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Business owners turn to alternative hiring methods

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Question: I have a small business with only 20 employees, so I am actively involved in the day-to-day operations. I have an open position and am having trouble finding the time and resources to screen candidates. Are there any organizations that can help with this process?



Answer: For many small businesses, the administrative burdens of hiring, managing and paying employees are overwhelming. As a result, many savvy business owners are turning to alternative methods of hiring, including something called the "professional employer organization," or PEO.

Many small businesses don't employ a specific "human relations" or HR person. According to Tam Harbert in an article on www.allbusiness.com, PEOs are companies that become co-employers. "The primary distinction from other HR service providers," Harbert says, "is that the PEO actually becomes the legal employer of your workers and thus takes on the accompanying legal liabilities. For a fee, typically ranging from 1.5 percent to 8 percent of your payroll, the PEO 'co-employs' your workers. (The fee depends on a number of factors, including the number of employees and the average salary level of your employees.) Co-employment means that each party is solely responsible for some aspects of employment while sharing other aspects. PEOs can handle the whole gamut of HR responsibilities, including benefits, payroll, taxes, workers' compensation, and regulatory compliance."

Harbert goes on to explain that "because they take over most of the headaches of being an employer, PEOs are ideal for small businesses. In fact, most PEOs target companies that have 150 or fewer employees; the average client has 19 employees."

Frequently, a PEO arrangement is the only way a small business can offer benefits such as health insurance, dental and vision care, life insurance, retirement savings plans such as 401(k), job counseling, and educational benefits. Most small businesses could neither afford nor manage these benefits on their own. PEOs can offer such benefits because they pool the employees of all their clients together. With more employees, PEOs get better benefits at better rates.

Pre-employment testing is another area where PEOs can help. Without a screening process, you risk placing the wrong person in the job, leading to lost productivity and costly turnover. PEOs tailor pre-employment tests to predict loyalty to you as well as success on a specific job. The tests aren't foolproof, but they can have a big impact.

Many entrepreneurs who have used PEOs credit the choice with helping grow their businesses quickly. The National Association of Professional Employer Organizations (NAPEO) is an excellent source of information and help. The organization's website describes how PEOs work, the benefits of using one, and guidelines for selecting one that's right for your business and industry. Visit the website at www.napeo.org.

SCORE is recruiting volunteer counselors in the Prescott area. If you are working or retired, we urge you to investigate SCORE as a fun and rewarding opportunity to become involved in your community and share your business knowledge, experience and leadership skills with others.

Register now for the next session of SCORE's six-part business plan workshop that begins April 6. Cost of the series is \$90 for two participants from a single business.

If you don't yet have a SCORE counselor, now is a good time to build that mentor relationship. To learn more, contact Northern Arizona SCORE at 778-7438, score@northlink.com or www.scorenaz.org.

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