THE NATIONAL ASSOCIATION OF PROFESSIONAL EMPLOYER ORGANIZATIONS

PEO CLIENTS:

FASTER GROWING, MORE RESILIENT BUSINESSES WITH LOWER TURNOVER RATES

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NAPEO®

KEY FINDINGS

Professional employer organizations (PEOs) provide a broad array of HR offerings and expertise in employee management to primarily small and mid-size businesses. These solutions enable PEO clients to focus on growing their businesses while also giving employees access to a variety of benefits not typically available to employees of smaller companies.

Research in our previous white papers has consistently found a variety of positive results for PEO clients relative to other businesses, and this paper provides updated analyses in three key areas.

Our new research finds that, relative to comparable non-clients, PEO clients are more likely to fare better on each of the key dimensions examined: they grow faster, they have lower rates of employee turnover, and they are more resilient. These are the marks of stable, robust businesses that remain better-positioned for long-term success.

RELATIVE TO COMPARABLE NON-USERS, BUSINESSES THAT USE A PEO

- Have a growth rate that is more than 2 times higher
- Have an employee turnover rate that is 12 percent lower
- Are 50 percent less likely to go out of business

Each of these findings updates and refines results from earlier NAPEO white papers. For each of the three areas examined in this analysis, we were able to identify a comparison group that matches PEO clients as closely as possible and with a greater degree of precision than was possible in past analyses.[1] Full details on our methodology and calculations are available in the Technical Notes section at the end of this paper.

[1] In one aggregate analysis, we were able to use matched pairs (comparing each client to an organization that has identical industry, size, and location); in the other two, we compared PEO clients overall to other businesses with the same size distribution as PEO clients.

GROWTH RATE OF PEO CLIENTS

PEO clients grow faster – as measured by employee growth rates – than comparable other businesses that do not use a PEO.

We gathered data on client growth rates from PEOs representing more than 15,000 client businesses with over 300,000 total worksite employees. Each PEO provided anonymous, aggregated data on the change in year-over-year total employment among those companies that were PEO clients from January 1, 2023, to January 1, 2024.

PEO client growth (4.3 percent annually) was more than twice as high as any available national comparisons (see Table 1 below). The comparison group closest to PEO clients' attributes is from the ADP *National Employment Report* (US employers weighted to match the same size distribution as PEO clients). That comparison group has a growth rate of 1.9 percent over the same time period (see Figure 1). PEO clients have even *larger* positive differences in growth rate when compared to two other Bureau of Labor Statistics (BLS) series of broad data for US employers overall (each BLS series shows slower overall employment growth than the size-weighted ADP comparison).

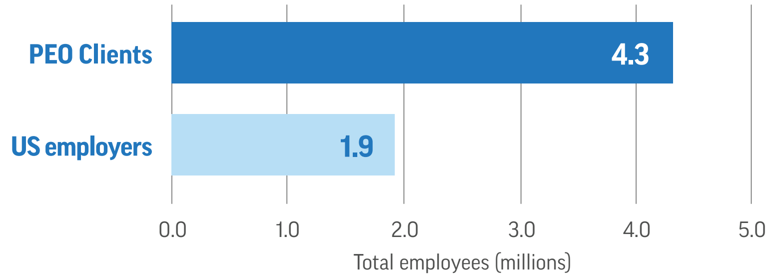
This higher growth rate among PEO clients likely reflects primarily their increased capacity to focus on strategic business matters while the PEO provides all of the employee-related services.

TABLE 1 | **One-year employment growth, PEO clients versus US employers overall (multiple measures), January 2023 to January 2024**

CATEGORY/SOURCE	GROWTH
PEO clients	**+4.3%**
US employers overall weighted to match PEO client size distribution *(from ADP National Employment Report)*	**+1.9%**
US employers overall *(from BLS Current Employment Statistics)*	**+1.6%**
US employers overall *(from BLS Quarterly Census of Employment and Wages)**	**+1.5%**

* Most recent QCEW data available is preliminary data for December 2022 to December 2023

FIGURE 1 | **One-year employment growth, businesses with same size distribution, January 2023 to January 2024**



EMPLOYEE TURNOVER RATE AMONG PEO CLIENTS

PEO clients have lower employee turnover rates than comparable businesses growing at the same rate. This reflects a comparison that controls company growth rate in addition to size distribution (since faster-growing companies have more new employees, who also tend to have higher rates of turnover[2]).

