

HR Outsourcing Toolkit

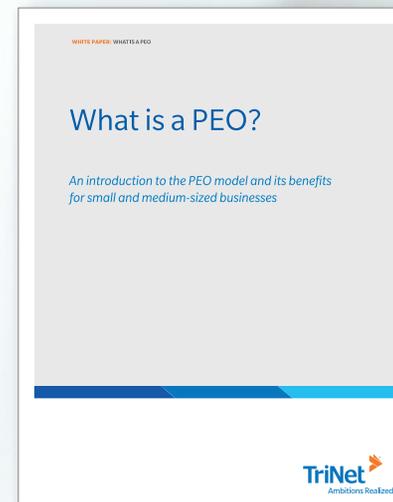
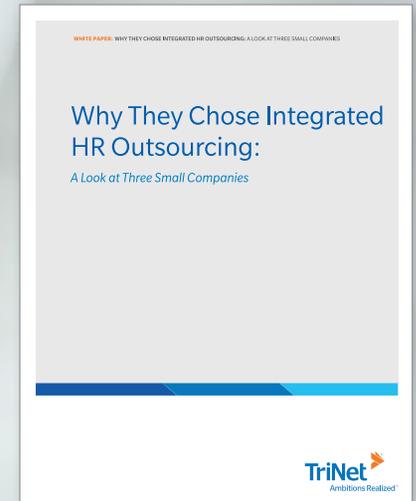
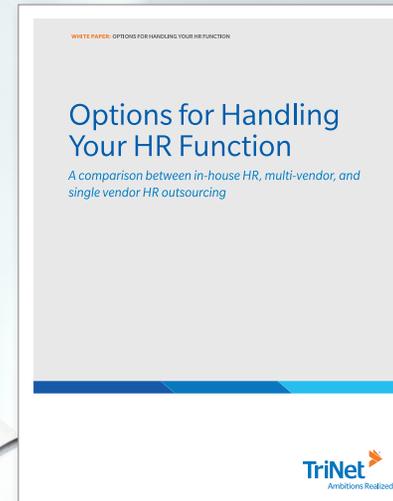
This toolkit presents you with TriNet's thought leadership materials that help you focus on maximizing your human capital regardless of the economic outlook. The HR Outsourcing Toolkit gives you four (4) complimentary tools in one PDF file to help you discover:

Options for handling your HR function

Why 3 small companies chose integrated HR outsourcing

What is a PEO

Due diligence for teaming with a PEO



Options for Handling Your HR Function

A comparison between in-house HR, multi-vendor, and single vendor HR outsourcing

“The decision to outsource our HR function to TriNet has given our employees greater choice and flexibility with respect to benefit plans. And it has allowed us to focus on our core competencies.”

Neil Glass

Senior Vice President and
CFO
Ziff Davis Media Inc.

Introduction

HR is a necessity when you have employees. And what could be better than taking a set of duties — which although a necessity, are not a core competence — off your plate?

According to a Small Business Association study, the average small business owner spends 25%+ of the time handling employee-related paperwork. This average increases to a staggering 35-45% if the tasks include recruitment, hiring, and training of new employees.

After all, you have no interest in processing payroll twice a month, negotiating benefits with insurance carriers, or worrying about how to comply with a litany of government regulations. You entered into business to build a lasting legacy, deliver great products or services, and generate revenue doing what you do best. So why NOT outsource HR?

Why Change from Do-it-Yourself HR?

You didn't start up your business in order to manage human resources. And yet, because HR is complex, precious time and resources are used up as you handle it in-house. Why is “do-it-yourself” HR so overwhelming? Here are six main challenges that small businesses often cite:

1. Doing HR right can be time consuming

The scope and responsibility of HR is broad — covering both tactical and strategic activities. Unfortunately, tactical HR activities can consume most of the hours in a day and steal time from truly strategic activities. Doing HR yourself means allocating time for functions such as benefits planning, recruiting/hiring, training, managing personnel files, payroll/time reporting, performance reviews, manager development, annual merit evaluations, managing leaves and life status changes, plus lots of HR administration and compliance issues.

