



HOW A PEO IMPROVES PRODUCTIVITY AND PROFITABILITY

SIMPLESURE

BUSINESS INSURANCE

HOW A PEO IMPROVES PRODUCTIVITY AND PROFITABILITY OF YOUR BUSINESS

A PEO is a professional employer organization that provides a wide range of HR services for small and mid-sized businesses. A PEO is an outsourcing firm that enters into a co-employment agreement with its client to provide...

- Payroll Processing
- Employer payroll tax filings
- Workers' comp insurance
- Human resource services
- Health benefits
- Employee benefits
- Risk management guidance
- Regulatory compliance assistance
- Employers practice and liability insurance (EPLI)
- Workforce management and development tools



Businesses from accounting firms to high-tech companies and small manufacturers, as well as doctors, retailers, mechanics, engineers and trade professionals can all benefit from PEO services.

WHAT IS CO-EMPLOYMENT?

Through co-employment, the PEO becomes the employer of record for the employees and files payroll taxes under its own tax identification numbers.

The PEO typically remits wages and withholdings of the employees and reports, collects and deposits employment taxes with local, state and federal authorities; and issues W-2 forms for year-end tax purposes. As a co-employer, the PEO will often provide a complete human resource and benefit package for worksite employees.

This arrangement alleviates the client company from managing the routine HR functions required of all businesses. The client is still responsible for directing

“Businesses today are increasingly using the power of PEOs to improve productivity and profitability”

the employees' day-to-day activities in product development, production, business operations, marketing, sales and service.

OVERALL BENEFITS OF A PEO

Small to mid-size businesses that use a PEO have been shown to have higher growth rates, greater long term success, lower turnover and higher employee satisfaction.

Most small and mid-size business owners do not have the necessary human resource training, payroll and accounting skills, the knowledge of regulatory compliance, or the backgrounds in risk management, insurance and employee benefit programs to address the responsibilities of being an employer.

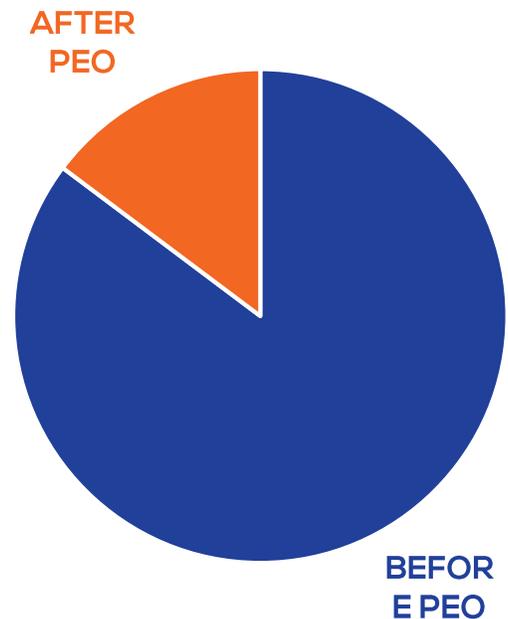
A PEO that provides these functions for multiple companies has the overall knowledge and systems in place to manage these responsibilities in an efficient manner. In addition clients are able to direct their attention to those areas of their businesses that provide the greatest return.

Using a PEO can save time and staff used to prepare payroll and administer benefit plans, and may reduce legal liabilities or obligations to employees that are assumed by the PEO. PEOs can also offer basic levels of background checks and drug screening.

A PEO will also obtain workers' compensation insurance coverage typically at a lower cost than client companies can obtain on an individual basis. This is possible because workers' comp rates negotiated by the PEO cover both their company and the client company.

Attracting and retaining skilled and high performing employees is also enhanced. A client, through a PEO, can typically offer superior benefits including 401(k) plans; health, dental, life, and other insurance; dependent care; and other benefits. Also available are HR services including training, employee manuals, safety services and improved communications.

COMMON HR TASKS



“ A PEO greatly reduces the number of HR tasks that a client has to perform.

