



PEO INDUSTRY FOOTPRINT 2026

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Professional employer organizations (PEOs) provide businesses with a broad range of HR solutions and expertise. These services allow PEO clients to concentrate on growing their businesses while ensuring their employees have access to a variety of benefits. Previous research has consistently shown multiple positive effects from PEO services: PEO clients enjoy higher growth rates, lower employee turnover, higher employee satisfaction, and better resilience, including during periods of economic uncertainty.

This paper provides new and updated measures of the footprint of the PEO industry as of the end of 2025, the most recent year for which all necessary data are available.

At the end of 2025, 502 PEOs served 5.4 million worksite employees (WSEs) at 233,000 client businesses. Those employees were paid \$386 billion in wages, while total PEO industry revenues reached an estimated \$446 billion. Since 2008 (when reliable industry size estimates began), PEO worksite employment has grown at a 7.2 percent compound annual rate – more than 10 times the 0.7 annual growth rate of total U.S. employment over the same period. The data highlights the growing economic reach of the PEO industry, even as it matures and consolidates.

Our estimates draw on multiple sources of industry data (see additional discussion in the detailed Methodology section at the end). Our methodology is directly comparable to that used in two previous studies of the PEO industry footprint.¹ This consistency strengthens our ability to identify and measure recent changes across a variety of specific industry measures. We also draw on earlier industry estimates dating back to 2008, which continue to provide a valuable basis for calculating longer-term growth rates.

CURRENT PEO INDUSTRY STATISTICS

Number of PEOs	502
PEO Worksite Employees (WSEs)	5.4 million
Number of PEO Clients	233,000
Average	23
Total WSE Wages	\$386 billion
Total Industry Revenues	\$446 billion
Estimated Penetration Rate (among businesses with 20-499 employees)	14%
Long-term Average Annual Growth Rate, 2008-2025	7.2%

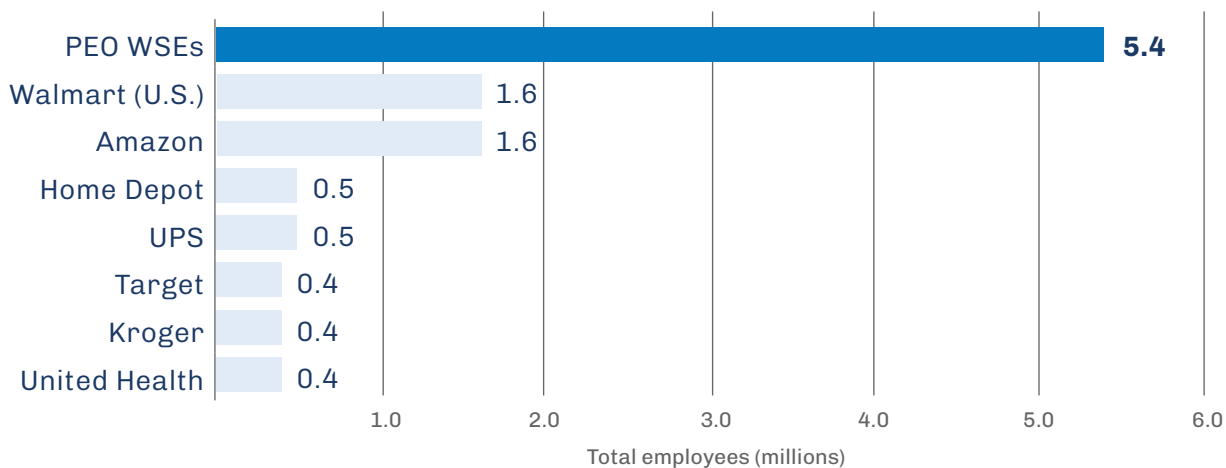
¹ For details on previous research, see “PEO Industry Footprint 2023” and “The PEO Industry Footprint 2021,” both white papers issued by NAPEO.

INDUSTRY SIZE

Key Metrics. The 502 PEOs in the U.S. collectively serve 5.4 million WSEs at 233,000 businesses, mostly small- and mid-sized employers. Those WSEs received \$386 billion in wages in 2025, and estimated industry revenues totaled \$446 billion. The average PEO client has 23.2 WSEs—placing the industry squarely in the segment of the economy where employers often have the greatest need for sophisticated, outsourced HR capabilities.