On an annual basis, the employee turnover rate of PEO clients is 12 percent lower than it is among non-clients, calculated by dividing the turnover rate of PEO clients by the turnover rate of non-clients.

Stated differently, employee turnover is more than 7 percentage points higher among non-clients (see Table 2 and Figure 2 below), calculated by subtracting the turnover rate of PEO clients from the turnover rate of non-PEO clients.[3]

This analysis used data provided by PEOs, compared with data from the US Bureau of Labor Statistics Job Openings and Labor Turnover (JOLTS) series, broken down by establishment size, and subsequently adjusted for growth rate (as well as tenure, based on data from the ADP Research Institute).

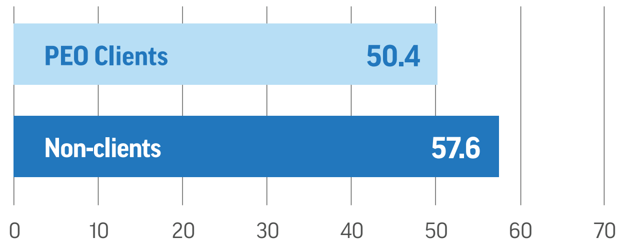
The observed results likely reflect PEO clients being more attractive employers than non-clients, including offering, on average, a wider range of employee benefits. In addition, it is likely that faster-growing businesses with professional HR management represent more attractive long-term employment options for employees.[4]

TABLE 2 | **Annual employee turnover rate**

	TURNOVER %*
PEO clients	50.4%
Other businesses (same size distribution, same overall growth rate)	57.6%

* Turnover rate is annualized from actual monthly turnover of PEO clients in January 2024.

FIGURE 2 | **Annual employee turnover rate**



Note: The 7.2 percentage point difference in turnover rates in the figure above corresponds to PEO clients having 12 percent lower turnover.

[2] For example, on an annual basis, employees with fewer than four years of tenure at their organization were more than 3 times more likely to turn over than employees with between four and six years of tenure (and more than 5 times more likely than employees with between seven and nine years of tenure). These data are from a 2019 ADP Research Institute study: https://www.adp.com/resources/articles-and-insights/adp-research-institute/research-topics/-/media/62FB03253C3B4B80A2EE73EB8EC29B82.ashx, p. 21.

[3] The difference between percentage points and percent often creates confusion. Percentage points are about subtracting two percentages (for the turnover data, the difference between 50.4 percent and 57.6 percent is -7.2 percentage points, indicating PEO clients have a turnover rate that is 7.2 percentage points lower). Percent differences are about dividing two percentages (50.4 divided by 57.6 is 0.88, indicating PEO clients' average turnover rate is 88 percent of the comparison group, which corresponds to a rate that is 12 percent lower than the comparison group).

[4] As noted above, however, such faster-growing businesses also need to offset the effects of having a larger percentage of newer employees, who are more likely to leave if all else is equal.

PEO CLIENTS' RESILIENCE

Reflecting their higher growth rates and more stable employee workforces, it is not surprising that PEO clients also consistently demonstrate more resilience – the ability to survive and thrive, even during difficult economic circumstances – relative to comparable companies not using a PEO.

It can be challenging to capture the concept of business resilience statistically. Fortunately, there is some available organization-level data – such as business survival rates over multiple years – that can be used as a proxy measure for resilience.

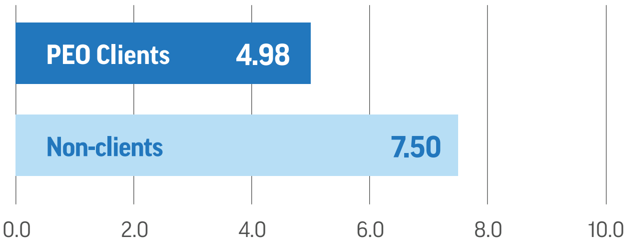
Our analysis of this proxy variable shows that, in recent years, organizations *not using* a PEO are 50 percent more likely to go out of business on an annual basis than comparable businesses that were PEO clients at the start of the analysis period (see Table 3 and Figure 3 below).

