



Answers to not-so-common questions

Even the most experienced HR pros have questions from time to time. Our monthly Quick Q&A series provides answers to not-so-common questions and links to helpful resources.

Q. What are the advantages and disadvantages of partnering with a Professional Employment Organization?

A. A professional employment organization (PEO) may be an attractive solution for employers needing HR and payroll assistance. A PEO acts as a co-employer and allows a business to outsource payroll, benefit administration and employee relation functions. In a PEO relationship, employees are linked to the PEO's federal ID number and "leased" back to the business.

PEOs are best suited for small to medium-sized businesses with high turnover rates, multiple locations in multiple states, or no in-house HR team. A PEO may be more cost-efficient and effective than funding a full-time W-2 HR professional.

PEO partnerships are not optimal for all businesses, and it's important to dissect the various fees to identify the true cost of service. For instance, claims that a PEO offers lower health insurance and workers' compensation rates can be over exaggerated. Many PEOs lack transparency in pricing and can be costly to a business's bottom line. Some fee structures are tied to employee pay, so increases in gross payroll, like raises or yearend bonuses, can increase PEO fees. Businesses also lose substantial employer tax advantages. Each PEO fee structure is different. It's important to look at the overall true costs of the PEO relationship, and not just certain segments of the proposal.

If your business is considering a PEO solution, know which questions to ask or refer to a specialist. Bukaty Companies can provide an unbiased, expert analysis to help you decide if a PEO solution aligns with your business goals. Bukaty's strong industry ties can assist in matching you with the best services possible.

Got an HR question? Let us know how we can help at HRconsulting@bukaty.com.