

# WHAT IS A PEO?

## Professional Employer Organization



### SHARED LIABILITY

- As a certified Professional Employer Organization (PEO), Propel HR integrates with your business as a full-service outsourced HR department
- PEOs shares the liability for your employees, who are paid under the PEO's Federal Employer Identification Number (FEIN)
- You maintain control of business operations, while the PEO takes care of HR-related tasks

### GROW FASTER

- The annual return on investment (based on cost savings alone) from using a PEO was **27.2%**
- Companies using a PEO report **revenue increases of more than 70%**

### LOWER COSTS

- The average cost savings from using a PEO is **\$1,775 per FTE**
- 63% of PEO clients had **lower health insurance costs** and 30% had **lower workers' comp and unemployment insurance**

### LOWER TURNOVER

- The employee turnover rate for PEO clients was almost **20% lower** than turnover nationally
- When employees feel they're being taken care of, they're productive and committed to your company's success

### ADVANCED TECHNOLOGY

- Integrated software allows you to administer every aspect of HR around the clock, across all devices and from anywhere in the world, securely and in real time
- Propel HR offers two enterprise-level Human Capital Management (HCM) software options, UKG and Worklio
- Manage your workforce from hire to retire - whether salaried, hourly, full-time, or part-time

### MASTER HEALTH PLAN

- Corporate-level benefits at prices a small business can afford
- Propel HR PEO clients have access to **BlueChoice HealthPlan**, a part of an AM Best A+ rated Health Insurance Carrier
- Access to the **BlueCard PPO Network**, the largest health insurance provider network available in all 50 states
- **Average renewal is 2.1%\*** per year over the last 5 years versus the national average of 9.8%\*\*

### IRS-CERTIFIED

- Certified PEOs (CPEO) have been thoroughly vetted by the IRS, which provides the assurance of its financial strength and stability
- CPEOs are required to have a bond, up to \$1 million, to cover federal taxes in the event something goes wrong
- The IRS holds the CPEO liable for federal payroll taxes - not your company
- No FICA and FUTA wage base restart if you begin a relationship with a CPEO in the middle of the year. A CPEO is deemed a successor employer. Therefore, your company will not have a wage base restart at the beginning of the relationship
- Your company, not the CPEO, is entitled to available federal tax credits



\*Source: James A. Scott & Son, LLC DBA: Scott Insurance  
\*\*National Trend Source: Milliman Renewal Evaluation, May 2022

# WHAT YOU NEED TO KNOW

**WHAT IS A PEO?** Small businesses have fewer resources yet face many of the same HR and compliance issues as their larger competitors do. PEOs were created to alleviate the burden of time-consuming HR administration, so businesses could get back to running their business. Under the Professional Employer Organization (PEO) arrangement, the PEO becomes the co-employer of your employees and shares employment liability. Your business retains control of operations and managing your employees, while the PEO takes care of HR-related tasks.

**WHAT TYPE OF SERVICES DOES A PEO PROVIDE?** A PEO helps by outsourcing the following HR services: Payroll Processing, Time and Labor Management, Human Capital Management (HCM) Technology, Workers' Compensation, 401(k) Benefits Administration, Financial and Retirement Solutions, Affordable Care Act (ACA) Assistance, Human Resources Assessments and Consultation.

**WHAT IS CO-EMPLOYMENT?** Co-employment is a contractual allocation and sharing of employer responsibilities between a PEO and its client. You maintain complete control of your business and its operations, while the PEO takes care of your HR-related tasks, such as wage and benefits administration. Most importantly, the PEO also shares the liability for your employees. Since your employees are paid under the PEO's Federal Employer Identification Number (FEIN), your employees are protected under the PEO arrangement.

**WHY DO I NEED A CERTIFIED PEO?** A simple mistake can be devastating. One way to establish trust, and peace of mind, is through certification. The PEO certification program (CPEO) is a stamp of approval from the IRS that further protects your company from employment tax liabilities. By raising the bar, this CPEO designation brings companies and PEOs closer together in a relationship based on trust.

**CAN A PEO SAVE ME MONEY?** A full-service PEO arrangement saves you both time and money and allows you to focus on growing your business while minimizing HR risks. PEOs have access to a larger pool of employees, which means better bargaining power. Your company can offer significantly better benefits packages, typically at a reduced cost to you, including top-rated health insurance and lower workers' comp rates. In addition, because PEOs handle plan administration and time-consuming HR-related paperwork, you get back the time to focus on growing your business.

**WHAT IF I'M NOT QUITE READY FOR A PEO?** Every business is unique and you may not need all of the services of a PEO arrangement. Propel HR can customize a solution for your business. All of our services, such as payroll, can be outsourced.

**WHEN SHOULD I CONSIDER A PEO?** Incredibly, 98% of PEO clients would recommend a PEO to a small business colleague. So if you are looking for ways to save money, reduce liability, offer better benefits, and accelerate the growth of your business, then now is the time to consider a certified PEO like Propel HR.

Sources:

National Association of Professional Employer Organizations, 2016 Key Findings McBassi & Company, September 2017, McBassi & Company, September 2019

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**ARE YOU READY  
TO PROPEL  
YOUR BUSINESS  
FORWARD?**

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