This finding is based on analysis designed to ensure the client and non-client groups are as similar as possible, by analyzing a database comprised of *matched pairs of businesses*. In each pair, both businesses have three identical characteristics: industry sector, employee size group, and state; one business in the pair is known to be a PEO client while the other is not.

TABLE 3 | **Average one-year non-survival rate, 2020 to 2023**

	PERCENT OF COMPANIES GOING OUT OF BUSINESS
PEO clients	**4.98%**
Non-clients	**7.50%**

FIGURE 3 | **Average one-year non-survival rate, 2020 to 2023**



Although the data used for this analysis were quite different than the data we used for a 2014 comparison of survival rates, the results are nevertheless quite consistent across the two analyses.[5]

Data used for the current analysis included Paycheck Protection Program data on individual businesses from mid- to late-2020 (including industry, size, and state location); US Department of Labor Form 5500 data to identify businesses that were clients of PEOs in 2020; and Bureau of Labor Statistics national data on business survival rates. See the Technical Notes section for additional details.

[5] https://www.napeo.org/docs/default-source/member-resources/napeo-white-paper-2-sept-2014-final.pdf?sfvrsn=a35b2dd4_8

In addition to the effects of the higher growth rates and lower employee turnover rates enjoyed by PEO clients, differences in survival between clients and non-clients likely reflect the business-level importance of the various services PEOs make available to their clients. For a small percentage of struggling businesses each year, the value of those services is sufficient to make the difference between corporate survival and non-survival.

RESILIENCE EFFECTS BY CLIENT INDUSTRY. The resilience-related benefits of being a PEO client vary across industries (see Table 4). For example, the largest differences are in Construction, Retail Trade, and Finance and Insurance. Smaller resilience effects are seen in Manufacturing and in Health Care/Social Assistance. Overall, the data reflect a positive effect of PEOs on clients' resilience across all industries examined, as the survival rate was higher among PEO clients in each industry.

TABLE 4 | **Resilience difference by industry, PEO clients versus non-clients**

	SAMPLE SIZE (# OF MATCHED PAIRS)	DIFFERENCE IN ONE-YEAR SURVIVAL RATES (PERCENTAGE POINTS)*
Construction	75	4.8
Retail Trade	66	4.8
Finance and Insurance	38	4.8
Other Services	70	3.9
Real Estate/Rental	46	3.8
Administrative Support	39	2.3
Professional, Scientific, and Technical Services	220	2.1
Information	32	1.5
Wholesale Trade	103	0.8
Health Care/Social Assistance	109	0.8
Manufacturing	156	0.3

* Positive values indicate higher survival rate among PEO clients

RESILIENCE EFFECTS BY CLIENT SIZE. The resilience-related benefits also vary somewhat by organizational size. The data analysis shows that the smallest businesses (those with fewer than 10 employees) are the ones getting the biggest boost from working with a PEO, although a positive effect can be seen for clients across all size groups (see Table 5).

TABLE 5 | **Resilience differences by size (# of employees), PEO clients versus non-clients**

# OF EMPLOYEES	SAMPLE SIZE (# OF MATCHED PAIRS)	DIFFERENCE IN ONE-YEAR SURVIVAL RATES (PERCENTAGE POINTS)*
Fewer than 10	226	4.3
10-19	295	1.5
20-49	365	2.1
50-499	129	3.1

* Positive values indicate higher survival rate among PEO clients

GROWTH RATE ANALYSIS

CALCULATING PEO CLIENT GROWTH RATE. The analysis of PEO client growth rates was based on anonymous aggregate data provided by 23 different PEOs on 15,900 clients that employed 316,500 worksite employees. Although it is not possible to confirm quantitatively the representativeness of the data, a variety of factors suggest the data provided is generally representative of the PEO industry as a whole. Data were provided by a wide range of differently-sized PEOs from across the PEO size spectrum (as discussed in previous white papers). In addition, the average size of clients in the database is 20 employees per client, which is quite consistent with multiple years of data on the average size of PEO clients.

