of course, there are many risks inherent within a hospitality business. After all, every kitchen comes with sharp objects, open flames, and slippery floors. If accidents happen, handling claims can take a huge amount of administration, not to mention the associated costs. You can't expect your managers and teams to be experts in risk management and compliance, but you also need to protect the business from litigation. Understanding these nuances and managing claims takes time and effort that managers just don't have.



Hr & Payroll for the Hospitality Industry – Why Outsource?

As hospitality businesses evaluate how best to approach HR for their organizations, many find that outsourcing HR, payroll, benefits administration (or a combination thereof) is a smart way to reduce administrative burden, lower costs, improve compliance, and limit liabilities.

Savvy operators are leaning on experts who dedicate their work to mitigating risk and ensuring compliance, and who are up-to-speed on the ever-changing HR landscape. Many operators find that relying on a single provider for administering payroll, employee benefits programs, unemployment (and so on), makes it easier to improve their HR functionally and offerings while simplifying logistics. By unburdening themselves from the intricacies of payroll, risk management, and legal requirements, operators are freed up to focus on the parts of their business that actually generate revenue.

Building a Positive Culture and Engaging Employees

Did you know that companies with highly engaged workforces outperform their peers by 147% in earnings per share?⁴ Or that organizations with higher levels of engagement report 22% higher productivity?⁵ Taking great care of your employees, and helping them feel engaged and invested in your business, starts with providing comprehensive benefits, and giving them access to the resources they need.

Benefits Administration

For small businesses especially, it can be a challenge to gain access to competitive (and affordable) benefits solutions. As we've covered, attracting talent to your restaurant is an important part of getting ahead. Happy employees will be instrumental in your recruiting process, by providing positive word-of-mouth referrals. The right benefits package can serve as one of the most influential recruiting tools, both in increasing existing employee-satisfaction, and in convincing potential employees to join the team. So how do you find the right benefits offering for your group?

By pairing up with an HR partner, you'll be better able to offer your employees a first-rate health and retirement plan with fringe benefits like dental, vision, legal coverage, disability (short and long-term), life insurance, and many more. Through this type of partnership, your business will have greater access to a wide range of comprehensive benefits for your team.

- > [Through carrier negotiations, plan strategy, premium leakage control, and other cost containment strategies, we give our clients relief from rising premiums, while ensuring that they have the administrative support they need. Learn how Fourth can help your business achieve more. \[www.fourth.com/en-us/get-touch\]\(http://www.fourth.com/en-us/get-touch\)](#)



Of course, with every benefit plan comes a set of compliance requirements for employers, and the administration involved comes with its own complexities. Benefits administration starts and ends with the process of payroll and support of the payroll technologies offered: employee enrollment, deductions, handling daily employee benefit interactions, invoice reconciliation, premium remittance to carriers, terminations, COBRA administration, and all other administrative responsibilities associated with employee benefits & 401k demands. When questions arise, your employees will want access to quick and accurate answers. By delegating HR management to a partner that has expertise in managing HR needs for the hospitality industry, you will grant your employees and managers peace of mind and easy access to the right answers.