See Table: Common HR Tasks

HOW IS A PEO COMPENSATED?

PEOs charge a service fee for taking over the human resources and payroll functions of the client company. The fee will typically range from 1% to 3% of total gross payroll but the fee can be higher depending on the overall services provided. This fee is in addition to the normal employee overhead costs, such as the employer's share of FICA, Medicare, and unemployment insurance withholding.

CERTIFIED PROFESSIONAL EMPLOYER ORGANIZATIONS

An independent accreditation organization, the Employer Services Assurance Corporation (ESAC), was formed in 1995. ESAC verifies that accredited PEOs are in compliance with important ethical, financial, and operational standards. It also provides financial assurance of the performance of key employer obligations by these PEOs.

PEOs may also undergo a certification process conducted by the independent Certification Institute formed in 2002. This certification verifies that a PEO's workers' compensation program is meeting proven insurance industry risk management best practices to reduce work-related accidents and health exposures and control WC insurance losses.

PEO SERVICES

Employment Benefits

Payroll

HR Administration

HR Regulatory
Compliance

IS A PEO RIGHT FOR YOUR BUSINESS?

When deciding if using a PEO to assume your payroll and HR functions is right for your company, you'll want to consider a number of factors.

1. By using a PEO can I run my HR operations more efficiently and cost effectively?
2. Can I better utilize my internal HR staff if a PEO is processing my payroll and managing my benefits?
3. By using a PEO can I lower my workers' comp mod rates and save money?
4. Can a PEO allow me to offer more substantial benefits including health insurance and retirement programs?
5. Will having a third party managing my payroll and HR functions allow my management team to focus their time and energy on those areas of the business that will provide the highest return?

Once you have had the opportunity to assess how a PEO might benefit your company, feel free to give Simpleasure a call to discuss your options.

Sources

Wikipedia

NAPEO, National Association of Professional Employer Organizations

TABLE: COMMON HR TASKS

CATEGORY	BEFORE PEO	AFTER PEO
SUPERVISORY	<ul style="list-style-type: none">• HR Compliance Issues• Employee Evaluations• Warning Notices• Management Reports• Departmental Costs• Recruiting• Turnover• Pay Negotiation• Termination	<ul style="list-style-type: none">• Recruiting• Turnover• Employee Evaluations• Termination• Pay Negotiation• Warning Notices
PAYROL	<ul style="list-style-type: none">• Compute Pay• Track Benefits Eligibility• Reconcile Accounts• Compute Medicare• Tax Lien and Garnishments• Track Probationary Periods• Track Child Support Payments• Payroll Checks• Compute Federal, State, and Local Taxes• Track Vacations	<ul style="list-style-type: none">• Report Hours
INSURANCE & BENEFITS	<ul style="list-style-type: none">• Legal Hiring Compliance• Unemployment Claims Management• Discharge Notices• Hiring and Firing• Staff Training• Wage and Hour Compliance• New Hiring Process• I-9, W-4, Applications	<ul style="list-style-type: none">• Hiring and Firing• Staff Training

CATEGORY	BEFORE PEO	AFTER PEO
TAXES	<ul style="list-style-type: none"> • Federal Unemployment • Federal Withholding • W-2's • W-3's • State Unemployment • State Withholding • W-4's • I-9's • IRS Audits • Tax Deposits • 941's • FICA 	<ul style="list-style-type: none"> • None, taken care of by the PEO
INSURANCE & BENEFITS	<ul style="list-style-type: none"> • Life and Dental Insurance • Flexible Spending Accounts • Worker's Compensation Insurance • 401(k) Administration • Provider and Carrier Selection • Risk Management Programs • OSHA Compliance • COBRA and ERISA Compliance • Section 125 • Claims Management • Safety Program Manuals • Group Health Insurance (PPO, HMO) • Plan Enrollment and Termination 	<ul style="list-style-type: none"> • None, taken care of by the PEO

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