

money
 by beth luberecki

Let the Experts Handle It

Companies hire PEOs so they can focus on what they do best.

>>As the economy's stranglehold has forced companies to cut staff and streamline functions, many are turning to professional employer organizations (PEOs) to handle functions that can't be downsized, such as payroll, employee benefits, workers' compensation claims and other administrative operations. PEOs allow companies to focus on their core business while ensuring that those support tasks are handled reliably and professionally.

Like other building and development companies, Bonita Bay Group was hit by the housing crash: it has been cutting staff and streamlining for the past couple of years. In 2008, it hired Bonita Springs-based Veritas Employer Services to handle some of those tasks.

"It does help with overhead," says Bonita Bay Group's human resources director, Peggy Taylor. "There are some economies of scale when you go with a company that can do a lot of those things for you, and I don't have to worry about the day-to-day things they're better at."

According to the National Association of Professional Employer Organizations (NAPEO), the PEO industry saw gross revenues of \$68 billion in 2008, and according to data released in May, those revenues are projected to increase 20 percent in 2009.

PEOs are not only hanging on to their existing clients, they're acquiring new ones who see the cost and time savings in outsourcing. "On the new client acquisition side, things are booming; on the current client side, things are holding steady," says Carrie Aaron, president of PEO Network Inc., a consulting firm for the PEO market based in Durham, N.C.

There are about 700 PEOs in the United States, and it's estimated that some 300,000 U.S. businesses currently use their services.

"More businesses are starting to realize that PEOs are really good at this



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[human resources] thing, and they see how important HR is to the success of their business," says Milan P. Yager, executive vice president of NAPEO.

That's especially true these days, as businesses struggle to find new strategies to make it through the recession.

"The owner of a small business has to get refocused on the business of their business, that's the bottom line," says Yager. "The average businessperson, according to the Small Business Administration, spends between 20 and 30 percent of his or her time on nonrevenue-generating tasks. Businesses across the country have found that outsourcing those tasks

to somebody with professional expertise and economies of scale is the secret to being able to generate revenues to win in a bad economy."

Westminster Golf Club in Lehigh Acres has been working with Fort Myers-based Smart Payroll Solutions since 2004, allowing club management to focus on such priorities as tee times and greens keeping. Though providing employees with a steady paycheck and benefits is integral to the company's success, those functions don't bring in clients or revenue, so it made sense for the club to outsource those tasks.

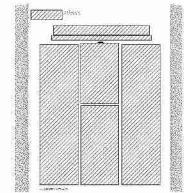
Smart Payroll Solutions handles everything from payroll to workers' compensation for its employee pool, so General Manager Steve Gard can concentrate on the business of golf rather than workplace rules and regulations.

"The biggest thing is that it's less of a hassle for us," says Gard. "They know the laws and they keep me in line so I'm doing things right."

"We really try to assume a lot of the administrative burdens that employers have in their day-to-day environment, so they can focus primarily on the core of their business," says Isaac Rapoport, business development manager for Smart Payroll Solutions.

PEO clients have an average of 19 employees. "Small business owners need help complying with all of the labor and employment laws, providing workers' compensation, and just keeping up with everything," says Aaron.

By working with a PEO, small companies can offer employees benefits they might not be able to on their own, such as retirement plans and health insurance options. And those can come at a more affordable price, since PEOs handle numerous clients and therefore have greater buying power than an individual small business. PEOs can also help small companies with concerns such as work-



place safety and employee handbooks, areas that might not get adequate attention without an HR staff.

But these days, even larger companies that might already have an HR department are exploring PEOs as a way to cut costs and streamline their operations. "I think they see the outsourcing option as a way to stay solvent," says Veritas CEO Charlie Ingram. "I think businesses are looking at it as more of a necessity now than they used to, and businesses that would have never looked at it in the past look at it now because they have to keep every option on the table."

When Bonita Bay Group opted to go with Veritas, managers worried how the switch might affect its corporate culture and brand identity. That's one reason they chose Veritas, which offers customized services. Paychecks, human resources forms and other paperwork all bear the logo of Bonita Bay Group, not Veritas.

"Basically, they modified their processes to fit our needs," Bonita Bay Group's Taylor says of Veritas. "We're able to have some of the economies of scale with payroll services and benefits and those things, but we were allowed to maintain all our policies and procedures. We didn't have to change those things to become part of a PEO."

When choosing a PEO, it's important for businesses to gauge the level of service they'll be provided, as Bonita Bay Group did. It's also important to check references and the PEO's track record. "You can't do enough due diligence in making sure you're going with the right PEO," says Aaron. "They're handling a lot of sensitive information and a lot of your money."

NAPEO's Web site (www.napeo.org) lists 10 considerations in choosing a PEO, from how employee benefits are tailored to how a PEO's finances are managed. It recommends choosing a PEO that's a NAPEO member and accredited by the Employer Services Assurance Corp.

And a business should be sure its PEO has the business's interests at heart. "They really ought to make sure they've got somebody who sees themselves as being their partner," says Ingram. "It's one thing when you're saving people money or time, but it's another thing altogether when you are an integral part of them staying in business." 