101 Guide For Small Business Owners

A professional employer organization (PEO) is a business that forms a joint-employment relationship with an employer by leading people to the employer, allowing the PEO to share and handle many of the employer's employee-related responsibilities and obligations. Employment benefits, compensation and payroll administration, workers' protection, and payroll taxes can all be outsourced due to this.

Workers of PEO clients are often treated as professional employees by PEOs. Employee liability is transferred to the PEO after the client company reports its wages using the PEO's federal employer identification number.

Employers benefit from economies of scale by having a more comprehensive range of benefits to choose from, often at reduced costs.

What is the Function of a Standard Professional Employer Organization?

Employees are hired directly by PEOs, and administrative functions such as payroll, employee benefits, and essential taxes are handled. Meanwhile, the client company retains control over the staff on a day-to-day basis. The PEO acts as the Employers of Record for tax and insurance reasons and assumes a variety of administrative and compliance tasks. On the other hand, the client company continues to provide all employees with job assignments and instructions.

PEOs are known as 'co-employers ' in some markets. We go into greater detail on the co-employment paradigm further down.

Client organizations can drastically cut employee expenditures by partnering with a PEO. This is because a specialist PEO can frequently supply services more efficiently than the client firm.

A signed agreement between the PEO and the client company will determine the PEO's responsibilities. Frequently, this agreement will include:

- Payroll management.

- Tax compliance and essential taxes (such as payroll taxes).

- Administration of employee benefits.

- Administration of Human Resources (HR).

PEO agreements frequently include a variety of associated services, including recruiting and training.

A Brief History of a Professional Employer Organization (PEO)

A professional employer organization (PEO) is not a new company or concept. Although PEOs have been around for several decades, they are becoming ubiquitous.

PEO, as it is now known, first appeared in the 1980s. However, since the 1960s, an analogous notion known as "staff leasing" has existed.

In the 1980s, PEOs began as corporations that provided payroll processing services to clients in the United States. Following that, over the same period, labor and employment compliance difficulties arose. As a response, state governments enacted a slew of HR and employment legislation to better protect employees' interests.

HR and administrative issues have become more time-consuming and complex as a result of these changes. HR operations inside an organization have needed to expand, which has increased the cost of delivering such services. It has been difficult for small businesses and start-ups to afford the expenses associated with offering this type of service.

As a result, administrative and human resource functions are increasingly being outsourced.

The value of a PEO for a small business becomes clear as COVID-19 unfolds. How can you keep your staff safe while also keeping expenditures under control? The Following are some examples of how our PEO clients have profited from our services.

- **RAPID CHANGES IN THE LAW**

With the recent CARES Act and FFCRA to assist failing firms, small business owners are being bombarded with information and restrictions.

PEOs give a comprehensive team of experts who have been waiting for the legislation, final rulings, and updates on all of the Acts with bated breath. They spend endless hours delving into legal vocabulary to respond to questions from business owners. Then, PEOs collaborate with businesses to put in place practices that help them stay compliant. They also assist staff in getting through difficult times while keeping the company's survival in mind.

- **THE CARES ACT ALLOWS PEOS TO HELP WITH PAYCHECK PROTECTION PROGRAM (PPP) LOANS**

Lenders are requesting historical payroll data and tax reports from a PEO's HRIS system as soon as possible. These systems are financially demanding for many small enterprises without HR assistance and working with clients to help them comprehend their choices.

- **BURDEN OF PAYROLL**

Payroll processing has become a nightmare. Many payroll processors' systems have been thrown for a loop by tracking the FFCRA emergency sick leave and expanded FMLA separately from ordinary sick and FMLA leave. When you factor in any furloughed or terminated employees, the job has more than doubled in size.

Instead, our PEO Clients are focusing on mission-critical tasks that can make or break a company. Furthermore, their payroll is processed by specialists with the time and experience to understand the subtleties of payroll and payroll tax legislation and backup teams of professionals.

- **STAFFING REQUIREMENTS: ONBOARDING AND DEPARTURES**

Staffing costs must account for at least 75% of PPP loans. Companies that had previously furloughed or fired personnel are now finding that they need to rehire them. This entails more paperwork and a slew of employee questions, such as whether or not benefit wait periods would be restarted.

When a company needs to lay off or fire personnel, the PEO is a wonderful resource for ensuring compliance. Layoffs, COBRA, and paperwork, including federal reporting, are all encouraged.

- **EXCELLENCE IN HUMAN RESOURCES**

Partnering with a PEO is similar to hiring a full-service HR department, complete with a team of HR specialists who are up to date on continuously changing employment rules and can help you simplify your HR.

PEOs, according to research by the National Association of Professional Employer Organizations (NAPEO), provide access to even more Hr functions at a cost of over $450 per person less than organizations who handle their HR services in-house.

According to studies, organizations that use a PEO expand 7-9 percent quicker, have 10-14 points reduction turnover, and are 50 percent fewer likely to fail.

