

## GUIDE TO HR Outsourcing

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# Business can be like a game of chess


Successful chess players work backward – imagining their winning scenario, then strategically deploying their pieces to achieve their goal.

**Business leaders should think in much the same way.**




**When you consider the many moving parts of running a business, this neat chess metaphor breaks it down.**

- **You don't have one competitor; there are many.**
- **It's not just about using your rook wisely; you must keep her engaged and invested in the game.**
- **Add in the mental and monetary toll of managing various vendors to offer benefits and keep people paid.**
- **All the while, you're left navigating regulatory and compliance risks.**
- **And outside of people-related matters, you've got a business to run.**



If you could hire an outside firm to create a scalable system for keeping your queen, providing health benefits to everyone in the game and offering strategic guidance to keep you competitive, would you take it?



**Let's explore why so many businesses answer yes.**

# Pick your player

There's nothing wrong with any of these options, as long as you're ready to take on the challenges associated with each adventure. For those who would rather grow their business (and not their headcount), a PEO may be a good choice.

1

## Pick and choose multiple vendors

**Consider:** You may spend extra time juggling various vendor relationships and lose efficiency.

2

## Build a complex, in-house HR team

**Consider:** This could be costly over time and require more oversight.

3

## All-in-one, full-service professional employer organization

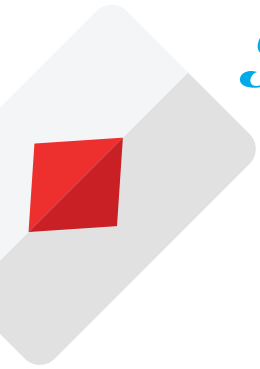
**Consider:** One HR solution that delivers benefits, payroll, HR compliance and technology may seem pricey. (Skip ahead to pg. 12 for pricing transparency.)



**Who do you choose to handle your HR?**



# Play to *your advantage*



**WITH A** **PEO**

When you join forces with a PEO, you gain a powerful ally. A PEO will unleash its full suite of resources and assume responsibility for some of your most time-consuming HR tasks and assume or help you manage your employer obligations and risks. You, in turn, can focus on advancing your game forward.



### Gain access to PEO-sponsored benefits

- Employees have access to comprehensive medical, dental, 401(k) benefits and more
- As the plan sponsor, the PEO handles carrier and vendor negotiations, benefits administration and legal compliance

### Ward off or manage risk

- Workers' compensation insurance coverage and employment practices liability insurance (EPLI)
- Advice on best practices regarding safety hazards
- Assistance with HR-related compliance and paperwork

### Level up employees

- Ongoing performance improvement support
- Online learning options, including leadership development

### Play it safe

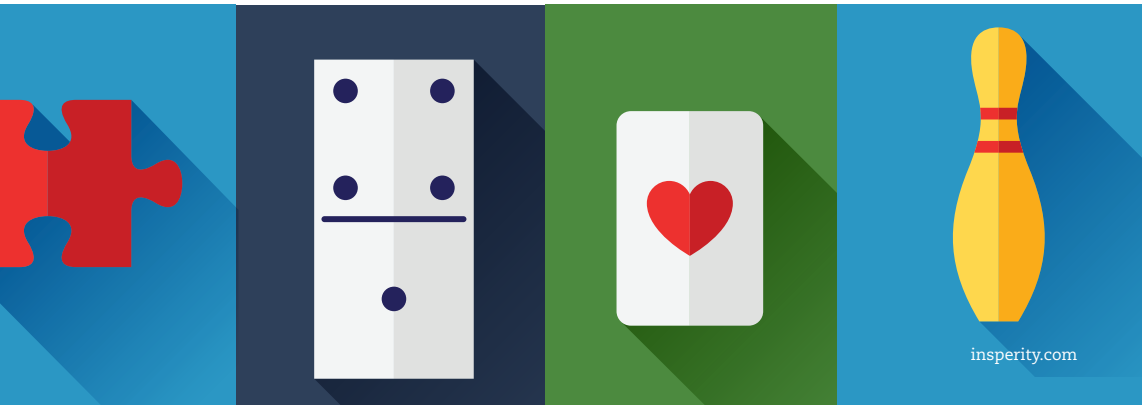
- HR best practices guidance to help you comply with HR laws, regulations, and rules, both state and national
- Handbook development, onboarding, termination assistance and more – to help reduce employer liabilities

### Let the big boss skip a turn

- Relief from the tedious tasks of HR administration, payroll processing and payroll tax filings
- Free up your time to focus on strategy, employees and the bottom line

### Unify your forces

- Service and technology to facilitate efficiency and compliance
- One seamless technology platform to integrate payroll and time and attendance
- Reduced manual data entry burden

