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How Will Social Security's Future Affect Your Retirement Planning?

Change is coming for this program, whether we're prepared or not. How will America's pocketbooks and savings habits adjust?

Quick takeaways

- **The future underfunding of Social Security isn't a new problem.** Seven years ago, a Congressional commission identified issues and possible solutions. But collaborative planning remains elusive.
- **The economic impact of changes to Social Security isn't just about reduced benefits.** Will those who can work continue to do so for longer? Will those who can't work longer face extreme financial need? The impact has real consequences for current and future retirees.

Sometimes legislation gets debated and passed (or not) with little fanfare. Take the estate tax: Reform enacted in 2017 impacted just 1,900 taxable returns, or less than 0.1% of the estates of people who die each year. A proposed 2023 capital gains tax bill would have consequences for those who make more than \$3.8 million—a whopping 1% of Americans.

But the endless, unresolved debates about the future of Social Security matter quite a lot to you, your loved ones, and the well-being of the nation. Currently, 70 million Americans receive benefits each year from the nearly century-old program. The time to fix what ails it gets more urgent every day. Whatever legislators do—or don't do—may shift how you save for and experience retirement, and potentially the overall health of the economy, too.

The evolution of support for people in old age

The idea of providing some sort of income in old age or due to challenging circumstances didn't originate with Social Security. Elderly members of fraternal organizations and Civil War veterans and widows are two examples of groups who received financial support in the 1800s and early 1900s. In fact, in 1935, the year Social Security was enacted, 30 states already had some form of an old-age pension, albeit programs that were mostly exclusionary and less than adequate: Only about 3% of seniors received a benefit, averaging about 65 cents a day.

At its inception in the depths of the Great Depression, Social Security was no different: It's always been defined by who gets it (and who does not) and how much they get. In 1935, the have nots included farm and domestic workers; self-employed doctors, lawyers, and ministers; and employees of federal, state, and local governments and non-profits. Today, Social Security is much more inclusive than it is exclusive: 97% of older adults have or will receive benefits.

Possibly less Social Security and a longer retirement

Which brings us to 2023 and who wants to or needs to receive Social Security. A significant portion of the population hasn't been able to supplement expected Social Security benefits with retirement savings. About 27% of people age 59 and older

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haven't saved anything for retirement. Crucially, for 4 in 10 adults age 65 and older, Social Security keeps them above the poverty line.

As life expectancy increases, so do retirement lengths—so more people are going to need more money for a longer time. While simply working until later in the life is one solution, the ability to do that in large part depends on your employment status and health in your 50s: About 35% of people are not regularly employed by that age and of those, 60% will never find another job.

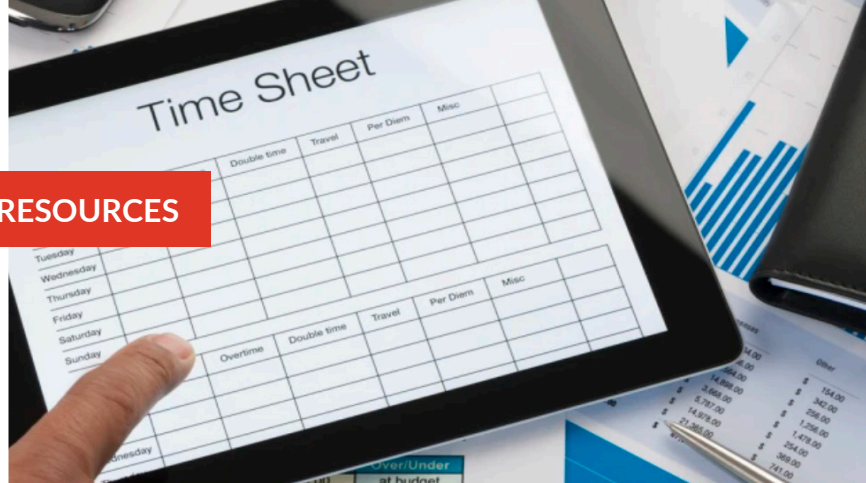
Finally—this is important—the number of people nearing or already claiming Social Security is at a historic level. In 2024, more Americans will turn age 65 than at any other point in history, an inflection some researchers refer to as Peak 65.

