



**ATLAS CONSULTING SERVICES, LLC**  
EMPLOYEE BENEFITS SPECIALISTS



**PEO**



*The HR Solution for  
Small Employers*

# What is a Professional Employer Organization?

Over the last three decades, HR management has undergone many significant changes. From landmark legal and compliance decisions to shifting expectations of today's workforce, human resources departments have had to adapt to the changing times. For small and medium-sized businesses (SMBs), these changes have completely transformed how they approach running their business. This has led to the increase in HR outsourcing and the rise of professional employer organizations.

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A **professional employer organization (PEO)** is a firm that allows small and medium-sized companies to outsource most of their HR administration responsibilities. PEOs deliver cost-effective, outsourced solutions for various human resources services and functions.

Given the number of PEOs on the market today, not all are the same. However, most offer three main services to their clients: *HR Services, Employee Benefits Services, and Risk Management and Compliance Services.*

Let's take a closer look at these PEO services...

# The Services and Solutions offered by PEOs

PEOs offer products and solutions to their clients that tend to fall into one of three main categories: **HR Services**, **Employee Benefits Services**, and **Risk Management and Compliance Services**. Here are some examples of the offerings that will usually fall under each of these services:

## HR Services

HR is more than just benefits; it covers a range of tasks from running payroll to developing the culture your firm needs to thrive. HR services can include:

- HR management
- Payroll and tax services
- Recruiting services
- Performance management solutions
- Learning and training
- Time and attendance
- Culture building consulting
- Scheduling
- Compensation consulting

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## Employee Benefits Services

Small and medium-sized businesses need benefit plans that are cost-effective and flexible enough to help with recruiting and retaining top talent. Partnering with a PEO allows clients to offer the same quality benefits as large companies. These benefits include:

- Healthcare Benefits
- Life, Disability, Dental, and Vision Plans
- 401(k) and Other Savings Plans
- Voluntary Benefits
- Complimentary Benefits

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## Risk & Compliance Services

PEOs work with small and medium-sized businesses to identify potential risks and recommend processes and procedures to help mitigate exposures to the business. Some of these risk and compliance services include:

- Leave of absence management
- I-9 verification
- OSHA support
- Drug testing support
- Employee handbooks and posters
- Workers' compensation
- Workplace safety improvements
- Return-to-work programs
- Employee policies and notifications

The exact services and products available to clients will differ depending on the PEO, with some being able to provide personalized offerings for each client. This helps to maximize the partnership for both the business and its employees.

# Why choose a PEO?

Besides what it stands for, the second most common question business owners have is why choose this type of HR outsourcing solution.

Given the complexity of modern HR, many owners get stuck handling their company's HR administrative responsibilities – taking their valuable time away from the missions of the business. But a PEO handles the majority of these tasks for their clients, freeing up time for owners and leaders that can instead be focused on activities that can help drive the business forward.

Another perk is that a PEO will help their clients maintain compliance with ever-changing employment legislation, avoiding potential costly penalties, fines, and even lawsuits.

But PEOs also add value to their clients. These statistics were uncovered in a report by the National Association of Professional Employer Organizations (NAPEO):



- Companies who use a PEO save 35% on HR administration costs.

Small and medium-sized businesses today spend a lot on HR administration. Working with a PEO not only provides an organization with improved HR practices and better benefits, but they can do it at a much lower cost.



- A PEO can help small businesses grow 7% to 9% faster.

By partnering with a PEO, business owners can outsource their HR needs so that the focus can be on high-value activities that build a company. When leaders don't have to worry about day-to-day HR work, and instead put full attention into the mission of the company, it increases the likelihood of business growth.



- Partnering with a PEO lowers employee turnover by 10% to 14%.

Working with a PEO allows smaller businesses to offer their employees the same quantity and quality benefits as much larger organizations. This helps improve employee happiness and engagement, which leads to reduced turnover.



- PEO clients are 50% less likely to go out of business.

Working with a PEO can help solve the biggest HR challenges employers face. Faster growth, lower employee turnover, and spending less on HR administration costs set small businesses up for greater success.

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Additionally, another NAPEO survey revealed that *98% of clients would recommend a PEO to a small business colleague.*

## Which Businesses Can

## Gain the Most from a

## PEO Partnership?

Professional employer organizations work with a diverse set of businesses throughout the United States. Much like with services, client characteristics will vary depending on the PEO. But here are four of the most common traits that might make a business better suited for this HR solution:

### Number of employees

Some PEOs work with start-up businesses with as few as **1 full-time employee** to medium-sized organizations with up to **500 employees**. The exact number usually varies depending on the PEO.

### Looking to grow

PEOs enable business owners and leaders to focus on growing their business instead of worrying about HR administration tasks. Small and mid-sized businesses who are growing or want to grow are a perfect PEO client.

