



# The Pros & Cons of Hiring a Professional Employer Organization

## Get the Facts About Onboarding a PEO

Running a business is a balancing act. Initially, you wear multiple hats and are usually involved in every aspect of running the business. While this level of involvement enables you to provide hands-on management, as the business grows your ability to be this close to day-to-day activities becomes a clear disadvantage. In order to grow, you need the time to take on **more profitable activities** to ensure the **business doesn't just survive... but thrives**.

Over time it becomes increasingly clear that you need to outsource some of your operations. After some research and many hours of consideration, you may have determined that the most obvious area to **outsource is your HR administrative tasks**. As the cornerstone of a company's financial health, HR plays an integral role in hiring the right people, handling benefits, payroll and taxes, and ensuring regulatory compliance. Typically a source of ongoing problems, you need HR experts at your side to ease the burden and ensure these activities are done right.

What better way to give you the time you need to focus on profitably growing the business than to partner with a **professional employer organization (PEO)**? According to [The National Association of Professional Employer Organizations \(NAPEO\)](#), PEOs provide services to 175,000 small- to mid-sized businesses, which represents 15% of companies with between 10 - 99 employees. But is outsourcing HR functions to a PEO enough to help keep your company operating in the black?

## According to industry statistics, companies that partner with a PEO:

Will see 7-9% faster growth than a company that does not partner with a PEO

Are less likely to go out of business by a factor of 50%

Will see lower turnover by 10-14% than a company that does not partner with a PEO

## Still unsure if a PEO is the right choice for your company?

PEOs provide a multitude of HR services. Some you may need and some you may not. Even more important is to know whether your business culture is the right fit for a PEO.

These pros and cons will help you determine if your next step should be to outsource your HR functions to a PEO.

### PROS

#### Lower Costs

PEOs manage thousands of employees. As a result, they have the buying power to purchase group health and benefit plans at a much lower cost, giving your bottom line a positive boost.

#### HR Burden

They do the heavy lifting, reducing administrative overhead and lessening back-office paperwork. This gives you back countless hours to focus on running the company more efficiently and building your brand and profitability.

#### Regulatory Compliance

From ADA, payroll, OSHA, EEOC, etc., a PEO handles it all. Employee-related regulatory changes happen all the time. PEOs are on top of all changes, saving your company countless dollars over the long term and protecting you from costly litigation due to non-compliance.

#### Employee Claims

It happens, a misstep leads to a fall. The next thing you know an employee is filing for workman's comp. PEOs are skilled in this area, and whether it's a discrimination allegation or an injury, the PEO takes the helm on managing all claim processes.

#### Liability Assurance

Licensed HR professionals and attorneys are costly. But when it comes down to it, these professionals have the skills to mitigate employee-related risks.

#### Employee Administration

Experts in all aspects of HR, PEOs can handle virtually all of your HR functions, including retirement plans such as 401 (k), flexible spending accounts, payroll, vacation and sick-time accruals, personnel data, HR employee manuals, and compliance policies and procedures.

### CONS

#### Impersonal Service

You may find it difficult to release personal information to a large organization, especially if your culture is one that nurtures employee closeness or consists of family and friends. While some PEOs may not offer you a dedicated customer service rep, many do provide self-service which allows your employees to manage their own benefits and pay information – whenever they want. If personal service is a priority for your company, a bit of research will provide the right PEO for your company - one that provides a personal touch.

#### Price Clarity

PEO pricing varies, but PEOs typically use one of two structures – a percentage of payroll or a flat fee per-employee-per-month (PEPM). Regardless of the pricing model you choose, you may incur additional fees for extra benefits, talent management products, and recruitment services. Even with the addition of these value-added services, engaging a PEO typically cost less than hiring a full-time employee.

#### Carrier Inflexibility

Although PEOs offer numerous benefit plans, they typically come from just a few carriers that the PEO has selected. This may limit your choices. But on the flip side, you'll receive a much better price than if you opt for an independent insurance broker.

#### Less Control

PEOs require that you adopt their procedures, policies, employee handbook wording, etc. While you may lose the ability to customize these documents, this level of control enables the PEO to support you should an employee issue occur.

## Conclusion

Are there not enough hours in the day to even make a dent in your growing 'to-do' list? Running a small- to medium-sized business provides the personal satisfaction and independence you desire, but it also can be a source of time-consuming HR headaches. Find out how PEO Consultants can help you reduce your costs and increase your benefits with the right PEO.