Size Comparisons. The 5.4 million people employed through PEO client relationships constitute a workforce larger than the headcount of any single U.S.-based employer. The PEO WSE employee base is more than three times the U.S. employment of Walmart or the worldwide employment of Amazon and is roughly equal to the combined employment of seven of the nation's largest employers: Walmart, Amazon, UPS, Home Depot, UnitedHealth, Target and Kroger.² (Figure 1).

Figure 1: **PEO WSEs, COMPARED TO LARGEST U.S. EMPLOYERS**



The same scale is striking in geographic terms. PEO WSE employment would rank between Ohio and North Carolina if it were compared with total state employment:³ 5.4 million WSEs

² List includes publicly traded companies whose employee base is predominantly US-based (this excludes companies like Accenture and Concentrix whose reported workforce is primarily outside the US). The following total worldwide employment data is from Google Finance (accessed August 6, 2026), with numbers based on companies' annual public SEC reporting: Amazon 1,600,000, Home Depot 472,000; UPS 460,000; Target 415,000; Kroger 403,000, UnitedHealth 390,000. Walmart has 1,600,000 US-based employees, based on data from <https://corporate.walmart.com/askwalmart/how-many-people-work-at-walmart>.

³ State employment data from Bureau of Labor Statistics, <https://www.bls.gov/charts/state-employment-and-unemployment/employment-by-state-bar.htm>, accessed August 3, 2026.

versus 5.7 million workers in Ohio and 5.1 million in North Carolina. It is also roughly equal to the combined employment of eleven smaller states.⁴

Compared with entire sectors of the U.S. economy, the footprint is similarly substantial. PEO employment is about 80 percent larger than federal government employment (3.0 million employees) or employment in the information sector (2.9 million employees).⁵

By PEO Size. The 5 largest PEOs account for an estimated 37 percent of the PEO industry’s 5.4 million WSEs, while the next 25 largest firms account for an additional 27 percent of the industry’s WSEs. The remaining 472 PEOs collectively represent approximately 36 percent of total WSEs (see Figure 2).⁶ Compared with data from three years ago, these numbers show that the largest 30 PEOs represent a larger share of total WSEs (see Figure 3), even as the share represented by the 5 largest PEOs has declined slightly. This shift in client distribution likely reflects, at least in part, some of the consolidation that has taken place in the industry over the past three years.

Figure 2: **PERCENTAGE OF ALL WSEs, BY PEO SIZE**

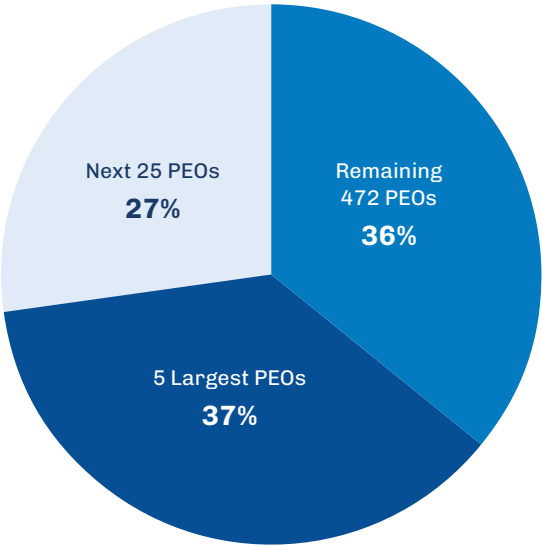
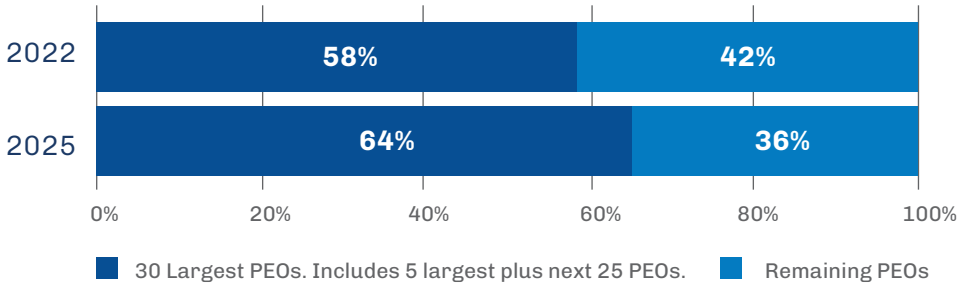


Figure 3: **SHARE OF WSEs AMONG 30 LARGEST PEOs, 2022 VS 2025**



4 Alaska, Delaware, Hawaii, Maine, Montana, New Hampshire, North Dakota, Rhode Island, South Dakota, Vermont, and Wyoming.

