

Episode 60

# Paychex President and CEO, Martin Mucci Talks Employment, Benefits, Business Outlook, and More

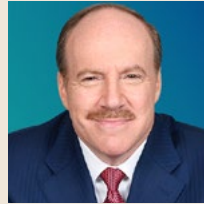
**PAYCHEX**  
Business  
Series

Coronavirus



**Gene Marks**

CPA, Columnist, and Host



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President and CEO, Paychex, Inc.

## Full transcript

### **Gene Marks:**

Hey everybody and welcome to a special edition of the Paychex Business Series podcast. First of all, this is not only a podcast recording that I'm doing, but also we're videoing this as well because we're part of the Paychex Business Conference, the Thrive Business Conference that's going on online as well.

### **Gene Marks:**

My special guest today is Marty Mucci. Marty is the CEO of Paychex, so this is the person that has been leading the company for how many years now, Marty?

### **Marty Mucci:**

Well, for the last over 11 years now, as CEO and almost 20 with the company.

### **Gene Marks:**

Oh my God. That's dating you already.

### **Marty Mucci:**

Yes, it is.

### **Gene Marks:**

It's scary. Well, Marty, I'm really glad you're joining us. I have a lot of questions that I want to ask you that relate to really the labor situation, the payroll situation that's going on in this country. I can think of no better person to ask as a business owner myself, as to what you're seeing, and also what advice that you have. First, let's start out. Paychex comes out with a regular report called the Small Business Employment Watch. The last one was recently published. Give us some data.

**Marty Mucci:**

Yeah, I think what we saw was obviously a very big increase in our April numbers. Then in May, it held its own, dropped a little bit month-over month, and we're seeing of course, a base year effect, of last year being so low, we saw a big increase. But what we've seen is really an interesting thing in May is that construction jobs dropped off a little bit and construction has been the highest and strongest job growth for the last two years and even that has slowed down. I think there's some supply issues there not only in materials, but also employees as you well know, a very big challenge these days.

**Marty Mucci:**

Overall, the country looks like it's coming back, and it's all regions of the country. The south regions, Florida, Texas, those areas have been the strongest job growth for some time though in our index and I think commercial construction and residential construction has helped that a lot, but the south has been the strongest, but now really all regions starting to come back, so it's very positive news.

**Gene Marks:**

Okay. Without getting political, what I do want to do is I want to get your insights when you look at all the demographics of your population, okay. Obviously every business owner that I'm talking to, including my own company, we are having a really hard time finding workers now. Why is that? What are you hearing from your customers?

**Marty Mucci:**

I think, of course, the boost in unemployment that has been out there and is set to go through Labor Day through for the federal side. Some of the states are turning that off now, as you know, early to try to get workers back. That's been, I think, one of the biggest reasons, but also when you think about it, a lot of frontline workers have received stimulus checks that they didn't expect. Cash balances of savings accounts are at an all-time high these days. The stock market, if you're invested in it, has done very well, so you're feeling like you're in pretty good shape financially.

**Marty Mucci:**

Then there's childcare issues that some schools are still not back full-time, so I think what you're seeing is that people are concerned. They don't really have a normal schedule yet. Then on top of that all there's still COVID health concerns. Do I wear a mask? Don't I wear a mask? Am I going to be too crowded at work or not? I think all of those things put together, people are not feeling a need to rush back to work, at least full-time, because where they are from a financial position. I think you'll start to see that probably come back more in the late summer to early September.

**Gene Marks:**

Yeah, I was just going to ask... It's funny where people are... We're so impatient. We had a full shutdown of a global economy over this past year, so people are freaking out because there were supply chain issues, and they're freaking out because there are labor issues, and the other issues, but on the labor side, like you just mentioned, this is not going to last forever. You really do think that a lot of these problems are going to start working themselves out by fall?

**Marty Mucci:**

Yeah, I do. I think so. Well, one, the unemployment will come back down to normal, not only dollar value, but also the requirements of looking for a job, having to go in and say, "Yes, I've looked for a job," and so forth. So I think there's going to be more pressure to say, "I'm going to go back into the workforce." Two, I think the stimulus dollars that you had, you may have spent during the summer, and you're going to want to get back into a stronger financial position.

**Marty Mucci:**

But I do think the supply issues may last a little bit longer. That could be a little bit of a more difficult spot for small businesses in particular that need materials. You just could hear last night that China's seeing some resurgence and some of the strains have shut down some other factories, at least temporarily. They've also reduced how much is coming out of the ports there to the U.S. and I think supply shortages could run through the end of the year, but generally I think the employment situation will certainly improve in September and October.