2. Explosion of benefit plan choices

The explosion of benefit options has created a huge administrative burden for many businesses. Should your company offer HMO, PPO, High Deductible, POS, Health Savings Accounts, even Flexible Spending Accounts? What about Life Insurance, STD/LTD, Retirement Plans, Commuter Plans, and various Voluntary Benefits? If so, which ones will best fit the needs of employees and executives? Which plans will make it easier to recruit the talent you need? Figuring out which plans will make you more competitive is no easy task.

“With TriNet, EDL is able to focus on the strategies of the business, employee development, and operational excellence while partnering with TriNet to handle the back-office functions.”

Sue Fuller
Director of Talent Management
EDL Consulting

3. Many third party relationships to manage

You will have to manage a payroll vendor, state tax authorities, health insurance brokers, health insurance carriers for medical, vision, and dental, and disability, as well as vendors for employment liability, voluntary benefits, recruiters, HRIS system, compensation data, employee handbook/policies, outplacement, legal guidance, and many others. Managing all these vendors also places a burden on the accounting team to reconcile invoices and pay vendors.

4. Many regulations

The acronyms are numerous and adding up every year: COBRA, FMLA, ADA, OSHA, EEO, WARN, HIPAA, ERISA, FLSA, etc. And you will have to keep up with federal laws and labor laws specific to your state and region, plus an ever-changing tax code.

5. Lack of negotiating leverage

Given their size, most small businesses simply do not have negotiating power when dealing with large insurance carriers and other vendors. Even a single event, such as an employee who gives birth to premature twins, can dramatically alter the cost of your medical benefits. Unfortunately, the end result can be a lack of control over escalating costs.

6. Too much paper and inefficient manual processes

HR consists of multiple inter-connected business processes and multiple people involved in each process. Our clients tell us that their former in-house processes were ad-hoc and required manual effort, quickly turning into a paperwork nightmare.

Three Options for Handling HR

You have 3 basic options in regards to who can handle your HR function:

Do-It-Yourself

You can accomplish it on your own or offload the job to current or newly-hired internal staff. The upside is you control everything, which keeps costs low. The downside? You don't have the time to do it all—not when generating business is the main priority. In addition, you own all the liability. One missed deadline or misunderstanding of a regulation, and you could damage your business.

Pros	Cons
You own the process	Not enough time in the day
Potentially lower short-term cost	You own all liability
	Inability to contain long-term costs

“Our experience with TriNet has been one of excellent customer service, time-saving processes, and money-saving products.”

Craig A. Anderle
CFO
Jacksboro National Bank

Multi-vendor

You can outsource to multiple vendors, utilizing each one for a specific task and area of expertise. This will probably entail finding a payroll vendor, another for benefits, another for your 401(k), and so on.

The upside is you get experts to do the work, which saves you from doing HR administration tasks yourself. The downside is the amount of time spent managing the vendor relationships and eventually your lack of control over long-term costs. Using the multi-vendor approach can end up becoming a time-consuming referee match as you try to steer your patchwork of vendors toward a common goal.

Pros	Cons
Shifting some responsibility and administrative tasks to others	Ongoing management—no “one throat to choke”
Time saver in the short term	Lack of data integration
Leverages vendor expertise	Employer-related liability
Short-term cost containment	Lack of control of long-term cost

Single Vendor/PEO

You can use a Professional Employer Organization (PEO) as a single vendor HRO solution. The fewer relationships a company has and the simpler the outsourcing process, the better. Select benefits of outsourcing to a single vendor include increased efficiencies, an improved employment brand, and a renewed ability to focus on the core business.

In addition, many PEOs can offer a range of strategic services. These services go beyond the capabilities of a typical in-house HR department and therefore result in a competitive advantage. Such services include talent acquisition, performance management, and employee development.

In terms of technology, the best PEOs have developed a single information system platform that powers all of their HR software systems. Many of them have also developed user-friendly business intelligence that aids executives in decision making, specifically related to salary levels, compensation trends, and workforce performance data. These online tools reduce paperwork and the overall administrative burden at small businesses. They are especially helpful for companies with multi-state workforces.

“I was advised to do what I do best, which is banking, and not mess with all the compliance issues that come with HR. Offloading human resources to a PEO has proven to be a very good decision on our part.”

Ed Thomas
 CEO
 Town Center Bank

The upside to finding a single vendor is that you manage a single relationship and gain HR expertise, HRIS technology, and a qualified team to manage your HR function. This saves time and cost in the long term. However, the downside is you must find the right HR partner—one that tailors its services and cost structure for your specific industry—because a wrong choice is a costly one.