5 See <https://www.bls.gov/emp/tables/employment-by-major-industry-sector.htm>.

6 Largest 30 PEOs include only those PEOs for which we have actual size estimates (i.e., not PEOs for which size data were received as part of a pooled group of PEOs).

CHANGES IN INDUSTRY SIZE

Long-term growth. The number of PEO WSEs has compounded at 7.2 percent annually since 2008, increasing every year except 2020, when employment in the economy as a whole dropped significantly⁷ due to the pandemic.

Since reliable industry size estimates began in 2008, the PEO industry has maintained a strong pattern of expansion. That sustained growth is particularly noteworthy in an industry that has grown substantially in size for at least 17 years, since rapid growth generally becomes harder to maintain as an industry reaches greater scale and maturity. Yet the PEO workforce has expanded from roughly 1.6 million WSEs in 2008 to 5.4 million in 2025 – more than tripling over the period (Figure 4).

The contrast with the broader labor market is especially pronounced. From 2008 to 2025, the 7.2 percent compounded annual growth rate of WSEs compares with just 0.7 percent annual growth in total U.S. employment – a 6.5 percentage point annual growth advantage (Figure 5).⁸

Figure 4: **NUMBER OF WSEs COVERED BY PEOs, 2008 (ESTIMATED) TO 2025**

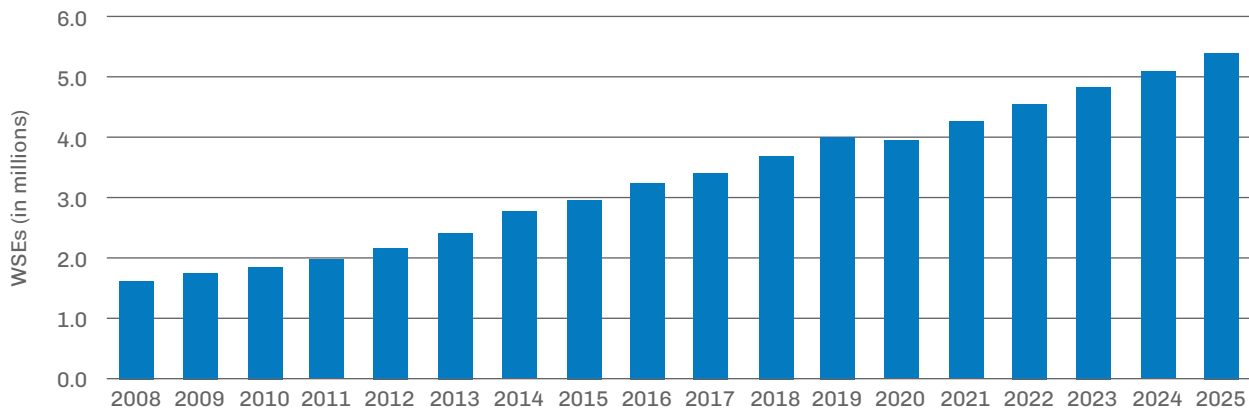
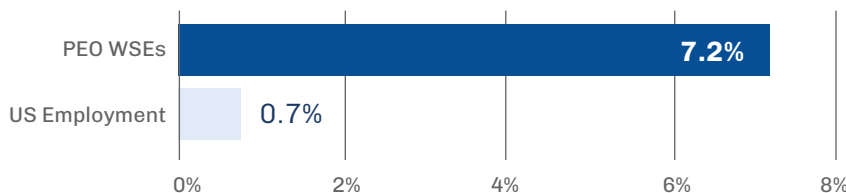


Figure 5: **AVERAGE COMPOUNDED ANNUAL GROWTH RATE, US TOTAL EMPLOYMENT VERSUS PEO WSEs, 2008 TO 2025**



⁷ US civilian labor force employment from Bureau of Labor Statistics (Current Population Survey) data, available at <https://www.bls.gov/cps/cpsaat01.pdf>.

