

NAPEO 2023 MARKET RESEARCH

Exploratory Research and Materials Testing: Discussing Co-Employment with Business Decision Makers

Key findings from six qualitative focus groups among business decision makers
in Atlanta, Dallas, and Chicago

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About this Study

NAPEO commissioned Povaddo to conduct an in-depth focus group study to understand how best to explain and discuss the co-employment relationship between professional employer organizations (PEOs) and potential clients.

- **This study's three core objectives are:**

- to explore opinions of co-employment among business decision makers (BDMs) who do not currently use a PEO,
- to work towards a better understanding of how to talk about this partnership with potential clients, and
- to ascertain the best way to explain co-employment to BDMs who do not currently use a PEO.

- **More specifically, this study seeks to:**

- learn levels of awareness of PEOs,
- garner reactions to the concept of PEOs (e.g., reactions to PEO positioning statement and video),
- identify what potential clients need/want to hear when it comes to understanding co-employment,
- determine if the co-employment video is helpful in explaining co-employment to BDMs who do not currently use a PEO,
- understand if the newly designed FAQ handout is helpful in explaining co-employment to BDMs who do not currently use a PEO,
- explore how BDMs who do not currently use a PEO might otherwise differentiate PEOs from other HR options,
- investigate what, if anything, concerns/turns off potential clients when it comes to this term/idea,
- investigate what, if anything, potential clients like about this term/idea, and
- identify what questions potential clients still have about co-employment.

Methodology

Methodology and Participants

The key findings outlined in this report are drawn from six (6) focus groups; two each in Atlanta, Dallas, and Chicago, conducted from September 12- 14, 2023; each approximately two (2) hours in length with 42 total BDM participants who were 25+ in age, with a mix of gender, ownership/high-level decision maker status, and business size as defined in Table 1:

Group	Location	N Total	BDM Type	Company size	Gender
1	Atlanta	5	5 Owners	2 [7-10], 3 [36-150]	1 female; 4 males
2	Atlanta	7	5 Owners, 2 High-Level Decision Makers	2 [7-10], 3 [11-35], 2 [36-150]	1 female; 6 males
3	Dallas	7	6 Owners, 1 High-Level Decision Makers	2 [7-10], 3 [11-35], 2 [36-150]	1 female; 6 males
4	Dallas	8	8 Owners	3 [7-10], 3 [11-35], 2 [36-150]	3 females; 5 males
5	Chicago	8	6 Owners, 2 High-Level Decision Makers	1 [7-10], 4 [11-35], 3 [36-150]	3 females; 5 males
6	Chicago	7	5 Owners, 2 High-Level Decision Makers	1 [7-10], 3 [11-35], 3 [36-150]	4 females; 3 males
Total		42	35 Owners, 7 High-Level Decision Makers	11 [7-10], 16 [11-35], 15 [36-150]	13 females; 29 males

Note: Chicago groups were conducted over Zoom, but otherwise followed the same format as other locations.

About the Materials and Testing

In this study, participants were shown a PEO positioning statement, a PEO video, a video explaining co-employment, a co-employment-based FAQ handout consisting of five FAQs and answers, and a Venn diagram depicting the co-employment relationship between PEOs, client businesses, and employees. These materials were presented in the following order:

1. PEO positioning statement
2. PEO introductory video
3. Co-employment introductory video
4. Co-employment FAQs (questions 1-5)
5. Venn diagram on co-employment

Note: Focus group research findings are qualitative in nature and are not generalizable to the broader population; statistical significance does not apply to this type of research.

Executive Summary

- 1. Consistent with previous research, there is growing awareness of PEOs; however, confusion regarding what PEOs are and what services they provide is evident among BDMs.** Prior to this study, many have heard of PEOs in some form or another; however, while some have only heard the phrase or have only a base-level understanding of what PEOs do, some have no familiarity with the term or inaccurately describe what PEOs do, indicating an overall lack of familiarity with the PEO industry as well as PEOs' offerings.
- 2. The PEO description and video are interesting and relevant to BDMs who say these materials would cause them to research or look into PEOs.** Access to Fortune 500-level benefits, saving time, taking tasks off of BDMs' plates, and allowing BDMs to focus on their business stand out as winning benefits of using a PEO to participants who are interested in PEOs and the benefits they could offer them and their businesses.
- 3. The term "co-employment" is confusing and hints at a loss of control for some.** When participants first hear the term "co-employment," most express confusion, saying the term makes them think of company-shared employees, co-working, time-shared employees, or pooled employees between two companies. While "co" makes a few participants think of partnership, it also implies a loss of control over their business to some participants, and some share specific concerns about losing control over or relationships with their employees.
- 4. The co-employment video provides a winning message and delivery to BDMs; however, it is not a stand-alone explanation of co-employment.** Responses to the co-employment video are mostly positive as participants praise the clear and concise explanation, details regarding economy of scale and how employee pooling and benefits function under a PEO, as well as the graphics. However, not all walk away with a firm understanding of the co-employment concept and a few share concerns regarding the technicality of the co-employment relationship after the video.
- 5. Explaining co-employment and PEOs to their employees concerns some BDMs.** The idea of explaining the functions and benefits of a PEO, especially when it comes to the co-employment relationship, worries some participants who care deeply about their employees and their employees' satisfaction. BDMs share concerns that their employees will be confused about who their employer is as well as potential negative effects on company culture, which some say they work hard to build and maintain.
- 6. The co-employment FAQs cover important questions and receive mostly positive responses, as the information helps to alleviate participants' initial concerns about co-employment.** Most participants agree the handout helps them understand co-employment better and some are relieved to learn that the co-employment relationship is not a 50-50 partnership as they initially thought but is more like outsourcing a service which offers benefits to them and their employees. However, some still have questions regarding specifics of how legal issues, including liability and compliance, are handled.
 - **"What is co-employment?"** – This question-and-answer garners mostly positive to neutral responses. Overall, it betters most BDMs understanding of co-employment by explaining the PEO and business client relationship, an outsourcing relationship most are familiar with at a base level. However, some still express confusion regarding the details of this relationship and exactly how it works, especially given the perceived legalese of some of the language.

Executive Summary (continued)

- **“What are the benefits of a co-employment relationship with a PEO?”** – Access to Fortune 500-level benefits, the ability to “focus on their core mission” and “grow,” and mentions of compliance assistance garner positive responses from BDMs. Focusing on benefits to employees hits home for employers who say providing better benefits could give them an edge when it comes to recruiting and may also help with retention.
 - **“Who has control of the business?”** – Most BDMs respond positively or neutrally to this section, saying they appreciate that it addresses the delineation of roles as well as the legal responsibility of the PEO and client company; however, vague terms such as “generally” and “may” lead a few participants to be wary of this section. A few participants call for examples of specific legal issues and how they are addressed, including which party has responsibility in specific instances.
 - **“Who makes decisions about hiring and firing?”** – Hiring is a pain point for many BDMs, so this section performs well and is praised as short and to the point. However, while the mention of recruitment assistance is exciting to some, it is confusing to others who need more specifics when it comes to what exactly PEOs offer in regard to hiring.
 - **“How does co-employment impact the employees?”** – This section is praised for being straightforward and puts some participants’ minds at ease when it comes to how a PEO would (or wouldn’t) affect their companies’ cultures – a concern which is shared often throughout discussions – but some are still confused about the responsibilities of a PEO and the day-to-day role a PEO would play for their employees without more specific language or examples.
- 7. The Venn diagram depicting the co-employment relationship between companies, PEOs, and their employees is an appealing visual.** BDMs praise this diagram for its clarity, and some say it explains lingering questions they had regarding the PEO versus company responsibilities following the other materials. While a few say this would be a good starting point for this conversation, some say they would need more details after reviewing this diagram.
- 8. Co-employment is not a dealbreaker and is best understood as the vehicle that allows PEOs to provide benefits to client companies.** While participants are not proponents of the term itself, after reviewing the materials, and with the reassurance of their own control over their businesses and their employees, BDMs find PEOs interesting and intriguing and are more at ease with the term co-employment. However, most say they would still need more information about the specifics of a PEO and the co-employment relationship before moving forward with a partnership with a PEO.
- 9. Timing the discussion of co-employment in the sales cycle is important – not too early or too late – and should be incorporated within explanations of the benefits PEOs offer.** Most say co-employment shouldn’t lead the discussion, as it is unfamiliar and can initially be off-putting, but should be included with or following discussions of benefits of PEOs. BDMs also caution against waiting to discuss co-employment until the end of the sales cycle, as they say they would feel blindsided if this were explained to them that late, at which point it might become a dealbreaker.

