Why A Recession Is A Great Time To Partner With A PEO

TANDEM HR

Exceptional Workplaces. Exceptional People.

Why A Recession Is A Great Time To Partner With A PEO

An unstable economy makes everyone nervous; especially small and mid-sized business owners. If you own a small or mid-sized business, you may be surprised to find peace of mind in partnering with a professional employer organization (PEO) during these uncertain times. A PEO will partner with you to bring financial stability, shared liability, reduced employee turnover and more time to dedicate to growing your business.

Businesses find financial stability on several levels when partnering with a PEO. In many cases, a PEO saves small or mid-sized organizations hard dollars by giving them health insurance and other ancillary benefits with their group discounted rates. Additionally, savings can be found in the areas of workers' compensation by using the PEO's experience and rates. At times, you can even increase your benefits package by adding a 401(k) plan, short-term disability insurance, long-term disability insurance, life insurance or an employee assistance program at extremely affordable rates. A PEO also consolidates benefits bills to one monthly statement for you; allow them to worry about paying each vendor and bill reconciliation.

Voluntary (or 100% employee paid) benefit plans are also an option for companies who chose to offer an array of benefits without contributing to all of them. Often times the money saved when joining a PEO's pooled benefits plans including workers compensation and unemployment, offset the administrative fee changed to process payroll, administer benefits plans and provide general HR services.

When partnering with a PEO, you enter into a 'co-employment' agreement. You become the worksite employer while the PEO becomes the administrative employer. The PEO shares liability and safety issues of your company while you remain in control of the everyday operations. Gone are the worries about filing payroll taxes, workers compensation issues and claims, unemployment claims and other HR compliance issues. A PEO takes on this liability and ensures these aspects of your business run smoothly.

Employee turnover is very costly. Although you may save a few dollars in the short term (with the absence of paying a salary), you have to consider recruiting costs, downtime or strain on other employees picking up the slack, training a new employee and much more. A PEO will help your business concentrate on reducing turnover. Creating an optimal work environment with a Fortune 500-style benefits package is a great way to attract and retain the best talent in the market.

Time is money. A PEO saves a business time. Entrepreneurs create businesses because they are good at something, not because they want to spend their time doing administrative tasks required when one has employees. Use your time to get down to the business you started in the first place! Let a PEO take care of your administrative human resource issues such as employee relations, handbook creation, policy development, compliance, risk management and safety programs, payroll administration, benefits administration and much more. PEO's have a team of experts in the areas of Human Resources, benefits, payroll, and risk management; this team becomes an extension of your team. Suddenly, you re-discover why you started your business in the first place.

The American Recovery and Reinvestment Act (ARRA) of 2009, popularly referred to as the "Stimulus Bill" is one example of how a PEO can save clients a huge administrative headache. One portion of the new bill redefines COBRA laws, creating the need for employers to communicate to all employees involuntarily terminated on or after September 1, 2008 to offer COBRA at a 65% reduced rate. The 65% of the COBRA cost is fronted by the employer until their quarterly tax bill; at that time they receive a credit to cover the costs. PEO clients do not have their cash tied up in this manner since all taxes are being paid through the PEO's tax identification number. The PEO fronts the money. As HR laws continually change, your PEO keeps you informed and in compliance.

While looking at your expenses and trying to decide where you can save – consider partnering with a PEO. Contact one today to find out how much the partnership will add to your bottom line and to your company support.

For more information on professional employer organizations, Tandem HR or to register for the upcoming *Healthcare Reform Webinar: Key Employer Elements*, visit www.TandemHR.com or call 630.371.6209. *For more information contact Tandem HR at 630.928.0510 or visit www.tandemhr.com. The staff at Tandem HR contributed to this article. It is intended as information only and is not a substitute for legal advice. Tandem HR is a professional employer organization specializing in strategic HR partnership with small and mid-sized businesses.*