The United States, of course, isn't alone in the conundrums of an increasing population of older people. France, for one, has been roiled by protests simply because the government wants to increase the retirement age from 62 to 64. Cultural norms, such as multiple-generation households, have helped other countries manage the care needed by society's oldest members.

principal.com

UAW Pushes for 4-Day, 32-Hour Workweek

HUMAN RESOURCES



The 32-hour workweek is on the bargaining table as the United Auto Workers (UAW) negotiate a new contract. Under the proposal, workers would put in 32 hours and get paid for 40 hours; they would receive overtime pay for work beyond 32 hours.

“Our members are working 60, 70, even 80 hours a week just to make ends meet,” Union president Shawn Fain told NPR in an interview that aired Sept. 10. Union member Jerry Coleman in Ohio, for example, works a 7-hour 10-day shift. “That’s not a living, that’s barely surviving. And it needs to stop,” Fain said.

The autoworkers are the latest to broach the issue of a four-day workweek, but it championed the concept nearly a century ago, NPR reported. And it’s an idea that is gaining traction around the world and in the U.S., including among the nation’s school districts.

The Independence (Mo.) School district implemented a four-day week this fall for its nearly 14,000 students as a strategy to recruit and retain teachers; since implementing the change the district has received more than four times the number of teaching applications than last year, according to the school superintendent.

The school district joins around 850 others instituting a four-day school week, up from 650 in 2020, according to the National Conference of State Legislators.

Additionally, a handful of state legislatures have considered legislation mandating, incentivizing or allowing the switch to a four-day work week and Rep. Mark Takano, D-Calif., reintroduced his Thirty-Two Hour Workweek Act to Congress this year. The FLSA was amended in 1940 to create today’s 40-hour workweek.

However, in other sectors there is uncertainty about the wisdom of shortening the workweek and concern about its impact on their business.

A pulse survey report the International Foundation of Employee Benefit Plans released in September found that among 376 employers, 5 percent are offering a four-day workweek as a formal policy or on a case-by-case basis. One percent of employers are piloting a four-day schedule and 14 percent are considering implementation. Compressed workweeks, defined as working 40 hours in less than five days, are offered by 24 percent of employers.

The most common reasons employers gave for implementing a 32-hour workweek: employee requests (41 percent), as a retention strategy (36 percent), work/life balance or rethinking company culture (36 percent), and as a recruitment strategy (27 percent), according to the IFEBP.

“As the traditional work week saw a major upheaval with the pandemic, a few employers are implementing a four-day work week for recruiting and retention reasons,” said Julie Stich, vice president of content at the foundation, in a statement about the

findings. “However, most employers, even if interested, are struggling to figure out how to make that a reality while trying to meet business operation goals.”

A lack of interest (42 percent) by upper management was the main reason employers cited for not offering a four-day workweek. Other top concerns and issues they gave:

- Difficulty implementing it organization-wide (38 percent).
- Negative impact on business operations (36 percent).
- Unsure if it would work with their organization structure (36 percent)
- Unsure if they can support their customer base (32 percent).

A larger survey conducted in June with 600 U.S. business leaders for ResumeBuilder.com found 20 percent have a four-day workweek and 41 percent plan to implement the shortened work week. Among those looking to introduce the shortened work week, half expect it to happen by the end of 2023.

SHRM Online collected the following news coverage on this developing issue:

As UAW Seeks 4-Day Workweek, Idea Gains Ground with US Workers

Typically, organizations point to two basic challenges to implementing a shorter week. One, they fear the logistics of shifting from a five- to four-day week would be too onerous to take on. Secondly, they are concerned that managers or other leaders simply won’t be on board for the shift, according to Amrita Puniani, a senior principal analyst for Gartner’s HR Practice.

Another obstacle organizations cite is that it’s too complicated to schedule and coordinate a shift from a five- to four-day default, Puniani added.

