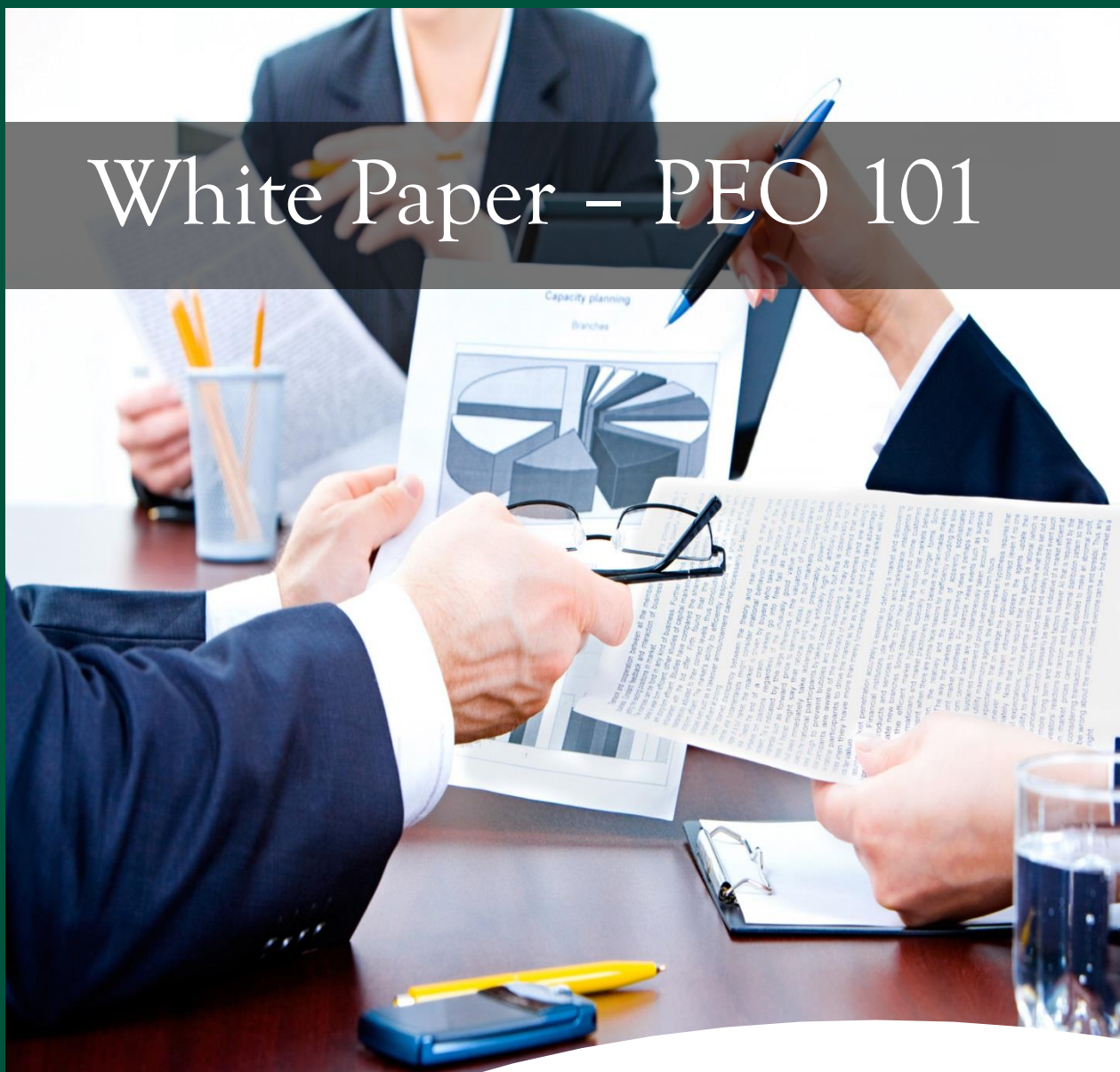




Human Resource Experts
employees only

White Paper – PEO 101



Author:

Mario Apruzzese - Employees Only

Your Human Resource Department

248.276.0950 | www.EmployeesOnly.net



Table of Contents

Who is Employees Only.....3

Overview - Outsourcing Opportunity.....4

What is Professional Employee Outsourcing (PEO)?.....5

What is Co-Employment?.....6

Administrative Services Organization (ASO) vs. PEO.....7

Benefits of a PEO to Employers and Employees.....8

How do you price a PEO arrangement?.....9

Conclusion.....10

About the Author.....11

Who is Employees Only?