⁸ The compounded average annual growth rate in US employment is 0.7 percent from 2008 to 2025, based on calculations of Bureau of Labor Statistics (Current Population Survey) data available at <https://www.bls.gov/cps/cpsaat01.xlsx>.

SUMMARY, RECENT ANNUALIZED CHANGES, 2022 TO 2025⁹

Number of PEOs	-1%
PEO Worksite Employees (WSEs)	6%
Total WSE Wages	8%
Number of PEO Clients	4%
Industry Revenue	8%

Recent growth. Most measures of PEO industry size have increased between 2022 and 2025, the period since the data reported in NAPEO's most recent previous Industry Footprint research (see Summary Table above).

From 2022 to 2025, WSEs grew 6 percent per year and the number of PEO clients grew 4 percent per year. Total WSE wages and industry revenues each grew 8 percent annually. In other words, the industry added scale across the measures that most directly reflect its economic reach: people served, businesses served, payroll, and revenue.

The only headline measure to decline was the number of PEOs, down approximately 1 percent per year. That divergence—fewer PEOs alongside more WSEs, clients, wages and revenue—is consistent with an industry that is consolidating while continuing to expand.

Taken together, the recent data tells a clear story: from 2022 to 2025, the PEO industry became larger economically even as the number of providers edged down. WSE growth remained close to its long-term historical pace, suggesting that consolidation has not interrupted the industry's underlying expansion.

⁹ Annualized percentage changes are calculated on a compounded basis between 2022 and 2025.

UPDATING PEO CLIENT SIZE AND PENETRATION RATE

Average PEO Client Size. The average PEO client employs 23.2 WSEs. This number is based on actual data from a small sample of PEOs, combined with recent results from NAPEO's Financial Ratios and Operating Statistics Survey (FROS),¹⁰ as applied to calculations of overall WSEs in the PEO industry.

PEO Client Size Distribution. Our 2025 research provided a detailed examination of PEO clients, drawing largely on a separate database designed specifically to analyze client characteristics.¹¹ Although the current dataset is focused primarily on broader measures of industry size and scope, it also includes useful information from a smaller sample on the size distribution of PEO clients and how that distribution changed in the last year. We also used the industry-wide estimate of average PEO client size as an additional benchmark in updating these estimates.

As might be expected over such a short period, any observed changes are relatively modest. Table 1 below shows the current distribution of PEO clients by size. The distribution continues to underscore the importance of small and mid-sized businesses within the PEO client base.

Table 1: **UPDATED ESTIMATES: PEO CLIENTS, BY CLIENT SIZE**

# of Employees	% of All PEO Clients
1-4	17%
5-9	20%
10-19	26%
20-49	24%
50-99	8%
100-499	5%
500+	<0.5%

¹⁰ In 2025, the FROS reported a median of 23.6 WSEs per client and a mean of 27.9. In 2024, the values were 23.1 (median) and 22.8 (mean). Differences in reported medians relative to Table 1 likely reflect differences in sample composition, sample size, and/or methodology.

¹¹ "PEO Clients: Who They Are, Where They Are, and What They Do," NAPEO white paper, October 2025.

Industry Penetration Rate. The data sources used for this research allow us to update the overall penetration rate by combining our new estimates of industry size and client distribution with the penetration-rate framework described in our 2025 research.

Penetration rate is defined as the percentage of businesses in a given size group that are PEO clients. It varies considerably by company size. A summative PEO industry penetration rate focused on the businesses most likely to use a PEO looks at penetration among businesses with between 20 and 499 employees.¹²

Using the updated PEO client count and client-size distribution presented above, we estimate that PEOs serve approximately 14 percent of U.S. businesses with 20 to 499 employees. Put differently, roughly one in seven businesses in the size range most likely to use a PEO is already a PEO client.

Although the number of PEO clients has increased, the total number of U.S. businesses in this size range has also changed, so growth in the client count does not translate directly into an increase in penetration. Because this measure depends on both the number of PEO clients and the total number of U.S. businesses in this size range, it tends to change gradually; accordingly, the similarity to last year's estimate is not surprising.

