

# PEO'S – The Pay-As-You-Go Workers Compensation Program And So Much More!



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As if that title did not catch your eye, just wait, there are even more value driven services than your workers compensation that the Professional Employer Organizations (PEO'S) of today offer. What is a PEO? In this article we will break the PEO alignment down into the following: economics, operations and cost to benefit ratio. Second, we will focus on matching your wants and needs from a Human Resources and Administrative aspect which will enhance the alignment and the services that are available, but often underutilized.

## What is a Professional Employer Organization?

A Professional Employer Organization (PEO) is a business also known as “employee leasing” or “staff leasing.” PEO's provide small and mid-sized businesses of all types, with an integrated suite of services including; HR administration, compliance management, safety and risk management, payroll and tax administration, legal adherence and employee benefit solutions. The company operates with its' clients as a “co-employer” of the individual workers for the purpose of the HR administration and operations of running a business.

PEO's help clients focus on their core competencies and displace non-revenue HR administration and operations to maintain and grow a clients bottom line. The PEO concept is a combination of a simple outsourced payroll service business and a staffing model. The PEO has the legal, compliance and administrative responsibility for the workers, while the client company has the management and supervisory responsibility.

It is difficult to maximize the “business of running the business” if valuable time is spent on non-productive, time-consuming tasks that do not add to

the productivity, operational efficiency and profitability of a company. The PEO Alignment does just that, it opens the door of opportunity to make a client company more productive, efficient, effective and profitable. Most business owners do not have the knowledge, skill or time to devote to human resource and risk management training, develop accounting skills, obtain and maintain current knowledge of **regulatory compliance** or to learn and understand the complexity of commercial insurance and employee benefit programs.

A PEO brings a one-stop, total turn-key, comprehensive solution to these and other **compliance issues** facing today's' business owner.

## The Economics, Operations and Cost To Benefit Ratio

So let's get down to the Nuts and Bolts. The economics of a PEO are simple- aggregation is the answer. Aggregation is defined in the dictionary as “The collecting of units or parts into a mass or whole.”

Because the PEO becomes an employer of record for its client's workers, it can leverage administrative management across a greater number of workers. More importantly it can aggregate Workers Compensation and Unemployment Insurance across a wide range of job classifications and a significantly greater population compared to that of each individual client. This aggregation of risk gives the PEO superior purchasing power with the insurance companies and diversifies individual loss risks in a way that reduces overall insurance rates, so that, they can pass along some of these cost savings to their clients in the form of modification rates, deposit premiums and annual audits.

## The Costs:

PEO's more likely than not charge what is called a "Bundled Rate" - per hundred dollars of gross payroll, this means that their rate is a percentage of that gross payroll and your invoice will show the labor burden and then the payroll burden that includes FICA, FUTA, SUTA, Workers Compensation and Administration costs, to give you a gross payable due to the PEO after you submit your associates hours to them.

## The Benefits for the Business Owner:

- Controls costs and helps free up more cash flow through an HR expense model reduction and pay-as-you-go workers compensation plan
- Saves time and paperwork hassles (displaces non-revenue HR operations and administrative tasks, so your client can focus on running the businesses top and bottom lines)
- Liability shifts for some of the HR functions from the client onto the PEO structure
- Reduces turnover and attracts better employees
- Provides quality, affordable, employee benefit packages
- Provides professional human resource services (employee handbooks, forms, policies, procedures, etc.)
- Provides professional safety and risk management services
- Reduces accounting costs
- Provides payroll administration
- Provides professional compliance with State, Federal and Governmental regulations and laws
- Tracks work-related injuries and provides claims management for **workers compensation and unemployment insurance**
- Enhances the business profile for potential asset liquidation

## The Benefits for your Employee(s):

- Comprehensive benefit packages previously unavailable, now accessible
- Better employer/employee communications
- Payroll on-time and accurate
- Professional assistance with employment-related problems
- Professional orientation and employee handbooks
- Extends statutory protection to more

employees

- Up-to-date information on labor regulations and workers' rights with worksite safety
- Efficient, responsive and professional claims processing
- Portable benefits (employees can move from one PEO client to another without the loss of eligibility for benefits)

## Matching wants and needs enhances the PEO Alignment for the client company:

The PEO alignment is a complete HR administration and operational solution. There are hundreds of PEO's across the country that specialize in certain SIC codes and states. Due to this fact...

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