All growth rate data were based on companies that were clients of a given PEO on both January 1, 2023 **and** January 1, 2024. Any clients that joined after January 1, 2023, or left before January 1, 2024 were not included in the data.

Means were calculated across PEOs.[6] In order to account for the large disparity in size between some of the PEOs, we calculated two different means, and then averaged those two to arrive at the final averages. One mean was employee-weighted, meaning it was based on worksite employees in January 2023, with larger PEOs thus weighted more heavily.[7] The second mean was PEO-weighted, meaning each PEO was counted equally.

Combining the two enables us to ensure that the data from larger PEOs (those with more WSEs) were given significantly more weight than smaller PEOs, while preserving the impact of the range of PEOs providing data.

COMPARISON GROUPS: SMALL BUSINESS DATA SERIES. There are three primary sources of data on employment changes among small businesses: the ADP National Employment Report, the Intuit QuickBooks Small Business Index, and the Paychex Small Business Employment Watch Jobs Index. Each uses data from clients to generate timely information on changes in employment for employers of specific sizes (ADP uses all employers, but breaks data down by employer size so it can be used for small business comparisons; Intuit uses data for employers with 1-9 employees; and Paychex uses data for businesses with fewer than 50 employees).

As these three sources use different methodologies and include differently-sized employers, their growth rates would be expected to vary somewhat as well. They do, in fact, vary as seen in the table below (all for January 2023 to January 2024).

[6] Before calculating the means, we examined the data to identify outliers, and removed one PEO outlier which was significantly different than the other PEOs on both growth rate and employee turnover (that PEO was more than three standard deviations away from the mean for one of the metrics).

[7] The weight for any PEO was capped at the third-largest PEO size in the database.

SOURCE/EMPLOYER SIZE	GROWTH
ADP National Employment Report (weighted to match PEO client size distribution)	+1.9%
Intuit QuickBooks Small Business Index (1-9 employees)	+0.2%
Paychex Small Business Employment Watch Jobs Index (1-50 employees)	+1.3%

We chose to use the ADP National Employment Report data as our primary comparison group, as it was the data series that most closely matched our PEO sample, due to weighting to match the size distribution of our sample.

Further, because of the nature of the "same-store" data we were able to collect on PEO clients (in which we limited the sample to only those businesses present as PEO clients on both January 1, 2023, and January 1, 2024), neither new businesses ("births") nor business failures ("deaths") were included in our PEO client calculations. The ADP database handles this issue in a consistent manner, noting that each week it "constructs a matched sample of business establishments present in the data in both the current and the previous week." (Paychex also uses a similar methodology, while Intuit incorporates complex adjustments to account for company closings.)

COMPARISON GROUPS: BLS NATIONAL AVERAGES. The US Bureau of Labor Statistics collects employment data from a variety of sources, using a variety of methods. The two most relevant comparison groups are the Current Employment Statistics (CES) series and the Quarterly Census of Employment and Wages (QCEW). Each captures data on almost all employers in the United States.[8]

As data samples representative of employment in the US economy overall, both these sources provide important comparisons for PEO client data. Because they include all sizes of employers, however, they do not provide "apples to apples" comparisons for PEO clients, which tend to be smaller than average employers. We thus used them as complements to the data drawn more specifically from smaller businesses, as discussed above.

It should also be noted that the BLS data adjusts for births and deaths of businesses (and thus is less comparable with our PEO client calculations). BLS reports that, based on CES calculations, the net effect of births and deaths is to *increase* employment growth.[9] Thus, the BLS national averages for employment growth included in Table 1 above would actually be slightly smaller if the birth-death adjustment were removed to maximize comparability with our PEO client data. This means that the estimates we present in this white paper are conservative, in that the positive difference between PEO clients and national BLS averages would be slightly larger than the estimate reported here.

[8] The CES gathers nonfarm employment, hours, and earnings data based on business establishment payroll records. The QCEW tabulates quarterly data from all employers covered by state unemployment insurance programs, as well as federal workers; these combine to represent more than 95 percent of all US jobs.