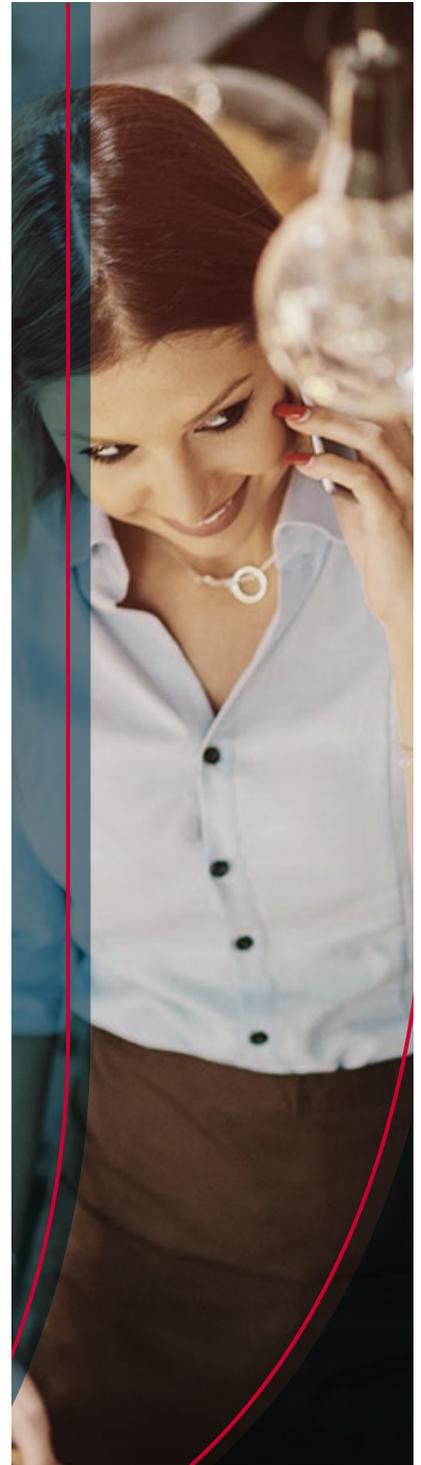
...and Payroll

Nothing frustrates employees more than an inaccurate paycheck — not to mention the hoops they have to jump through to get discrepancies resolved. Incorrect paystubs damage morale, and eat into your managers' time, as they must take on more work to resolve incorrect payments.

Many restaurants work with manual processes to manage their payroll, and no matter how careful one is, a manual system is inherently error-prone. Even a minor error can have a snowball effect, generating more and more work as it goes. Meanwhile, managing payroll in-house exposes employers to ever-changing liabilities.

Instead, consider hospitality-specific payroll services that ensure compliance with local, state and federal requirements, supported by experienced and certified payroll specialists. Consider also supporting this with technology. For example, a fully-integrated time and attendance system will ensure that employees are paid on time, and accurately for the actually time worked. Direct deposits or, for employees without traditional bank accounts, pre-paid debit cards, give employees peace of mind and make payday more efficient.

Meanwhile, outsourcing your payroll administration also removes the burden of W2 reporting and tax filing from your restaurant. Federal, state, and local payroll taxes are calculated, paid, and filed accurately and on time, reducing your liability and ensuring compliance. The right payroll administration solution should also give you access to online payroll reporting, so you and your employees can always get what they need, wherever they are.



Simplify the Hiring and Onboarding Process

With new hires, how you introduce them to your culture and your brand sets the tone for their time with your company. Of course, positive word-of-mouth referrals from existing employees and a general sense of your business from visiting or reading reviews will color any potential employee's experience. Beyond these factors, though, consider how everything from reading job description to dealing with new-hire paperwork impacts a future employee's view of your business. How do new hires feel welcomed into your brand, and how easy will it be for them to learn your culture, understand conduct expectations, and get their questions answered?

Each employee seems to come with their own pile of paperwork. While reducing your turnover rate will help, it won't eliminate the administrative workload associated with onboarding new hires.

Outsourcing this function to an HR partner will help ensure compliance with the Fair Labor Standards Act, while helping craft job descriptions and federally-compliant employee handbooks tailored to your restaurant or hotel. Applicant tracking services, background checks and drug testing, electronic onboarding, employment verification, and employment record management, as well as leadership training and development, make bringing new team members on board a more simple and consistent process.

Making HR processes more streamlined and organized, and having the right resources available for your team members and managers, helps reduce your costs and saves you time.

Limit Liability

With endless regulations, local, state, and federal laws, and strict penalties for non-compliance, it's hard to feel confident in your footing when the ground is constantly shifting beneath your feet. Most restaurateurs go into business because of a passion for great food, for delivering outstanding customer experiences, and for a love of hospitality—not to managing a growing and changing list of rules and regulations, or to develop defences against potential liabilities.