Strategic Considerations

- 1. Explain co-employment and how this relationship between businesses and PEOs functions clearly.** First impressions are difficult to combat; a few participants have difficulty letting go of their initial confusion regarding what co-employment is and believe it is a contract employment relationship until explicitly told otherwise. Thus, it is important to explain the co-employment relationship clearly and in terms that BDMs can understand.
- 2. Discuss co-employment as a vehicle that allows PEOs to provide benefits to businesses.** Although most find the term confusing, once BDMs understand the functionality of co-employment in terms of the benefits this relationship provides them and their employees, participants are more accepting of the term and often intrigued by the idea of PEOs.
- 3. Time the discussion of co-employment appropriately – explain co-employment along with or immediately following the winning benefits of PEOs.** BDMs agree co-employment should not lead the discussion nor be held until the end of the sales cycle but should be integrated into the explanation of the benefits of PEOs, highlighting how this relationship enables many of the benefits PEOs offer.
- 4. Utilize materials like the co-employment video, Venn diagram, and FAQs to help explain the benefits of co-employment, but be prepared to answer questions.** The materials receive mostly positive responses from participants and help BDMs understand co-employment, even alleviating some concerns that arise around the term, functioning as helpful tools in this conversation. However, participants say they need more information and still have specific questions about PEOs, co-employment, and how this relationship would function for their business that would need to be answered before they would be comfortable moving forward with a PEO.
- 5. Emphasize BDMs' decision-making power and autonomy in conversations around co-employment, making it clear this partnership is an *addition* to their company, not a replacement.** When it comes to the idea of co-employment, participants' concerns revolve around losing autonomy or decision-making power over aspects of their company, including their employees. Reassure that BDMs maintain company and high-level employee-related decision-making power when using a PEO.
- 6. Consider providing materials and/or support for BDMs when it comes to explaining co-employment and PEOs to employees.** BDMs care about their employees' satisfaction and some share concerns around explaining this change to their employees, even looking to the FAQs as potential materials they could utilize in this discussion with employees. Providing tips and materials to aid BDMs in this transition with their employees may be helpful.

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Current Business Concerns

- ▶ **Staffing issues, costs, and compliance issues are BDMs' main concerns in the current business climate.**
 - **The process of hiring and firing staff, costs, and compliance are seen as the biggest nuisances in terms of HR functions according to participants.**
 - Hiring is a difficult and time-consuming process for BDMs and is often reported as their main concern, or pain point, when it comes to running their business.
 - › Additionally, terminating employees is also an issue raised by participants, one that brings in compliance and legal risks to the business.
 - Compliance emerges as a major pain point for some participants who say that ever-changing regulations are difficult to keep up with and could land them in major legal trouble if handled incorrectly. This is especially noted by a few participants whose companies operate in multiple states, as keeping up with multiple regulations in multiple states can be extremely difficult.
 - High costs alongside balancing prices and expenditures are major concerns of BDMs across the board and are a major grievance when it comes to HR and providing their employees with affordable and attractive benefit packages.
 - › When it comes to HR functions, BDMs say that finding benefits and worker's compensation packages that are not overly expensive and can provide enough coverage to their employees is a challenge.

In their words ...

"Hiring is always an issue, that's always, just my only biggest issue." – Business Decision Maker, Atlanta

"You just have to always make sure you're handling things correctly, so it doesn't escalate. And my job is usually just to, if I get involved, I mean, I have to diffuse the situation, try to correct it." – Business Decision Maker, Atlanta

"When we moved to New Mexico, it's a lot different than doing business here in Texas, and now we're going to expand it to California with a whole different thing. There's just no way we could get to that learning curve and do what we need to do to be in compliance." – Business Decision Maker, Dallas

"I've run into a problem, as far as terminating an employee, but I've had to pay unemployment and they were a terrible employee. It's happened on a couple of occasions where I need to probably outsource that."

– Business Decision Maker, Dallas

"Once I get one thing figured out, now I have another thing I have to figure out, and if I don't have an expert or professional that has my back, it could put me in a really bad position professionally and financially. So, for me, the biggest issues have become just staying on the forefront of knowing what's out there."

– Business Decision Maker, Dallas

"I will talk to our HR attorney probably on a biannual basis and I'll learn new laws all the time. Mind blown, had no idea, new posting. You cannot possibly keep up with this, it's a complete game. And a lot of it is rigged, a lot of it is political, but it's very difficult to keep up with. And it's a big expense, too. Because every time you pick up that phone, clock's ticking." – Business Decision Maker, Chicago

"Cost, that's my bottom line. I need to make sure I keep the cost as minimal as possible."

– Business Decision Maker, Chicago

Attitudes About Management and Outsourcing

- ▶ **Across business types, almost all BDMs outsource at least some part of their HR functions, most often due to lack of capacity and need for subject area expertise.**
 - **Payroll, accounting, and employee benefits are the most outsourced business functions according to participants; followed by compliance and legal advice, IT support, and sales/marketing.**
 - Bookkeeping and payroll are outsourced the most across participants and are seen as necessary but time-consuming business activities that often distract BDMs from growing and attending to their business.
 - › This sentiment emerges most often from smaller businesses whose BDMs are less likely to have staff members dedicated to these tasks.
 - Legal and compliance issues (e.g., workers' compensation, termination) are important topics for some BDMs. Thus, some prefer to outsource these to experts to make sure there are no problems in this area.
 - BDMs who do not delegate any HR functions say this is because they prefer to manage their company in their own way.
 - **Lack of capacity and need for subject area expertise are the two main drivers for outsourcing.**
 - Lack of capacity and/or niche subject matter expertise are reasons BDMs often give for outsourcing business functions, as small to midsize businesses often do not have capacity or expertise in these specific areas.
 - Some acknowledge they are not experts in these areas, and they prefer to do business-related work that they hold expertise in and leave other functions to those with more knowledge and experience.
 - A few acknowledge they would like to outsource more, as they currently feel like they or their employees spend too much time on certain internal "back office" business functions.
 - Some BDMs have a high interest level in fostering a work culture that fits their business, and a few share concerns that outsourcing business functions related to employees could make them lose control or dilute their efforts.

Attitudes About Management and Outsourcing (continued)

In their words ...

"And I think there's certain issues that come up once a year or once every other year. And to have someone who does it every day is really nice because I don't- and that's my issue is on some of these issues, whether it's employment or termination or HR or moving someone in or out - I don't do it enough to be comfortable with it."

- Business Decision Maker, Atlanta

"We don't outsource enough. I'm still dealing with the mentality of an old school type owner that is a great person, but to let go of some of that responsibility as opposed to having everybody in the house, that pretty much falls on my plate to make sure it's handled. And human resources, payroll, those type of things. Where people could do it a lot faster and take that headache off my plate. Free me up to do a lot more things because we've got seven locations and we are nationwide, so it's, there's quite a bit of information that's coming through."

- Business Decision Maker, Atlanta

"I like outsourcing now because all I have to do basically is sign checks. Everything else is taken care of by somebody else, and I don't really have time to do anything. I'm too busy as it is, there's not enough days anymore or hours in the days anymore it seems."

- Business Decision Maker, Dallas

"Especially with accounting, there's a lot of federal laws and things that are involved, and so it's like hiring- I guess we do outsource our legal too. So that's another arm that we do outsource is legal, because we have a lot of federal regulations and stuff."

- Business Decision Maker, Dallas

"Outsourcing also helps with payroll just for time management too. And we have- our team is nationally distributed and so every state has a different- just has different laws, employment laws, so it's just much easier to just use the software to do this. And payroll is not something you want to mess up."

- Business Decision Maker, Chicago

"I would say the two factors [behind choosing to outsource] would be expertise and capacity. We just don't have a capacity for a full-time accountant. And we rather have someone who trusted by the business who we've known for years to do it. So, in terms of resources, we just don't have the need consistently for that amount of resource. We have busy seasons, but then after that, it's kind of dead, so there's no point in keeping a full-time corporate counsel on board."

- Business Decision Maker, Chicago

"Well, one concern that we're having is just having things fall through the cracks. There're so many things that you need, like workers' comp, insurance, and things like that. Making sure that all of this is A, secured, and then B, up to date and continues, the premiums continue to be paid, and stuff like that. So just kind of making sure that all the i's are dotted, and t's are crossed."

- Business Decision Maker, Chicago

Awareness of PEOs

► Awareness of PEOs is increasing, in line with previous research, as about half of participants say they are familiar with PEOs.

