



Unlocking Business Potential: Harnessing the Power of PEOs

Navigating the complexities of human resource (HR) management can be a daunting task for companies. Managing payroll, administering employee benefits, ensuring compliance with ever-changing state and federal regulations, and handling various HR functions can take valuable time and resources away from business growth and revenue generation. To confront these challenges, Professional Employer Organizations (PEOs) have emerged as a strategic solution, offering comprehensive HR outsourcing services to businesses of all sizes. But what exactly is a PEO, and why should you consider partnering with one?



NAPEO reported that by 2022, awareness of PEOs rose to 65%, a 44% increase since 2018.¹

WHAT IS A PEO?

A Professional Employer Organization (PEO) is a firm that offers human resource services to small to medium-sized businesses, handling tasks such as payroll and tax payments while ensuring compliance with various state and federal regulations. Additionally, they often extend benefits such as Fortune 500-type health insurance, ancillary and supplemental benefits, 401(k) plans, FMLA benefits, life insurance, and flexible spending accounts, which may not be commonly provided by small businesses alone. With a PEO doing the heavy lifting on HR tasks, employers still maintain complete control of their business and can focus on growth, sustainability, and profitability.

While the concept of PEOs began as far back as the 1970s, the structure and scope have evolved over time. Initially, a typical PEO addressed basic human resource functions mainly for smaller businesses. However, within the past two decades, as companies

continue to feel the pressure to provide premium benefits, retain top employees, and keep up with federal and state regulations, the need for PEOs has exploded.

EXPLORING ADDITIONAL PERKS: BEYOND HR ADVANTAGES

Partnering with a PEO offers businesses a multitude of benefits beyond simply streamlining HR functions. PEOs bring expertise, experience, and resources to the table, helping companies navigate the intricacies of employment law, regulations, and industry best practices. By tapping into the resources and knowledge of seasoned professionals within a PEO, businesses gain tailored guidance on various HR-related matters, from employee relations to talent acquisition.

Beyond the strategic advantages, it's important to recognize the substantial financial benefits companies can expect when they partner with a PEO. PEOs often manage thousands to hundreds of thousands of employees across various clients, giving them the leverage to negotiate competitive rates and offer premium benefits typically reserved for larger corporations. In addition, outsourcing HR functions to a PEO can also eliminate costly investments in HR software, infrastructure, and personnel, resulting in lower overhead costs and improved bottom-line performance.

More than 8 in 10 employers using a PEO say they've experienced significant or moderate growth in the past three years.²



LEVERAGING PEOs FOR ENHANCED EMPLOYEE BENEFITS & CORPORATE AGILITY

In a fiercely competitive job market, the ability to offer premium employee benefits is key to attracting and retaining top talent. However, limited resources can make providing comprehensive benefits packages challenging for small and mid-sized businesses. This is where partnering with a PEO can be a game-changer. Teaming up with a PEO grants businesses access to a broader range of benefits, enhancing the company's appeal to prospective employees and fostering a culture of satisfaction, engagement, and loyalty.

Moreover, PEOs offer state registrations and robust technology platforms that seamlessly integrate various HR functions, including applicant tracking, new hires, payroll, online enrollment, benefits administration, performance, learning management, and expense management. As businesses grow and evolve, their HR needs change in response to market conditions and business strategies. PEOs offer scalability and flexibility to adapt to these changes seamlessly, providing tailored solutions aligned with the company's goals and priorities. Whether expanding into new markets, hiring seasonal employees, or downsizing during economic downturns, PEOs offer the necessary infrastructure, support, and expertise to navigate transitions smoothly and efficiently. This agility enables businesses to remain competitive and is a smart move for those looking to level the playing field.



