

# 7 Myths About PEOs

Working With a Professional Employer Organization



With so many positive reasons to work with a PEO, many myths tend to hold employers back from taking the next step.

Here are some of the most common.

**MYTH 1: CO-EMPLOYMENT MEANS LOSING CONTROL OF YOUR BUSINESS.** Co-employment is designed to help and protect your business -- not control it. The partnership means there is a contractual allocation of responsibilities between the employer and the PEO. The employer continues to maintain control over all business decisions, operations and manages day-to-day activities, recruitment and retention efforts, and core job functions of its workers. In addition to providing expertise, PEOs are responsible for HR-related tasks, such as payroll and benefits administration, and compliance.



**MYTH 2: PEOs ARE EXPENSIVE.** By cutting out inefficiencies, reducing HR-related tasks, and streamlining HR processes, PEOs can help businesses save time and money. Studies show that companies that partner with a PEO see a **21% savings on HR administration\***. Employers are also able to offer top-rated health plans and enterprise-level benefits similar to those offered at large corporations. This is because of a PEO's ability to group employees into one pool in order to negotiate better health plans at lower rates. \*Source: NAPEO, Key Findings, McBassi & Company, 2016

**MYTH 3: YOU NO LONGER NEED YOUR IN-HOUSE HR TEAM.** When you work with a PEO, your in-house HR team gains access to a team of experts who can fill the gaps, prevent compliance risks, and help your business run more smoothly.

**MYTH 4: YOU LOSE YOUR ABILITY TO HIRE AND FIRE.** One of many benefits is the guidance for staffing, firing, discipline, and recruitment efforts.



**MYTH 5: CO-EMPLOYMENT PUTS YOUR BUSINESS AT RISK FOR MISTAKES.** In a co-employment relationship, the risks are shared between the PEO and the employer. Because the employer reports wages under the PEO's Federal Employer Identification Number (FEIN), PEOs are trusted with a body of sensitive financial information. That's why it's important to work with a PEO certified by the IRS. If something goes wrong, the liability shifts to the certified PEO, not the employer.

**MYTH 6: PEOs DON'T HAVE THE SKILLS OR EXPERIENCE TO HELP YOUR BUSINESS.** With the complexity of changing employment laws, your HR team may not be equipped to handle the growing demands of HR effectively. A PEO provides your business with access to an entire team of HR experts who can help your company achieve its goals.

**MYTH 7: PEOs CAN'T HELP YOUR BUSINESS GROW.** From payroll, compliance, and benefits administration, there are a number of HR services that can be customized as your business grows and needs change. **70% of companies working with a PEO report revenue growth twice that of comparable non-PEO firms.** Source: PEOs: Good for Businesses and Their Employees, McBassi & Company, 2017

## FACT

PEOs provide access to more HR services at a cost close to

**\$450 lower per employee**

compared to companies that manage their HR services in-house.

Source: NAPEO, Key Findings, McBassi & Company, 2016

## FACT

**27.2% ROI per year**

on cost savings alone

Source: The ROI of Using a PEO, McBassi & Company, 2019

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