What We Do

Employees Only provides Human Resources Outsourcing (HRO) solutions consisting of a combination of Professional Employee Outsourcing (PEO), Employee Leasing and Administrative Solution Outsourcing (ASO). We work with business owners, HR Managers and company Presidents who are **frustrated** with administrative tasks that do not create revenue, are **tired** of managing benefits and employee issues and are **interested** in making improvements in their organization that result in increased profit. More information can be found at www.EmployeesOnly.net

About Us

Employees Only (EO) was established in 1996 with a primary focus on supporting the growth of Michigan organizations through outsourcing non-core employee administration so that business owners can focus on growing their businesses.

We currently service clients with employees in over 20 states, including European companies doing business in the U.S.

We have a staff of experienced HR, Benefits, Payroll and Workers Compensation industry professionals that manage and support our clients.

Fast Facts

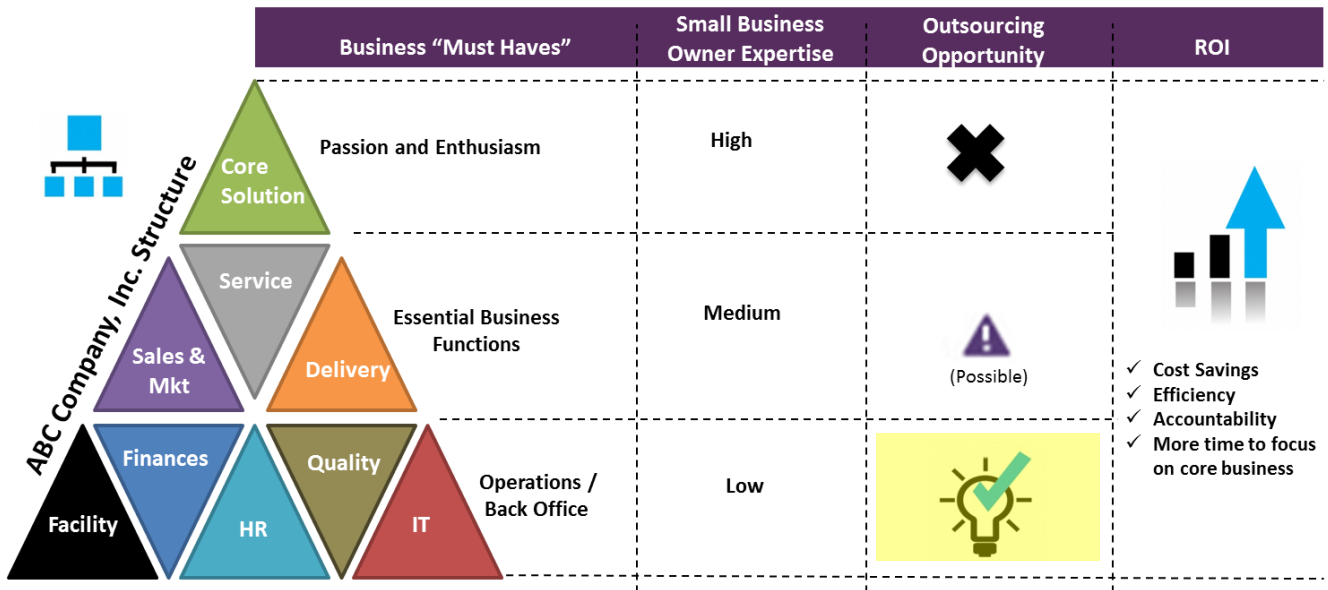
- ✓ Founded in 1996 | Headquartered in Rochester, MI
- ✓ Work with companies from 3 to 3000 employees while maintaining a 93%+ client retention rate
- ✓ Offer proprietary health and benefit plans not available anywhere else through strategic partners like Guardian, Cigna and Legal Shield
- ✓ Industry leader with most HRO awards in Michigan for HR Best Practices, 1st HRO provider to institute a client scorecard and offer access to the best technology within HRO

Overview - Outsourcing Opportunity

Are you considering outsourcing part or all of your organization’s HR and/or Finance functions? If so, you aren’t alone. Did you know that 2 to 3 million employees are covered by an Professional Employee Outsourcing arrangement (source: NAPEO.org)?