SUMMING UP

The 2025 data shows an industry with both substantial scale and durable momentum. PEOs now serve 5.4 million WSEs at 233,000 businesses, support \$386 billion in annual wages, and generate an estimated \$446 billion in industry revenue. WSE employment has grown at 7.2 percent annually since 2008—more than ten times the growth rate of total U.S. employment over the same period—and continued to grow 6 percent annually from 2022 to 2025. At the same time, the number of PEOs declined modestly and the 30 largest providers increased their share of WSEs from 58 percent to 64 percent. The combined picture is of an industry that is expanding, consolidating and maturing at the same time—and whose footprint in the U.S. small- and mid-sized business economy is increasingly difficult to overlook.

¹² Data on firms broken down by size class, are from US Bureau of Labor Statistics (2026), "Distribution of private sector firms by size class," https://www.bls.gov/web/cewbd/table_g.txt.

METHODOLOGY: CALCULATIONS AND OTHER NOTES

This section provides additional background on how we calculated the summary measures provided in the previous section of this report, as well as additional details, breakdowns, and external comparisons for specific metrics.

Consistent Methodology. The methodology used for this paper was designed to be as close as possible to the methodology employed in calculating the size of the PEO industry in previous NAPEO research in 2021 and 2023. This methodology is designed to build an accurate picture of the PEO industry “from the ground up.” Rather than relying on any single registry or database, we first constructed the industry universe from multiple sources and then verified individual companies before beginning work to calculate industry size. For purposes of this analysis, a company is classified as a PEO if it has a current public presence indicating that it offers PEO or co-employment services.

The process involves three primary components:

- Developing a comprehensive list of PEOs
- Gathering information on the sizes of those PEOs
- Combining PEO-specific size data with other available information to calculate conservative estimates, using multiple metrics, of the size of the PEO industry as a whole

Creating a Comprehensive List of PEOs. The process deployed to identify PEOs involved identifying potential PEOs, confirming which companies met our definition, eliminating duplicate entities, and accounting for mergers and acquisitions:

1. We started by building an initial list of *possible* PEOs from multiple sources. A key foundation of the list was our full database of PEOs from our 2023 research, supplemented by records from all publicly available state registries of PEOs (many of which contain a large number of non-PEOs alongside PEOs). The combined initial list included over 1,425 company names (some of which were different names of the same company) to be investigated to determine whether they qualified as a PEO. This initial list was intentionally broad, with the goal of minimizing the risk that any active PEO would be omitted; later steps were used to apply more restrictive standards for final inclusion.
2. We then proceeded to a broad screening process: each company on the above list was reviewed independently (between February 2026 and April 2026) by at least two different external research assistants to identify the company URL and whether any one of the following four search terms appeared on their website: PEO, Professional Employer Organization, worksite employee, and/or co-employment. If any one of the search terms was found by at least one of the researchers, that company was flagged for additional review by McBassi.

3. This step involved more rigorous screening: McBassi researchers checked all websites or other public information regarding the companies that had passed the initial review in Step #2 above. At least two internal reviewers checked each company, with this review designed to confirm manually – on a company-by-company basis – whether each should indeed be classified as a PEO or not. We applied a definition that, in order to be assigned PEO status, a company needed to have a public presence (typically an active website) that indicates the company offers PEO (or co-employment) services. Companies that did not meet this standard were not included in our count of PEOs. This standard was intended to avoid counting organizations for which there is currently insufficient evidence of current PEO operations. If any NAPEO PEO members or ESAC-accredited PEOs were not included on the initial list from Step #1, they were added at the end of this step.
4. After having verified company PEO status, we then checked for and investigated any matching web URLs, matching street addresses, and/or matching phone numbers, and removed from the list any entries that appeared to duplicate others on key dimensions.
5. We used a variety of news sources to build a list of mergers and acquisitions in the PEO industry since 2022. We removed from our PEO list any companies that had been fully integrated into another PEO. Ownership alone did not determine whether a company was counted separately; the key question was whether it continues to operate as a distinct PEO.
6. The final comprehensive list of PEOs includes 502 companies. This final list excludes multiple “entities” for any single PEO; each PEO is included only once. It does include a small number of PEOs that are owned by other PEOs but that appear to be operating independently or semi-independently based on their websites and other information.¹³

Calculating Industry Size. After identifying the full list of PEOs, we then sought to determine their collective size. This, too, was a multi-step process. Whenever possible, we relied on direct or pooled PEO-level information; estimates were used for PEOs or for metrics when such data were unavailable.

