

Campaign 2016 is Over – What Now is our HR Focus ?

Macro Issues –

- Tax Reform
- Regulatory Reform including Immigration
- Fair Trade

For HR, Still Slowly Improving US Economy with Implications for New Pressures

- Continued Support of Workplace Diversity and Respect for Others
- Possible changes coming to ACA – Affordable Care Act (less impact in MA with “Romneycare”)
- FLSA Overtime Rules effective 12/1/16 – though may be Small Business reprieve
- Immigration reform
- Infrastructure spending – “Rebuilding America”, “Trumpworks”; ‘Reshoring’

Miscellaneous: Medical and Recreational Marijuana; Social Media

Support Workplace Diversity

Despite the racial slurs, divisive rhetoric of campaign, a number of CEO's issued inclusive statements to their employee populations.

GE's Jeff Emmelt (now headquartered in Boston) shared a message to company employees on 11/9/16, including reference to "core values" and these points:



- *“We value diversity and respect for each other above all else.”*
- *“We support people of all races, genders and sexual orientations and will continue to ensure a level playing field...We believe in the importance of globalization and investment.”*

Jeff Emmelt, CEO of GE

It is critical that all our organizations maintain our support of Workplace Diversity and Respect for Others.

Repealing the Affordable Care Act

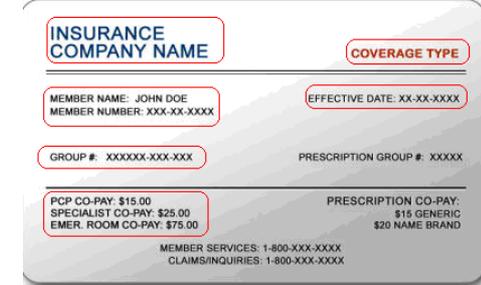
The State of Massachusetts has a buffer to significant ACA changes given “Romneycare”.

There are key elements of ACA which are popular:

- Insurance market reforms
- Ability to keep dependents on parental plans until age 26
- Elimination of restrictions for pre-existing conditions



ACA Provisions that may be targeted:



Individual mandate

- If not repealed, fall back may be defining Full Time employees as those working 40 hours per week.
This might allow “slim down” plans for Part Time employees.

Reporting Requirements—been significant burden to the business community

Cadillac Tax—40% excise tax to take effect 2020.

With scrutiny of ACA, may see:



- More emphasis on flexibility, enhancement of HSA's (e.g. higher contribution levels, more options on how funds can be spent)
- Broader use of FSA for over-the-counter medications
- More creativity in design of high-deductible plans
- Advancement of Wellness Programs

In effort to address concerns of rising health care cost

- May see move from fee-for-service model to new payment and delivery reforms

FLSA Overtime Rule

New regulations take effect December 1, 2016, and are current law.

- Exempt salary threshold increased \$23,660 to \$47,476
 - Automatic increase in threshold every 3 years
- Current law applies to companies with revenues \$500,000 or greater



FLSA Overtime Rule (continued)

Compliance 12/1/16 has likely impacted:

- Not permitting overtime among those re-classified as non-exempt (lower productivity)
- Layoffs to offset increased labor costs
- Cutting benefits
- Splitting shifts (More easily done in Hospitality, Retail vs. Offices)



Immigration Restrictions

.....Mexican Wall May be a Fence...

- Industries most negatively impacted—Hospitality and Leisure
- Information Technology may underperform if reform limits visas for immigrant engineers

Tightening labor market affecting us all

Recruiting increasingly difficult



Immigration Restrictions (continued)

There is continued need for highly skilled workers

- H1-B visa cap 65,000/ year—sufficient 30 years ago but not now
- U.S. Chamber of Commerce—“each H1-B foreign student with STEM degree hired creates 2.62 additional jobs.”
- McKinsey Consulting Report (2011)—“Shortage of deep analytical talent will be a global phenomenon.”
- Re-train unemployed & entry level factory workers in skills needed for advanced manufacturing.



Broad Infrastructure Spending

Traveling

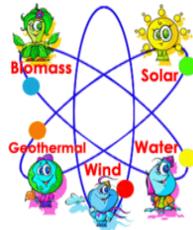
- Roads, Bridges, Public Transportation by car within the U.S. and by plane outside the U.S. past 3-5 years, Airports, Power Grid in significant need of repair and upgrading.
- Spending proposed \$500 Billion - \$1 Trillion
Helps Industrials, Materials & Energy sectors
Tightens Labor markets further



Broad Infrastructure Spending (continued)

Rebuilding America

- Smart—use cutting edge technology; power grids with renewable energy (solar, wind)
- Fair—rebuild inner cities, affordable housing, efficient transportation for low-income communities
- Sustainable—recognize dire environmental impact past 10 years (Katrina - New Orleans, Sandy - NYC, NJ, Water Pipes - Flint, Michigan)



Tax Reform and Trade Reform

Could drive up inflation, higher interest rates,
Weaker U.S. Dollar, Raise deficit

Tax

- Simplifying tax code
- Lowering Corporate Tax
- Repatriation of overseas corporate profits



Tax Reform and Trade Reform (continued)

Trade Reform

- Higher Tariffs
- Revisiting trade deals
- “Building a Wall around the U.S. economy”