But is outsourcing right for YOU and if so, what model should you use? This white paper will cover the Professional Employee Outsourcing model, otherwise known as PEO. Additional information about the other HR outsourcing models can be found on our website, www.EmployeesOnly.net.

So, how does an outsourcing model fit within your business? The below diagram illustrates that outsourcing best fits within your operations and/or back office (ex. HR, Finance, Accounting, Facilities, etc). You certainly would never outsource your core business since that is what you do best (and probably why you decided to start your business in the first place).





What is Professional Employee Outsourcing (PEO)?

Professional employer organizations (PEOs) enable clients to cost-effectively outsource the management of human resources, employee benefits, payroll and workers' compensation. PEO clients focus on their core competencies to maintain and grow their bottom line.

Businesses today need help managing increasingly complex employee related matters such as **health benefits, workers' compensation claims, payroll, payroll tax compliance, and unemployment insurance claims.** They contract with a PEO to assume these responsibilities and provide **expertise in human resources management.** This allows the PEO client to concentrate on the operational and revenue-producing side of its operations.

A PEO provides integrated services to effectively manage critical human resource responsibilities and employer risks for clients. A PEO delivers these services by establishing and maintaining a co-employer relationship with the employees at the client's worksite and by contractually assuming certain employer, responsibilities, and risk.



"Using a PEO is like having a human resources department. You have a team of HR people, but only pay a portion of the expenses."



"Our PEO has been with us every step of the way in handling challenging employee issues. The staff is always there to help us with benefits and payroll."



"Our relationship with a PEO gives us the freedom to focus our attention on our customers."


source: NAPEO.org



What is Co-Employment?

Co-employment is a shared employment relationship between the PEO, the client company and the work-site employees. As co-employers with their client companies, PEOs contractually assume substantial employer rights, responsibilities, and risk through the establishment and maintenance of an employer relationship with the worksite employees.

Co-employment can get complicated quickly due to the employer/employee relationship. The below chart outlines Co-employment and how roles, responsibilities and governance is managed.

ROLE	RESPONSIBILITIES	GOVERNANCE
PEO	<ul style="list-style-type: none"> • Employer of Record • Inclusion of Employees into Group Plans • Answer Employee HR questions • Benefit Administration 	 Client Services Agreement (ASA)
Business Owner	<ul style="list-style-type: none"> • Management of worksite • Provide day-to-day direction on the work performed / employee activities 	
Employees	<ul style="list-style-type: none"> • Focus on the work outcome • Access to training, perks and benefits 	

Co-Employment Impact on the PEO

The PEO is impacted by a co-employment arrangement by the following:


- **Co-employs** workers at client work-site locations, and thereby assumes responsibility as an employer for specified purposes of the workers assigned to the client locations.
- Shares or allocates with the client employer responsibilities in a manner consistent with maintaining the client's responsibility for its product or service.
- Pays wages and employment taxes of the employee out of its own accounts.
- Reports, collects and deposits employment taxes with state and federal authorities.
- Establishes and maintains an employment relationship with its employees that is intended to be long term and not temporary.
- While the client company maintains right of all executive decisions with regards to its workforce, the PEO advises with the best interests of parties concerned.

Administrative Services Organization (ASO) vs. PEO


Administrative Services Organization (ASOs) share the same comprehensive services performed under a PEO arrangement however employee status is retained by the business. Payroll, benefits and reporting of employee activities are managed by the PEO.

Simply put, the employer enjoys all of the benefits of a PEO while employing the employee directly. This become increasingly important based on the value of the employee to your business (you wouldn't want to lose a good employee to another job or a competitor).

There are pros and cons to an ASO model vs. a PEO model. The choice comes down to factors such as risk tolerance, cost, cost savings opportunity, nature of the business and simply what makes the most sense to the business owner.



**Be sure to consult an expert to determine
the best solution model for you**



Benefits of a PEO to Employers and Employees

There are many benefits to having a PEO model in place. The benefits of a PEO can be realized by both the employer and employee which becomes a win-win situation. Below is a snapshot of the benefits to both employees and employers within a PEO model.