- General awareness of PEOs continues to increase, in line with previous findings, with BDMs providing B2B services more likely to have greater knowledge of PEOs.
 - A little less than half of participants have at least heard of PEOs prior to their participation, and some are able to give fairly accurate to detailed descriptions of PEOs when probed.
 - › BDMs of larger companies and those who provide B2B services as vendors or partners are more likely to have a deeper understanding of the PEO industry and some have extensive knowledge of how PEOs work, saying they have worked with or partnered with them in the past.
 - › However, true understanding of PEOs and their offerings is still limited as some who indicate awareness cannot explain what PEOs do or offer, some compare PEOs to other services they have experienced before, such as payroll services, and a few describe PEO services inaccurately.
 - Knowledge of the industry goes hand-in-hand with positive attitudes as participants who are knowledgeable about PEOs report positive attitudes towards them.

► In their words ...

"You know, prior to this, well, even with this, I was with another company, 15 years and we outsourced a whole lot of things people didn't realize, but we were outsourcing to different companies under our umbrella. To just to get some things accomplished. And so, when I got the information, I was somewhat familiar with the PEO."

- Business Decision Maker, Atlanta

"I'm an investor in some companies in California and one of the companies that I'm an investor in actually uses PEO. And I kind of, at one of the board meetings, I kind of was introduced to what we're paying them and what we're paying for. And it fits really well for California because it's a state that's just so gung-ho on employees. And so, this company that being used for that corporation is again, turnkey and they're amazing to the point where I've had friends that have expanded out there, and when we expand out there, we're going to use the same company."

- Business Decision Maker, Dallas

"So, in my old company, before we moved to a PEO, we actually had a group plan for our benefits, and it was insanely expensive. But once we moved to a PEO, it became way more affordable, you had more options. I would say that was the most beneficial thing of moving to a PEO."

- Business Decision Maker, Chicago

"Yeah. And to me it almost seems like, being in the business for quite a few years, I've never really heard about them until I would say the last couple years where all of a sudden this has come about. I never even knew that word or that acronym and all of a sudden it's like, hmm. But I've been getting a lot of emails and a lot of companies calling me and referencing that word, PEO."

- Business Decision Maker, Chicago

Reactions to Information About PEOs

PEO Description

Professional employer organizations (PEOs) provide human resource services to small and mid-size businesses—paying wages and taxes under the PEO's EIN, offering workers' comp and risk management services, and providing compliance assistance with employment-related rules and regulations.

In addition, many PEOs provide HR technology systems and access to 401(k) plans, health, dental, and life insurance, dependent care, and other benefits. In doing so, PEOs help businesses take care of employees by enabling them to offer Fortune 500-level benefits at an affordable cost and providing access to experienced HR professionals.

PEOs also help business owners and executives save time by taking administrative and HR-related tasks off their plates, allowing them to focus on the success of their businesses.



Still from the PEO Video

PEO Positioning Statement

- ▶ **Participants respond positively to the concept of PEOs after receiving a brief introduction to them via the PEO positioning statement and video, but some say they still need more information.**
 - Overall, participants view PEOs positively after reviewing the introductory materials, and some respond with enthusiasm as they consider how PEOs could help them focus on growing their business.
 - The PEO positioning statement and video are praised for language regarding taking HR tasks off BDMs' plates, allowing BDMs' to focus on growing their business, providing Fortune 500-level benefits, and providing expertise to smaller companies, especially with legal and compliance issues.
 - › Mentions of providing better benefits to employees in both the statement and video resonate with BDMs, as this is important to many as they consider attracting new talent as well as retaining current talent.
 - › Visuals are well-received, and the PEO video adds to BDMs' understanding of PEOs and participants praise it for its clarity, mention of delegating HR tasks and access to benefits, and its graphics.
 - › BDMs of companies with employees in multiple states are especially interested in benefits of PEOs involving compliance/legal support, saying these are issues they face often as they attempt to maintain compliance in multiple states.
 - Indicating they address the core issues facing most BDMs, many are intrigued by the idea of PEOs after reviewing these materials as a potential way to alleviate their workload, especially when it comes to HR and administrative tasks, so that they can focus more on their businesses.
 - › The final sentence in the positioning statement, '*PEOs also help business owners and executives save time by taking administrative and HR-related tasks off their plates, allowing them to focus on the success of their businesses;*' is especially eye-catching as BDMs echo this sentence across groups, saying it is exactly what they need.

Reactions to Information About PEOs (continued)

- **Despite mostly positive responses, some have questions and a few raise concerns about PEOs, stemming from a perceived loss of control.**
 - Questions raised by BDMs are broad and underscore participants' lack of awareness regarding the PEO industry and how PEOs operate.
 - › Some questions raised by BDMs included how different types of employees would be handled (1099, full-time employees, employees in different states, etc.), whether PEOs would be a good fit for their company or industry, how PEO services would scale according to size of company, and how employees would react to PEOs.
 - Loss of control or potentially sharing control with an external party is raised most often as a concern by BDMs in response to introductory PEO materials, brought up before discussing co-employment.
 - Other concerns noted by a few participants include a reluctance to 'put all of their eggs in one basket' by hiring a single firm to delegate their HR functions and sentiment against hiring a new firm to replace existing relationships with service providers and staff members.

In their words ...

"These are services that keep you out of trouble. Get out hot water you know, as the business owner if some type of audit is coming through, some type of regulation, or some type of penalty for something that you didn't do, they let me know about it." – Business Decision Maker, Atlanta

"It sounds a little bit too good to be true ... I don't know if that can do all that." – Business Decision Maker, Atlanta

"I think what jumped out to me was the Fortune 500-level benefits. When I've looked at organizations that offer some of these similar types of services, maybe not a comprehensive PEO, what I've found is in most scenarios there're more of an administrative person doing something. I have somebody that can do that. The decision making and all of the evaluation still rests on management here or me. I haven't found a lot of benefit in it. I think if- what this is saying is now we have a group, that just formed its own company, that now all of these employees actually were employed through this PEO managing our employees for our business. I think that's what stands out to me, is I can become more marketable to potential employees by saying, 'Hey, I can offer you these benefits that maybe another smaller company couldn't.'" – Business Decision Maker, Atlanta

"It's somebody running my company, basically. I don't like it that much. I wouldn't want to give that much control."
– Business Decision Maker, Dallas

"It's pretty much what I expected. I use mine [outsourced services] more for administrative, to help me free up my time. Just making sure that I have an understanding of the position so then I can pass that position off. And then if someone doesn't do what they need to, at least I have an understanding of going back into that position. So, nothing caught off guard. It's just the name and the offerings seem to be more robust."
– Business Decision Maker, Dallas

"It would give my small organization, that's just a handful of people, access to more benefits that we couldn't necessarily get on our own because we're not enough heads. I like that aspect of PEOs. And the other thing is, if we're out there trying to generate revenue, working at client sites, doing our consulting, we can't be in a back office being transactional, being administrative. And somewhere in here, I think towards the bottom, it mentioned about the PEO will take on the administrative side of things, and that's attractive." – Business Decision Maker, Chicago

Reactions to the Term Co-Employment

► The term “co-employment” is confusing and hints at a loss of control for some.

- Co-employment is an unknown term that is confusing and for some elicits negative connotations of losing control.
 - Confusion around the meaning of co-employment contributes to the loss of control felt by many when considering this term, underscoring negative connotations.
 - › When asked what co-employment sounds like, participants say they think the term refers to one or more of the following:
 - » an employee working for multiple companies,
 - » company-shared employees,
 - » co-working,
 - » time-shared employees, or
 - » pooled employees between two companies.
 - While “co” makes a few participants think of partnership, which can have positive connotations, others balk at the idea of a partnership, saying they don’t want a partner in their business.
 - › Several have had negative experiences with partners or with sharing high-level business responsibilities with others in the past and do not want to risk giving up the control they now have in their business.
 - Some BDMs share specific concerns about losing control over relationships with their employees. Several ask who signs the paychecks, saying this is essentially who an employee works for, and if it isn’t them, then they are concerned.

In their words ...

“The phrase causes confusion honestly. I don’t have a better word, but it’s still confusing.”

– Business Decision Maker, Atlanta

“I wouldn’t use that term because I think it makes it sound kind of like you- they’re trying to come in and be part of my business and I don’t need them to be part of my internal business. I need them to do the services that, if I’m going to hire them, I need them to do the services they’re doing. I don’t need them to be part of me.”

– Business Decision Maker, Dallas

“I think it’s negative. You’re sharing an employee. Co-employment means they’re working for him and they’re working for me at the same time. And I got a deadline that meets me. Which one’s the person doing it? Is he doing his or is he doing mine? That’s just kind of where my mind went right there with just that word.”

– Business Decision Maker, Dallas

“There’s also an inherent loss of total control. And I’m not saying you lose complete control, but you are sharing the control and guidance, and you are giving up part of that when you are engaging in a co-employment situation.”

– Business Decision Maker, Chicago

“It’s sort of the partnership thing. Somebody else is there to work with you to get through a situation that I don’t know, especially legality terms and stuff like that. That would help me out.”

