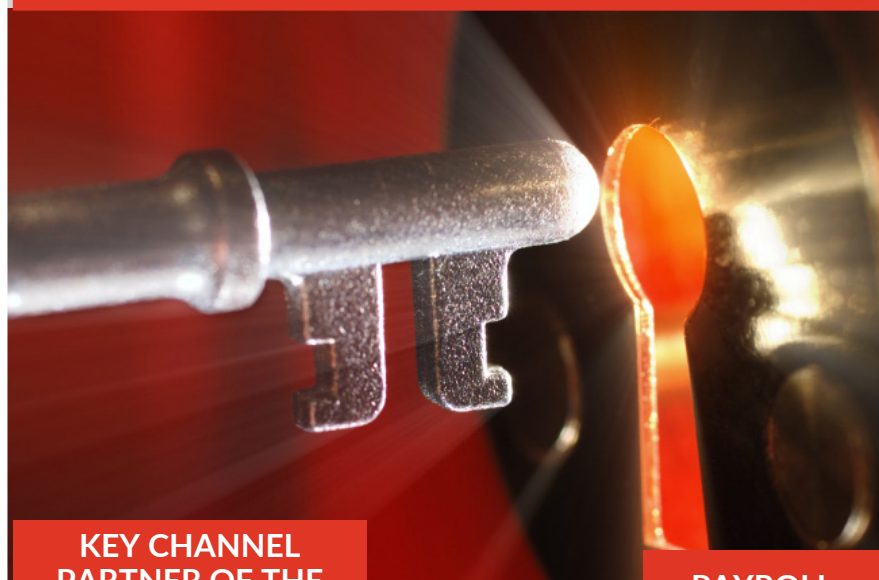




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If your company needs to save money, address compliance issues, improve efficiencies and increase productivity, we have the solutions and the key to your success.

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It could be one of the smartest business decisions you ever make!

KEY CHANNEL PARTNER OF THE MONTH

PAYROLL



January Economic Outlook: What's in Store for Your 2023 Money Goals?

Quick takeaways

- **Self-fulfilling prophecies are hard at work when it comes to people's economic outlooks.** But data may be telling us a different story—one of resilience.
- **There might not be a clear economic forecast for a while.** Too many unique events are happening at the same time that don't have precedent. Even so, it's possible to pressure test how you react when faced with that uncertainty.

It's January, the time of resolutions. The economy, of course, can't make any resolutions; it's just data and decisions and emotions jumbled together, sometimes delivering outcomes we like, sometimes delivering a whole lot of ambiguity. You, of course, can make some resolutions about how you feel about and react to the economic news. A few things are worth watching and thinking about.

Economic resolution No. 1: Define what volatility means to you. How many headlines have you read over the last year that described the bottom falling out of the market? A lot, probably. Sure, the market has ebbed and flowed. The Dow Jones Industrial Average in 2022. How do you feel it performed? Probably not well. But actually the Dow Jones, which began the year around 36,000, was hovering above 33,000 by end of December—about a 8% loss in a very messy, very chaotic year. As 2023 progresses, it's helpful to remember that personal finance experts pay attention to a lot more than just the Dow. The CBOE Volatility Index, for example, is something that Winston checks in on regularly. It's a measure of the expectation of near-term—i.e., the next 30 days—volatility and is one way of understanding how investors may feel. In general, the lower it goes, the better the S&P 500 usually performs. At the tail end of 2022, it was trending downward.

Your wallet: How do you define volatility in the markets? If you can set your own expectations, not defined by headlines, then perhaps in 2023 short-term shifts won't worry you as much. One concrete strategy to protect yourself from volatility in all its forms is aligning your investment risk approach with diversification of your assets. That's something you can do on any day, at any time.

Economic resolution No. 2: Focus on a well-rounded economic picture. Have you heard of a self-fulfilling prophecy? It's the idea that what you (or others) expect in turn influences how you act or behave, thus leading to an outcome—a feedback loop, if you will. Even though self-fulfilling prophecies are based on feelings, not data, they're surprisingly influential when it comes to the economy. Unemployment is below 4%. Real gross domestic product grew nearly 3% in the third quarter of 2022. Personal income also grew in 2022. Consumer prices might just be ready to slow down, too, with

gas prices at one point in December at their lowest since February 2022. High inflation and increased interest rates certainly impact a lot of people, causing real pain, but they're not the only measures that matter, and not the only measures that indicate a recession.