**Gene Marks:**

When I'm online and having conversations with people about just general, businesses can't find workers. A lot of times I hear from people saying, "Well, pay them a fair wage. You'll be able to find them. Pay your people more." I hear that a lot. What are your thoughts on that? Do you think that's true? Is it just about paying workers more to attract them to jobs?

**Marty Mucci:**

Well, I think that's a big part of it. That is going to be the main attraction, but the other things we just talked about, if you're feeling like you're in a pretty good financial position, at least temporarily, that may lead you to not necessarily go back to the workforce until the fall. But I do think wages are going up, one-time bonuses that we've never even heard of for frontline positions - you're seeing one-time bonuses come into play, as well as benefits that aren't necessarily offered.

**Marty Mucci:**

Now, all a good thing actually for the worker, but certainly some pressure on small business owners, because once you've raised the wages, and you've adjusted other people who are above minimum wage who may have to go up, you may see that it's going to be very hard to undo that in the future.

**Gene Marks:**

Okay. All right. What I want to do is, I want to talk a little bit about strategy. So, while I've got you here, I can get some input from you as to some thoughts. First of all, clients come to me all the time saying, "Okay, we need to find workers." Where are your customers going to find people?

**Marty Mucci:**

Yeah, well, I think they're doing a couple things. One, they are getting the wage issue out there. They're raising wages, and they're offering bonuses to start, so that attracts more people. They're certainly tapping their own employees for referrals, probably more than ever before. They're going much heavier to social media, of course, and partners like Paychex' partner, Indeed, who has so many job postings out there, because everything is online now. Everyone is looking online and that's where you're going to get your candidates.

**Marty Mucci:**

You're also going to offer more flexible work schedules. Obviously, most are very pleased with the flexible work schedules. You're going to have to adjust your work schedule, so it's not just pure benefits. It's the benefit of a more flexible work schedule. The last thing is, I think one of the things, is they got to offer more technology. When you're trying to attract particularly frontline workers in a millennial type of era, you're really trying to show them that you have technology, meaning you can set up your work schedules. You can change your work schedules on your app. You can get paid through your app. You can communicate. You have to have new technology also to attract workers.

**Marty Mucci:**

All of that is driving people to think differently. Also, you may adjust your criteria for hiring. Instead of saying, I have to have a four-year degree before I hire this person. Maybe it's a two-year degree and on-the-job work experience instead. So a lot of changes going through all kinds of businesses, large and small.

**Gene Marks:**

That's great. Okay. Other strategies, taxes. Now I'm going to take this one because I'm the CPA here. You're not a CPA, are you?

**Marty Mucci:**

No. No.

**Gene Marks:**

Okay. The Work Opportunity Tax Credit. I'm not sure how familiar you are or how much your customers are using it, but it's an important thing for businesses that are looking to hire people. This is a tax credit that was extended through 2025 because of recent stimulus bills, and the tax credit works like this. It is a credit that's up to \$9,600 that's available for employers that hire people that are coming off of welfare, coming out of prison, or most importantly, that are long-term unemployed, more than six months.

**Gene Marks:**

What I'm finding is that a lot of businesses that I'm working with, Marty, are looking at that tax credit as a way to pay hiring bonuses for prospective employees. So before they make the offer to the employee, they talk to their accountant. They say, "We're thinking of paying this person \$50,000. What kind of a tax credit will we get for doing it?" The accountant does the math. Says, "You can get a \$4,000 tax credit." The employer goes back and says, "We'll give you a \$2,000 hiring bonus to come to work for us," because they're getting paid from the government to do that.

**Gene Marks:**

Are you seeing more interest in the Work Opportunity Tax? I feel like when I talk to people that are running businesses, they're not as familiar with this, and it's free money from the government.

**Marty Mucci:**

It is. It sounds complex. I do think many businesses, particularly small businesses, are not aware of it.

**Gene Marks:**

They're not.

**Marty Mucci:**

That and the Employee Retention Tax Credits can be very, very strong financial incentive for businesses to be able to pay more, to be able to pay those bonuses like you said, and to really just give them great cash flow. An Employee Retention Tax Credit can be up to \$7,000 per quarter per employee. This is a tremendous opportunity.

**Marty Mucci:**

Now, this one only goes through the end of the year right now through 2021, but that one in particular and the other ones that you talk about are very important cashflow opportunities for a small business not only to hire people and pay them more and pay bonuses, but to pay the existing employees to retain them.

**Gene Marks:**

Correct. Correct.

