



Choosing A Qualified PEO

A Background on the PEO Industry
and Tips for Distinguishing PEOs by
their Service Offering

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With so much negativity in the market today, it is refreshing to think about something positive. So consider this – despite a recessionary economy, business growth is not unrealistic. In fact, when market shakeups occur, some of the best opportunities are often discovered. However, your company has to be well-positioned to take advantage of those opportunities. A PEO, or Professional Employer Organization, can help position your company for growth by alleviating your HR and administrative burdens. When you are free to focus on your core business, you are better able to create and optimize expansion opportunities. But how can you identify a PEO that will ultimately become a strategic partner for your company? What services should a qualified PEO provide and what differentiates one PEO from another? G&A Partners, a PEO and HR outsourcer, answers those questions in the following report, “Choosing a Qualified PEO.”

Executive Overview

Over the past ten years, Professional Employer Organizations, also known as PEOs, have evolved. Where once these service firms performed a myriad of tactical, but disaggregated, human resource and administrative functions, many are now positioned to be a strategic partner for growing businesses.

Since their inception in the mid-1980s, PEOs have provided professional expertise and administrative support in the areas of benefits and workers’ compensation, payroll administration, risk management and government and tax compliance. Much like blocking and tackling are basic to football, executing these tasks effectively and efficiently remains essential. However, more recently, businesses have placed greater emphasis on other human resource initiatives, such as recruiting and retaining talent, performance management, compensation and reward structures, succession planning, and corporate culture and its direct correlation to employee satisfaction. Because most executives now recognize these employee-focused initiatives as key factors in their company’s productivity and performance, human resources has been elevated to the realm of strategic versus mere tactical.

It stands to reason, therefore, that more progressive PEOs would distinguish themselves as consultants capable of providing strategic HR services, and certainly many qualified PEOs have successfully transitioned their service offering from purely tactical HR administration to focus as well on high-level employee initiatives. It should come as no surprise, however, that some less qualified PEOs often make false claims about their capabilities. So how does a company looking to outsource some or all of its HR decide what it needs? And, if it

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should determine that it needs strategic as well as tactical HR support, how does it distinguish a true provider from a talented poser?

Selecting a PEO should be a process conducted by engaged decision-makers who understand the company’s business

goals and what it is looking for from a PEO relationship. It is entirely conceivable that a steady, slow-growth business that merely wants to alleviate some of its administrative burden could benefit from outsourcing several select functions. In that case, an a la carte model may be appropriate – the company could choose to outsource only payroll and workers’ compensation administration to a PEO. On the other hand, a more dynamic, faster-growth business may decide it wants more strategic, consultative HR services to support its growth objectives.

Decision makers should also become educated on the nuances of a PEO’s service offering. For example, what should be included in a suite of HR services, what systems could a PEO offer to contribute to a company’s operating efficiency, and what innovative offerings could an integrated PEO provide in the way of payroll administration? Below, we offer some basic industry education and outline the strategic services a PEO should deliver.

How Did We Get Here? A Brief Overview of the PEO Industry

With only about 20 years under its belt, the PEO industry is still relatively young. The initial need for “professional employers” emerged between 1980 and 2000 when the number of laws and regulations addressing employee and labor issues more than doubled. Needless to say, while managing human resources had once been relatively straight-forward and pain-free for smaller businesses, the job quickly became much more complex and labor-intensive, requiring a level of HR expertise that many small to medium-sized companies neither possessed nor could afford to hire in house. For many, outsourcing the HR role, along with the responsibilities and liabilities associated with it, was the most pragmatic and cost-effective solution.

A more recent factor contributing to the perpetuation of the PEO model is “The War on Talent.” With retirement at hand for many baby boomers and an increased demand for top performers, the market for talent has remained highly competitive for several years now. Not only are PEOs positioned to assist their clients with the procedural aspects of identifying, interviewing and hiring qualified job candidates, but they also often provide them access to better healthcare plans and benefit packages than they could obtain on their own, so they can attract and retain top notch talent.