– Business Decision Maker, Chicago

“Liability came to mind. Who’s responsible in situations where something falls through the cracks or there’s a violation of some sort? That’s a big issue. That would be my first reaction.”

– Business Decision Maker, Chicago

Reactions to the Co-Employment Video

► **The co-employment video provides a winning message and delivery to BDMs; however, many still have questions regarding the specifics of co-employment.**

▪ **Responses to the co-employment video are mostly positive, although several are still confused about co-employment after watching the video and some share questions they still have about the partnership.**

– Participants praise the clear and concise explanation, details regarding economies of scale and how employee pooling and benefits function under a PEO, as well as the graphics.

› After watching the PEO video first, some say they prefer the co-employment video, as it better explained how PEOs function and can offer the benefits to businesses and employees that they do. Several note this video feels less like a “sales pitch” and they appreciate it is more detailed and explanatory.

› Some say this video would make them further research or look into a PEO.

– In some cases, the initial negative impression that participants have about co-employment is alleviated by this video.

› Several participants are able to ‘connect the dots’ and understand that this is a necessary part of how PEOs work after the brief but illuminating economies of scale explanation.

– While many agree this video better their understanding of co-employment, not all walk away with a firm understanding of the co-employment concept.

› Learning that employee pooling or joining together under a PEO through co-employment is the vehicle or mechanism that allows small to midsize companies to get better benefits for their employees helps BDMs understand co-employment. One BDM says that if he saw this video before he heard the term co-employment the term would not have fazed him.

» Several make comparisons to Costco, putting the PEO model into this framework to understand how it might work.

› First impressions are difficult to overcome and several remain confused about what co-employment is following the video. One believes this relationship involves having contractors working for you and another thinks it means employees are working for two different companies.

– Concerns regarding the technicality of the co-employment relationship as well as specifics when it comes to how their employees might be affected arise after the video.

› A few note that co-employment could be positive because of PEOs taking on risk related to employees; however, this also leads some to question how compliance and risk are handled.

› A few also share concerns about their company culture and their employees being confused about who their employer is. Additionally, one is concerned about his employees being reduced to speaking to “call centers” to get their questions answered, a departure from how things are currently handled at his small business.



Still from the Co-Employment Video

Reactions to the Co-Employment Video (continued)

In their words ...

"When my old company used a PEO I was on the anxious side because it's like, I work for this company, this is what my shirt says, this is what my hat says, this is what it is. And when you give me a check from somebody else, who do I work for? Who do I please?" – Business Decision Maker, Atlanta

"So, the term co-employment changed, for me, after watching this video. What transformed in my mind, conceptually, is, it's actually a contractual agreement now. So, legally, for that group to be that larger benefit provider, they have to have some sense of ownership. So, now I have a contractual agreement, is the way I'm interpreting it, with all of these companies that said at me, 'Allow me to claim your person as an employee. I do nothing with them, other than that.' Well, that was the wrong term. 'But I mean, they're not really my employee. They're still your employee. But I have a number assigned to them, to make them a number in my counts. And now my count of employees is 50,000 instead of 10.'" – Business Decision Maker, Atlanta

"I think co-employment is a vehicle. It's the way that the PEO is able to gain that value. You have to have the co-employment in order for the numbers to count together, instead of counting individually, if you're just going through your organization. It's a parent-child relationship. Your org is the child, they're the parent, and the employees roll up through. That's what I'm understanding." – Business Decision Maker, Dallas

"I think the power of grouping small businesses, giving small businesses the same benefits and opportunities as a larger corporation is key because small businesses, when you're hiring someone, you can't really give them as the benefit package like a big corporation. So, sometimes you lose out on a good employee that you could have because of that. If it allows you to level the playing field, then I think that's huge." – Business Decision Maker, Dallas

"I like very much that economies of scale explanation. It's like the buying power, the negotiation power is in numbers. I can help my employees be part of a bigger number by engaging a PEO." – Business Decision Maker, Chicago

"This definitely, it helps, the economies of scale. It was a nice video. I think it gave a little more insight. In my opinion, it's still dancing around the topic that was led off in your initial paragraph. I think describing a little bit more of - Who's EIN they are getting paid under and how that functionality goes." – Business Decision Maker, Chicago

"Well, it really kind of speaks to what I had mentioned previously in that it's an organization that helps make sure that small to mid-size companies like mine are compliant and up to date. And provides risk management, so reducing our risk for things." – Business Decision Maker, Chicago

Reactions to the Co-Employment Venn Diagram



- ▶ **The Venn diagram depicting the co-employment relationship between companies, PEOs, and their employees is an appealing visual which garners praise from most participants.**
 - **After reviewing other co-employment materials (including the co-employment video and FAQ handout), most BDMs praise the Venn diagram for its clarity, happy to have the co-employment relationship provided in a visual format.**
 - BDMs appreciate the Venn diagram for how clearly the information is displayed, and some say it explains lingering questions they had regarding the PEO versus company responsibilities following the other materials.
 - › While reviewing the FAQs, several BDMs say they would prefer to have a visual or a graph or table to help explain the co-employment relationship, statements which they call back to when they see the Venn diagram.
 - While a few say this would be a good starting point for the conversation around co-employment, others say the diagram is vague and they would need more details, especially about risk, if reviewing it without more context.
 - › A few also still need clarification as to how a PEO differs from payroll or other outsourced HR-related services.
 - Aspects of the design, notably the size of the circles being equal despite the PEO only taking HR-related business responsibilities, which are a small portion of the overall businesses' responsibilities, stand out to a few participants who dislike the perceived implication that PEOs and their client businesses are equal in this partnership.

Reactions to the Co-Employment Venn Diagram (continued)

In their words ...

"It's interesting. Somebody said the circles are the same size earlier. It's almost like the PEO is a massive organization, but then, this is only a small piece of running a business and operating the whatever everyone around the table here does. So that circle should be bigger. And this is a small piece of that bigger circle."

– Business Decision Maker, Atlanta

"Yes. I would've just thought that was my payroll services. The people I'm working with now, that's what they do. So, what's my advantage?"

– Business Decision Maker, Atlanta

"Now, we enjoy it. I enjoy this. I really enjoy it. Because a Venn diagram is what we all went through grade school to show the similarities and differences. So, it does give us a great example of, 'Hey, this is what your responsibilities are, here's what our responsibilities are. We'll work this together as a team for this person in the middle.'"

– Business Decision Maker, Dallas

"Yeah, this- if you could've provided this earlier, it would've helped."

– Business Decision Maker, Dallas

"If you lead with this, and not say co-employee, that's a turnoff, if they would've said this at first, I would've had no problem with that [co-employment]. If that makes any sense."

– Business Decision Maker, Dallas

"They should have showed this first. It did help the FAQs."

– Business Decision Maker, Chicago

"I love nice colorful visuals, I just don't particularly like this one because nowhere in this visual does it say anything about whose risk is whose? In the yellow section for the PEO, there's nothing listed there about risk mitigation, lawsuits, supports, that kind of thing, and that's what I would want to see somewhere in some marketing materials."

– Business Decision Maker, Chicago

Overall Reactions to the FAQ Handout



- ▶ **The co-employment FAQ handout is received positively and covers important questions, helping to alleviate participants' initial concerns about co-employment, although some concerns about employees remain.**
 - **The FAQ handout hits the nail on the head, answering participants' questions and providing more information and context as needed; however, some still have questions regarding the specifics of how a co-employment relationship works, especially when it comes employees.**
 - Most participants agree the handout helps them understand co-employment better and some are relieved to learn that the co-employment relationship is not a 50-50 partnership as they initially thought but is more like outsourcing a service which offers benefits to them and their employees.
 - › Benefits of PEOs, driven by co-employment, are praised by participants who say providing their employees with better benefits packages would help them recruit and retain top talent, a difficult task for small businesses in the current job market. Additionally, taking tasks off of their plate so they can focus on their core business stands out to some who hope to do just this moving forward.
 - › The handout is written clearly, and participants praise how easy to understand most of the language is. A few say they could give this to their employees to help explain this arrangement to them. However, language that is perceived to be too general raises cautionary flags for a few.
 - After reviewing the FAQs, some still have questions regarding specifics of how legal issues, including liability and compliance, are handled; however, questions that remain at this point might best be answered in one-on-one discussions as most agree this handout answers all of their most burning questions.
 - › Some BDMs say they still need clarification regarding specifics about liability and compliance after reviewing this handout. Several suggest including examples of common workplace issues (injuries, safety issues, workers' compensation, employee disagreements, etc.) and explaining how they are handled in this arraignment, as well as who is liable, might be helpful.
 - **Many are concerned about how to explain co-employment to their employees, as well as how this might affect their employees.**
 - Throughout the discussion of co-employment, many participants share concerns about how they would explain a PEO or co-employment to their employees. However, after reading the FAQ handout, some reference the handout as being a source they would be able to distribute to their employees to aid this conversation.