Actual WSEs and WSE wages. We gathered data on actual WSE wages and number of WSEs in 2025. Multiple sources provided size data and estimates to us. Many provided business-sensitive information under condition of keeping the data confidential and using it only for purposes of making industry-level calculations for this research. Sources include NAPEO Form 941 member data; PEO industry partners and service providers (ESAC, McHenry Consulting, PrismHR, and PRO Software); individual PEOs that chose to share anonymized summary information; and SEC filings for publicly traded PEOs. In some cases, we received data in a pooled format – that is, *combined* WSE or wage totals for a group of PEOs rather than data for a specific PEO. WSE counts represent the number of WSEs paid during 2025; the WSE wage data represents full-year (or annualized) wages paid to WSEs during 2025.

¹³ We used web presence, public announcements, and other public information to determine which affected PEOs continue to function as separate organizations and which have been absorbed into another entity.

Overall, we have actual data (separately or in pooled format) on WSEs for 187 PEOs, and on WSE wages for 155 PEOs.

Estimated WSEs and WSE wages. For the group of PEOs for which we did not have actual WSE wages and/or WSE counts (either individually or in a pooled group, per Step #1 above), we created estimates for both metrics based on the best information we had available. First, for PEOs for which we had one (but not both) of those two data elements, the element without data was estimated using the ratio of average wages per WSE for the 94 PEOs for which we have both WSE wages and WSE count. This allowed us to estimate the missing measure using the aggregate relationship observed among PEOs for which both were known.

For the group of PEOs for which we had neither WSE wages nor WSE counts, we divided the PEOs into two groups based on whether a usable LinkedIn “People” count was available (187 PEOs had such information available; 67 did not).

For the first group, we calculated an estimated pooled ratio of WSEs to internal LinkedIn employees using the 79 PEOs for which both measures were available, and then applied that ratio to the remaining 187 companies for which LinkedIn employee counts were available but WSE counts were not.¹⁴

Because the remaining 67 PEOs (those with no LinkedIn data) generally had little publicly available information on size, we chose to treat them conservatively as likely members of the smallest PEO size group and applied the corresponding mean number of WSEs per PEO for the “smallest firms” (those with <1500 WSEs), drawn from NAPEO’s 2025 FROS report.¹⁵

Estimated total number of PEO clients. We first incorporated direct information on client counts for a small sample of PEOs that provided that information directly. For PEOs without direct client counts, we estimated client counts by dividing their WSEs by the FROS estimate of WSEs per client. Summing these measures across all PEOs yielded our estimate of the total number of PEO clients.

PEO client size distribution. Our estimates of client size distribution used multiple sources of information. First, we began with the 2024 client-size distribution estimated in 2025 NAPEO research, which was based in large part on a sample of over 50,000 PEO clients. We then incorporated information from a smaller longitudinal sample from PEOs who provided direct information on their client-size distributions for both 2024 and 2025. To avoid placing too much weight on the smaller longitudinal sample, we applied only half of the year-to-year

¹⁴ While the relationship between internal LinkedIn employees and WSEs is unlikely to provide a precise estimate for any individual PEO, variation across specific PEOs should tend to balance out when the ratio is applied across a large combined group. The resulting estimates are less precise than direct company-specific WSE counts, but represent a useful addition to the calculation methodology by incorporating otherwise unavailable information on the aggregate size of such PEOs.

¹⁵ After estimating number of WSEs for both of these PEO groups, we derived WSE wages data by applying the same WSE wages per WSE ratio used for previous calculations described above.

change observed in that sample to the 2024 benchmark. Finally, we used the industry-wide average PEO client size discussed above as an additional calibration benchmark. Using the relative distribution percentages from the 2025 analysis as a starting point, we developed a slightly-modified distribution consistent with the observed average client size and combined it, with equal weight, to the distribution that had been adjusted using the longitudinal sample. This approach preserves the client-size distribution supported by the larger 2024 sample, while allowing the final estimates to reflect both the newer longitudinal results and the overall average client size within the industry.

