



MAXIMIZING THE VALUE OF **Professional Employer Organizations**



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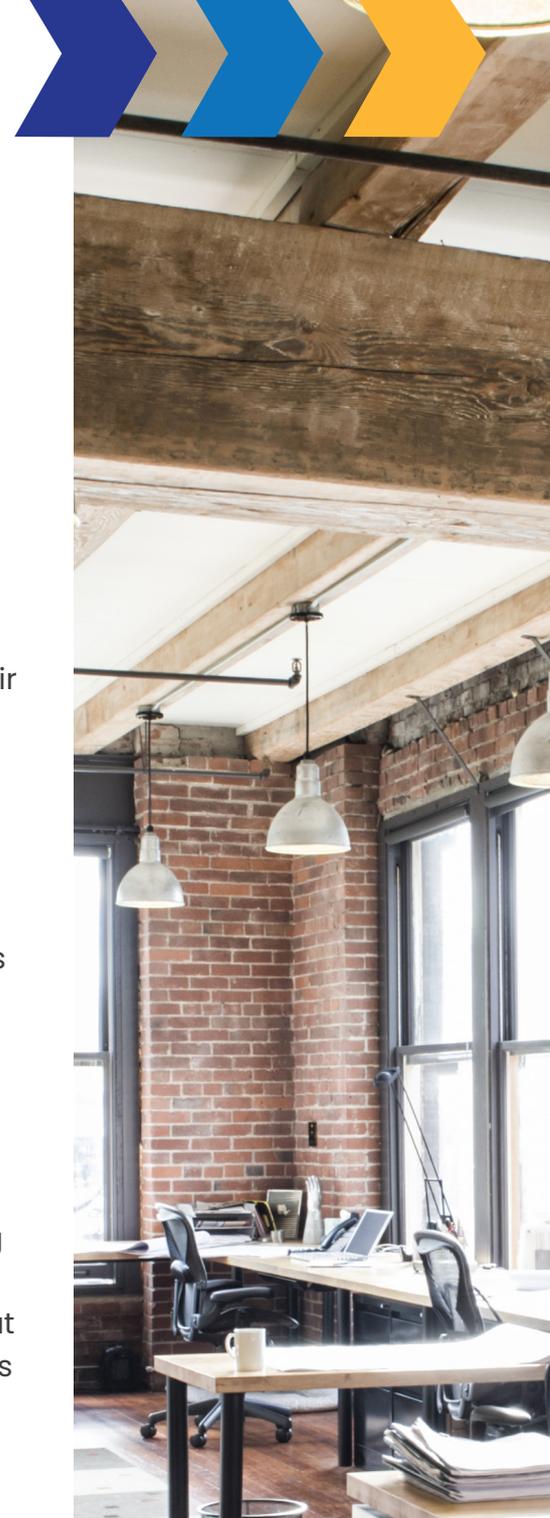
As the business landscape becomes increasingly complex, small and medium-sized businesses need help managing their workforce effectively.

Professional Employer Organizations (PEOs) are a popular solution for small and medium-sized businesses that need comprehensive human resources, payroll, and benefits support. Simply put, a PEO is a third-party organization that offers businesses a comprehensive suite of HR, payroll, workers compensation and employee benefits services, allowing them to focus on their core operations while enjoying the benefits of expert support.

In recent years, the PEO industry has experienced significant growth, and for good reason. With more and more businesses recognizing the value of PEOs, the industry is quickly becoming a powerhouse in the world of business services. The National Association of Professional Employer Organizations reports that PEOs have grown to manage over 4 million worksite employees and over 173,000 small to medium-sized businesses.

In this white paper, **you'll discover:**

- **Benefits of PEOs:** Learn how PEOs can save you money, improve efficiency, and offer expert HR support.
- **Comprehensive Guide:** Get insights for small businesses considering PEO partnerships.
- **Industry Overview:** Understand the PEO landscape and its advantages.
- **Key Considerations:** Learn what to look for when choosing a PEO to partner with.
- **Best Practices:** Discover how to work effectively with a PEO to maximize benefits.
- **Informed Decisions:** By the end, you'll have the knowledge to make wise choices about PEO partnerships.