“But there are more options for exploring a reduced workweek than many organizations think,” she said. (*Computer World*)

4-day Workweek Will Finally Arrive Thanks to AI, Jefferies Says

You’ll just need a ‘human day’ to cope with digital overload

Artificial intelligence is just beginning to make its impact felt. Research from Goldman Sachs estimates 25 percent of all tasks in the workplace today could be automated in the U.S., but what if it makes the four-day workweek possible, or even revives the labor movement? The ESG team at investment bank Jefferies, which specializes in societal transformation through business, came up with three big calls about the widespread adoption of the new tech. (*Fortune*)

How to Implement a 4-Day Workweek for the Whole Organization

In a pilot program involving 91 organizations, revenues rose, hiring increased, and workers reported higher satisfaction in life and their jobs. (*MIT Management*)

www.shrm.org



EMPLOYEE BENEFITS

Hurricane Season is Upon Us: Here's Your Disaster-Ready Employee Benefits Checklist

For many people on the East Coast, hurricane season is already here, which means it's time for disaster prep for their homes and families. However, as severe weather events such as hurricanes and wildfires become more prevalent across the U.S., the impacts are not just felt by individuals and families, but by their employers as well. When millions of Americans become displaced every year, a loss in productivity and an increase in absenteeism and turnover at work are inevitable.

In times of disaster, employees are in need of more support and flexibility from their employer. By implementing various benefits and policies aimed at addressing their immediate and long-term needs, you can help provide stability for your employees and your business during challenging times.

Here's your checklist for putting together disaster-ready benefits for your employees.

Establish emergency leave and flexible work arrangements Establish a flexible and fair policy that allows employees to take paid leave during natural disasters so they can address their personal and family needs without the worry of losing their jobs. A flexible PTO policy is especially important if an employee is not fully covered or protected by Family and Medical Leave Act (FMLA) benefits. You can also offer flexible work arrangements, such as remote work or adjusted schedules, to accommodate employees who may be temporarily displaced or facing transportation difficulties due to the disaster.

Implement an employee assistance program Provide access to counseling services, mental health support and resources through an employee assistance program (EAP). EAPs can offer confidential counseling to help employees cope with stress, trauma or other emotional challenges resulting from natural disasters. Certain EAPs and mental health services may be costly for your organization, but investments in your employees' ability to recover from disaster may result in improved presenteeism and engagement.

Provide employee support networks Establish support networks or employee resource groups focused on disaster preparedness and recovery. These groups can provide guidance, information and a sense of community for employees during challenging times.

Stay in touch with your carrier Many insurance carriers may change their policies on things such as pharmacy refills depending on the severity of weather alerts. Stay in touch with your carrier ahead of disaster months and communicate any policy changes to your employees. This way, employees who have chronic conditions or require maintenance medications, for example, can have more than a week's supply on hand in case of an emergency.

Educate your employees on their coverage Educate employees about their coverage options and how to utilize them during natural disasters. Telemedicine, for example, can be a lifeline for employees unable to travel or dealing with mandatory curfews. Many insurance carriers also offer free severe weather and disaster recovery support lines to answer questions. Ensure your employees know how to quickly and effectively use their coverage when they need it during an emergency.

Create a communication plan Your disaster-ready benefits are useless if not properly communicated to your employees. Establish frequent, clear communication channels to remind employees about the support they have available to them through your organization. Create simple guides you can hand out throughout the year including during the slow season, and ramp up communications in advance of disaster months.

Understanding the stress your employees are under and providing them with the support they need to stay safe will go a long way in improving employee morale and engagement at work, and building a disaster-ready workforce.

benefitnews.com

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NOTICE:
Florida Minimum Wage increases to \$12.00 Effective September 30, 2023

Florida's minimum wage is currently \$11 per hour. This is just a friendly reminder that on **September 30, 2023**, Florida's minimum wage **increases to \$12 per hour**. The new overtime wage rate will increase in tandem to \$18 per hour.

Employers of tipped employees, who meet eligibility requirements for the tip credit under the FLSA, may credit towards satisfaction of the minimum wage tips up to the amount of the allowable FLSA tip credit of 2003. However, the employer must pay tipped employees a direct wage. The direct wage is calculated as equal to the minimum wage (\$12.00) minus the 2003 tip credit (\$3.02), or a direct hourly wage of \$8.98 as of September 30, 2023. Tipped employees overtime rate of \$14.98 as of September 30, 2023.

Florida employers must display Federal and State of Florida employment law posters where they can be easily viewed by employees. Contact the KeyHR Risk Department for the most recent postings by sending an email to: risk@keyhro.com.