Small businesses that use PEOs grow 7 to 9 percent faster, have 10 to 14 percent lower employee turnover, and are 50 percent less likely to go out of business. ³

NEXT UP: COMPLIANCE

Small businesses often find it challenging to navigate employment law and regulations, which can have severe legal and financial consequences if not complied with. PEOs play an essential role in ensuring that companies follow all applicable laws and regulations. They assume full responsibility for compliance, including tax obligations, ACA reporting, employment contracts, wage and hour laws, anti-discrimination policies, and workplace safety standards. PEOs keep current with the latest legislative changes, enabling businesses to remain compliant and avoid potential legal issues. PEOs offer expert guidance and support thanks to their teams of HR professionals specializing in compliance matters. These professionals provide customized advice and comprehensive support, including drafting employment policies, conducting compliance audits, and offering training on workplace safety protocols to ensure that businesses meet all regulatory obligations.

NOT ALL PEOS ARE CREATED EQUAL

Are all PEOs the same? Not even close. Certification and accreditation are crucial aspects of the PEO industry that provide clients with confidence, trust, and a guarantee that a PEO is compliant with regulations and financially stable. Two of the most highly regarded certifications are the Certified PEO (CPEO) designation from the IRS and the Employer Services Assurance Corporation (ESAC) accreditation. Both prove to be essential as they offer clients peace of mind, knowing that their PEO partner is trustworthy and reliable.

It's worth noting that less than 5% of PEOs in the USA hold both certifications, so partnering with accredited PEOs is a wise choice that demonstrates a commitment to quality and reliability. ESAC accreditation, in particular, ensures thorough verification across various aspects of PEO reliability, including financial assurance and operational integrity. This accreditation goes beyond federal tax obligations to encompass critical areas such as employee wages, insurance coverage, and retirement contributions. By prioritizing credentialing criteria and partnering with accredited PEOs, a company can mitigate risks and position itself as a trusted advisor capable of navigating the complexities of HR outsourcing. Embracing these standards empowers delivering superior value to clients and ensures peace of mind in an increasingly complex business environment. Businesses should carefully evaluate these factors along with their specific needs to make the best choice for their circumstances.

BOTTOM LINE

By tapping into the expertise, resources, and scalability provided by PEOs, companies can maintain streamlined HR processes, improve employee benefit offerings, and mitigate compliance risk. While it may involve relinquishing many HR tasks, a trusted PEO can make companies more efficient, skilled, and successful.

However, with over 900 PEOs available in the market today, choosing the right fit can prove overwhelming. To address this, BenefitMall offers a unique approach as one of the few General Agencies with in-house dedicated PEO consultants, ensuring a broker-protected focus. We conduct extensive research to ensure we only partner with the most trusted and industry-leading Certified PEOs, weighing each partner's strengths and capabilities to guarantee our brokers only get the best service. This enables us to focus on understanding each client's unique needs instead of just trying to sell our services. Not only that, but our fortified relationships with our PEO partners also allow us to negotiate the best plans, rates, and fees for each client.

Additionally, we remain committed to staying ahead of the competition by continuously improving our business model, focusing on better education, compelling marketing, and building robust relationships with our partners and brokers. Our consultants are always willing to help gather RFP information or provide education to ensure that our brokers still consult the group, and we aim to keep PEO education on the offensive so that our brokers stay ahead of the game. This has led to remarkable success in our Northeast markets and positions us well for continued growth nationwide. Contact your trusted BenefitMall sales team today to find the right fit for your client.

CONTRIBUTORS

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END NOTES

1. NAPEO Survey Shows Awareness Of PEO Industry Is Up 44% Since 2018 PR Newswire, Feb 2023. <https://www.prnewswire.com/news-releases/napeo-survey-shows-awareness-of-peo-industry-is-up-44-since-2018-301743408.html#:~:text=Unaided%20awareness%20of%20PEOs%20was,in%20using%20one%20going%20forward.>
2. The PEO Advantage, Guardian's 11th Annual Workplace Benefits Study 2022. <https://www.guardianlife.com/reports/peo-trends>
3. NAPEO White Paper, Facts About PEOs Feb 2022. <https://www.napeo.org/what-is-a-peo/about-the-peo-industry/napeo-white-papers#:~:text=Businesses%20in%20a%20PEO%20arrangement,may%20not%20otherwise%20sponsor%20them4>
4. What Is A Certified PEO (CPEO), Forbes Advisor February 1, 2024. <https://www.forbes.com/advisor/business/cpeo/>