What will 2023 hold for all those gauges of economic health? Again, it's helpful to dig deeper into data points that don't make the news but that others look to. The Federal Reserve Bank of New York, for example, releases a lot of data- and sentiment-driven information about the economy. That includes everything from a Labor Market Survey about employment transitions and wages to a monthly Survey of Consumer Expectations. While end-of-2022 data is certainly no sure thing for what 2023 will bring, little was particularly alarming in November and December—more of the same mixed signals.

principal.com

Minimum Salary That Employees Would Take for a Job Rises to New High

Employers looking to hire employees in the new year are likely going to have to shell out more money than ever. With inflation still high and the labor market still hot, the minimum salary that employees say they would take for a job—known as the reservation wage—has risen to its highest level. The new bottom line: nearly \$74,000.

That's according to the Federal Reserve Bank of New York's November 2022 SCE Labor Market Survey, which explores the reservation wage and other employee expectations in the labor market. The survey asks respondents—who are employed, unemployed or out of the labor force—"Suppose someone offered you a job today in a line of work that you would consider. What is the lowest wage or salary you would accept (before taxes and other deductions) for this job?" The latest results found that, on average, respondents said it would be \$73,667. It's the highest level since the series began in 2014; results are published every four months. In a blog post exploring the data, researchers said the average reservation wage has been increasing for both employed and non-employed respondents since late 2017, but "more so since the onset of the pandemic."

The increase, perhaps unsurprisingly, is more pronounced for employed individuals: The average reservation wage increased by around 12 percent for non-employed respondents between March 2020 and November 2022, but by 19.4 percent for employed respondents over the same period. The authors also noted the rising importance of nonwage benefits—such as health and dental insurance, flexible work arrangements, and maternity and paternity leave—in workers' employment decisions in the post-pandemic era.

The demand for higher wages comes in the midst of a precarious financial time for employees. As cost of living has soared, employees have struggled to keep up with expenses and have leaned on employers for pay raises, enhanced financial benefits, bonuses and other help. And a competitive job market, where many employees have their choice of opportunity, is giving employees more bargaining power in their demand for better salaries.

For instance, employees who say their pay isn't high enough are looking for other, better-paying opportunities. Data from Remote.co, a remote-work resource, finds that the vast majority of employees (80 percent) say their current salary is not keeping up with inflation, while 47 percent said these concerns have pushed them to find or start looking for a higher-paying job. For these reasons and more, industry insiders say the fact that the reservation wage has increased is not unexpected.



"It is unsurprising that the reservation wage is climbing," said Amy Stewart, associate director of content marketing at Payscale, a Seattle-based compensation software firm. "Labor has enjoyed increased bargaining power over the course of the pandemic as job openings have been elevated well above pre-pandemic levels and workforce participation has been in decline. The demand for labor in correspondence with labor shortages increases demand for higher wages and better work experiences."

'Employees Are Competing in a National Labor Market' Jeremy Feinstein, managing director at Empsight, a New York City-based human resource consulting firm specializing in compensation, said a big increase in virtual and remote work also is responsible for the increase in the reservation wage because it greatly expands the labor market and job opportunities. "If you lived in a low-cost area in the past, your expectations to get a salary offer in the same geographic area were modest or low. But with virtual opportunities, you can now apply for a job in a national market for higher wages," he said. "For example, you could live in Birmingham and apply for a virtual job in New York."

David Cheatham, compensation consultant at Empsight, added that another factor behind the increase in the reservation wage is that the local labor market has expanded for front-line workers, who now have more options at higher pay. Because there is more competition, employers are offering higher wages. For instance, he said, employees who used to work in the hospitality industry can potentially find higher-paying jobs at new distribution centers, in retail or in the gig economy as delivery drivers.

Ultimately, "more employees are competing in a national labor market," Feinstein said. "Employees in low-cost areas are considering more nationally indexed compensation levels than in previous years. Even higher salaries are being offered for full-time in-office and hybrid jobs tied to higher-cost geographic areas than full-remote jobs." Payscale's Stewart said rising unemployment and a decline in inflation will likely taper wage growth and, with it, the reservation wage, but demand for labor may remain strong despite fears of a recession.