The PEO Industry Boom

The recent boom of small businesses nationwide has increased the demand for PEO services. As a result, the PEO industry has experienced **significant growth** in the past few years. One key factor is the ability of PEOs to provide comprehensive human resource (HR) services to small and mid-sized organizations.

These services include:

- Technology solutions
- Employee recruitment and retention support
- Benefits plan design and administration
- Payroll management
- Compliance assistance
- Employer risk management

Since 2010, **employment growth among PEO clients has reportedly been 9% higher** than that of small businesses without PEO support.



By outsourcing their HR duties to PEOs, businesses can free up their owners to focus on core operations, strategies, and revenue-generating activities.

Another factor contributing to the growth of PEOs is their positive impact on their clients' growth and success. According to the **National Association of Professional Employer Organizations** (NAPEO), businesses that partner with a PEO experience higher employment growth rates compared to those that handle their HR tasks internally. Since 2010, **employment growth among PEO clients has reportedly been 9% higher** than that of small businesses without PEO support. Moreover, businesses that utilize PEO services boast a **4% higher growth rate than the overall U.S. economy**.

By partnering with a PEO, businesses can create a more efficient, compliant, and safer work environment, leading to overall growth and success.



Pros and Cons of PEOs

There are many advantages of engaging a PEO for your business, as well as potential challenges associated with this arrangement. By weighing the benefits and limitations of PEO partnerships, businesses can make informed decisions that align with their HR and operational needs.

Advantages of Partnering with a PEO

Partnering with a PEO offers several advantages for businesses:

- **Focus on Core Business:** Small businesses often find payroll processing to be a significant administrative burden that consumes valuable time. By outsourcing payroll and other HR responsibilities to a PEO, business owners can free up time to focus on managing employees, clients, and essential operations.
- **Better Oversight:** Staying up-to-date with the ever-evolving rules and laws regarding payroll, benefits, taxes, and HR compliance can be overwhelming for small businesses. PEOs specialize in these areas and have a deep understanding of the changing landscape, ensuring businesses remain compliant and up to date with any regulatory changes.
- **Liability Protection:** Many PEOs carry employment liability insurance, providing protection in case of lawsuits related to discrimination or wrongful termination by former employees. Liability protection alleviates the need for businesses to rely solely on their insurance in case of an incident and potentially face higher premiums.
- **Cost Savings and Better Benefits:** PEOs have a unique advantage in representing a network of businesses. This enables them to provide comprehensive and attractive benefits packages, along with cost-effective insurance solutions. By harnessing collective buying power, businesses that partner with a PEO can offer their employees enhanced benefits without the hassle of managing or administering them.

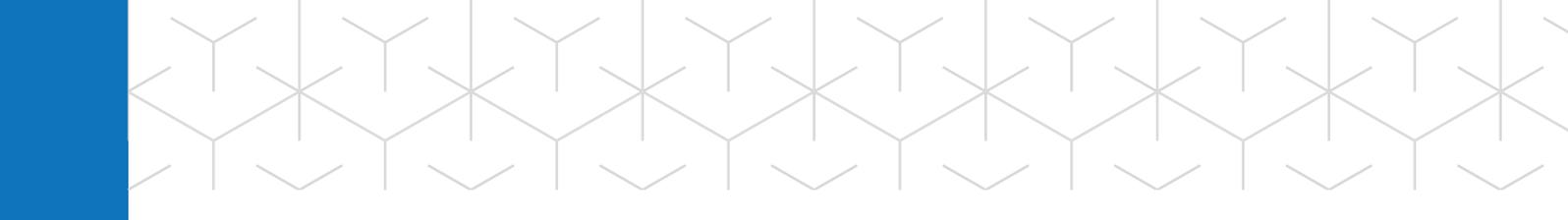
Potential Drawbacks and Challenges

While partnering with a PEO brings numerous benefits, there are some potential drawbacks to consider:

- **Internal Controls:** Small business owners who are accustomed to being deeply involved in every aspect of their business may find it challenging to relinquish control over HR administration tasks. Letting go of these duties and trusting a PEO to handle them requires a shift in mindset.
- **Changes in Healthcare Plans:** PEOs offer better healthcare plans for their clients, which can sometimes lead to changes in healthcare providers, potentially causing frustration among employees. Businesses aim to strike a balance between cost efficiency and maintaining consistency in healthcare services, all while minimizing any disruptions caused by plan adjustments.
- **Impersonal Service:** Companies using a PEO might encounter difficulty in offering the same level of personalized service to their employees as they think they can when handling HR tasks internally. Nevertheless, reputable PEOs, such as StaffScapes, prioritize responsive and dedicated HR support. This commitment ensures that client employees receive the attention and care they deserve, even when there's no dedicated HR person or department in place.

Understanding the pros and cons of working with a PEO will help businesses searching for needed support determine if working with a PEO aligns with their specific needs and goals.





Creating Value for Small Businesses

Partnering with a Professional Employer Organization (PEO) can bring significant value to small businesses. **PEOs assist in handling critical operations** such as payroll, workers' compensation, HR administration, and retirement benefits. By leveraging the expertise of a PEO, small business owners can focus on core company goals while experiencing benefits like improved employee retention and higher growth rates.

Specific Ways PEOs Benefit Small Businesses

1 Retirement Benefits: PEOs offer valuable opportunities for employer-backed retirement plans, including 401k packages and other retirement benefits. These plans are more accessible to companies that partner with a PEO, providing advantages for both the business and its employees.

Offering retirement benefits plays a crucial role in attracting and retaining qualified employees, as proven by surveys indicating that retirement benefits influence employees' decisions to join or stay with a company. PEOs like StaffScapes excel in this area, with 97% of PEOs providing some form of retirement plan compared to the low percentage among non-PEO businesses.

2 HR Administration Services: PEOs offer a range of HR administration services, such as Paid Time Off (PTO) tracking and reporting, performance review assistance, and telephone consultation. Through a PEO partnership, small businesses, especially those with fewer employees, can access comprehensive HR services that are made more accessible and affordable by PEOs, allowing them to obtain support they may not be able to obtain or manage independently.

3 Cost Savings: Despite offering additional services, PEOs still manage to provide their clients with HR administration services at a lower cost than non-PEO businesses. A 2013 survey conducted by Towers Watson concluded that **businesses using PEOs save approximately 35% on HR administration services** compared to non-PEO businesses. This cost savings allows small businesses to allocate resources more efficiently while still benefiting from the expertise and support of a PEO.



How StaffScapes Has Helped Businesses Like Yours

The case studies below highlight how StaffScapes contributes to the successful operation and growth of small to medium-sized businesses by providing value through employee benefits, HR administration services, and cost savings. Each example demonstrates the tangible benefits experienced by small businesses when they partner with a PEO.

Decreasing Turnover and Increasing Profits for a Franchise Owner with StaffScapes

The problem at hand for **this franchise owner** named Don was his considerable employee turnover, which not only incurred costs but also disrupted daily operations and customer service. Don was particularly concerned about the potential loss of his general managers, who played a crucial role in running each restaurant. However, he lacked the time and expertise to address the issue effectively.

Don approached StaffScapes seeking assistance in unraveling the underlying employee relations and company culture issues affecting his restaurants. Our first step was creating an online onboarding process, streamlining operations, reducing costs, and eliminating miscommunications. We also implemented E-Verify and developed a robust compliance process to ensure regulatory adherence.

To address employee turnover, we focused on equipping the general managers with the necessary tools and knowledge to perform their required duties. As Don's dedicated HR Department, StaffScapes provided time-saving support and crucial advice as needed. We conducted training sessions to enhance compliance and improve team management efficiency. In addition, we customized the franchise company's employee handbook to align with Don's specific restaurant culture, location, and environment.

The results of our collaboration were impressive. By implementing E-Verify, turnover reduced by 50%, resulting in a more stable, happier, and more productive restaurant workforce. Thanks to our assistance, Don's franchises were also safeguarded against non-compliance fines and potential employee lawsuits.