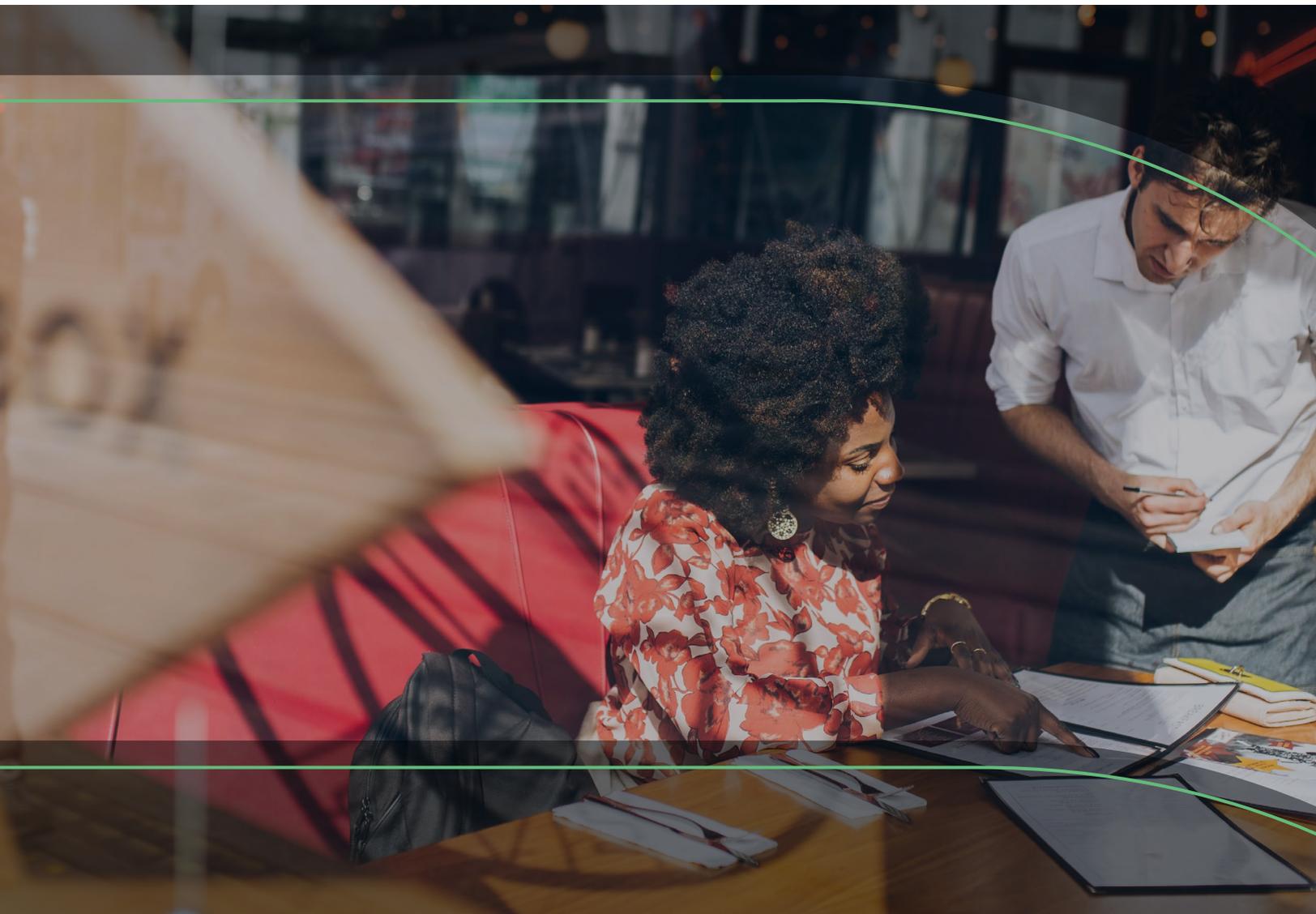
Outsourcing can mitigate a lot of these concerns, and allows operators to focus on the core functions of their hospitality businesses, rather than the nuances of retirement plan reporting, healthcare reform, workers compensation, and the like. When it comes to making sure benefits plans are compliant, HR partners have the resources, expertise, and time to dot the i's and cross the t's, all while limiting the risk facing your business.

For example, outsourced HR services ensure complete 401k plan compliance, while PEOs can also take on the fiduciary responsibility, transferring risk away from your businesses and assuming it instead, and driving down costs.



When it comes to things like claims management and workers compensation, every restaurant or hotel chooses to handle risk management differently. Most states require workers compensation insurance — which means many businesses must estimate the premium and could end up getting caught off-guard by audits down the line. If wages aren't estimated correctly, that can mean owing a big chunk of change, or, having limited cash flow until reimbursements are reconciled.

For many, one of the biggest advantages to outsourcing HR is that it alleviates the burden of risk, providing relief from the many employment-related compliance risks and associated workload. An HR partner who also manages your payroll means an opportunity for pay-as-you-go for compensation deduction: as wages are calculated in real time, the correct deduction is taken. Moreover, your HR partners should have a vested interest in managing and settling claims and quickly and efficiently as possible. The best HR partners will actually share responsibility for workers' compensation, help improve loss performance, expedite claims and treatment for your employees, and promote a safer workplace.