Overall Reactions to FAQ Handout (continued)

- While most participants' concerns center on how co-employment might negatively affect their employees and/or company culture, a few share concerns about who the PEO has allegiance to, them or their employees.
 - > Some worry co-employment, specifically getting a check with the PEO's name on it, might deteriorate their relationship with their employees, relationships some say have been decades in the making.
 - > A few are less concerned about their employees' well-being and more concerned about how co-employment might be used against them as business owners. "Is this a union?" one participant asks, while another asks if they left out the term "union" from the description, as it is implied. A few others share concerns that their employees may try to "use" the PEO to benefit themselves (going against their company). At the end of the day, it is important to some to know that PEOs work for them, to benefit their business, them as the owner or decision maker, and then their employees.

In their words ...

"I liked it. It made me feel pretty positive, more positive about the PEO or the co-employment."

- Business Decision Maker, Atlanta

"I mean, it spells out kind of what the relationship is. The only question I still have is on the legal side of it. I'm curious as to underwriting for some of the professional liability stuff, what that looks like."

- Business Decision Maker, Atlanta

"The word union comes to mind when we start talking about this, I have a feeling they left it out of this document intentionally."

- Business Decision Maker, Atlanta

"It shows that you have a little bit more control than they do because you're the ultimate person that knows that who's going to get hired, who's going to get fired, and again, I think it's moving me from neutral to positive because it says it helps productivity and profitability and focus on the core mission of the company. And then at the bottom I see it says companies that use the PEO employees have greater trust and confidence in the business and a higher level of engagement so that it builds more value for that company for employees to come and work for us."

- Business Decision Maker, Dallas

"I think the document is clear and concise. It really does explain it. I mean it breaks it down, tells you exactly what they'll do, what's left to you."

- Business Decision Maker, Dallas

"Who are they actually working for? Even if we pay the PEOs, are they working, giving information to the employees or to us the owners?"

- Business Decision Maker, Dallas

"So, on a liability issue, where I'm having a problem with the co-employer, who's actually the employer record? I assume it's the PEO because the PEO is paying the employee. Where I'm having an issue is, if something happens to work with one employee and another, we're- as an employer, we're going to be brought into a lawsuit. And, thinking, if the employer record is the PEO, what protection do I have as an employer who's making this deal with the PEO to protect me if something should happen?"

- Business Decision Maker, Chicago

"At first I was like, whoa, now it does kind of sound like they're dipping the hands in. But from all the different sections and after re-reading, I realized that it's as I felt, where they're basically to me in my terms, if I'm looking at it, they're going to help me do what I consider the dirty work, so I can focus on my business and day-today operations. They're there to guide me, I'm still the final decision maker, and that's what I get from it, from reading this."

- Business Decision Maker, Chicago

Reactions to Question 1

What is co-employment?

Co-employment is an agreement between a company and a PEO that allocates employer responsibilities between the parties. Simply speaking, this allocation allows the PEO to become an “administrative” employer while the client company retains control over its employees on the worksite and day-to-day operations. Thus, in a co-employment relationship, the employees (often called worksite employees) are employed in parallel by both the client company and the PEO but for different purposes.

The client company remains responsible for all business decisions, operations, day-to-day supervision of employees, job assignments, employee reviews and assessments, and determination of the employee’s salary and available benefits.

The PEO provides more administrative services related to employment, which may include such services as payroll processing; collection and remittance of payroll taxes; administration of employee benefits; HR services; workers’ comp coverage and claims management; compliance assistance; and HR technology platforms.

► “What is co-employment?” – The first Q&A garners mostly positive to neutral responses.

▪ While the first FAQ does not garner excitement, it betters most BDMs understanding of co-employment.

- Participants praise this section for detailing all the services that a PEO will take off of their plate and for more fully explaining co-employment. By explaining the PEO and business client relationship as a contractual agreement participants understand it as an outsourcing relationship, which most are familiar with at a base level.
- Some still express confusion regarding the details of the co-employment relationship and exactly how it works, especially given the perceived legalese of some of the language.
 - › Some participants dislike the second sentence regarding employees being employed by two separate entities as this is confusing for some who initially thought co-employment might mean shared employees between two or more companies. A few express this confusion by asking how employees can work two jobs full-time.
 - › A few say they don’t think they could share this wording with their employees to help explain co-employment because it is too high-level, and it emerges that they are looking for aid in having this conversation in these materials. A few say terms like “worksite employee” are too “blue collar” for employees.

Reactions to Question 1 (continued)

In their words ...

"I think the word that did appeal to me is when it said it's an agreement. It's an agreement between two companies. Which then, still from my perspective, I was thinking about presenting this to my employees. I would still be saying, 'You're an employer of my company. Your benefits are being administered by somebody else. And that's where those services are.'" – Business Decision Maker, Atlanta

"What they are doing is they're identifying our pain points that take- things that take up most of our time. They're offering to pull it off of our plate, which is going to be very attractive because now it allows us to do what we do well. That's what I'm getting out of it. And if someone is out selling this, I don't know why they couldn't sell it." – Business Decision Maker, Dallas

"It's kind of like hiring an office manager, but then if the office manager leaves, you got to hire another one, train them all again. This company is never going to leave unless you fire them technically." – Business Decision Maker, Dallas

"On the first paragraph, last sentence, employed in parallel by both the client company and the PEO makes my radar go up very high. I don't like that phrase. It makes me think that I am entering into a legal agreement that is going to come back and bite me." – Business Decision Maker, Chicago

"I think it's a nice explanation. It explains it more." – Business Decision Maker, Chicago

"I think you need some sort of visualization, whether it's a Venn diagram or a chart. This is your responsibility, this is mine, and this is what falls kind of in the in between. I think people are more visual. I myself am more visual, so I would like the chart and things like that." – Business Decision Maker, Chicago

Reactions to Question 2

What are the benefits of a co-employment relationship with a PEO?

By providing payroll, benefits, and HR services and assisting with compliance issues under state and federal law, PEOs allow small businesses to improve productivity and profitability, to focus on their core mission, and to grow.

Through a PEO, the employees of small businesses can gain access to Fortune 500-level employee benefits, such as health insurance, dental and vision care, life insurance, retirement saving plans, job counseling, adoption assistance, educational benefits, and even pet insurance. These are benefits that are not typically available to employees of a small business.

PEOs also provide access to human resource professionals as a part of their services to small businesses. Through this service, PEOs help small businesses comply with myriad federal, state, and local employment laws, and help their employees better understand their rights and responsibilities under these requirements.

► “What are the benefits of a co-employment relationship with a PEO?” – The second Q&A focusing on benefits is a winning message.

- Access to Fortune 500-level benefits, the ability to “focus on their core mission” and “grow,” as well as mentions of compliance assistance garner positive responses from BDMs.
 - Focusing on benefits to employees hits home for employers who say providing better benefits than are typically available to them and their employees in their small- to mid-size businesses could give them an edge when it comes to recruiting and may also help with retention.
 - Some say the state and federal compliance issues mentioned in the third paragraph are the most important selling point, as these can be costly and difficult to keep up with on their own.
 - › Several who have employees in multiple states say this is a major selling point, as it is incredibly difficult to make sure they are in compliance and know all of the rules and regulations across multiple states.
 - › A few would like examples or more information in general as to how and when PEOs take on risks related to employees.
 - A few words or phrases stand out negatively to participants including “employed in parallel,” which participants dislike as they find it confusing, “job counseling,” which stands out to a few participants who are confused who the PEO will be counseling and to what end, and “employee-related issues,” as participants say “issues” sounds negative and should be replaced with “matters.”

Reactions to Question 2 (continued)

In their words ...

"I thought this was good. Like I said, just synopsis everything we talked about. It just gives you a clearer view. Especially anytime you talk about federal, state, local laws, you'll get a people in business, you'll get their eyes open and intrigued and looking at it even more." – Business Decision Maker, Atlanta

"I actually, I like this one here because, again, it gives you the feel that you can offer your employees some of the benefits that some of these big companies offer possibly get a rate where you can afford it."

– Business Decision Maker, Atlanta

"I think that compliance stuff down in the last paragraph is probably the best part of the whole thing. Because you don't have to deal with the crappy part of the deal." – Business Decision Maker, Atlanta

"I think being able to get, like they say right here, Fortune 500-level employee benefits. Because as a small business owner, most of us, I don't know about anybody who can afford all these benefits like the pet insurance, which actually I would like because I have my own dog too. And I've never done it, but there's some good benefits there that I think you could take advantage of." – Business Decision Maker, Dallas

"As a business owner, our things that we should be most focused on are happy, healthy employees. An employee that knows that they have these options, job counseling, adoption assistance, because if I have a lady or even a man who's struggling to find an adoption agency, they can't focus at work. But knowing that they've got some of these additional benefits to help them, now allows them to be able to focus on what we're supposed to be focused on, which will allow our company to grow. That Fortune 500 stood out first and then the reasons behind it."