### Want to offer better benefits

By working with a PEO, employers are able to offer their employees the same quantity and quality benefits as much larger organizations. These include tailored health insurance, retirement benefits, a wide-variety of voluntary benefits, complimentary perks, and more.

### Operate within certain industries

The services offered by PEOs may be better fits for businesses that operate in certain industries. Some of the most common include professional services, marketing, technology, and financial services.

# What to Look for

## in a Potential

## PEO Partner?

The decision to work with a PEO is an important one, and partnering with the right organization can lead to business success. That's why understanding these PEO traits, models, and distinctions can help business owners make the best possible choice:

### **ESAC Accreditation**

In 1995, the Employer Services Assurance Corporation (ESAC) was formed to become the official accrediting agency of the professional employer organization industry. PEOs that are accredited by ESAC meet the gold standards for industry best practices and financial reliability.

### **Service model**

PEOs can vary in the type of service model they provide. They can range from a one-size-fits all approach, to a highly differentiated, personalized model. The differences between service models can be a big factor in deciding which PEO to partner with.

### **National or Regional**

Most professional employer organizations will fall into one of two categories: *national* or *regional*. National PEOs operate and have clients throughout the country. Regional PEOs are only located in certain areas or regions in the U.S. and tend to focus their services on clients located close by. The degree of personalized services that are offered could vary based on this trait.

### **CPEO designation**

Starting in June 2017, the Internal Revenue Service (IRS) began designating select PEOs as Certified Professional Employer Organizations (CPEO). To become certified, a PEO must apply to the IRS and provide extensive background information. Having CPEO status provides financial assurance and peace of mind to companies who partner with PEOs that they are working with a best-in-class organization.

# Common Myths about PEO

A few myths surround PEOs that cause some business owners to avoid this HR outsourcing solution. However, the majority of these myths have been debunked, including these 3 most common examples:

**Myth 1:** *Owners lose control of their business*

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Perhaps the most well-know PEO myth is the idea that this partnership will result in owners losing day-to-day control of their business.

However, this is completely false. Business owners do not lose any control when working with a PEO. In fact, client's ultimately gain from this relationship, with the PEO becoming a valuable partner that handles many HR tasks and responsibilities (while helping to streamline all HR strategies).

But this myth also lends itself to another similar misconception about PEOs...

**Myth 2:** *A PEO can hire and fire a client's employees*

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In addition to losing day-today control of their business, owners are also concerned that a PEO has the authority to make hiring and firing decisions with employees. But once again this isn't true.

Business owners retain all talent management responsibilities such as: hiring new workers, firing employees, promoting staff members, and giving raises.

The only task the business owner would need to do is notify their PEO so that all HR and employment documents are updated.

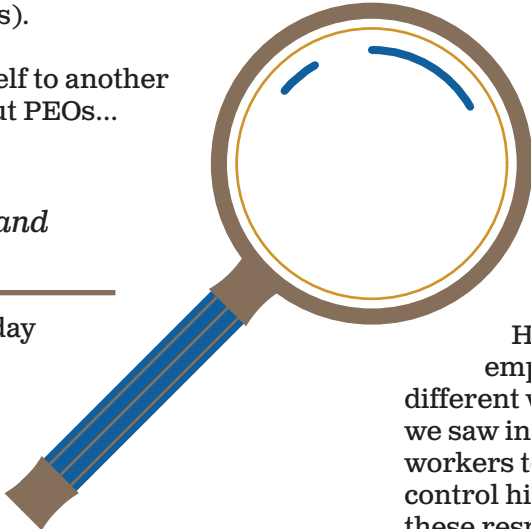
**Myth 3:** *Co-employment and employee leasing are the same*

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Next to losing business control, the next most popular myth involves the arrangement that takes place between a PEO and their clients, called co-employment. This means that the client's employees would be employed by two different entities - the client company and the PEO. Each is responsible for certain employer rights, responsibilities, and HR tasks.

The myth around co-employment is that it is the same thing as employee leasing - the practice of supplying new workers or contractors to a client, usually on a temporary basis.

However, co-employment and employee leasing are two very different working arrangements. As we saw in myth 2, PEOs do not provide workers to their clients and do not control hiring/firing decisions. Instead, these responsibilities stay with the business owner - busting this popular PEO myth.



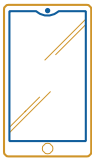
# Can a PEO Help Overcome Your HR Challenges?

Professional employer organizations can be the perfect solution for small business owners who want to save on HR and healthcare costs all while improving benefit options and HR practices.

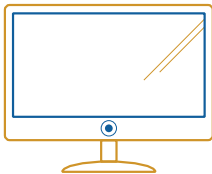
Our team at *Atlas Consulting Services, LLC* can help connect you with the PEO that best fits the needs of your business and employees. Contact us today to learn more about how you can start saving and enhance your HR through a PEO.



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