Estimated industry revenues. Our estimate is derived rather than independently measured. We applied the FROS gross markup margin¹⁶ to our estimated WSE wages for the industry as a whole, yielding an industry revenue total.

Calculating Changes in Industry Size

2020 to 2025. We compared our industry size estimates for 2025 to previous estimates for 2020 and 2022 that had been calculated using methodologies consistent with those employed in this year's research. Specifically, the reported recent "changes" in this paper are annualized changes calculated based on comparing 2025 estimates with 2022 estimates,¹⁷ as 2022 represents our most recent previous look at industry size.

For most metrics, we calculated the total percentage change over that three-year period and converted it to a compound annual growth rate. For most key industry measures, only the annualized change is reported. The one exception is WSE data, for which we have annual estimates of levels back to 2008 and annual changes back to 2009.

For WSEs, therefore, we estimated how the growth was distributed across each of the three years between 2022 and 2025. In order to do so, the overall three-year growth rate was anchored to the 2022 and 2025 industry estimates, while the relative pattern of annual growth within that period was informed by same-store changes (that is, changes among PEOs with valid data in two consecutive years) observed in NAPEO members' Form 941 data. Each year's average same-store growth rate was weighted equally with the overall 2022-2025 compound annual growth rate, with the resulting annual estimates calibrated to compound exactly to the total three-year change. Year-by-year growth rates, dating back to 2008, are included in the table below.

¹⁶ Gross markup margin is defined in the FROS "Ratio Definitions" as PEO revenue divided by salaries and wages of worksite employees. Thus applying it to estimated total WSE wages would directly yield total revenues for all PEOs in the industry.

¹⁷ Due to changes in the availability of certain previously provided data, some summary numbers (including WSEs, total wages, and number of PEO clients) reported in previous industry-size white papers were recalculated for purposes of calculating current year-over-year changes. The resulting differences were minimal (all 0.4% or less) and did not materially affect any findings. These recalculated numbers were used as the baseline for calculating changes in those metrics since 2023.

2008 to 2020.¹⁸ Estimates for industry size for the years before 2020 were developed using a different methodology because consistent industry-wide data were not available for that period. For 2008 to 2020, we relied on available pairs of Form 941 wage data for NAPEO members to calculate annual same-store changes (described above). These annual changes were adjusted for inflation, outliers were removed, and annual changes were applied backward from our 2020 WSE estimates to derive the historical WSE data shown in Figure 4.

This approach necessarily involved several assumptions. In particular, same-store estimates do not directly capture the effects of new PEOs, firms exiting the industry, or mergers and acquisitions; applying wage changes to WSE counts assumes that changes in wages provide a good proxy for changes in employment; and the use of NAPEO-member data assumes NAPEO members were broadly representative of the industry over time. Despite these limitations, the resulting series provides a useful basis for assessing longer-term industry growth dating back to 2008.

ANNUAL AVERAGE PEO GROWTH RATES, MEASURED BY WSEs, 2009 TO 2025

Year	Year-Over-Year Change
2009	7.0%
2010	6.2
2011	6.0
2012	8.9
2013	12.1
2014	14.0
2015	7.4
2016	9.3
2017	4.3
2018	8.5
2019	8.7
2020	-0.4
2021	7.4
2022	6.0
2023	6.4
2024	5.2
2025	6.5

¹⁸ Because this section refers only to historical data calculated some years ago, it is a brief overview of a longer methodology section included with previous NAPEO industry research.

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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. The principals of McBassi, Dr. Laurie Bassi and Dan McMurrer, are co-authors of *Good Company: Business Success in the Worthiness Era* (winner of the 2012 Nautilus Gold Award for Business/Leadership) and the *HR Analytics Handbook*. For more information about McBassi & Company, 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™. PEOs provide payroll, benefits, workers’ comp, regulatory compliance assistance and other HR services to more than 230,000 small and mid-size businesses employing 5.4 million people. NAPEO represents the interests of the PEO industry on behalf of a membership that includes both PEOs and companies that provide services to PEOs. For more information, please visit www.napeo.org.

