

A PEO as a partner—and not the enemy

by Matt Thomas

Outsourcing Human Resources can cause alarm in any workplace.

Will jobs be lost? Will the cost of healthcare increase? Will benefits decrease?

All are understandable reactions as the economy continues to tread water and the prospect of becoming unemployed remains an ever-present reality.

A Professional Employer Organization (PEO) – an outside company that handles human resource services – often is seen as an interloper or labeled the enemy because of misconceptions that it will lead to firings of in-house staff or increased costs.

In reality, a PEO works as a company's partner and presents countless advantages to small- and medium-sized employers, allowing them to focus on their product – and employees – rather than worrying about the latest in healthcare plans or human resource trends.

Truth be told? PEOs can help retain jobs and increase profitability.

Employers outsource to PEOs to administer everything from payroll and payroll-related taxes to providing healthcare benefits, retirement planning and recruiting services.

That's a lot of paperwork lifted off the shoulders and minds of company executives.

According to the U.S. Small Business Administration, as cited by the National Association of Professional Employer Organizations (NAPEO), the number of labor laws and regulations grew by almost two-thirds between 1980 and 2000. That translates into company owners spending a quarter of their time on employment-related paperwork.

The average PEO client has 19 worksite employees, according NAPEO. Without the PEO relationship, those employees would not be protected under the Consolidated Omnibus Budget Reconciliation Act (COBRA) or the Age Discrimination in Employment Act (ADA).

All those acronyms giving you a headache? Here's one more: PPACA, which stands for Patient Protection and Affordable Care Act, better known as healthcare reform. A 2010 study by the Society for Human Resource Management (SHRM) showed 34 percent of organizations surveyed will not conduct an analysis to determine the impact of the healthcare reform law on their health plans. What will those organizations face as the provisions go into full effect?

That's where a PEO comes in: It removes the guesswork and manages the most cost-effective plan while staying up to date on the latest healthcare-related laws.

Other ways a PEO serves as a partner include:

- **Improved Benefit Package.** According to NAPEO, 40 percent of companies upgrade their benefit packages by using a PEO. That is critical because the Small Business Administration estimates workers at small businesses with access to 401(k) has dropped

from 28 percent to 19 percent, according to NAPEO. The flip side? An estimated 95 percent of workers in a PEO-provided arrangement have access to a retirement plan.

- Better Workplaces. PEOs focus on workplace risk management, safety programs and solid human resources practices. That makes for a safe, efficient workplace, because PEOs manage workers' compensation coverage and claims.
- PEO long-term retention. PEOs that belong to NAPEO retain 86 percent of clients for a year or more, leading to consistent service that frees up time for business.

That last point is particularly important because employee satisfaction is key.

Another 2010 survey of executives by SHRM found the two biggest challenges in Human Resources for the next ten years will be (1) retaining and rewarding the best people; and (2) attracting the best people to an organization.

How will those challenges be met? Fifty-eight percent of executives surveyed said through providing flexibility to balance life and work – making it the top concern.

An effective PEO – a true partner, not the enemy – can help small- and medium-sized employers administer a cost efficient integrated human resource solution.

Doing so frees a company to focus on employee satisfaction and pursue revenue-generating activities – crucial in this economy that continues to tread water.

Matt Thomas is president of Indianapolis-based WorkSmart Systems, Inc., a leading PEO serving more than 300 clients with employees in 37 states. For more information, please visit www.worksmartpeo.com.