Employees

- Access to comprehensive benefits often previously unavailable
- On-time and accurate payroll
- Professional assistance with employment-related issues;
- Supplied with employee handbooks, policies, procedures and practices
- Receive statutory protection
- Claims processed efficiently and responsively



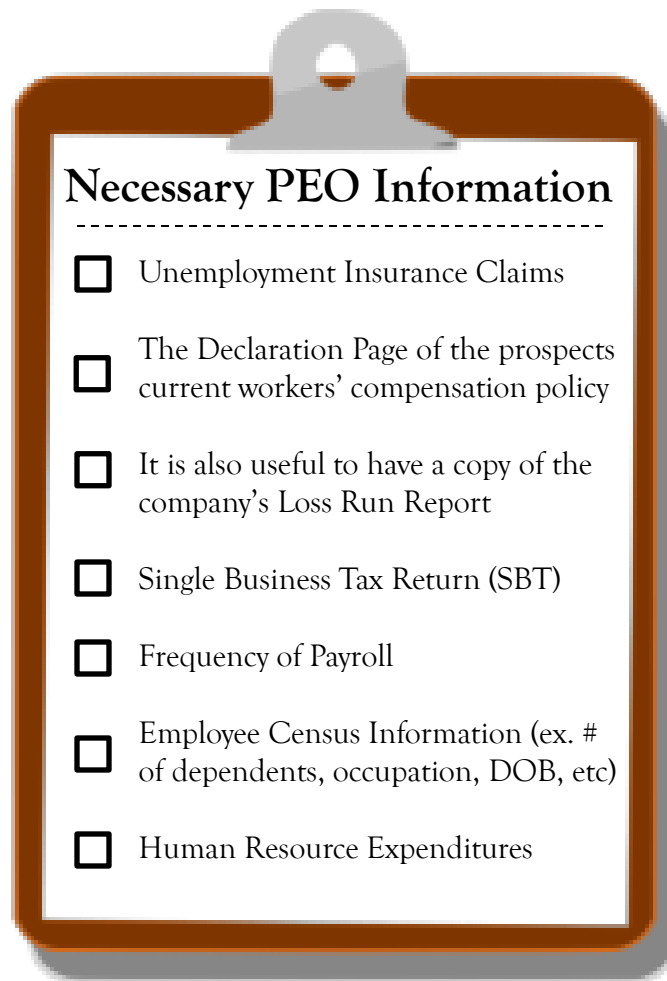
Business Owner

- Access to experienced professionals in HR, benefits, payroll and risk management
- Professional assistance with compliance issues (ex. payroll, OSHA, EEOC)
- Secure Internet access to payroll, benefits and personnel data
- Clear, easy-to-read professionally written employee handbooks, policies, procedures and best practices documentation
- Access to better benefits
- Provides quality benefits and recruiting assistance to attract and retain the best employees and reduces turnover

And the best benefit to the Business Owner.....more time to focus on your bottom line and the opportunity to grow your business faster.

How do you price a PEO arrangement?

As you can probably imagine, pricing for a PEO model is complicated as multiple factors play into the final price. Below is a checklist of items needed from the business to put together an accurate quote for a PEO model.



Once all of these items have been analyzed, the PEO should be able to provide you with an accurate quote for a PEO model.



Conclusion

Choosing an HR outsourcing model for your business is a big decision. The good news is that if you are considering an HR outsourcing model and you've made it this far in the white paper, your business must be headed in the right direction. This is a good problem to have!

As you weigh all of your options, feel free to give me and the Team at Employees Only a call. We would be happy to take a deeper dive into the HR models that are available and would love to provide you with a free, no obligation quote.

Additional information about HR outsourcing models, including the PEO model can be found on these industry leading sites:

- NAPEO - www.NAPEO.org
- Society for Human Resource Management (SHRM) - www.shrm.org
- HRZone - www.hrzone.com

About the Author

Mario Apruzzese, CEO/Owner of Employees Only



Mario Apruzzese, CPA is the founder, and CEO of Employees Only, headquartered in Rochester, Michigan. Mr. Apruzzese is an accomplished business leader, speaker and is active in the business and non-profit community having served or currently serving on several Boards, including; President, Detroit Athletic Club, DAC Foundation Board, Rainbow Connection, officer, Past President of the Detroit chapter of the MACPA, and serves as the first President of the Foundation Board for the Society of St. Vincent de Paul. He is a two-time nominee for Entrepreneur of the Year and was recently awarded for 2012 Outstanding Commitment in Philanthropy by the Association of Fundraising Professionals Greater Detroit Chapter and recognized as 2013 Entrepreneur of Distinction by Corp! Magazine.

Follow Mario on Social Media