“Without the aid of StaffScapes, I do not think we would have been properly prepared to present our case to the mediation board. I think their expertise and knowledge is more than worth the minimal expense associated with hiring them as my HR partner.”

—John, Company Owner

Successfully Defending a Manufacturer from an Age Discrimination Complaint

At StaffScapes, we assisted a manufacturing company in successfully **defending against an age discrimination complaint** filed by a former employee. The employee, initially placed in an unsuitable role, faced performance issues, warnings, suspension, and eventual termination for a no-call-no-show, leading to the complaint.

Working closely with the company, we gathered comprehensive evidence to disprove the claim. We examined their hiring and firing practices, emphasizing their history of hiring older applicants and retaining employees based on performance. We also updated their employee handbook to promote fair treatment and legal compliance.

As a result of our partnership, the manufacturing company successfully defended itself during mediation. Through our expertise, we conveyed the company’s commitment to non-discrimination during mediation, resulting in a favorable outcome that not only cleared their name but also strengthened policies against future age discrimination claims.

By leveraging the unique benefits that PEOs offer, small businesses can optimize their HR operations, attract and retain talented employees, and allocate resources effectively, ultimately creating value and supporting their long-term success.

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ROI of Using a PEO

According to [“The ROI of Using a PEO”](#) white paper by Laurie Bassi and Dan McMurrer of McBassi & Company, partnering with a Professional Employer Organization (PEO) offers significant value in three main areas:

- Improving employee attraction, retention, and motivation
- Allowing businesses to focus on core operations while the PEO handles HR matters
- Reducing HR-related costs

This section will dive into the calculation and measurement of the return on investment (ROI) when utilizing PEO services.

Calculating and Measuring ROI in PEO Services

While ROI encompasses various factors, cost savings provide a tangible and quantifiable measure. For the purposes of research, the paper primarily considers five HR-related areas to calculate cost savings: HR personnel costs, health benefits, workers’ compensation, unemployment insurance, and external expenditures directly related to HR services such as payroll services and benefits.

By comparing the average cost savings per employee to the average PEO cost per employee, the research estimates the ROI.

On average, PEO clients save \$1,775 per year per employee, while the average PEO cost per employee is \$1,395.

This calculation yields an annual ROI of 27.2 percent. Notably, this estimate is based solely on cost savings and does not incorporate the additional benefits identified in the previous research categories of employee attraction, retention, and motivation, as well as business focus.

It is important to understand that the calculated ROI of 27.2% is an average drawn from all PEO clients in the research database. While approximately half of prospective clients would be expected to have an ROI greater than 27.2%, the other half would have an ROI below that figure. Prospective clients with above-average HR personnel costs and/or above-average health benefits costs per employee are more likely to have ROIs higher than 27.2%.



Client-Based ROI Examples

Our client-based examples help illustrate the significant ROI that can be achieved by using a PEO. These examples showcase the cost savings and benefits experienced by PEO clients.

- For instance, a company that previously spent \$10,000 annually on HR personnel costs saved \$3,000 by utilizing PEO services, resulting in a 30% ROI.
- Another example involves a company that spent \$15,000 per year for employee training and development.. Partnering with a PEO reduced the cost to \$10,000, generating a 33% ROI.

These examples demonstrate how PEO services contribute to substantial cost savings, allowing businesses to allocate resources more efficiently. In addition to the direct financial benefits, PEO clients also experience lower employee turnover, higher growth rates, and reduced concerns about hiring, retaining, and motivating employees. Each of these factors contributes to the overall ROI of using a PEO.

The research indicates that the average client can expect a conservative ROI of 27.2% per year based solely on cost savings. However, it is essential to recognize that **the true value of partnering with a PEO goes beyond cost savings and encompasses benefits related to attracting, retaining, and motivating employees, as well as enabling businesses to focus on their core operations.**

A Comprehensive Guide to PEOs

In today's fast-paced business environment, small businesses often need help to effectively manage their human resources functions due to limited staff and time constraints. This is where Professional Employer Organizations (PEOs) come into play. Acting as an outsourced HR solution, **PEOs assume the responsibility for various HR aspects**, including hiring, payroll, health benefits, and more. By partnering with a PEO, small business owners can alleviate their HR-related burdens, allowing them to focus on other critical aspects of their company.

