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### The Employer-Employee Relationship

The most dominating economic conversation we have been hearing over the past few years has centered on unemployment. With the unemployment rate ranging around 9%, and then factoring in underemployment, and those who have left the workforce, the percentage is somewhere around 16%. I am sure we have all been impacted by these statistics, whether having to lay someone off, knowing someone who has been, or observing someone who has seen their salary reduced. I am pretty sure there is not a more challenging endeavor in life than being an employer, or an employee, in such times.

Business owners must address a wide range of organizational issues related to their company's operations and it's relationships with clients, suppliers and government authorities. Human Resources (HR) are usually the biggest assets of a business and HR issues are not least among the concerns of small business entrepreneurs. Businesses will invest a significant amount of time and financial resources to HR and all the related regulations. As employees we dedicate a significant amount of our time and life to a company, while balancing family and other responsibilities. Sometimes both sides can feel the relationship is one-sided.



We can and do work with our clients on organizational structure issues to solve and assist with creating efficiencies and capacity around utilization of human resources. However there are a number of issues specific to HR (legal and compliance, hiring, etc) that have significant impacts to businesses and their employees. I had the opportunity to spend some time with [Rick Harway](#) of [Insperty](#), a national company that offers solutions designed to address the most common challenges that business owners face - managing expenses and employee performance, providing round-the-clock access to reliable technology, recruiting and retaining the right talent, affordably insuring the business and more.

Rick and I discussed three significant HR issues any organization will face:

1. Finding the right people
2. Offering competitive compensation packages
3. Employee function and responsibilities

### Hiring

HR decisions take on an added importance in small organizations, as the success or failure of the company's efforts can hinge on the competence and dedication of its employees. Larger companies can employ individuals who are primarily concerned with their own financial well-being, but small organizations need all employees to be totally committed to the success of the company. Therefore the hiring process is much more critical in "small businesses" as the impact to both the business and the employee for a wrong hiring decision can be operationally and financially significant. What happens many times are both the business and employee will continue with a bad or less than optimal employment situation. Having a strong and proven hiring program (orientation and training programs are also important) will help ensure the right decision can be made by both the employer and employee for a successful relationship. Initial time invested can save so much down the road.

### Compensation & Benefits

Small businesses rarely have the ability to offer the same compensation and benefits as their larger competitors, making it necessary to go beyond traditional enticements to attract top talent. Small businesses have the advantage of offering their employees the excitement of being a part of something new with wide advancement possibilities, a high degree of input on organizational decisions and unique financial incentives ,such as stock options and profit sharing. This can turn out to be a competitive advantage; however there are challenges in how to structure these arrangements to protect the business as well as the employee. Ongoing communication, evaluation and managing the employment relationship are critical to success for both the company and the employee. This is accomplished in a number of ways, not the least of which is a clear definition of responsibilities and measurement and evaluation criteria.

Another significant compensation component is benefits. Employee benefits have become an integral part of compensation packages for both the employer and the employee. The insurance benefits, paid time off, flexible work hours and other benefits are in many ways more of a focus and importance to employees than just pure monetary compensation. At the same time the financial impact of these benefits are increasing at a rate higher than any other cost for an employer, with little control over them. The ability to provide these benefits to obtain and retain quality people will continue to be a challenge.

### Function & Responsibility

Employees in small businesses often must take on a considerably larger role than their counterparts in larger companies because work is distributed among a much smaller work force. A vice president, for example, may find himself fulfilling the roles of receptionist, administrative assistant, marketing director, salesperson and public relations representative. It is vital to hire people who possess a wide range of skills and experience who are willing to put their pride aside and take on an assortment of duties, rather than people with a "That's not my job" attitude. Understanding, managing and communicating these issues in the hiring process and the ongoing relationship are critical to success. Again, this is accomplished through a combination of the hiring process, the ongoing employee evaluation process and how the organization is functionally structured for efficiency and capacity planning.

I hope this brief discussion regarding the employer-employee relationship is helpful. I would be happy to discuss any challenges or questions you may have surrounding these issues.

Kevin Brown

### Don't Miss Out!



On Thursday, April 26, Rosner Brown Touchstone & Keller will be hosting a very special golf tournament to benefit the Wounded Warriors and Bayside Community Center at the spectacular Sea 'N Air Golf Course on Naval Air Station North Island in Coronado. It will also be a chance for us to bring together many of our friends and clients to help us celebrate 30 years in business!!

We hope you can join us for this very special fundraiser as a sponsor, a foursome (\$800), single player (\$250), or even by donating a prize for our auction. [Click here for more information and to register.](#)