– Business Decision Maker, Dallas

"Positive for me because it helps to be more productive, more profitable, focus on our core mission and growth. And also, it gives you access to Fortune 500-level benefits that a small business wouldn't get, if it's a small business you are running, or a medium business, that a huge business gets." – Business Decision Maker, Dallas

"It does speak a little bit more to the level of services and liability that the PEO takes on. It's just a neutral comment, but it does speak a little bit more to the responsibilities that they're taking on to work on your behalf."

– Business Decision Maker, Chicago

"It helps- I think it also helps with the recruiting of new employees and growing your businesses that you're able to offer better benefits, essentially, than small employers are able to." – Business Decision Maker, Chicago

Reactions to Question 3

Who has control of the business?

The PEO client/business owner retains ownership of the company and control over its operations and employees. As co-employers, the PEO and client will contractually share or allocate employer rights and responsibilities under a client service agreement (CSA). The PEO will generally only assume employer responsibilities like administration of benefits and remittance of payroll and payroll taxes. The client will continue to have responsibility over the employees on the worksite, including worksite safety and compliance.

In general terms, the PEO will focus on employment-related issues, and the client company will make all decisions related to day-to-day operations, business growth, supervision and evaluation of employees, job assignments, and employee's salary and benefits.

► “Who has control of the business?” – Most BDMs respond positively or neutrally to the third Q&A.

- **Appreciative that it addresses the delineation of roles as well as the legal responsibility of the PEO and client company, most say this section helps them better understand the co-employment relationship.**
 - The importance of this section cannot be overlooked, as this question has already come up in discussion for some participants and seeing the provided answer is relieving. One BDM says this is where it “clicked” for him, and he finally understood the co-employment relationship.
 - Despite positive responses, vague wording and terms such as “generally” and “may” lead some participants to be wary of this section.
 - A few BDMs suggest leading with the second paragraph, as this sentence is more reassuring than the first paragraph. Additionally, one suggests removing “PEO client” before business owner in the first sentence as they find this terminology confusing.
 - While some say the section is clear, others need clarity regarding specific points.
 - › Some raise concerns regarding responsibility, risk, and compliance, based on the information in this section (specifically the second half of the first paragraph, beginning with the third sentence). Concerned that the PEO might not, in fact, be taking responsibility of employees and/or taking on any risk, especially when it comes to compliance, some BDMs call for examples of specific situations and how PEOs would handle them with their clients, noting which entity has responsibility in each instance.
 - › A few say they would need more information about specifics, especially the client service agreement (CSA).

Reactions to Question 3 (continued)

In their words ...

"This is where the CSA came up, that clicked for me. That it's a division in this agreement that we're talking about, where you handled these responsibilities, and employer or PEO, you handle these responsibilities. And that just sort of clicks well." – Business Decision Maker, Atlanta

"I think when, what comforted me hearing it was adding the word agreement to the term of that, not necessarily it being, oh my goodness, they're not your employees anymore. That creates fear. It generates all those questions of risk and liability." – Business Decision Maker, Atlanta

"I mean, obviously, the key sentence in there is that second sentence with the CSA. And it helps, but I'm not sure how you allocate employer rights and responsibilities to different people. Because I would love to allocate some employer responsibilities to some other people right now. But yes, that one sentence brings up more questions than it answered. I mean, I get that I have control of the business. There's no question there. It's the, how does the whole thing work under the covers? That's the question." – Business Decision Maker, Atlanta

"Little confusion because I went to this client service agreement saying, they're going to share the employer rights and responsibility. But then it says the client will continue to have responsibility of the employees on the work site, including work site citation compliance. So, if something goes wrong with that person when it comes to an HR or compliance issue, are they contractually sharing the responsibility or is it still on me the business owner, is what I'm trying to understand there." – Business Decision Maker, Dallas

"I would just, this sounds very clear to me, I would just like a little example. For example, if a PEO were to say to do something and you decided to go against it, you would be responsible for anything that happened because the advice was given to you, right? And or if a PEO shared with you, 'you're okay to terminate this person based off of all of the findings... and they were wrong- then what?'" – Business Decision Maker, Dallas

"Yeah. Like as far as broad term, broad explanation, everything, yeah, this is fine, but at the end of the day, it's what you sign up for. And again, it's going to be the fine print. I'm sure these different companies do it different ways, and there's going to be a short check and balances. So, in theory, I think this is a great scenario, a great introduction. In practice, it's going to be the bottom line, the fine print, the negotiation. And if it's affordable to a company."
– Business Decision Maker, Dallas

"The second paragraph provides more reassurance than the first. I would lead with that."
– Business Decision Maker, Chicago

"PEO client was confusing me, when it says 'the PEO client/business owner,' I would have read it better if it said the client or just business owner retains ownership of the company and then go into it. It seems like we're both somehow retaining ownership." – Business Decision Maker, Chicago

Reactions to Question 4

Who makes decisions about hiring and firing?

The client company retains the ultimate decision-making authority about hiring and firing. However, the PEO will typically work with the client company to manage potential risks and ensure that appropriate procedures are being followed and documented appropriately.

Many PEOs also provide recruitment assistance to help the client company find qualified candidates with the right skills who will fit into the organizational culture.

► “Who makes decisions about hiring and firing?” - The focus on hiring in the fourth Q&A hits home for most participants, garnering positive responses from BDMs.

- **Hiring is a pain point for many BDMs, underscoring why this section performs well.**
 - This Q&A is praised as short and to the point, answering participants' important questions about hiring and firing while getting to the root of their concerns regarding control and their decision-making power when it comes to their employees and business. However, some, again, raise concerns as to how they will explain co-employment to their employees.
 - › Additionally, while the mention of recruitment assistance is exciting to some, it is confusing to others who need more specifics when it comes to what exactly PEOs offer in regard to hiring, especially across different industries and companies, each with their own culture and expectations.
 - A few suggest removing the word “however” in the second sentence and replacing it with “in addition,” or re-wording this so it has a more positive and contributing connotation.

Reactions to Question 4 (continued)

In their words ...

"That's really straightforward. I mean, it tells you point blank." – Business Decision Maker, Atlanta

"I'm just going to say, I'm sitting here thinking if there are three things I can take off my plate, that would be recruiting, hiring, payroll, insurance, those three things. If they didn't have to cross my desk, I could get a whole lot more done." – Business Decision Maker, Atlanta

"They can help you; they're trying to be everything. But in the end the paychecks come from the PEO, they don't come from your company anymore. So, there is some explaining to the employees about the PEO. But I think if you can explain it, have a better understanding that this is a package that we use to provide benefits and help us when we need help with the employees, you can say 'It doesn't have anything to do with your schedule, how much we pay you any, your day-to-day supervision. All of that stays the same. This is just a package.'"

– Business Decision Maker, Atlanta

"It's a la cart help. It's like, look yourself in the mirror and be honest with yourself of what you can do for this business, and then whatever you can't do, here's what we offer, is what I look at this like."

– Business Decision Maker, Dallas

"What I got out of it, is that there's some sort of parameters in place that they have. So, matrixes that they are going to use to help manage potential risks that could injure the company. And that's what I got from it, they helped manage potential risks, and make sure appropriate procedures are in place. Because if you don't document properly, of course, it puts us in a bad position when it comes to firing and paying unemployment and the amount of that unemployment." – Business Decision Maker, Dallas

"It's not in their scope to get involved with the corporate culture. Reading all of this, specifically this, it explains that they're just handling more of the administrative components of things. However, the company still remains in control for any business decision-making. Which I think, for example, this slide specifically would give someone some comfort in knowing that PEOs aren't going to come in and take over your company and start making- it's not like a corporate takeover or anything like that." – Business Decision Maker, Chicago

"I think if I were to do a Google search on what that looks like, if I were to hear the term, I think that this provided a general understanding of what a co-employer is. So, yeah, I would say, depending on where that content is going to be, it would certainly be helpful to me." – Business Decision Maker, Chicago

Reactions to Question 5

How does co-employment impact the employees?

There is little, if any, disruption to existing employees when the co-employment relationship is established. The client company continues to employ the employees with the PEO becoming a co-employer for certain purposes.

Employees appreciate the wide array of benefits available to them through the PEO, as well as the online technology PEOs can offer and the availability of HR expertise. A recent study by noted economists Laurie Bassi and Dan McMurrer showed that, when a company uses a PEO, employees have greater trust and confidence in the business and higher levels of engagement.