Pros	Cons
Single point of contact	Perceived loss of control
Reduced time spent managing provider relationships	Some favor current vendor relationships
Reduced employer-related liability	Cost, depending on the situation
Ability to leverage PEO expertise	
Long-term cost containment	
Time savings	
Robust technology	
Call Center support	

In general, PEOs can manage your organization’s HR functions better and more efficiently than if you did it yourself — allowing you to stay focused on your core mission.

PEOs and co-employment

The PEO accomplishes its work by sharing a tax ID with its customers. This is called a co-employer relationship. It enables a company to transfer many of its key employer responsibilities to the PEO, including aspects of employer-related risk and compliance. A formal Customer Service Agreement specifies the division of responsibilities between the PEO and its customers.

Once your organization enters into a co-employment relationship with a PEO, your employees continue to work for you. You still retain complete control over operations, hiring and terminating your workforce, building your company culture, and defining your employment brand. But with the co-employment relationship, many of the other tasks related to administering HR become the responsibility of the PEO. These tasks include administration of payroll and benefits, providing HR services, and assisting with employer compliance.

Both U.S. and Canadian governments now recognize there are two employers in this situation, but for the most part government agencies look at the PEO as being the responsible party for the administration of HR. They consider the PEO the **Employer of Record**. This arrangement means your employees' checks will carry the name of the PEO, though to the rest of the world, they are employed by your organization. And if there are any legal problems arising from the HR function, then the PEO assumes some of that risk.

Is there a downside to co-employment? There can be, if you partner with the wrong one. When you use a PEO to handle HR and employee administration, you are putting a great deal of trust in another company. You want to make sure you select a PEO that has a proven track record, extremely efficient systems, and solid financial strength to ensure it will be around for the long term. Using a PEO for your business should be considered a long-term strategy, not a short-term fix.

TriNet client case study

One company that has gone from a multi-vendor arrangement to a single vendor/PEO is **Bank of Central Florida**. They switched to TriNet (formerly known as Gevity in Florida) and realized immediate savings. CFO Kerry Charlet explains why their decision has been a cost-effective one: "When compared to the renewal quote from our incumbent provider (based on an individual group plan), we estimate that we save approximately \$50,000 per year between the employer and employee cost savings for our health insurance plan. This represents about a 25% savings in total costs."

Why They Chose Integrated HR Outsourcing:

A Look at Three Small Companies

The time and effort of managing multiple vendors can often offset the up-front cost savings.

Introduction

Picking through the white noise about outsourcing can be time consuming and tedious. And while you're busy doing all that research, your company's payroll and benefits problems aren't going anywhere. You need to outsource—but you're not clear on the alternatives available to you.

If you're in this position, these case studies are designed for you. They provide a research tool for smaller companies by describing the reasons why three companies, all under 100 employees, decided to outsource their human resources to an HR service provider. It presents a picture of what other companies have done when faced with the challenge of wading through a crowded vendor landscape, evaluating their alternatives, and making a final decision.

Who Should Read This?

You will want to read this document if you are evaluating HR outsourcing alternatives for a company between 1-100 employees. The profiled companies are honest about both their reasons for choosing their HR provider, as well as the challenges that drove them to outsource. Reading their stories will provide you with the context you need to understand HR outsourcing.

Companies Face Several Alternatives

Outsourcing isn't the only answer. Most small companies face a complicated decision path when deciding what to do with business non-core functions.

This is because small companies, even moreso than their larger counterparts, need to focus on their core competency with laser-like precision. Any function that doesn't directly relate to that core competency distracts the workforce from developing the company's product or service.

When faced with human resource challenges, companies have three alternatives:

Create or Improve the In-House Infrastructure

Pros

Creating an in-house infrastructure gives business owners the confidence that they are building the HR processes that's right for their company, and psychologically it offers a sense of control. It allows a business owner to create a company culture from the "ground up" by hiring employees who oversee the general environment, character, and personality of the company.

Cons

A smaller company may not have the time and resources to build such an infrastructure. That time may better be spent on developing the company's product or service. It's also possible that the right HR provider—which forms a true “match”—may indeed be able to contribute to the company's internal culture by streamlining processes and offering high-level HR expertise.