Today, the National Association for Professional Employer Organizations (NAPEO) reports that there are approximately 700 PEOs operating across the 50 states. The industry’s gross revenue has grown exponentially in recent years as PEOs attract more diverse, fast-growth clients and the average salary of worksite employees increases. (The industry defines gross revenues as the total sum of PEO clients’ payrolls and the fees the PEOs charge.)

Companies of all shapes and sizes are choosing to partner with PEOs. According to NAPEO, the traditional PEO client, is typically a company with an average of 19 employees, however qualified PEOs can certainly service much larger companies as well. In fact, G&A Partners’ clients tend to average from 20 to 100 worksite employees, but G&A also serves companies with well over 100 employees. PEO clients can also cover the gamut of professional fields and industries to include professional service firms, retail businesses, high-tech companies, manufacturers, and government agencies, and the PEO industry has barely scratched the surface of potential clients.

Why a PEO? The Benefits of Partnership

The reasons for partnering with a PEO are as numerous and wide ranging as the companies that use them. Some employ a PEO to be able to focus on their core business, others to achieve greater operating efficiencies, and still others to save money. Each of these reasons is valid, of course, and fortunately, companies can realize a multitude of benefits, and more, regardless of the reason they may have initially engaged a PEO.

Focus on the Core

Human resources is strategic to a company’s business, but outside of PEOs or HR consulting firms, HR isn’t typically a company’s core business. Instead, companies are involved in manufacturing goods, marketing products or delivering services. PEOs, therefore, provide a valuable service – they allow companies (and their owners) to focus on their core business by alleviating the burdens and complexities that surround employees and their issues. How? As their moniker implies, Professional Employer Organizations often become the “administrative employer” or “co-employer” for their clients’ employees and thus assume much of the administrative responsibilities and liabilities associated with carrying employees.

Realize Operating Efficiencies

When businesses elect to outsource their human resources to a PEO, they realize significant operating efficiencies. PEOs bring to the table experienced experts, proven processes and sophisticated systems to manage companies' HR and administrative operations more easily and effectively. Outsourcing to a PEO can allow smaller companies to forego maintaining internal staff and processes or supplement internal functions for larger organizations. In either case, the services can be invaluable to businesses that may have the employees but not the resources to support an in-house HR department.

Eliminate Cost

One of the most compelling reasons businesses turn to PEOs is the significant cost savings outsourcing can provide. Direct savings can result from reducing HR headcount, systems and software expenditures. Those are savings business owners expect and understand, but there are other savings opportunities that may not be as foreseeable. Because PEOs can pool their client employees to procure health insurance, workers' compensation insurance, and other benefits, such as vision, dental, and 401(k) and other savings plans, PEOs often receive highly discounted rates. Such economies of scale enable PEOs to pass significant savings onto their clients.

Remain Competitive

Companies, both large and small, that hope to compete successfully for the best and brightest talent have found that they must offer their employees competitive compensation and benefit packages. Many PEOs have compensation experts on staff that can assist clients by monitoring industry standards for appropriate job-specific compensation levels and providing knowledgeable consultation and recommendations. Additionally, because smaller companies typically lack the "buying power" to obtain well-priced healthcare insurance and benefit plans, partnering with a PEO can provide companies, and their employees, access to better benefit options than they could secure for themselves.

Companies that hope to compete successfully know it takes a talented team, but sourcing and hiring the best and the brightest takes time and resources some aspiring companies can't easily afford. G&A Partners employs experienced HR professionals that have the hiring know-how a growing company needs to staff up strategically. G&A also offers access to smart, web-based technology, so companies can manage their entire recruiting process online. The result is more precise job descriptions, more qualified candidates, more streamlined screenings, and ultimately a more talented team.

