

The Origins of PEOs Underscore the Value They Provide

Payroll and tax administration, HR, benefits, and regulatory compliance are critical to the success of any business, but many business owners don't have adequate experience or time to manage these areas.



Small and mid-sized businesses are increasingly turning to professional employer organizations (PEOs) for support with critical and strategic HR management so they can focus on what they do best: create, enhance, and sell the products and services that made their names.

PEOs Rise to Solve a Big Problem

Predecessor companies to modern PEOs began in the 1970s, as firms that provided staffing and HR administration services to employers. Small businesses benefited most from government compliance, payroll administration, and workers' compensation solutions these companies offered.

In the 1990s, the industry evolved to take on additional challenges facing employers, like providing competitive insurance offerings and helping to manage complex employment laws. During the 90s, the industry changed its name with the help of our industry association, NAPEO, to Professional Employer Organizations or PEO. The PEO moniker better fit the evolution of the industry as one that addressed a broader spectrum of employment issues under a construct of co-employment.

The co-employment model offered more comprehensive services than employee leasing companies had provided and a shared risk platform to help insulate client companies from the complexities of employment regulation.

Today, PEOs serve as the employer of record for their client companies for tax purposes, but a strong PEO can provide so much more. The PEO helps manage payroll and HR, leaving the client organization free to pursue its business goals.

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Staying Ahead of Business Challenges

Organizations want to provide high-quality health plans to their employees at affordable prices. PEOs provide access to secure high-quality, cost-effective health insurance with efficiencies typically not available to small and midsize employers. A PEO can also help administer plans with efficiency and minimize commissions from the cost of coverage. This enables client organizations to offer health care plans that attract and retain workers.

Recruiting and retaining quality employees becomes easier with a PEO. A high-quality PEO that has deep understanding of the job market, can help clients attract and retain the talent necessary to thrive.

Lastly, government regulations change rapidly and can be highly complex. Compliance can seem confusing, overwhelming, and at times unnecessary to business owners, but it cannot be overlooked. PEOs can help a company stay compliant with healthcare, tax, workplace safety, and other regulations.

Growth of a Trusted Resource

By helping protect clients from liability, (link to PEO blog 2) increase their efficiency, and concentrate on their core missions, PEOs help their client companies grow nearly 10 percent faster than their competitors, with as much as 14-percent lower turnover, according to NAPEO.

PEOs have become a highly trusted resource as evidenced by their growth to more than 900 PEOs co-employing 3.7 million employees from 175,000 client companies in 2018 and earning \$176 billion, according to the National Association of Professional Employer Organizations (NAPEO).

Partnering with a PEO will pay increasingly valuable dividends as the PEO industry continues to evolve. A high-quality, forward-thinking PEO can use data insights, evolving technology, and skilled advisors to help clients respond strategically to regulatory changes and workforce trends, allowing their clients to remain competitive and maximize growth.



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