**Marty Mucci:**

Because they're getting a lot of competitive offers as well, so I think you're right. At Paychex, we're trying to get the word out as much as possible. We have easy ways to calculate that and file for it for our clients. But I think it's something that could get even more attention out to small business.

**Gene Marks:**

You're a hundred percent right. We've done a couple of episodes on this podcast about the Employee Retention Tax Credit. Like the Work Opportunity Tax Credit, it's not for the faint of heart. You're probably going to get somebody that's going to have to help you calculate it. But your point is right. It's up to \$7,000 an employee per quarter and if you didn't take advantage of it in 2020, you might've been eligible for it, you can always go back and amend your payroll tax returns.

**Marty Mucci:**

Well, and for ERTC, Gene, as you know, what many clients don't understand is you can hold that cash right now. You don't have to wait. Many small businesses say, "Well, I'm not going to have income this year, or I'll have less income. I may not get the tax credit." This is cash that you can hold. You don't have to file and pay the taxes. You can withhold the taxes and then use the cash yourself. Very rare that those kind of opportunities have come up, so we're trying to educate.

**Gene Marks:**

While we're bantering about tax credits, let me also mention, and by the way guys, we're just talking tax credits here. It's an account. You need some payroll. It's so much fun.

**Gene Marks:**

The Families First Coronavirus Relief Act. That is a tax credit that you can get if your employees have to take time off. This is extended through the end of the year. People can take time off for it to get their vaccination shots. Even if they're recovering from it, you can get help in paying your employees for that as well.

**Gene Marks:**

I guess my point is that a lot of these credits... The work opportunity one is going to go on through 2025, but the Employee Retention Tax Credit, the Families First Coronavirus Relief credit. There's even one for paying off... For health insurance as well. Those ones you have to talk to your payroll service provider. You've got to talk to your accountant about it, because they're going to go away by the end of the year, and you have to be aware of that.

**Marty Mucci:**

It is, and it's something that they can come to us, and we try to make our clients all aware of those things. Actually, we've created tools to make them much simpler and much faster to file. When the PPP loans came out, when the Paycheck Protection Program loans came out, we created something within the day that it came out, that would help you, would pre-populate your application. It would pre-populate your forgiveness to be signature-ready only. There's a lot of things you can take advantage of to help you with current cashflow needs that can really keep you in business and actually help you thrive as a business.

**Gene Marks:**

Yep. Again, this conversation is about finding employees and retaining good employees, and this is all money that can help you do that. Okay. Again, as a business owner, we are competing in a very limited pool of employees right now in 2021, and we're competing against big companies. We're competing against other businesses. We're competing against the government. There's a lot of us.

**Gene Marks:**

We've got to offer good benefits. Let me ask you, what are you seeing out there as far as hot benefits? Actually, I'm going to throw one out there first just to get your point of view on one. Whenever I bring this up, business owners roll their eyes at me, and yet I tell them this is really happening. Same-day pay. What are your thoughts on that?

**Marty Mucci:**

Yes. Well, obviously being in the payroll business, we understand that one and like it. It is a very big need these days. It was starting to be an issue before the pandemic with gig workers that work three different jobs and say, "Look, I just worked eight hours here. I'd like to get paid tonight." It's a different generation who actually come back sometimes to payroll companies and said, "Hey, who decided that I get paid every two weeks or every month? I want to get paid today. I just worked and I earned it."

**Gene Marks:**

By the way, I have to just say, when people roll their eyes at me, I'm like, "Hey, you pay your babysitter that day."

**Marty Mucci:**

Cash.

**Gene Marks:**

"You pay the person who mows your lawn. So really this is not that an unreasonable request."

**Marty Mucci:**

No. So, we have a partner that Paychex works with, Payactiv, and we provide daily pay or pay on-demand, and it's becoming increasingly popular, particularly with those who work many jobs in frontline positions, and they actually budget that way. They don't necessarily think about waiting for two weeks. You may work eight hours, get that pay and pay off some bills that day with it. That's how the thinking is. So, I think that one's very important.

**Marty Mucci:**

I think also what we're seeing a lot of in wellness programs. Gene, the pandemic has been tough on a lot of frontline workers and families, and you're seeing more benefits now offered for not only the traditional retirement and insurance, but wellness programs. Things that help you financially and your planning. Things that may help you pay off college tuition. These are frontline workers that have large loans sometimes, and this will help you pay that off. And just mental health awareness and support. You're seeing that more and more as well.

**Gene Marks:**

Okay, how about another one. Help with student loans.

**Marty Mucci:**

Sure.

**Gene Marks:**

What are you seeing there?