- **CHEAPER WITH BETTER BENEFITS**

A PEO can assist firms in gaining access to high-quality employee compensation, such as healthcare insurance alternatives with stable and cheap prices, by joining a big group risk pool. Small firms frequently find high-quality employee perks out of reach due to financial constraints. The cost savings on medical insurance alone can cover the cost of the PEO.

WHAT YOU NEED TO KNOW ABOUT PEOS

You've made the first step towards making your business more effective in handling its most valuable asset: your workers. But If you're a small business owner who is just now discovering professional employer organizations (PEOs), you may be wondering how it functions.

A few or all HR functions can be outsourced, dependent on the PEO and the contract. Businesses who do not want to co-employ but still want some of the outsourcing benefits can use a professional services outsourcing (ASO) arrangement.

A PEO can provide considerable benefits, particularly for small businesses that may lack the depth of HR expertise or system capabilities for services like payroll and HRIS, as well as the time and resources to focus on many transactional HR functions.

The following are some of the HR burdens that a PEO may alleviate:

- Administration of benefits.

- Recruiting and hiring are two different things.

- Payroll administration is a job that requires a lot of time and

- Administration of unemployment benefits.

- Administration of workers' compensation.

- Assisting with compliance.

- Programs for drug testing

- Administration of the Family and Medical Leave Act.

The following are some of the potential drawbacks:

- Control over critical processes and people has been lost.

- The impact of an outside corporation on your culture.

- The Internal HR department's value has decreased.

- Employee paperwork is not under control or secure.

- There has been a loss of institutional expertise.

- The vendor's system has security vulnerabilities.

- Employees are resisting.

What's the Difference Between a Professional Employer Organization (PEO) and Employee Leasing?

Employer administrative and compliance services are provided by PEOs to a client company and its employees. An employee leasing company, on the other hand, provides its staff to a client company, often temporarily. They frequently return after the allotted work is accomplished.

There is some ambiguity between the phrases because PEOs evolved from the employee leasing concept.

A temporary employment agency that recruits its very own employees to be allocated to client organizations, usually on a short-term basis, is a similar structure. This is prevalent in administrative and physical labor positions when a job cover is required for a short period of time.

What are the most important employee touchpoints?

Your firm will reduce risk and maximize return on salary dollars spent if you grasp these critical touchpoints.

1. **Sales**- Attract the people who will help you grow your company and make more money.

2. **Recruiting** - Effective hiring practices assist staff in swiftly becoming up to speed and productive.

3. **Compensation** - Establish competitive pay to recruit superior staff.

4. **Employee Benefits** - A comprehensive employee benefits package can assist you in retaining and attracting top talent.

5. **Payroll & Tax Administration** - In exchange for your salary investment, you get employee productivity, but after that, it's mostly a highly regulated administrative activity that must be completed correctly to avoid penalties and fines.

6. **Productivity Management** - Evaluate your employees' and company's performance to meet expectations and boost overall productivity.

7. **Worker's Insurance and Liability Management** - Reduce the possibility of workplace injuries and worker conflicts to avoid penalties, lawsuits, and a poor return on salary dollars being spent.

8. **Conformity** - Among the most controlled and risky areas of running a business is employment, which is why you need a strategy in place to safeguard your firm from penalties and lawsuits.

9. **Document Administration** - Maintaining high-quality records is necessary since it is required by law, saves businesses from spurious lawsuits, and boosts staff productivity.

10. **Employee Discharge** - The end of a working relationship can be the most dangerous time. It's heavily regulated and could have an influence on your clients, revenue, and other staff.

Because they are not seen as value-added duties, these ten crucial areas of the employee lifecycle are frequently overlooked. Companies may increase efficiency, reduce risk, attract and retain better personnel, and much more by improving some of these essential points. A PEO can assist you with each of these processes, focusing on regulatory preparation/paperwork and day-to-day personnel administration so you may concentrate on HR tactics that affect your bottom line.

Additional Options solveHR Provided Assistance to Clients During the Pandemic.

While assisting consumers with PPP loan applications was important, solveHR also guided and assisted clients in the following ways during the pandemic:

- On its website, it started a Coronavirus-specific page.

- To protect clients and employees, virtual meetings and training were implemented.

- Clients received a tailored guide outlining proper return-to-work practices.

- To address frequently asked questions, we held webinars for both clients and employees.

- Developed an FMLA solution that allows affected employees to apply for paid emergency sick and family medical leave online.

- Employer and employee tax deferrals were discussed.

- Clients can complete an easy-to-use survey and receive reliable data for PPP loan forgiveness.

- Assisted with regulatory changes, discrimination problems, and layoffs, and furloughs by providing continual guidance and counsel.

Companies, now more than ever, require assistance in navigating through a period of great uncertainty. Allow our solveHR professionals to assist you in navigating the complexity and keeping your company moving forward.