[9] https://www.bls.gov/web/empsit/cesbmart.htm#pbmkBD

EMPLOYEE TURNOVER ANALYSIS

CALCULATING TURNOVER RATE. PEO client turnover rate was calculated from anonymous aggregate data provided by 20 different PEOs on almost 20,000 clients that employed 360,000 worksite employees in January 2024.[10] Because there is significant overlap between the PEOs providing data for employee turnover and those providing data for client growth rates, our assessment of the representativeness of the data is similar to that described above for the client growth rate data – it is likely generally representative of the PEO industry as a whole.

Turnover was calculated by dividing the total number of employee terminations during the month by the total number of employees at the start of the month. Means were calculated after data were aggregated across PEOs.[11] As we did for the calculation of PEO client growth rates, in order to account for the large disparity in size between some of the PEOs, we calculated two different means (one employee-weighted based on employees on January 1, 2024, with weights capped at the third-largest PEO size; the other PEO-weighted). Full details on weighting are included in the previous section.

COMPARISON GROUP: BLS SIZE-ADJUSTED NATIONAL AVERAGE. The US Bureau of Labor Statistics collects monthly data on employee separations (turnover) through its Job Openings and Labor Turnover Survey (JOLTS)[12]. Data are broken down by establishment size[13], enabling the calculation of a comparable average for PEO clients (using PEO-provided data on the distribution of clients by size group). The size-adjusted turnover rate for January 2024 is 3.93 percent, which corresponds to an unadjusted annualized turnover rate of 47.2 percent. Please note this number has not yet been adjusted for employee growth rates (see section below), which is necessary before it can accurately be used as a comparison for PEO clients.

ADJUSTING COMPARISON DATA FOR HIGHER GROWTH AMONG PEO CLIENTS. Higher employee growth rates go hand-in-hand with higher rates of employee turnover. This is because faster-growing businesses add more new employees, and newer employees have much higher turnover rates than other employees. As a result, in order to have an accurate comparison, it is also necessary to adjust the BLS comparison turnover data to account for the higher growth rates of PEO clients.[14]

[10] Although a slightly smaller number of PEOs provided turnover data, the sample size for this analysis was a bit larger than for the growth rate calculation. This is primarily because the growth rate data included only those clients that had been with the reporting PEO for all of calendar year 2023, while turnover data required only clients that were with the reporting PEO for a single month.

[11] As noted above, before calculating the means, we examined the data to identify outliers, and removed one PEO outlier which was significantly different than the other PEOs on both employee growth and the other metric collected from PEOs, separation rate (that PEO was more than three standard deviations away from the mean for one of the metrics).

[12] https://www.bls.gov/jlt/

[13] https://www.bls.gov/jlt/sizeclassmethodology.htm

[14] See footnote 2 above.

As described in this paper, PEO clients grow their employee base at an average rate of 4.3 percent per year; all US employers grow at a rate of 1.9 percent per year. So PEO clients are adding, on average, 2.4 percent additional *new employees* each year. Average turnover among newer employees (those with fewer than four years of tenure) was 77 percent per year in 2019; it is now estimated at 87 percent for that same group.[15] So the expected rate of employee turnover will be higher among PEO clients due to a larger percentage of their employees being new and much more likely to leave.

The effects of higher growth are cumulative; every year that a business adds a higher-than-average number of new employees, the percentage of employees with shorter tenure increases relative to other businesses growing at an average rate. And with that larger percentage of shorter tenure/higher turnover employees, the expected turnover rate increases as well.

We can estimate the effects of this higher employee growth rate on turnover. Applying the turnover rate of 87 percent among employees with less than 4 years of tenure to the growing number of lower-tenured employees, turnover would be expected to be, on average, 1.73 percent higher each year that the business is growing at the faster rate (2.4 percent more new employees multiplied by 87 percent turnover, added to the other 97.6 percent of employees at the prevailing rate of turnover). Eventually the rate of cumulative increase slows (as the newer employee cohorts gain tenure), but the gap itself continues to grow as long as the growth rate is higher among PEO clients.

Data we collected on hundreds of PEO clients for two previous white papers indicates that the average amount of time a client has been working with a PEO is six years.[16] We used this number to estimate the length of time the effects of a higher growth rate apply to PEO clients for purposes of adjusting expected turnover.

