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Harley Luplow: Pass the PEOs Please (<http://record-eagle.com/business/x1572391575/Harley-Luplow-Pass-the-PEOs-Please>)

By Harley Luplow, Local columnist
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The last quarter of the year is a time when many businesses review, renew and modify their insurance and employee benefit plans. Health insurance premiums have dramatically increased for a number of area companies, and it's been a challenge to maintain current coverage without passing on costs to employees.



Harley Luplow

Of course, employers can shop around for a new health-care provider and absorb some of the cost increases themselves. But there is another option that may prove to be more optimal: entering into a co-employment agreement with a professional employment organization or PEO.

The co-employment relationship is one where a company's workers become employees-of-record with the PEO.

The working relationship between the company and its workers essentially remains the same but for payroll, tax and insurance matters that are managed for a fee by the PEO.

The PEO is able to reduce benefit costs because it has a larger number of employees and can negotiate better rates for health care and workers compensation insurance.

Beyond the cost savings on health and workers compensation premiums, a PEO can handle administration of payroll processing and tax payments, 401(k) plans, federal and state unemployment obligations, EEOC claims and other issues.

A PEO can also be effective for small and medium-sized businesses by lifting the traditional human resources burden off the administrative staff so it can focus on core business issues.

Liability risks are often minimized as the PEO will stay abreast of, and in compliance with, new worker safety, hiring/firing and tax issues that may be difficult for small business owners to track.

While each company's situation is unique, annual cost savings can range from \$25,000 for a 20-person firm to \$250,000 for firms with more than 100 workers.

From several experiences using PEOs at public and private firms, I was able to reduce costs

substantially and really enjoyed the online access so our workers could administer their own payroll and benefits accounts.

With online access, workers can review federal and state withholding deductions, track vacation and sick day accruals, read over health benefit plan details and access and print out pay stubs.

This saved me and my staff countless hours, plus the workers felt more in control of their finances and benefits.

I have used a national PEO, ADP TotalSource based in Miami, at large and small companies, and local PEO firms with equally good results.

As with most important longer-term decisions, it pays to investigate and compare costs and employee features of PEOs.

When evaluating a PEO, Jodi Barnett, director of operations at Priority Employee Solutions, a Michigan-based PEO with national coverage, suggests that companies consider how flexible and accommodating the provider can be to tailor a program that can meet their needs.

She also points out "the cost stabilization of utilizing a PEO allows companies to consider offering enriched employee benefits that can help retain and attract top performers."

While it may seem a bit different to have someone else manage your workers' payroll and benefits issues for you, it can truly pay dividends for your company and your staff.

And it's really nothing new, as the basic PEO concept of employee leasing started in the U.S. in the 1940s.

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