- ▶ **“How does co-employment impact the employees?” – The fifth and final Q&A addresses an important question raised by BDMs regarding their employees, receiving mostly positive feedback.**
 - This Q&A is praised for being straightforward and puts some participants’ minds at ease when it comes to how a PEO would (or wouldn’t) affect their companies’ cultures – a concern which is shared throughout discussions.
 - By this point, almost all participants ‘get the joke’ so to speak, saying that while they might not like the term, they understand co-employment is just that – a term – and this relationship allows PEOs to provide the benefits they do to businesses and their employees.
 - Confirming that the co-employment relationship would not affect their employees or company culture negatively is soothing to BDMs who turn their focus to the benefits of the arrangement. Additionally, the findings and cited study by economists provide a level of assurance to most participants and some lie the idea of online technology and HR expertise.
 - While most respond positively to this section, some still have questions about the responsibilities of a PEO, how employees contact the PEO, as well as the day-to-day role a PEO would play for their employees, requesting more specific language or examples.
 - › Some question how employees contact or reach the PEO if they have questions, voicing concern that their employees might have to go through a call center or have difficulty reaching a person to answer their questions.
 - › Again, checks emerge as a concern for some who worry that their employees will be confused by receiving a check from another company.
 - A few participants are uneasy about the PEO being in direct contact with their employees, and one worries that employees might find ways to take advantage of this situation.
 - One participant suggests updating language in the first sentence to clarify the employees in question are the business client’s employees (not current PEO employees).

Reactions to Question 5 (continued)

In their words ...

"It doesn't [impact employees], according to way this reads. I mean, that's what it says. But everybody's different. I mean, you're always going to have an employee that's going to be like, 'Well, what does this mean, and why?'"

- Business Decision Maker, Atlanta

"Here's a silly question. Well, my employee gets a paycheck, what is it going to say? Is it going to say company A, B, C, or is it going to say company PEO on that check? And I think that kind in some ways, answers a lot of the concerns I'm hearing people say here, of how is the employee going to feel about it? When I look at this, I think the employee should feel nothing but positive about the fact that I'm getting more benefits."

- Business Decision Maker, Atlanta

"I think where it says employees appreciate the wide array of benefits available. I think as an employee, as an owner, we are uncomfortable with change. But as an employee, and you come in and you're saying, hey, we're bringing the company in that's going to be able to extend along the reach to have benefits now that can be afforded to you guys, going to make you look better, make us look better. You know what I mean? As opposed to not having those services. I don't have them, but I think they would- I mean, I think it's fine, I really do." - Business Decision Maker, Dallas

"It just makes seem like you're partnering with these people. And you're boss too now. You're really the boss."

- Business Decision Maker, Dallas

"I like that this one actually gave some source information where it mentioned the two economists by name because one thing that kept popping in my head was like, who said, according to who? How do you know that? And this one actually gives specific source data where I could literally look that up if I was a potential customer."

- Business Decision Maker, Chicago

"What's like the day-to-day for an employee? So, if they had an insurance question, anything, are they just referred to a toll-free number, a generic email, or do they have a contact? How would that work?"

- Business Decision Maker, Chicago

"To me, it needs to be someone who's relationship management is built in, they're not moving around. I need to know someone who would deal with this service. It can't just be someone at a call center or something like that, on any level." - Business Decision Maker, Chicago

Co-Employment: Questions & Perceptions

- ▶ **Once explained, co-employment is not a dealbreaker and is simply understood as the vehicle that allows PEOs to provide benefits to client companies.**
 - **While participants are not fond of the term itself, after reviewing the materials, and with the reassurance of their own control over their businesses and their employees, BDMs are more at ease with the term “co-employment”**
 - After reviewing materials, BDMs are adamant that they still do not like the term “co-employment”; however, once they understand the term is non-negotiable and this relationship is how PEOs are able to deliver the beneficial services they offer to their clients, most participants say it is not an issue for them as they prefer to focus on the positives of the relationship.
 - › Benefits outweigh the terminology for participants who praise the outsourcing relationship PEOs provide as well as their benefits, including allowing businesses to grow and BDMs to focus on their business and not backroom HR issues.
 - › One BDM says he prefers to think of this relationship in terms of a “benefit package” for him and his employees, while a few others prefer terminology including “administrative employer,” “assistant,” “partnership,” and “service.”
 - BDMs say they would still need to learn more about a PEO and how this arrangement would work for their business specifically before moving forward.
 - › Some would need to have a relationship with a contact at a PEO while others would simply need to have more one-on-one conversations to make sure all of their questions are answered moving forward.
 - › A few say they would need their legal team or council to review any documents before they entered into an agreement.
 - **In general, BDMs are interested in PEOs, as questions regarding co-employment often focus more broadly on how PEOs work.**
 - Despite the term, many say they are interested in PEOs and would research or seek more information about PEOs following the groups.
 - › However, most say they will need answers and more information regarding the specifics of PEOs and the co-employment relationship before they would feel comfortable moving forward with a partnership with a PEO.
 - › A few say they still have issues with checks coming from anyone but them or their companies and thus are not sure if a PEO would be a good fit for them.
 - Questions participants have about co-employment at the end of the discussion tend to center on how PEOs function in general including the following topics:
 - › Cost
 - › ROI, Cost savings, Value
 - › Benefits (how it will benefit the company, the owner, and, separately, the employees)
 - › Fit (industry and specific businesses)
 - › A la carte options
 - › How legal issues are handled (especially involving risk, liability, compliance, and employee-related issues)
 - › Exit plans
 - › Legal reasoning for term “co-employment”

Co-Employment: Questions & Perceptions (continued)

In their words ...

"I think co-employment is a vehicle. It's the way that the PEO is able to gain that value. You have to have the co-employment in order for the numbers to count together, instead of counting individually, if you're just going through your organization. It's a parent-child relationship. Your org is the child, they're the parent, and the employees roll up through. That's what I'm understanding." – Business Decision Maker, Atlanta

"I don't care for the terminology, personally. There's probably nothing that can really be done about that. I think I prefer to call it a benefit package that you purchase for your employees, basically. And I think that's how I view the PEO in general. It's just you're paying for a benefit package for the employees. They really aren't co-employing them. I don't feel like, just as an employer, that I'm giving them any say-so over these employees. It's just, we want your insurance. We want you to do our payroll. We want workers' comp. We want the benefits. We're paying for that. If I have a question about when Susie and Joe got into a big fight in the back of the house, I can call somebody and say, 'How do I handle that?' Those are all just services. It's a benefit package. I don't think it's a co-employment relationship, really. But maybe legally, it has to be." – Business Decision Maker, Atlanta

"I think there's a lot of benefits to it and if I see the benefits while the word is out there, I still will entertain it. Because everything has pros and cons, and do the pros outweigh the cons?" – Business Decision Maker, Dallas

"It's gotten really small on the list of things I would be against. This explains everything pretty easily. So, it wouldn't bother me. If I was going to go with this packet, whatever package it's saying and it said co-employment, I'd be, it's no big deal. I understand it now." – Business Decision Maker, Dallas

"From the very beginning, that word resonated as a negative term. And I think once we figured out, well, it's not really what it means or what it says, and then it's explained to them [employees], then they can get over it."
– Business Decision Maker, Dallas

"No, I'm going to agree that if it's just a term, once it was explained as just a term, and you're not really my, I guess, co-employer, it's a term, an industry term, then I became more comfortable with it." – Business Decision Maker, Chicago

"I think it's as you said, I mean the word, we all, once you explained it, I felt much better because the word is out there, it's nothing that they can change. It's a legal term that's put out there. So, to me it doesn't affect me anymore. Once you kind of brought that up and said, OK, here's where this originated." – Business Decision Maker, Chicago

How and When to Discuss Co-Employment

► **While there is no silver bullet when it comes to discussing co-employment, timing matters and the explanation should be handled with care.**

- Explanations of co-employment should be individualized for business decision makers; however, most agree it should be incorporated early- to mid-sales cycle, couched within a discussion of the benefits PEOs offer.
 - Co-employment shouldn't lead the discussion when it comes to PEOs, as it is unfamiliar and can initially be off-putting, but most say it should be included with or following discussions of benefits of PEOs as an explanation of how PEOs are able to offer the benefits they do.
 - › Most BDMs agree co-employment should come early- to mid-sales cycle and should be explained clearly (to avoid confusion or jumping to conclusions) and in step with the benefits of PEOs.
 - › The best way to discuss co-employment with potential clients, according to most participants, is to first discuss the benefits of PEOs and then explain co-employment as a legal or industry term that must be used, but immediately follow this with a thorough and clear explanation of how it is simply the vehicle that allows PEOs to offer the benefits they do to their clients. As one BDM puts it, "say 'it says co-employer, but we are actually working for you.'"
 - › A few suggest noting the legal, regulatory, and compliance issues which PEOs help their clients with, made possible through the co-employment relationship.
 - Some BDMs caution against waiting to discuss co-employment until the end of the sales cycle, as they say they would feel blindsided if this were explained to them that late, at which point it might *become* a dealbreaker.
 - › Although a few initially suggest hiding the term in paperwork or waiting until the final sales call or discussion, most change their mind upon further consideration, saying that if it were presented this way it would seem like co-employment is something to hide and a bigger issue than they now understand it to be.