Achieve Peace of Mind

A less tangible but still very valid reason some business owners opt to partner with a PEO is for simple peace of mind. Business owners are expected to comply with a full host of complex state and federal regulations and are often exposed to employee litigation that may or may not be legitimate. It can be overwhelming. PEOs can help alleviate some of the headaches that accompany being an employer and serve as a sounding board for strategic human resource issues.

Choosing the Right PEO for Your Business

Having established that there is a long list of companies utilizing PEOs and good reasons for doing so, the question then becomes if a PEO is right for you, to what extent should your company outsource its HR to a PEO?

This is hardly an exact science, so there is no proven formula for striking the perfect balance between outsourcing all or part of your HR administration, or between strategic and tactical HR. However, it is fair to suggest that more established, staid businesses are perhaps better-suited for tactical, one-off HR outsourcing services, while more dynamic, growing businesses can benefit from strategic, integrated HR solutions. For example,

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an older, more established business may already have people, processes and systems in place to respond to its employees' needs, so while greater efficiencies or savings may be obtainable by outsourcing payroll or workers' comp administration, outsourcing its entire HR function may not be warranted or cost efficient. On the other hand, a younger,

faster growing business may need an integrated PEO that can execute on procedural tasks, such as tax or government compliance, but that can also establish processes and provide experienced HR people to manage more strategic HR services, such as recruiting, hiring and performance management, as the company ramps up its business.

A company's growth objectives will help to determine where it fits within that spectrum and whether more strategic or merely tactical services are most suitable for it. From there it becomes easier to identify the right PEO for your business, because a PEO's service offering can distinguish it from other PEOs. While some PEOs endeavor to commoditize tactical services, others deliver strategic services that are both high-tech and high-touch. Knowing the breadth of services available and the nuances of each can aid decision makers in their process of selecting the right PEO partner for them.

Human Resource Services

Employees are undoubtedly a company's greatest asset, but unfortunately business owners can often become so consumed with employee matters that they have little time left over to effectively manage or grow their company. Human resource services are specifically designed to help companies strategically administer to employees' needs, from the time they're hired to the time they retire, so owners can have both the time and peace of mind to focus on their business.

A strategic PEO offering would include customized talent management services, such as recruiting, performance management and employee development, as well as tactical HR support, in areas such as policies, planning, and compliance. A high-tech PEO may also provide state-of-the-art HR systems and automated tools to enhance the compatibility and effectiveness of a client company's HR processes. Finally, and perhaps most importantly, a PEO should have a team of experienced and highly-trained service-oriented human resource professionals on staff and readily available to assist with its clients' workforce needs.

- Employee Sourcing and Recruiting
- New Hire On-boarding and Orientation
- Compensation Surveys
- Performance Measurement & Evaluation
- Employee and Manager-Level Development & Training
- Succession Planning
- Off-boarding & Exit Interviews
- Employee Policies & Handbooks
- Job Descriptions
- Organizational Charts & Planning
- Background Checks & Drug Testing
- HR Audits & Compliance
- Employee Claims Investigations
- Disciplinary Action & Procedures
- HR Technologies & Process Automation

Time & Labor Tracking

In business, time is money. An effective time and labor tracking solution can help companies save both time and money. More progressive PEOs can provide their client companies a time tracking system that allows business owners to access schedules, monitor overtime and adjust shifts at anytime and from anywhere. More advanced web-based time and labor solutions can even feed information directly to payroll, eliminating the potential for expensive human errors.

- Automated, web-based time and labor tracking
- Advanced biometric time clock
- Virtual visibility to provide real-time productivity data
- Employee productivity data
- Ability to monitor offsite workers and locations
- Allows for allocation of time to a specific job, project or department
- Time and labor tracking system links directly to payroll processing system
- System-generated employee reports that comply with federal and state requirements

Payroll Services

Where there are people, there is payroll. There is no escaping it. However, payroll processing is a tedious and time-intensive task that allows little margin for error and is usually well outside most companies' area of expertise. Not surprisingly, payroll is one administrative burden that business owners are quick to outsource, but when outsourcing with some payroll service providers, owners can spend as much time and effort preparing reports as they would spend administering payroll on their own. More integrated PEOs can bundle payroll with time and labor tracking services to limit errors and expedite payroll by eliminating the need to input pages and pages of data.