Multiple Vendors

Pros

If the decision is made to outsource the HR function, companies may choose to seek out providers that handle disparate functions. For example, they may select a benefits broker and a separate payroll provider. The advantage to this approach is cost driven; a company can generally spend less on providers that specialize in handling one particular function. That's because single-function providers tend to do large volumes of business in order to keep their price point low.

Cons

The time and effort of managing multiple vendors can often offset the up-front cost savings. This is particularly true if the vendors deal with related functions—such as payroll and benefits—but use separate systems or databases to do so. These means that the functions aren't integrated and can often prove extremely difficult to manage properly. In addition, “large volume” providers may not offer the individual attention or the range of services that the company truly needs, undermining the attractiveness of the lower cost.

Single Vendor

Pros

The HR outsourcing landscape offers the ability to outsource to a single provider. These “integrated” providers offer payroll and benefits together on a single platform, as well as high-level HR expertise in the form of on-site staff. Single-vendor providers can act as a company's entire HR department and prevent the need for in-house staff or infrastructure.

Cons

The primary disadvantage of an integrated outsourcing provider is that the service may be overkill for a company that only needs to offload a single HR function. For example, if payroll is the primary problem, the company probably only needs a payroll provider rather than an end-to-end service. In addition, an integrated provider may offer a degree of flexibility in its service but may not be able to accommodate specific requests from its customers (for example, building electronic timesheets into its online services).

“The up-front cost of integrated HR can be daunting. What’s important to recognize is whether those costs are made up elsewhere.”

Susan Vandegrift

VP of Finance

Synergenics

Case Study: Synergenics

Interview: Susan Vandegrift, VP of Finance, Synergenics

The Background

William Rutter, former CEO of Chiron, founded Synergenics in order to invest in bio-medical field and technology companies. Synergenics provides its related family of biotech startups with laboratory space, business development, and administrative backbone. Synergenics currently has about 5-10 companies under its watch.

The Challenge

Synergenics had to gain affordable health insurance fast, but our options were limited. We were too small to get a cost-effective health insurance package that would also offer disability and life insurance. We knew our employees would need a minimum level of benefits offerings but we also had a budget to manage.

In this situation, having benefits in-house wasn’t feasible. We needed a provider that could aggregate many companies into a single pool and offer affordable, “large company” benefits. We found that payroll services were easy to find, but it was difficult obtaining small business health insurance at reasonable rates.

The Alternatives

Having decided that an integrated HR provider would serve our needs more efficiently than a single-function provider, our primary objective was to obtain affordable healthcare. We looked for this competency in our prospective vendors. We also wanted to determine how much time it would take to manage the vendor relationship.

Why Did You Choose TriNet?

TriNet's rates on health insurance and workers' compensation made up the cost of their service fee, and they were able to get Synergenics and its related family of biotechs up and running quickly. It helped that the employees had a direct link to TriNet via a toll-free call center, rather than an administrative contact. This not only drastically reduced the time we needed to devote to the vendor relationship, but it saved me time personally because employees wouldn't come to me with routine payroll and benefits questions.

Synergenics looked at two of TriNet's competitors as well, but they both priced their services via a percentage of employee payroll and put ancillary fees on top of that. It was difficult to understand the full cost of doing business with them. TriNet, in contrast, offered a flat fee that allowed us to crunch the numbers and do a comprehensive, cost-benefit analysis.

What Would You Recommend for a Company in Your Position?

Look at the HR provider's fees, examine your company's demographics, and examine the internal cost of managing HR on your own. See if integrated HR makes sense from this standpoint. If your prospective provider's fee structure isn't easily understood, that should be a red flag right there.

If you have an employee population that doesn't necessarily need benefits such as disability and life insurance, then you may not need integrated HR. But if you run a business that requires a mature workforce, benefits such as cost-effective health insurance, disability and life insurance become important factors. This is particularly true if you want to attract and retain the talent.

“Because of our need to offload as many administrative positions as possible, we were interested in an integrated service provider.”

