

What is a Professional Employer Organization?

BY MICHELLE ORGILL-PETERSEN

Nationwide, thousands of companies are finding that outsourcing their human resources function to a full-service, professional employer organization (PEO) is the solution to their HR needs. This strategic management option allows a company to remain focused on its core competencies, helping enable them to further develop and meet their business goals and objectives.

A PEO serves as a full-service human resources department that handles small and medium-size (less than 500 employees) businesses' daily administrative tasks, such as payroll processing, employee benefits management, employer liability management, employment taxes and workers compensation coverage and claims resolution. Full-service PEOs typically also include personnel-related administrative functions such as placing ads, employee interviewing, background checks, recruiting and selection, and outplacement services as part of their total service offering.

When a company signs on with a PEO, the client company and the client company's existing employees, including the business owner, enter into a co-employment relationship. Under this arrangement, the PEO assumes or shares many of the responsibilities associated with being an employer, such as keeping pace with changing state and federal regulations to help reduce or eliminate fines and penalties.

Business owners benefit from the PEO handling much of the time-consuming, HR-related activities. Further, PEOs are able to offer employees of small businesses cost-effective benefits they might not otherwise access, which gives the business an edge in attracting and retaining quality employees. Knowing which employee benefits will be most valuable to your company is a matter of knowing your business and employee needs. Evaluate your company and employee needs to determine which employee benefits are the right fit for your business.

Like any business decision, the decision to consider a PEO should be a careful one. Before contacting a PEO, it is wise to check references, inquire about all services offered and related fee structures, and confirm that the company is a member of the National Association of Professional Employer Organizations (NAPEO), the PEO industry's trade association. Additionally, the most distinguished PEOs are accredited by the Employer Services Assurance Corporation (ESAC) which evaluates a PEO's compliance with important ethical, financial and operational requirements. For more information about finding the right PEO, visit NAPEO's Web site at napeo.org.

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