

# How PEO Services are Revolutionizing Small and Medium size Business Operations

In today's competitive market, small and midsize businesses (SMBs) are continually seeking solutions to streamline operations, maintain compliance, and foster growth. This is where Professional Employer Organization (PEO) services come into play, acting as a game-changing tool for these businesses.

## What is a Professional Employer Organization (PEO)?

[Image here >>](#)

A PEO is a company that specializes in handling human resources functions, primarily for small and midsize businesses. While PEOs have their drawbacks, they excel at managing HR functions such as employee training, risk management, workers' compensation, payroll processing, and benefits administration, with some offering these services in a fixed bundle and others offering customized plans with a wide range of options.

Unlike traditional HR outsourcing firms, PEOs operate on a co-employment basis, meaning that your employees are added to the PEO's roster for legal and tax purposes. This arrangement allows PEOs to act like large corporations with hundreds of thousands of employees.

They can negotiate with benefit providers to secure favorable rates for unemployment and workers' compensation insurance, and they can leverage powerful time tracking and payroll technology on behalf of small businesses.

Onboarding a PEO means working with client success managers (among other team members) to create the services your business needs. As your business evolves, your PEO can adapt to meet your needs.

Working with a PEO through co-employment simply means working with a team of specialists to develop your company's administrative and back-end operations. Financially viable, these organizations can significantly ease the stress (and do most of the legwork) of running your business, allowing you to focus on more important matters.

An estimated 175,000 small and midsize businesses partner with PEOs to gain access to world-class benefits and the human resources support they need to keep their businesses running smoothly. PEOs are required to comply with both state and federal regulations, resulting in regional or even state segmentation for some companies.

When searching for a PEO, take into account your state and region — some PEOs are certified to serve small businesses only in certain states, while others have global partnerships. If you are curious about the scope of a particular PEO's operations in your state, you can check the National Association of Professional Employer Organizations directory.

## **Advantages of PEO Services**

PEOs offer a wide range of benefits to small business owners and their teams. A primary benefit is the ability to provide your employees with more affordable health insurance benefits that might otherwise be unattainable. Since most PEOs manage large numbers of employees, they can secure discounted rates.

Likewise, PEOs are able to offer your employees disability and life insurance, retirement plans, travel reimbursement and other additional benefits they may desire. Offering such competitive benefits contributes to your employer reputation, which plays a key role in attracting and retaining top talent.

Another attractive aspect of PEOs is their credible administrative services, which are particularly beneficial for small business owners multitasking across various roles and lacking time for the essential paperwork.

With their expertise in handling human resources and administrative functions, PEOs allow you to focus on other critical areas of your business while ensuring that your employees are properly managed and supported.

On top of that, PEOs can help you comply with payroll tax regulations, provide unemployment insurance and workers' compensation coverage, and provide on-the-job training for your employees.

## **PEO Features**

Many small businesses find it helpful to work with a PEO to manage the essential HR functions that are essential to recruiting and retaining employees. As your business grows and the need for additional employees arises, offering benefits such as health care becomes crucial.

Offering quality benefits plays a vital role in attracting and retaining a dedicated and competent team. PEOs ease the administrative burden and legal paperwork associated with hiring and onboarding new employees, as well as help you comply with federal and state regulations throughout your HR processes.

### **HR Administration**

A PEO's primary role is to oversee human resources, allowing business owners to focus on other important tasks. PEOs offer a flexible level of HR support based on your needs. They handle various HR tasks such as creating employee handbooks and policies, managing employee onboarding and terminations, providing unemployment assistance, and ensuring compliance reporting.

Services are typically accessible through easy-to-use online platforms and mobile applications, consolidating all of your HR functions in one accessible location.

### **Payroll Administration**

A key function of most PEOs is payroll administration. Since your employees are registered with the PEO, it monitors their time and attendance, including hours worked, paid time off, sick days, and vacation time through its online platform, ensuring accurate and timely paychecks.

They can also manage employee liens and garnishments, if necessary. PEOs handle and report your quarterly and year-end state and federal deposits and filings.

Outsourcing your payroll to a reliable PEO not only saves time and money, but also ensures accurate and timely payments to your employees, which can enhance your company culture, especially if payroll management has been a challenge in-house.

## **Risk and Compliance**

PEOs are adept at understanding the laws and regulations that apply to your business, helping you manage risk and ensure compliance. This service is especially useful if your company operates in multiple states or regions with different employment laws.

PEOs can help you comply with the Affordable Care Act, the Health Insurance Portability and Accountability Act, and Occupational Safety and Health Administration regulations. They can also conduct employee accident investigations and, in certain cases, perform on-site safety inspections and job hazard analyses.

## **Employee Benefits**

With large numbers of employees under their management, PEOs can offer affordable and attractive employee benefits, including medical, dental, vision and life insurance. Some PEOs also offer health savings accounts, flexible spending accounts and health reimbursement arrangements.

They often offer long- and short-term disability insurance, employee assistance programs, and retirement options such as 401(k) plans. Many PEOs also offer a variety of fringe benefits, including commuter reimbursement programs and parking discounts.

## **Workplace Training and Employee Development**

PEOs typically offer standard workplace training on topics such as sexual harassment and discrimination. Many also offer additional onsite and virtual training on leadership, communication, workplace technology, hiring, discipline and social media.

Some even address industry-specific training needs. Access to these training and development resources can foster growth and skill development within your team. PEOs that offer such training often have online platforms to monitor and report on employee course results.

## **CTA:**

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