

# PEO Network Articles Archive 1997 (January thru June)

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## Use “Golden Handcuffs” to Lock in Your Clients

*PEOs reluctant to offer clients beneficial products  
should be aware that each is worth its weight in gold*

There's no doubt among most PEO executives that the cost of acquiring new clients is escalating at an alarming rate. When I started in the PEO business in the early '80s, I worked for a draw of \$200 a week against a 20 percent commission that was cut in half after the first year. Making it even tougher was the fact that I had no expense account and I was paid no benefits.

What a different world PEO sales people find themselves in today. They expect, and are getting, base salaries, continuing residuals, telemarketing leads and hefty expense accounts. I recently met one who was earning a \$40,000 base salary topped by a 15 percent flat commission, had an unlimited expense account, stock in the company, and enjoyed benefits galore. In spite of all this largess, this sales person wasn't happy.

In addition to all this soaring direct sales expense that doesn't seem to make anyone happy, PEOs now have to spend more to counter stiff, new competition by shelling out for advertising, marketing and sales promotion campaigns. Equally threatening is the fact that the soft Property and Casualty market has forced many PEOs to reduce profit margins in the workers' compensation area. Several large employee leasing companies could find themselves out of business this year because they derive over 60 percent of their profits from workers' compensation and also because they are experiencing the “long tail” of claims. (For example, the date of a claim report is 1993, but the claim is just now being settled, versus a health insurance claim that is settled within 90 days.)

What if the accounts these expensive sales people have brought in begin to slip away? It could happen very easily—and all that business acquisition money would be down the drain.

### **How to Lock In Clients**

Now, more than ever before, it pays for PEOs to do everything possible to lock in their clients. The very last thing any PEO needs is to lose business they've spent so heavily to acquire. The very first step PEOs should take to insure that clients aren't easily lost is to change the way they think about their clients—to make a paradigm shift in their perception of who actually is the client.

Suppose PEOs were to consider each and every employee at a client company as an individual client. This might make very good sense; especially in that each worksite employee needs to be sold on the positive aspects of a PEO relationship? Each one should be convinced of the good that can come out of a PEO relationship, because an individual's mistrust, fear or dissatisfaction can be the spark that ignites resentment for the PEO arrangement on the part of all employees.

Do worksite employees understand that a PEO relationship can result in improvements in their benefits that are equal to a two to eight percent raise in pay? Such a positive aspect of PEO involvement needs to be highlighted for everyone at the worksite.

Have you ever had a prospective client give your proposal preliminary acceptance, and then rescind this decision after discovering that a mutiny has occurred among confused and angry workers? Conversely, have you ever had a client give you 30 days notice then rescind the decision because worksite employees didn't want to lose all the great benefits you offer? The benefits are paramount if you have each worksite employee (your individual clients) locked in by placing them in “golden handcuffs.”

### **What is a “Golden Handcuff?”**

A golden handcuff is an invisible, positive link that you've forged between worksite employees and your PEO. Each handcuff is represented by a tangible benefit that is part of the program you've established for your client company. In effect, golden handcuffs generate positive feelings among employees. They are the tools that build loyalty. Golden handcuffs include these elements of your client program:

### **Paychecks**

These are the most regular and consistent connection you have with your client's employees. Examine the

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paychecks you issue. Is the envelope cheap and difficult to open? How does your name appear on the check? Is it impressive? What does it say to the employees? Is your logo interesting? Does your company name actually signify what you do? Is it time for a name change? A paycheck that is both quantitatively and qualitatively pleasing serves as a handcuff that holds workers happily to their PEO—especially if you include interesting and informative payroll stuffers.

### **Health Insurance**

If you allow your client company to retain its current health insurance program, then you're making it easier for the company to switch back to its former status as a traditional employer. Also, try to avoid having January renewal dates for health insurance, and make it easier on your orientation team by avoiding open enrollments at a busy selling time. Participation targets to aim for on health coverage range from 70 - 100 percent employee participation and at least 30 percent family participation. You can reduce double coverage and increase family coverage participation by recommending a contribution of 80 percent employee and 20 percent family coverage.

### **Dental Insurance**

This insurance is more effective as a golden handcuff if you offer both a traditional as well as a DMO option. When employees complain about the quality of the DMO dentist or the service received, you can upgrade them to a traditional plan. Even if employees have healthy teeth and gums, and they're not using this coverage much, the handcuff works for you because you have your name in front of them twice a year when they go to get their teeth cleaned as part of their bi-annual checkup.

### **Vision Insurance**

Over 50 percent of Americans wear glasses or contact lenses. Consider adding this coverage to your health plan to include 100 percent participation. This will avoid adverse selection and an increased premium. The handcuff aspect of this coverage comes into play when employees realize that the entire family can participate and benefit from significant savings on some very expensive and necessary therapeutic devices.

### **Disability Coverage**

Forge a strong handcuff by offering both long- and short-term disability. Current surveys say that nearly half of Americans are just 30 days away from bankruptcy. Hourly employees can't afford not to have short-term disability. Your client company's executives will greatly appreciate the 10-15 percent discount you can offer on long-term disability, plus the 40 percent pre-tax discount that comes on the Section 125 deduction.

### **Testimonial Letters**

Every testimonial letter you're able to include in your client orientation kit forms yet another bond between your PEO and your client's employees. Employees pay attention to these letters. They give great credibility to what other employees have to say about the benefits of a PEO relationship.

### **401(k) Program**

These retirement programs are natural handcuffs simply due to their excellent press coverage. Worksite employees should be encouraged to roll over lump sums that were accumulated from previous employers.

### **Cafeteria Plans**

Your relations with worksite employees are always better when you offer a full Section 125 Cafeteria Plan instead of just a premium pass-through package. This more comprehensive program is worth the risk and the extra money.

### **Other Useful Handcuffs**

Essentially, any and all elements of your client program have the capacity for tying employees to the program, as long as you position them in a positive light, clearly underscoring the benefits of each element. Don't forget to fully detail and promote items, such as Employees Assistance Plans, auto and homeowners insurance, credit unions, etc. Also be sure that vendors will put your name and logo on all related material, including I.D. cards, brochures, EOBs. It may seem that a lot of time and effort must be spent in forging these golden handcuffs and putting them to work. But locking in the "real client" is well worth the expense because knowledgeable, satisfied employees are the cement that holds the PEO/client relationship together. If you don't have the worksite on your side, you have a "golden" relationship that will quickly turn to sand. ■