**Marty Mucci:**

We're seeing it's still slow, but I think you're seeing more employers in small businesses finding ways to be able to do that. To say, "If you come with us, and you stay with us," it's a retention tool as well, "We will pay off so much of your loans and help you with those payments." It's a very important one right now because a lot of frontline workers today in particular are burdened with that debt and that's holding them back from achieving financial independence many times. That is a benefit that it's slowly growing, but it's starting to show up a lot more.

**Gene Marks:**

Yeah. There's a movement in Congress to have legislation that will make it more tax benefits for employers to do it. Right now under the latest stimulus bill if you do help out your employees with student loans, you can deduct, I think up to like \$5,250 a year. By the way, this is coming from me, not from Paychex, but I think I got that number correct. And not only can an employer deduct that, but the employee themselves, it's not taxable to them as well. That's just a stimulus thing, which I think ends at the end of this year, but that's another sort of big incentive that's out there.

**Gene Marks:**

Student loan repayment is I just think just an enormous issue. We have such a large demographic of younger workers that are buried under student debt and I just know that as an employer, if you can offer them, say, listen, like you had said a little bit of, "You work for us for six months or a year, and then we'll kick in a thousand bucks, \$2,000 a year to your student loan." That could be the deciding factor between whether or not you hire that employee or the employee goes to a competitor down the street.

**Marty Mucci:**

As a business, you know as well as I do that you have a set dollar amount. You have dollars that you have to spend on benefits for your employees. What you have to decide now is how creative can I be? In the past it was, okay I have dollars to pay for health insurance or retirement plans, typically.

**Marty Mucci:**

Now it's, should I use these dollars in a different way? I have the same dollars I have to spend because as a small business, you are limited many times to what you can spend or mid-sized businesses for that matter, but you can be more creative about it and like you said, really use the tax credits and the benefits that the government has really put forward.

**Marty Mucci:**

I have to say the stimulus packages the federal government have done have really been helpful and particularly targeted many times at small and mid-sized businesses and minority-owned businesses. It's great.

**Gene Marks:**

Yeah, it is great. Before we get off the topic of benefits, just a couple other ones that I want to make sure that we cover. Retirement plans. The SECURE Act passed at the end of 2019, and then it got overshadowed in 2020 because COVID came along. But the SECURE Act itself provides these benefits for businesses.

**Gene Marks:**

If you're not familiar with the SECURE Act guys, you can get up to \$5,000 in tax credits just by setting up a 401(k) plan if you've got less than a hundred employees. If you don't have a retirement plan, the government is literally saying, "Start a retirement plan, and we will basically pay you the cost to set it up." And if you have an existing 401(k) plan, and you make it automatic enrollment, you can get a \$500 a year tax credit for it as well for like three years so more incentives to get people to save and put money away for retirement.

**Gene Marks:**

I guess my question to you is, do you see your customer base doing more with retirement plans, offering them more? Are they aware of these kinds of benefits? This legislation gets passed, and it just doesn't seem like awareness is where it should be.

**Marty Mucci:**

Well, you're definitely seeing a much larger interest in retirement plans. I think everyone knows that there's a lot of discussion out there about people not saving enough, particularly younger people starting early enough and saving because they're under pressure of student loans and things like that. Now you're seeing states offer new, simple IRAs. Some are coming out with mandates like California. It looks like New York's going to have a mandate as well for any business over 10 employees. So not only is it a good thing for your employees and you as a business owner, and you have the tax credits, but it's going to be mandated in many places over the next year in large states, so I think you are seeing more of those come out.

**Marty Mucci:**

I think there's simple IRAs, excuse me, that are coming out from the states, but there's also, if you have a more robust 401(k) plan, something that Paychex offers. We're the number one provider of retirement plans for many years now, new plans. What we do is you can go into the business and offer them a much more robust plan and there's tax savings to the owner. There's great benefits to the employees, and we make it easy to handle the administration.

**Marty Mucci:**



One of the issues with the state plans, they may be free or low cost, but they're simple IRAs and the client has to set up, the business has to set up most of the work, the payroll deductions, be sure it's getting to the right place. If you come to someone like Paychex, we're making sure a lot of that is taken care of for you, and we're sure to get you off to the right start with your employees, and you're getting the tax benefits of it as an employer.

**Gene Marks:**

What drives me nuts about retirement plans is that a lot of us don't realize that the more our employees save, the more we can put away as well because there's discrimination rules that disallow us from doing it unless a proportionate amount of employees are doing it. So it benefits all, if you put in a plan like this. It makes it a lot easier.