Expected turnover, controlling for size distribution and for the higher growth rates among PEO clients, is thus 57.6 percent (47.2 percent size-adjusted, plus a 1.73 percent additional annual turnover expected for an average PEO client tenure of six years).

[15]The best available data source for employee turnover by tenure is a 2019 report by the ADP Research Institute (https://www.adp.com/resources/articles-and-insights/adp-research-institute/research-topics/-/media/62FB03253C3B4B80A2EE73EB8EC29B82.ashx, p. 21). ADP workforce data were based on anonymous HR and payroll data from 30,000 firms (50+ employees) in eight sectors in the United States (representing approximately 13 million employees). The ADP Research Institute analysis found annual turnover of 77.3 percent among employees with fewer than four years of tenure. That report has not been updated since 2019. Overall employee turnover has increased since the time of that report; adjusting it to reflect more recent overall tenure yields an estimated 86.8 percent annual turnover among employees with fewer than four years of tenure. We adjusted turnover by the multi-year cohorts (e.g., four years or fewer of tenure) in the ADP report to be more precise year-over-year by using the relative proportions of turnover in the more precise cohorts available from the Federal Employee Viewpoint Survey. (This did not affect the overall turnover level; only the ratio of turnover across different tenure groups.)

[16]Based on client-provided data through employee survey registration in 2017 and 2019. We expect that the PEO-client relationship remains comparable and that these data therefore provide a representative sample for purposes of estimating the length of time for which the higher growth effect applies to clients.

RESILIENCE ANALYSIS

To assess the difference in business resilience between PEO clients and non-clients, we calculated 3-year corporate survival rates for businesses known to be PEO clients and all other businesses (adjusting the overall national rate to calculate a survival rate for non-clients only), and then converted those to 1-year survival rates.

IDENTIFYING PEO CLIENTS FOR ANALYSIS. We used publicly-available data on businesses that received Paycheck Protection Program (PPP) loans in 2020 to identify businesses in operation in mid- to late-2020. Status of companies as PEO clients in 2020 was determined as part of our analysis for the 2022 NAPEO white paper "PEO Clients: An Analysis," in which we used US Department of Labor Form 5500 filings from PEOs to identify businesses in the PPP database that are clients of PEOs. Full details for identifying PEO clients are included in the technical notes for the 2022 paper.

There were 1,015 companies for which we had size group/location/industry in the 20 states with the largest numbers of PEO clients that also made available corporate status data from their state-level Secretary of State offices.[17] These 1,015 companies closely matched the overall PEO client population in terms of the percentage breakdowns by size group, location, and industry, as reported in the 2022 white paper.

ANALYSIS COMPARISON GROUP: MATCHED PAIRS OF CLIENTS AND OTHER BUSINESSES. We then constructed a comparison database of an additional 1,015 companies, with each one selected from the PPP sample of companies that did not appear on Form 5500 PEO client lists. Each PEO client was matched with a specific comparison company in the same industry, same employee size group, and same state.[18] Thus, the final database consisted of 2,030 companies, including 1,015 PEO clients and 1,015 matched companies.

The matched companies from the large PPP database were those not known to be PEO clients, but, importantly, nor were they known not to be clients. In other words, their PEO client status was unknown. We therefore estimated that 17 percent of this sample is made up of PEO clients (the estimated percentage of PEO clients among businesses with 10-99 employees, per our 2023 NAPEO white paper "PEO Industry Footprint 2023"), with the remaining 83 percent of this sample made up of non-clients. Knowing these proportions allows us to estimate survival rates arithmetically for *non-clients* specifically after we calculated survival rates (a) for PEO clients and (b) for the matched sample of businesses with unknown PEO usage.

[17] Three states – Massachusetts, Michigan, and New Jersey – did not provide the necessary level of detail on current corporate standing and were excluded from the analysis. The 1,015 companies referenced above are all in the remaining 17 states that were used in the analysis.

[18] For most PEO clients in the database, there was more than one potential match in the larger PPP database. In those circumstances, each matched company was selected for inclusion in the comparison database using a randomization process.