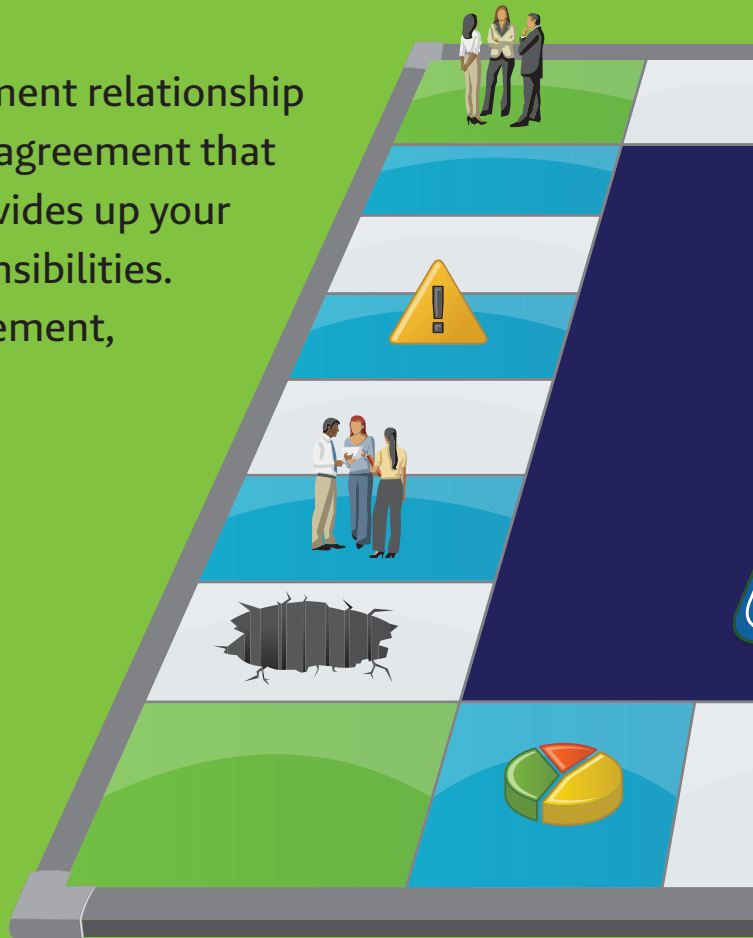


# Rules of the game

*When you decide to work with a PEO, the business relationship called “co-employment” is created.*

.....

The co-employment relationship is a contractual agreement that allocates and divides up your employer responsibilities. Under this agreement, your company’s employees are co-employed by both your company and by the PEO.



As a business owner, you're still in full control of:

- All business decisions
- Daily operations
- Employee core job functions and duties

And, just for example, as a co-employer the PEO could be responsible for:

- Providing employee benefits
- Payroll and HR administration
- HR-related government compliance assistance
- Providing HR advice



## Test your knowledge!

True or false quiz  
(answers at bottom of page)

**1.** A PEO does NOT take complete control of your business

**2.** A PEO will NOT replace your internal staff

**3.** A PEO does cause disruptions to your workplace



1. True. You maintain control of the business and all operational decisions.
2. True. PEOs align with your company's existing HR staff to provide complementary expertise.
3. False. Your employees will experience little-to-no disruption.

# A winning proposition



## PEOs commonly help client companies by:

### ▶ 1 Providing better benefits

With better employee benefits, you can attract and retain top talent and create a more engaged workforce.

### ▶ 3 Decreasing costs and increasing operational efficiency

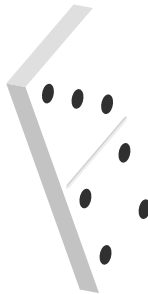
Not only do PEOs help you and your company save time, but they can also help you save money through:

- Better hiring practices that reduce turnover
- Finding new ways to motivate employees
- Creating strategic plans for the future

### ▶ 2 Reducing risks

Mitigate the risks that are involved with being an employer, receiving workers' compensation insurance coverage, EPLI, payroll processing and HR administration.

**A PEO provides the infrastructure and resources you need, giving you back valuable time to focus on growing your business.**





# Perhaps that's why, in a PEO arrangement, businesses have been shown to:



Grow 7-9% faster\*

EXPERIENCE

10-14%

LOWER TURNOVER\*



\*Source: Napeo.org; What is a PEO/  
About the PEO Industry.



# Take the quiz

## Do I need to outsource my HR?

Quiz yourself on the different business scenarios below. Think it through and be completely honest. If you answer yes to more than five questions, you and your team may benefit from working with a reputable PEO.

**1**

Is your management style reactive instead of proactive?

**2**

Have you dealt with incomplete employee paperwork before?

**3**

Have employees quit to find better benefit packages with other companies?

**7**

Do your employees quit on short notice or do you have high turnover?