"If inflation can be kept in check, rising wages and better benefits for the workforce could even reverse widening wealth inequality," she said. "For employers, it is important to think about the whole picture. Treating workers humanely, developing positive work experiences and adopting data-driven fair pay practices is the right thing to do."

www.shrm.org



EMPLOYEE BENEFITS

How HR Leaders Can Trim Budgets Without Sacrificing Workplace Well-Being

By now, employers are very aware of the concerns surrounding the economic climate, and whether the winds of change look like a soft breeze or a category five storm, this is a good time for every business to evaluate where their money does the most good.

A new study by JP Morgan Chase found that over two-thirds of small to midsize business owners are anticipating a recession, which could lead to budget cuts and layoffs. At the same time, 59% of American workers are feeling at least moderate levels of burnout, according to research from Aflac. So how can companies invest their money this year in a way that keeps budgets tight, but alleviates strain on their employees? “This is so critical,” says Casey Bailey, head of people at Deel, a global payroll and compliance provider. “HR practitioners being burdened with all of these other things, from performance to scalability to technology, layoffs, hiring — now the budget is sitting there on top and we need to do more with less.”

A good way to start is by implementing technology solutions that could lift some of the mundane tasks off of HR’s shoulders, giving them more opportunity to make employee well-being their top priority. At Deel, this philosophy has helped them create a strong company culture within their quickly growing workforce as they move into the new year. The solutions they’re turning to need to be both easy to navigate and work well for the business’s bottom line. “Coming from the HR practitioner standpoint, the requirements that we have looking at our HR tech stack are going to be around cost,” Bailey says. “As we have more companies who want to see their full workforce analytics, it’s become critical to have that global approach — do I need to hire a consultant, or is my team able to do it ourselves because it’s so user friendly? Am I replacing three of my other vendors because now I can access everything in one consolidated place for my team?”

When HR is enabled with solutions that save them time and money, they can allocate those resources

toward the biggest benefit employees (including themselves) are seeking: a better work-life balance. Bailey points out that while budget areas promoting the well-being and retention of employees should be tweaked if necessary, it is smart to do some research first. “It’s important to make sure you’re understanding your workforce — the culture that exists, what’s important to people,” she says. “I always recommend that people do an engagement survey or have some other information to be as intentional and as proactive as possible. Understanding what [employees] are asking for and where you might better be able to meet them is sometimes at a lower cost to you than you were carrying on the books in the past.”

One of the areas companies are able to meet employees’ needs and see a solid return on investment is education. Bailey sees this as an area where workers who are put off by the rising cost of higher education will be seeking more practical options. Upskilling and training not only cultivates a strong and talented workforce, but reduces expensive turnover. “Continuing education that is specific to someone’s role, specific to keeping their licensing or accreditation or certifications, is important for what they do for you, but also important for them personally as they think about their career. How can we invest in the team and make sure that they’re continuing to learn, continuing to advance, and when they leave, they have marketability?”

Employees are also demanding flexibility in 2023 — a carry-over from 2022. Remote and hybrid work arrangements improve retention and recruitment, and are a low-cost way to signal that you trust employees to be productive from anywhere. Education and tech tools can also help empower both employees and managers to utilize the tools available to be successful. “Flexibility is the theme over everything,” Bailey says. “It goes back to the culture and so much is led by your management teams. It’s been beyond proven that people have been successful in remote environments, it opens you up to really good talent and it [improves] retention strategy to show that we’re giving you flexibility, and we’re celebrating it.”

benefitnews.com



WORKERS' COMP

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info@keyhro.com

W-2 Processing Expectations

Employers are required to mail out the 2022 W2 forms and other related wage statements by January 31, 2023. Please encourage employees to wait until after February 6, 2022, to inquire about undelivered W-2's. W-2's will also be available in the Advanced HR Conexus Employee Portal for downloading and printing. Employees may access this information by logging in to Conexus Employee Portal:

W-2s will be mailed out, **on or before January 31st.**

Please reach out to the Hotline for assistance : **(844) 482-7377**

Your W-2 will be available in your employee portal. If you are not already registered to an employee portal, you can register at the link below. Once you navigate to the login page, you can register there.