PEO Services and Their Benefits

PEOs provide a wide range of HR services, including support in recruiting and hiring via an Applicant Tracking System (ATS). They assist in job applicant tracking, background checks, and personality assessments, and help with employee performance reviews. PEOs work collaboratively with client companies, offering support and advice on workforce management while allowing business owners to retain control over employees and decision-making.

Contrary to common misconceptions, PEOs do not take complete control over employees. Instead, they establish a collaborative working relationship with the client company, providing support and advice regarding workforce management. Excellent PEOs ensure business owners retain control over their employees and the decision-making process. While the PEO may help mediate conflicts, it is ultimately the client's prerogative to dismiss or retain employees based on performance or company standards.

Additionally, PEOs offer access to comprehensive benefits packages, making quality health insurance and benefits more affordable for small businesses. They provide benefit administration services and collaborate with multiple insurance carriers to offer a variety of insurance options.





How to Choose the Right PEO for Your Business

Selecting the right PEO for your business is a critical decision that requires careful consideration. Here is a comprehensive guide to help you choose the PEO that best suits your needs:

- 1 Assess Your Needs:** Begin by evaluating your company's HR needs. Identify the specific areas where you require assistance, such as payroll management, employee benefits, risk management, or compliance. Understanding your needs will help you find a PEO that offers the appropriate services.
- 2 Research Potential PEOs:** Conduct thorough research to identify reputable PEOs that align with your business goals. Look for PEOs with experience serving companies in your industry and a track record of success. Online reviews, testimonials, and referrals can provide valuable insights into their reputation and service quality.
- 3 Evaluate Service Offerings:** Examine the range of services each potential PEO offers. Ensure they can provide the specific HR solutions you need, such as payroll processing, HR administration, employee training, and benefits management. Assess the level of customization they offer in tailoring services to your unique requirements.
- 4 Consider Technology and Tools:** Evaluate each PEO's technology platforms and tools. Look for user-friendly, cloud-based systems that streamline HR tasks and provide easy access to data. Consider additional features like employee self-service portals, time tracking, and reporting capabilities.
- 5 Review Compliance Expertise:** Compliance with employment laws and regulations is crucial. Verify that the PEO has high compliance standards, stays up-to-date with changes in legislation, and has a solid legal and HR team. Ask about their risk management strategies and how they handle employee disputes or audits.
- 6 Assess Pricing and Contract Terms:** Request detailed pricing information from potential PEOs, including all fees and possible add-ons. Compare the total service cost and ensure you understand what is included in the contract. Pay attention to contract terms, termination clauses, and any hidden fees.



7

Seek References and Support: Request references from current clients of the PEO. Reach out to them to gain insights into their experience and satisfaction with the services provided. Inquire about the level of support and responsiveness the PEO's team offers.

8

Evaluate Data Security: Data security is vital when outsourcing HR functions. Inquire about the PEO's data protection measures, including encryption, backup systems, and employee access controls. Understand their protocols for safeguarding sensitive employee information.

9

Consider Scalability and Growth: Your HR needs may change as your business grows. Ensure that your chosen PEO can accommodate your future growth and expansion plans. Evaluate their ability to handle a larger workforce and offer additional services as your business evolves.

10

Trust Your Instincts: Finally, trust your instincts. Choose a PEO with whom you feel comfortable and confident in their ability to understand and support your business requirements. Effective communication and a strong working relationship are key factors in a successful partnership.

Following the above guide, you can make an informed decision when choosing the right PEO for your business. Evaluating different options will help you find a reliable partner who can provide the HR solutions and support you need to thrive.

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Understanding Client Perspectives

Consider the **experiences of PEO providers** who collaborate closely with their clients to help you understand client perspectives when working with a PEO. Through their collaboration, you can find valuable insights regarding the dynamics of the PEO-client relationship and the challenges many clients face.