**6**

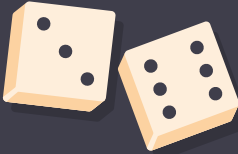
Have you ever been fined for HR-related compliance violations?

**5**

Do you have underperforming employees?

**4**

Have new employees missed their benefits enrollment period?



**Where did you land?** If your team could benefit from working with a PEO, it's time to understand how to choose between PEOs.

**8**

Have you had issues locating certain HR documents?

**9**

Are you slammed with tedious tasks and can't find time to focus on the bigger picture?

**10**

Does payroll take up a large chunk of your time?

An illustration on the left side of the page shows a target board with a blue bullseye and two blue stars. Several hands are shown placing orange puzzle pieces onto the target. One hand is at the top left, another is at the bottom left holding a green triangle, and a third is at the bottom right. The puzzle pieces have a white 'I' shape on them. The background is white with a light blue and orange color scheme.

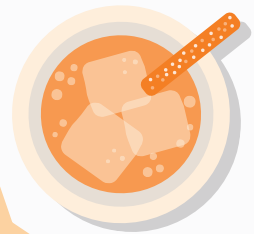
# Teams, not pieces, win

Every PEO is unique in the way they structure, deliver and price their services. (Beware of extra fees!) To pick a PEO that's going to give you a leg up, first identify your HR challenges.

- Are you processing payroll properly?
  - Are you losing employees to competitors because they don't have access to competitive benefits?
  - Or is your workforce disengaged and performing poorly?
- 

Now, identify your PEO must-have features:

- Employee benefits
- Technology options
- Assistance with HR-related government compliance
- Performance management support
- Employer liability management
- Training and development
- Payroll and employment administration
- Recruiting support
- Core and strategic HR services



# No Monopoly money




Part of beating the competition is holding the most coins in the end. So, it's important to understand PEO pricing to get the most bang for your buck.

## PEO cost and pricing breakdown

**The PEO's fee will include the PEO's direct cost allocations, which may include:**

- Wages and related payroll taxes (FICA, Social Security, Medicare, FUTA and SUI)
- Workers' compensation insurance
- Employee benefits
- Employment practices liability insurance (EPLI)

**An administrative fee may include charges for:**


- Payroll administration
  - Workers' compensation administration and safety
  - Benefits administration
  - HR compliance
  - HR technology
  - HR services
- 

## Key differentiator: Administrative fees can be

- 1. Percentage based** – The PEO's administrative fees are calculated as a percentage of your employees' gross payroll.
- 2. Flat charge** – The PEO's administrative fees are calculated as a fixed cost per employee.



**With the flat, per-head fee structure, it doesn't matter if an employee makes \$10 or \$10 million. Your PEO administrative fee stays the same.**





## Pro tip

It's wise to conduct a break-even analysis to understand at what point a percentage-based fee is more expensive than a flat charge.



## Weigh your options before making a move

### How to evaluate a PEO's financial strength and security

- Find their annual report, including audited financial statements online if they are publicly traded.
- Look for the PEO's annual financial statements that may be published on their website.
- Check for company information on an investment research website.

## What's a CPEO?

**A CPEO is a PEO that has been designated as a certified professional employer organization by the IRS. A CPEO has to meet certain financial requirements, resulting in an extra layer of security for your business.**

- Easier to assess the financial strength and security of a CPEO
- CPEO will have submitted audited financial statements to the IRS
- Must provide evidence of positive working capital
- CPEO takes on full liability for payroll taxes
- The IRS will have conducted necessary background checks on certain persons responsible for employment tax payments



# Winner takes all

## Would you rather have ...

A.

A PEO with a strong local presence in your city or state?

B.

A PEO with resources nationwide?



**If you've been in the game long enough, you're not just looking to skate by, you want to win big.**

For a business owner, that could mean expanding your business – to another city, state or across the country.

Will a PEO that's strictly local be able to provide you with the national resources you need? **Before you answer, pause! You don't have to sacrifice one for the other.**

**Why not work with a national PEO with locally based service team members? Here are some of the benefits:**

- Knowledge of local regulatory compliance
- Proficiency in federal-level issues
- Convenience and accessibility
- Market-specific awareness

# It's your turn!

.....

**Decisions, decisions. Finding the PEO that's most suited for your company can be tricky – not all PEOs are created equal. Before you commit, ask each PEO these questions:**

- How experienced are your service team members?
- How do you communicate with your clients?
- Can I meet the people who would be servicing my account?
- What is your “staff support ratio” or number of service team members compared to my employees?
- May I see your service agreement?
- Do you carry employment practices liability insurance (EPLI)?
- What coverage would my company gain by joining your PEO?
- How much should I expect my PEO service fee to increase each year?
- How are employee benefits funded?
- Are you a CPEO?



## **Play your cards right**

Be a savvy consumer. Before you sign on the dotted line, make sure you ask questions and read the fine print.



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