Ways to Manage HR & Payroll Services

There are a few different approaches to outsourcing HR functionality.

PEOs, HROs, and payroll and tax solutions are the three main options to choose among when selecting an HR partner.

What is a PEO?

PEOs, or Professional Employer Organizations, offer co-employment arrangements to give smaller businesses an opportunity to achieve savings through an economy of scale. PEOs enable their clients to cost-effectively outsource all aspects of HR, from HR management, employee benefits, payroll, to workers' compensation. The PEO becomes the offsite administrative employer, focusing on maintaining compliance, while the hospitality business maintains complete control over operations, workforce management, full employee-lifecycle management, company culture, and branding.

What does this mean? Essentially the PEO becomes an "employer of record" through a co-employment contract, resulting in a shared tax ID.

This enables the hospitality business to not only transfer the functionalities of HR to the co-employer, but also to share some of the risk, and allow the PEO to manage claims.

For smaller organizations especially, PEOs give employers access to better coverage for their employees through a wider policy for things like workers' comp. This extends to employee benefits, too: PEOs grant admission to a range of benefits offerings that are not usually accessible to smaller businesses. Some also provide an opportunity to participate in a Multiple Employer Plan (MEP) for 401K retirement savings. PEOs often have the ability to investigate and resolve claims before they escalate to litigation, and include Employment Practices Liability (EPLI) coverage to ensure that your business is protected from wrongful acts like harassment, discrimination, and wrongful termination charges, should the need arise.

- > When evaluating PEOs, select one that has been certified by the IRS. Certification is a voluntary program that involves thorough background and experience prerequisites, strict financial requirements, independent audit standards, and requires client contractual conditions that shift potential tax-related exposures from the client to the Certified PEO (CPEO).

Between sharing risk and reducing administrative costs, the savings can be huge. Compared to businesses of similar size and population, those using PEOs are 50% less likely to go out of business from one year to the next.⁶



Understanding HROs

Like PEOs, HROs (Human Resource Outsourcing, sometimes called ASOs, or Administrative Service Organizations) oversee HR administration. They overlap in most ways, and offer many of the same benefits.

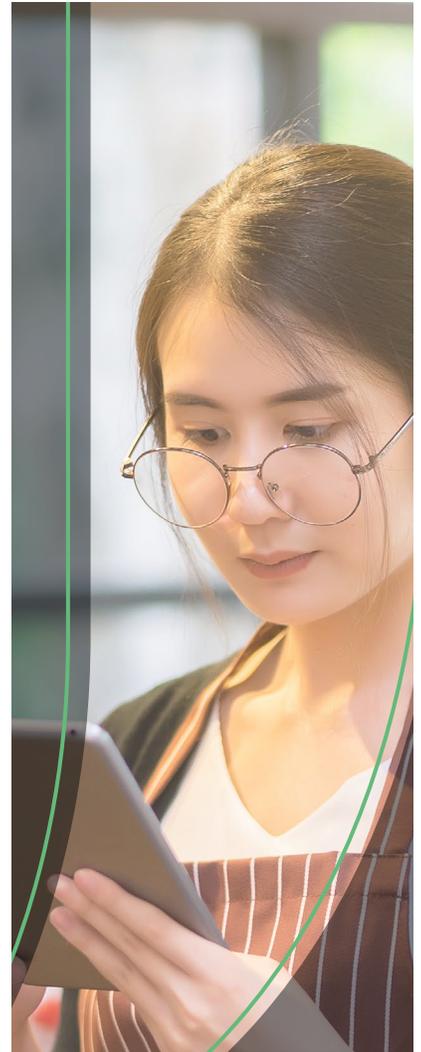
The main difference is that HROs do not include a co-employment arrangement. HROs will typically handle payroll and tax filing, though unlike a PEO, the paperwork is filed under the hospitality business's federal employer ID number, not a shared one. While HROs do not sponsor employee benefit programs or workers' comp coverage, they are often able to help their clients arrange coverage for themselves.

HROs provide a great option for organizations that already have highly competitive workers' comp rates, or those who may have an extenuating circumstance that limits co-employment arrangements.

Payroll & Tax Filing

While a solely Payroll and Tax Filing solution won't include day-to-day human resource management, workers' compensation (outside of reporting), or much by way of employee benefits, they do grant peace of mind and great time-savings to organizations looking to outsource payroll logistics.