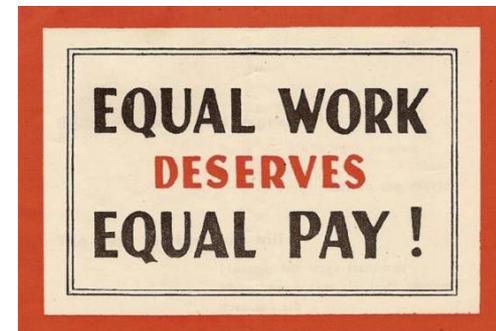


Pay Equity

- Likely to remain a hot issue
- New EEO-1 reporting requirements—
Employers with ≥ 100 employees reporting
pay data to Federal Government
- Minimum Wage gains state by state
A “Living Wage”

Paid Maternity leave

- Six (6) weeks



Other HR Challenges

MA Legalized Marijuana (Recreational use) – as did ME, NV, CA joining CO, WA, AL, OR)

- Medical use legalized 2012;
- Eff. 12/15/16, 21 yrs. & older, can possess & consume (not in public); Employers can / should ban employees from consuming at workplace;
- Driving while high – treated and penalized like drunk driving (though no standardized test for marijuana impairment;
- Cities / Towns can adopt “reasonable safeguards”
- Under 21, illegal



Social Media

The “Good” — Recruiting

(electronic job boards, LinkedIn, Industry-specific job boards)

The “Bad” — Yelp, Glass Door

(control over what is said about you, as Employer, is limited)

Continued tight labor market



Tight Labor Market affecting us all

- Turnover has increased
- Tougher to fill key openings



Challenges of Increasing Turnover

- Older employees likely staying longer
- Multi-generational workforce
 - Flexibility
 - Communication
 - Respect



Addressing Threat of Higher Turnover

- Keep building a sustaining culture
 - Communication is Key
 - Development
 - Know what your employees want (\$\$, time, training)



‘Reshoring’ — bringing outsourced personnel and services back to the location from which they were originally offshored

- Rust belt cities strong supporters of Trump
- Estimated 7 million men out of the workforce, not actively looking for work
- Couple this with *estimated 2015 shortfall of 3 million jobs for skilled factory workers – Challenge & Opportunity
- Building Advanced Manufacturing skills
 - Must be shared commitment - Employers and Job Seekers

*Source: Society of Manufacturing Engineers, 1/28/13 article, [The American](#), “Confronting the U.S. Manufacturing Skills Gap”

'Reshoring' – for Employers

Challenge

- Extensive OJT = Lost Productivity
- Cost of Paying EE to Train vs. “Produce”
- Real cost of in-house training

Opportunity

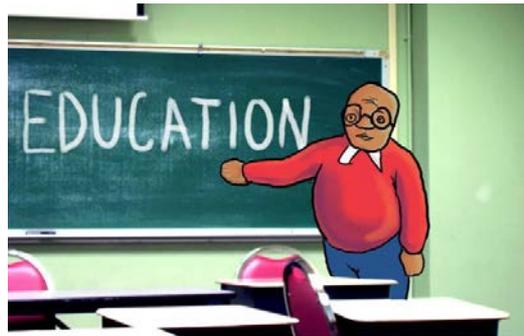
- Employer must be willing to pay competitive wage for Advanced Manufacturing skills
- Employers must assume some Training cost

'Reshoring' – Partnering to build this skill base

Community collaboration between Industry and

- High Schools
- Technical Schools
- Community Colleges
- National Accreditation bodies

(e.g. The Manufacturing Institute, Society of Manufacturing Engineers, Nat'l Inst. Of Metalworking Skills)



'Reshoring' – for Job Seeker

Challenge

- Willingness to acquire marketable skills in demand by manufacturers
- Commitment to paying some portion for education in advanced manufacturing skills = Math / Science / Communication / Reliability

Opportunity

- Job openings at a respectable living wage
- Room for advancement



2017 Public Policy Agenda-Labor and Employment

Issues on the horizon:

- Freeze/Review/Rescind recent federal regulations
- Regulatory Reform
- Paid leave
- Compensation equity
- Restrictions on background checks
- Gig economy focus
- Raising the minimum wage???

2017 Public Policy Agenda-Health Care Reform

Issues on the horizon:

- Repeal/Replace/Phase-in
- Taxation/Cap of employer-sponsored health care coverage
- Exchange marketplace
- Employer wellness programs
- Price Transparency
- HSA Expansion
- Medicare/Medicaid Buy-In
- Sale of HC Insurance across state lines

2017 Public Policy Agenda-Immigration Reform

Issues on the horizon:

- Border security/Interior enforcement
- Increased focus of employment-based visa process
- Stepped up worksite enforcement
- Incremental reform???

2017 Public Policy Agenda—Budget & Tax Reform

Issues on the horizon:

- Corporate vs. individual tax reform
- Taxation of employer-sponsored benefits
- Entitlement reform
- Auto enrollment for pension plans
- PBGC reform

“Moving to Canada”

- *Americans crashed Canada’s Immigration, Refugees and Citizenship website Tuesday night (11/8/16) as Donald Trump rode populist wave to victory.*
- *At 11:48 p.m., the phrase – ‘Move to Canada’ peaked on Google search.*

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