**Gene Marks:**

I can't end this conversation. We're talking about benefits, and we only have a few minutes left, but we can't get away without talking about work from home. I don't know, Marty, it seemed... First of all, I want to publicly say for anyone watching or listening, the Millennials were right. They were right. They've been telling us for years that we should be having more people work from home. They've been demanding independence and mobility and flexibility, and how dare these people want to spend more time with their families and not come into our offices?

**Gene Marks:**

Well, it turns out they were right. The pandemic sent us all home and it worked. When I look as an employee benefit, I just think, I don't know. I think it's crazy that if a business owner, small or medium, is not offering some type of work from home policy alongside health insurance and retirement. What are your thoughts on working from home?

**Marty Mucci:**

I think you're right. It's here to stay. Within six days of the pandemic starting Paychex, I'm so proud of the team, we were able to move nearly 15,000 employees to work from home, and we didn't know how it was going to work, how well it was going to happen.

**Gene Marks:**

Because you have a lot of Millennials working there I bet.

**Marty Mucci:**

We do. We have a lot of all ages, and they were able to not only handle it from a technology standpoint, and we'd been selling from virtual selling or what we call virtual selling, but selling over the phone or through digital means and that really continued to do well. So sales did well. A lot had to retrain themselves on how to make their contacts and build relationships over the phone and through digitally, and our service teams performed great. We have the highest client satisfaction in our history, the best client retention in our history. It's amazing how well that worked, and I think our employees, as you said, felt like there was a better work-life balance.

**Marty Mucci:**

So now as we come hopefully toward a post-pandemic period, now it's going to be, hey, there are some jobs that can be fully remote, where you can work from home all the time. There's going to be those that we'd like in the office because of the need for collaboration and working with others or with certain things that they need to be in the office for. Then I think a vast majority will have hybrid schedules and those are still, we're kind of working through those with people. Does that mean it's three days in the office and two at home? That is the majority of what people say. That they'd like to be in the office three days a week or four days a week and have the flexibility. I think it's here to stay.

**Marty Mucci:**

We're going to be figuring out how to do that here, but you're seeing it with businesses all over. Unless you're a business that has to be in the office because of a manufacturing or tools you're working with, you're going to see more of it and that's what employees who are hunting for jobs are looking for.

**Gene Marks:**

All right, Marty, we only have a couple minutes left. Looking ahead now. Just this week, the National Federation of Independent Businesses released, they have a monthly Small Business Optimism Index they do, which I follow closely. There's only 30 million of us, so if we're feeling confident, that's a good sign. Confidence level took a little bit of a dip this past month. What is your feeling as far as where the economy is going, what to look for in the next year or two?

**Marty Mucci:**

Well, I've watched it very closely as well, and you're right. It just took a small dip. I think that's been more of this supply chain, supply of both workers and how difficult it's been and how long this has been now. It's been a number of months. I just saw the numbers that there's nine million job openings right now, the most ever, and yet there is like one person available to work for every job that's open, but yet it's not being filled. So I do think it's putting a lot of doubt, particularly on small businesses who that one or two people that you're trying to hire, can be critical to your business.

**Marty Mucci:**

But the positive news has been that the demand is coming back. Restaurants are opening up. People are dying to get out. They're dying to travel. Go to hotels. Go on trips. Buy goods and services. So that was getting the optimism up, and then I think this concern about, can I handle it from both a supply of workers and a supply of goods and materials, if that's going to continue to be a burden. You know, if you're a plumber or a heating and cooling business, and you can't get furnaces or air conditioning units, you get pretty nervous, and I think that supply of people and materials to fulfill the growing demand has contributed to that little bit of a drop in optimism.

**Gene Marks:**

But getting back to the very beginning of our conversation, it seems likely that this stuff is going to work itself out.

**Marty Mucci:**

It will, yeah. I think it's got to be temporary. Again, I think the employee piece will start to pick up even more so toward the end of the summer, September, October, and it looks like the supply chain, that's a little bit harder to predict. That might go through third, fourth quarter of this year, because it takes a little more lead time to get the manufacturing done, particularly if it's overseas and then get it shipped and get it over here.

**Gene Marks:**

Sounds good. Marty Mucci is the CEO of Paychex. Marty, thank you so much for joining me. It was a great conversation and great advice, so thank you. And guys, listen, if you'd like some advice, some help, some tips on running your business, please visit us at [Paychex.com/WORX](https://www.paychex.com/WORX). That's W-O-R-X. We have all the prior episodes of our podcast there as well. We've talked in depth about some of the issues that Marty and I have talked about today.

**Gene Marks:**

My name is Gene Marks. Thanks for joining us, everybody. Hope you enjoy the rest of the conference and for podcast listeners, we'll see you at the next episode. Take care.



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