Of course, some companies prefer an a la carte payroll processing solution. Many PEOs are willing and able to do that too. The most capable PEOs pair highly-trained payroll specialists with best-in-class systems to expertly manage the entire payroll process from start to finish. The client's employees receive paychecks that are accurate and on time, and business owners get to focus on their area of expertise.

- Integrated payroll system linked directly to time tracking system
- Option of paper paychecks, direct deposit or pay cards
- Manager and employee self-service
- Ability to allocate dollars by department, project, and job
- Monitor and manage paid-time-off (PTO)

- Garnishment processing
- Tax & tax return remittance
- W2 & W3 reconciliation
- Certified payroll

Employee Benefits Administration

Good employers provide more for their workers than a mere job and paycheck. Through health plans they offer peace of mind for employees and their families, and through savings plans, they provide a level of financial security now and in the future. But offering those added benefits can be expensive and difficult to administer. PEOs provide affordable benefit options, including 401(k) plans. PEOs should have on staff experienced and highly-qualified benefit specialists to manage the administration of a client's benefit program, conducting open enrollment, reconciling invoices and remittance to carriers, and serving as fiduciary for the client's savings plan. A PEO can also oversee all COBRA and HIPPA administration, so at the end of the day, business owners are still good employers – just with fewer headaches.

- Affordable benefit options
- Section 125 Plan
- FSA medical and dependant care
- Online open enrollment
- Invoice reconciliation
- Accountable for remittance to carriers
- Responsible for employee terminations
- 401(k) plan with no hidden fees or charges
- Fiduciary for the savings plan
- COBRA and HIPPA administration

Risk Management & Safety

Employees equate to risk for any business. There is the potential for accidents and injuries on the job. There is the possibility of mistakes or mismanagement that can lead to litigation. Fortunately, many risks are manageable, especially when business owners rely on a PEO as a safety net. Risk management and safety services protect business owners from the inherent risks that accompany being an employer. Qualified PEO professionals can alleviate the stress and strain associated with workers' compensation issues and provide tactical support in the areas of compliance and safety to help companies mitigate HR risks.

- Risk Assessments
- Safety Policies & Handbooks
- Safety Training & Materials
- Safety Incentive Programs
- OSHA Compliance
- Competitive Workers' Comp
- Claims Management
- Investigate Fraudulent Claims
- Return to Work Programs

Strategic PEOs Position Your Company for Growth

Despite the continuous onslaught of negative financial news, there are still and always will be growth opportunities for companies positioned to take advantage of them. Tactical, a la carte HR services may suit some businesses, but more dynamic businesses that want to focus on growth and remain agile enough to seize opportunities when they present themselves will benefit more from a strategic, integrated PEO solution that provides the full breadth of HR and administrative services. When a PEO assumes responsibility for your company's human resources, they become a consultative partner that can help you meet your growth objectives. They can conduct an executive search or design a compensation and benefits program that helps you attract key talent. At the same time they are skillfully administering payroll, they can also track time and labor patterns of employees to help you better allocate resources and achieve greater productivity. A strategic PEO solution will not only alleviate your headaches, but will also elevate your HR to allow you to capitalize on opportunities and achieve your goal for growth.

For more information about the PEO industry and guidelines for selecting a PEO, visit the National Association of Professional Employer Organizations (NAPEO): www.NAPEO.com

About G&A Partners

G&A Partners helps growing businesses by becoming their HR partner and helping them minimize costs, increase productivity and reduce risk. As experts in human resources, employee benefits, compliance and payroll, G&A takes on integral HR and administrative functions and relieves business owners of these responsibilities so they can focus their time, talent and energy on growing their business.

For more information visit www.gnapartners.com/get-started or call today at: (888) 909-7920.

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