DETERMINING CURRENT CORPORATE STATUS. Corporate status for the 2,030 companies in the database was done manually by McBassi, through searches of Secretary of State databases in the 20 states[19] with the largest PEO client populations, per the 2022 NAPEO white paper "PEO Clients: An Analysis." Database searches were conducted by McBassi in early 2024 (slightly more than three years after the late 2020 PPP data and PEO client status data).

Each state used a slightly different system for classifying individual businesses' current corporate status; we consolidated available information into three different categories: active, inactive, or status unable to be found in the database.[20]

CALCULATING SURVIVAL RATES. For the PEO client database and for the comparison PPP database (each containing one of the two companies in the 1,015 matched pairs), it was straightforward to calculate survival rates: the percentage of companies still classified as "active" in the state databases three years after their appearance in the 2020 PPP database.

We used the active percentages from the two files to calculate the estimated active percentage among non-clients only. (Overall active percentage = 0.17 multiplied by active percentage for PEO clients, plus 0.83 multiplied by x, with x being the unknown active percentage among non-clients).

After calculating x in the above equation, we used BLS data on survival rates among US businesses overall as a benchmark to enable a small adjustment to both rates to account for the likelihood that some portion of the companies in the "unable to be found" category were actually still active, but could not be located due to search issues (such as discrepancies in specific corporate names, abbreviations, or other related issues). Specifically, we adjusted the PPP data to ensure it perfectly matched the BLS-reported survival rate for the same 3-year period.[21]

Our calculations were based on 3-year survival rates; we then used those to calculate average 1-year survival and non-survival rates, which are used in the data discussed in the main findings in this section of the paper.

Survival rates by industry and by employee size group were calculated using identical methodology to that discussed above, but applied only to those matched-pairs in a relevant employee size group or industry sector. To avoid the potentially misleading effects of small sample sizes, data were reported only for those groups that include least 30 matched pairs.

[19] As noted above, 3 of the 20 states with the largest numbers of PEO clients – Massachusetts, Michigan, and New Jersey – did not provide the necessary level of detail on current corporate standing and were excluded from the analysis. The 1,015 companies referenced above are all in the remaining 17 states that were used in the analysis.

[20] We excluded any matched-pairs for which at least one business did not fall into one of those three categories (such businesses represented one percent of the database, and were typically companies that had merged or had otherwise converted to another corporate entity and thus could not be accurately assigned to either an active or inactive status). The final database count of 1,015 matched pairs already excludes these pairs.

[21] The overall annual survival rates from BLS for 2021, 2022, and 2023 were calculated by combining BLS survival rate "cohorts" (annual survival rates of all establishments opened in a given year, back to 1994) with estimated survival rates for establishments that opened prior to 1994. For each year, this was done by estimating that pre-1994 establishments had the same survival rates as establishments opened in the five years between 1994 and 1998. (Survival rates tend to become fairly constant for older establishments – there is little difference in expected survival between a 20-year-old establishment and a 25-year-old establishment, for example.)

ACKNOWLEDGMENTS

We are extremely grateful to the PEOs that provided the data necessary for calculating growth rates and employee turnover rates among PEO clients.

We especially want to thank Craig Babigian of PrismHR, who led the development of a report structure that enabled those PEOs using the PrismHR platform to provide anonymous, aggregate data that met the exact specifications listed above for the growth and employee turnover analyses in this paper.

ABOUT MCBASSI & COMPANY

McBassi is an independent firm that provides customized analysis and research reports for membership organizations, as well as "people data" analytics and survey services to employers. McBassi's principals (Dr. Laurie Bassi and Dan McMurrer) are co-authors of *Good Company: Business Success* in the Worthiness Era and *The HR Analytics Handbook*. For more information, please visit www.mcbassi.com.

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ABOUT NAPEO

The National Association of Professional Employer Organizations (NAPEO) is The Voice of the PEO Industry™. NAPEO's 220 PEO members provide payroll, benefits, workers' comp, regulatory compliance assistance, and other HR services to more than 200,000 small and mid-size businesses employing 4.5 million people. Our members account for more than 90 percent of the industry's $358 billion in revenue. An additional 215 companies that provide services to PEOs are associate members of NAPEO. For more information, please visit www.napeo.org.

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