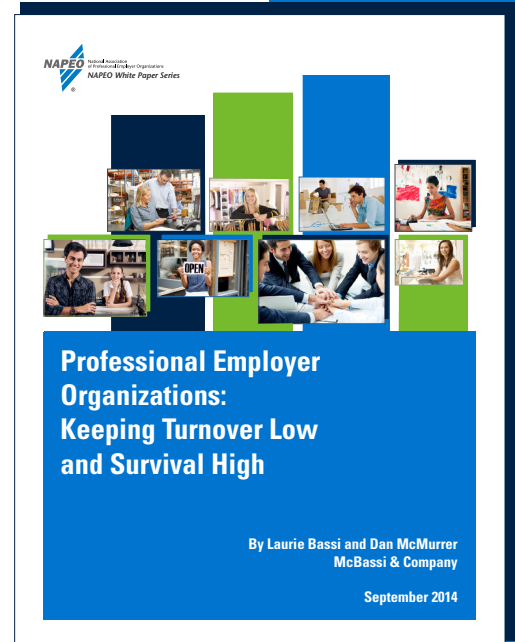


Key Findings of 'Professional Employer Organizations: Keeping Turnover Low and Survival High'

- **The employee turnover rate for PEO clients is 10 to 14 percentage points lower per year than that of comparable companies, depending on data specification.** The average overall employee turnover rate in the United States was approximately 42 percent per year, based on 2012 data. It is 28 to 32 percent for companies that used PEOs for at least four quarters. While the exact cost of turnover is difficult to estimate, it is clear that the costs of employee turnover are quite significant and that a business that enjoys a higher employee retention rate is in a stronger position to survive and thrive over the long term. A frequently cited estimate based on a "Cost of Turnover" worksheet provided by the Society for Human Resource Management (SHRM) is that costs are roughly 150 percent of the employee's salary, with other calculations suggesting it is more than 200 percent for certain positions, such as managerial and sales jobs.
- **Businesses that use PEOs are approximately 50 percent less likely to fail (permanently go "out of business") from one year to the next when compared to similar companies in the population as a whole.** The overall business failure rate among private businesses in the United States as a whole is approximately 8 percent per year, based on 2012 data. It is approximately 4 percent per year for those companies that used PEOs for at least four quarters. The results are quite consistent whether companies are compared to expected survival for their industry or for their respective states. Even using the most conservative analytic approach, the business failure rate is 50 percent lower for businesses using PEOs than for businesses overall.
- **Across all industries, this study shows that there are clear advantages for PEO clients on two of the most fundamental issues faced by any business: retention of employees and continued survival.** PEOs significantly decrease employee turnover for their clients, allowing them to retain the knowledge and skills of their employees, while simultaneously reducing direct and indirect turnover-related costs (which are substantial). The fact that PEOs significantly increase the likelihood of client survival is likely a result of PEOs providing a combination of services that makes it possible for businesses to focus on their core areas of expertise.



National Association of Professional Employer Organizations

707 North Saint Asaph Street • Alexandria, VA 22314

703/836-0466 • www.napeo.org