How and When to Discuss Co-Employment (continued)

In their words ...

"I think it's a building block where you would start off by saying, this is what I can offer to you. And then this is how we do it. And that's I think where the co-employee needs to be brought in." – Business Decision Maker, Atlanta

"I would need to know about this upfront. For me, up front, I think." – Business Decision Maker, Atlanta

"I think the biggest thing they can do is just say, 'Co-employment, this is the legal- this is a federal legal term, can't change it.' And then I like talking about the end and the beginning, because if someone's going to stump me three, four sales calls down the road, we may as well have that conversation up front to say that I want some time here. That's how I would look at it from a PEO standpoint saying, let me get this co-employment thing out the way real quick. It always stumps people down the road. This is what it is. It's a federal legal term. We got to abide by that, but this is what we're really doing for you. And hey, there's my little Venn diagram right here. I'm bringing the conversation too, along with that co-employment. This is what it really is right here." – Business Decision Maker, Dallas

"So, for me, I like all the information up front. Because then I know how much time I want to dive into stuff and waste time with meetings and things like that. So, if that word [co-employment] were in there and I knew it was for rules and regulations and why it was exactly used, but it's not really the way I think it's used, I'm okay with it. But I don't want to be three meetings deep and then they put this in there and then I'm against it and I just wasted three, four hours of my life. I could have walked away from the first one." – Business Decision Maker, Dallas

"It would be more advantageous in my opinion to use the term whenever you have completely explained what it is. Once it's done, you ask the customer, 'does that make sense? Do you have any questions? The legal term for this is such and such.' That's when I would do it. Once they've agreed and understand it, they have no questions." – Business Decision Maker, Dallas

"I would hope that it is brought up early on in the sales cycle, but in not condescending way from the sales rep, but more of 'hey client, Jane Doe, are you familiar with co-employment?' I wouldn't want that rep to assume that co-employment is just a known given thing because it's not. And so, address that early on, upfront, and then you can really get into the weeds in terms of what exactly is offered, what isn't offered, how much is it going to cost me in my company, and things like that. But let's get the definitions out of the way upfront so that can kind of level the negotiation field, the sales field, so then the rep and the potential client's contact both have an equal understanding of what co-employment means." – Business Decision Maker, Chicago

"If you get a first meeting, that's a blessing. You know what I mean? Like, you can't throw all your cards on the first meeting. I get it. But you don't have to say everything you're doing, you know? So, I would reserve it for a second or third meeting, depending on how serious it was." – Business Decision Maker, Chicago

Appendix A. PEO Positioning Statement

PEO Positioning Statement

PEO Description

Professional employer organizations (PEOs) provide human resource services to small and mid-size businesses—paying wages and taxes under the PEO's EIN, offering workers' comp and risk management services, and providing compliance assistance with employment-related rules and regulations.

In addition, many PEOs provide HR technology systems and access to 401(k) plans, health, dental, and life insurance, dependent care, and other benefits. In doing so, PEOs help businesses take care of employees by enabling them to offer Fortune 500-level benefits at an affordable cost and providing access to experienced HR professionals.

PEOs also help business owners and executives save time by taking administrative and HR-related tasks off their plates, allowing them to focus on the success of their businesses.

Appendix B. PEO Video

PEO Video

Still from the PEO video:



Appendix C. Co-Employment Video

Co-Employment Video

Still from the co-employment video:



Appendix D. Co-Employment FAQ Handout

FAQ Handout

FAQ Handout

What is co-employment?

Co-employment is an agreement between a company and a PEO that allocates employer responsibilities between the parties. Simply speaking, this allocation allows the PEO to become an “administrative” employer while the client company retains control over its employees on the worksite and day-to-day operations. Thus, in a co-employment relationship, the employees (often called worksite employees) are employed in parallel by both the client company and the PEO but for different purposes.

The client company remains responsible for all business decisions, operations, day-to-day supervision of employees, job assignments, employee reviews and assessments, and determination of the employee’s salary and available benefits.

The PEO provides more administrative services related to employment, which may include such services as payroll processing; collection and remittance of payroll taxes; administration of employee benefits; HR services; workers’ comp coverage and claims management; compliance assistance; and HR technology platforms.

What are the benefits of a co-employment relationship with a PEO?

By providing payroll, benefits, and HR services and assisting with compliance issues under state and federal law, PEOs allow small businesses to improve productivity and profitability, to focus on their core mission, and to grow.

Through a PEO, the employees of small businesses can gain access to Fortune 500-level employee benefits, such as health insurance, dental and vision care, life insurance, retirement saving plans, job counseling, adoption assistance, educational benefits, and even pet insurance. These are benefits that are not typically available to employees of a small business.

PEOs also provide access to human resource professionals as a part of their services to small businesses. Through this service, PEOs help small businesses comply with myriad federal, state, and local employment laws, and help their employees better understand their rights and responsibilities under these requirements.

Who has control of the business?

The PEO client/business owner retains ownership of the company and control over its operations and employees. As co-employers, the PEO and client will contractually share or allocate employer rights and responsibilities under a client service agreement (CSA). The PEO will generally only assume employer responsibilities like administration of benefits and remittance of payroll and payroll taxes. The client will continue to have responsibility over the employees on the worksite, including worksite safety and compliance.

In general terms, the PEO will focus on employment-related issues, and the client company will make all decisions related to day-to-day operations, business growth, supervision and evaluation of employees, job assignments, and employee’s salary and benefits.

Who makes decisions about hiring and firing?

The client company retains the ultimate decision-making authority about hiring and firing. However, the PEO will typically work with the client company to manage potential risks and ensure that appropriate procedures are being followed and documented appropriately.

Many PEOs also provide recruitment assistance to help the client company find qualified candidates with the right skills who will fit into the organizational culture.

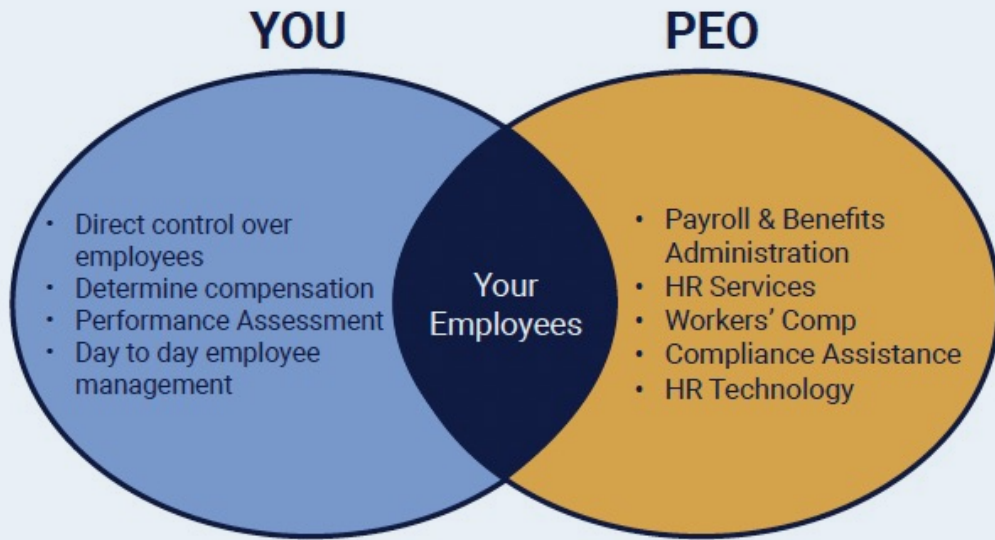
How does co-employment impact the employees?

There is little, if any, disruption to existing employees when the co-employment relationship is established. The client company continues to employ the employees with the PEO becoming a co-employer for certain purposes.

Employees appreciate the wide array of benefits available to them through the PEO, as well as the online technology PEOs can offer and the availability of HR expertise. A recent study by noted economists Laurie Bassi and Dan McMurrer showed that, when a company uses a PEO, employees have greater trust and confidence in the business and higher levels of engagement.

Appendix E. Co-Employment Venn Diagram

Co-Employment Venn Diagram





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