Organizations who choose to outsource this functionality can take advantage of working with certified payroll specialists, who are well-versed in the nuances of the hospitality sector. This gives your team access to accurate answers, while removing the burden of payroll processing and direct deposit management, tax and W2 administration, new-hire reporting (and in some cases, garnishment management and employment verification for third parties) from your managers.



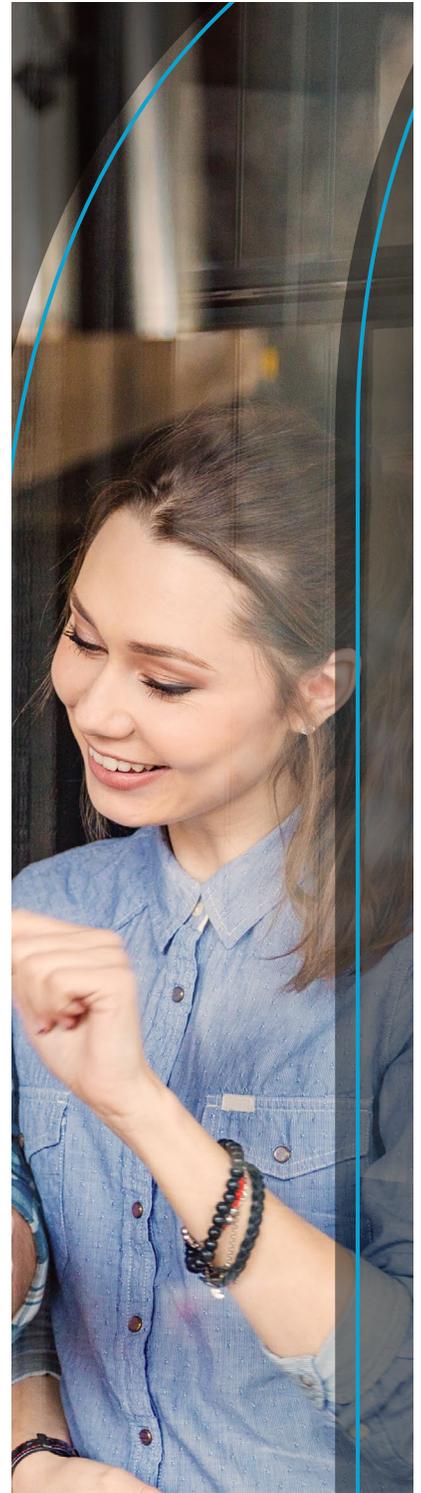
How We Can help

Our HR & Payroll services (including payroll and tax filing, HRO, or full PEO services as outlined above) provide flexible options tailored to your individual needs. Designed to control costs, reduce employer-related risks and relieve the administration burdens of HR, we save you valuable time so you can focus on your goals.

With a combined 155+ years of industry experience, our team understands the different outsource options available, as well as the needs of our clients. This has allowed us to create a proactive service model that blends perfectly with your internal processes, combined with leading technologies to provide you with the finest Human Resources experience possible.

Benefits of Choosing Us for HR & Payroll Services

- Remove administration workload so you can focus on growth, with fully outsourced HR and payroll services.
- Ensure accurate payroll with information flowing from the industry's only fully-integrated HR, scheduling and payroll solution.
- Flexible options to meet your individual needs as they are today, and as they evolve tomorrow.
- Our services are designed for the unique needs of restaurants and hospitality businesses.
- Strategic control of employee-related costs to increase profits, reduce liability and increase employee profitability.
- On-demand access to dedicated, qualified experts who can help you understand the impact of new legislation, healthcare reform and other changes, so you stay compliant.
- Eliminate risk of penalties as our team takes care of all compliance with legislation and regulations, and all payments to employees, and state and other government agencies.
- Provide a competitive and comprehensive benefits package for your employees, while reducing costs.



About HotSchedules



HotSchedules, now powered by Fourth, provides end-to-end, best-in-class technology and services for the restaurant and hospitality industries. Their procurement, inventory and workforce management solutions, coupled with the industry's most complete data and analytics suite, give operators the actionable insights they need to control costs, scale profitability, improve employee engagement, and maintain compliance. Headquartered in Austin, Texas, HotSchedules, now powered by Fourth, serves more than 7,000 customers across 120,000 locations globally.

Questions?

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