Challenges Faced by PEO Clients

PEO clients face various challenges, and it is crucial to acknowledge them to improve the PEO-client relationship. Some of the key challenges identified by the StaffScapes team include:

- 1. Limited Awareness of PEO Services:** Many clients primarily perceive PEOs as payroll providers alone, unaware of the comprehensive HR solutions they offer. To optimize the value derived from a PEO, we help educate clients about the full range of services available to them.
- 2. Managing Employee Disputes:** Companies may hesitate to involve a third party in resolving employee disputes, fearing potential damage to their reputation. However, by engaging a PEO like StaffScapes, businesses can benefit from unbiased investigations that save time, money, and preserve their reputation.
- 3. Limited Understanding of PEO Capabilities:** Some clients may not realize that a PEO can handle all their HR needs, eliminating the need to hire separate HR or benefits personnel. PEOs possess vast experience in human resource administration, making them well-equipped to handle a diverse range of HR and benefits functions.
- 4. Insufficient Business Insights Shared:** PEOs operate as co-employers, meaning a deeper understanding of clients' businesses leads to improved service. However, clients must actively share essential details about their operations so that such insights are fully utilized, limiting the potential benefits of the PEO-client relationship.



What we wish our **PEO Clients Knew**

While we strive to provide exceptional services to our clients at StaffScapes, we understand that potential clients may not fully grasp some aspects of our offerings. To bridge this gap and provide a deeper understanding, we asked our staff – the individuals who work closely with our clients daily – to share what they wished our potential clients knew. Here are their responses:

- 1. We're not just a payroll provider:** Our clients often refer to us as their payroll company. However, it's essential to recognize that we offer much more than just payroll services. At StaffScapes, we provide complete HR solutions for small businesses in Colorado who want to avoid the burden of staffing and managing their own HR departments. We handle all HR needs and offer comprehensive support beyond payroll.
- 2. The value of a third party in employee relations:** While some companies may be hesitant to involve external assistance due to concerns about reputation, it is crucial to understand that utilizing a PEO can provide unbiased investigations. We are committed to resolving disputes in a fair and efficient manner.
- 3. Eliminating the need for an HR or benefits employee:** Some potential clients might not fully grasp that StaffScapes can address all their HR questions and requirements. Clients may initially engage us for specific HR functions, but it's important to recognize that we can handle every aspect of HR and benefits administration.
- 4. The power of understanding your business:** As co-employers, the more we know about a client's business, the more effectively we can support them. By sharing important details about their operations, clients enable us to tailor our solutions to their specific needs, resulting in a smoother and more efficient partnership.
- 5. Simplified business compliance:** Keeping up with employer compliance regulations can be daunting. At StaffScapes, we provide comprehensive and timely information, ensuring that clients have access to everything they need to know about compliance requirements. This proactive approach simplifies the compliance process, reducing stress and allowing clients to focus on other critical aspects of their business.

About StaffScapes

StaffScapes is a leading provider of comprehensive human resources, payroll, and employee benefits solutions. With over 25 years of experience, we have been empowering businesses to drive their success by taking care of their HR responsibilities.



Our Commitment to People

We believe that great employees are the core of every successful business. At StaffScapes, we help businesses recruit and retain top talent by offering superior employee benefits. With access to the best plans for smaller businesses, we ensure that you can provide your employees with exceptional benefits while we handle all the administrative tasks.



Our Focus on Profit

Reducing turnover and lowering costs are crucial factors for improving profitability. By partnering with StaffScapes, businesses can benefit from lower turnover rates, fewer legal hassles, reduced insurance costs, and decreased overhead. This allows business leaders to focus on enhancing their bottom line and driving their company forward.



Ensuring Business Protection

At StaffScapes, we understand the importance of safeguarding your business. From developing policies and procedures to providing workplace training, we help protect your business from harassment and discrimination claims. Our experienced team is here to support and guide you in the event of legal troubles.

Why Choose StaffScapes

As the longest-standing privately-owned Professional Employer Organization (PEO) in Colorado, we have a deep understanding of the needs and challenges faced by businesses. Our online platform, tailored to fit the intricacies of your business, combined with our team of HR experts, ensures that your team is well-cared for. We are not just another system to implement; we are a team of dedicated individuals who genuinely care about the well-being of each employee.

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