Andrew Evans

CFO

InPhase Technologies

Case Study: InPhase Technologies

Interview: Andrew Evans, CFO, *InPhase Technologies*

The Background

InPhase Technologies was founded in December 2000 as a Lucent Technologies venture, spun out of Bell Labs research, with the objective of becoming the first company to bring holographic data storage technology to market. Through revolutionary techniques developed by a team of Bell Labs scientists, InPhase has solved several fundamental problems associated with holographic storage, including the creation of a viable storage medium, and the systems expertise required to record holograms. The result of more than ten years of groundbreaking research in holographic storage has culminated in the InPhase Tapestry™ media and drive.

The Challenge

The need for an attractive benefits package played heavily into the decision to outsource, but there was another consideration as well: keeping our company’s small staff focused on our core competency. That meant creating an infrastructure that eliminated the need for an HR manager or administrator. Doing so would help the company save on staff costs, as well as ensure that our employees kept their focus on perfecting our holographic storage technology.

What alternatives did you seek?

Because of our need to offload as many administrative positions as possible, we were interested in an integrated service provider. We decided to hire a vendor who could handle the entire range of HR functions. This would allow us to expend an absolute minimum of effort on the overseeing of payroll and benefits functions.

Why did you go with TriNet?

TriNet had a better web interface for their services, which allowed our managers and employees to access and update their own information without an HR or administrative “*middleperson*.” The other providers we looked at were paper-intensive. Using them would have meant losing some of the efficiencies that we hoped to gain through outsourcing.

We also needed a competitive benefits package. That meant finding and hiring the best talent in the storage industry—a tall order even in the midst of a slow economy, as the best engineers and scientists were already gainfully employed by large, public companies. TriNet helped us to compete with those larger, better funded entities.

Finally, TriNet had better references. They had customers who were willing to go to bat and support their choice in choosing TriNet, which lent the credibility that we were seeking from a vendor handling as delicate a matter as payroll and benefits.

What Would You Recommend for a Company in Your Position?

If you need to attract and retain talent, you may need a provider like TriNet to strengthen your competitive position. But in order to do your homework, you should ensure that the provider has good references. Always ask for references and use them before making a final decision. Then, when the relationship has been established, continue to monitor it and make sure that outsourcing remains cost-effective versus the other alternatives, such as bringing the HR function in house.

“We consider HR to be a vital function, but it doesn’t increase leads, develop products, service customers, sell products, or bring money in the door.”

Chris Pieper
CEO
FormRouter

Case Study: **FormRouter**

Interview: Chris Pieper, CEO, *FormRouter*

The Background

FormRouter, Inc. allows people with no technical experience to convert their existing paper forms (PDF, HTML, Flash, ASP or MS Excel), into secure, Internet hosted forms, in 5 minutes, with no programming. As forms are submitted, the encrypted results are downloaded directly to the form owner’s desktop database, saving time and eliminating errors caused by manual re-keying. Our whole value proposition reflects the importance of collecting information and data from users in a cost efficient and timely way that doesn’t allow for mistakes.

The Challenge

We’re a small organization that expects to experience rapid growth during the next several years. We consider HR to be a vital function, but it doesn’t increase leads, develop products, service customers, sell products, or bring money in the door. We had initiatives to fund, and we didn’t want to invest in servers, software, or HR experts.

What alternatives did you seek?

We initially thought we could outsource payroll and handle the rest in house. We used a basic payroll service for eight months, which worked okay but we didn’t get access to other key HR functions such as benefits and 401(k) programs. We eventually realized that an integrated provider was the right choice.

Why did you go with TriNet?

When we went with our first choice of HR providers, I was very disappointed that their set-up process was entirely paper based—and shocked when the entries came back with more than a **25%** error rate. They even got my name wrong. If things were this unreliable with the vendor’s set-up process, what would happen further down the line? I didn’t want to roll the dice with business functions as important as payroll and benefits.

Although we were already far down the road with our first choice of providers, we researched other companies on the fly and found TriNet. When I visited TriNet's site, I was pleased that I could log in, fill in my information, and get a quote back—all without having to pick up the phone and talk to someone. I realized that this was a company that understood the advantages and efficiencies of electronic data capture, just like FormRouter.

In my previous company, I employed a whole staff of people to provide the same services that we now have with TriNet. By outsourcing HR, we need virtually no administrative employees, we have lower costs, we get better selection, we can scale to meet our growth requirements, and we save trees (due to TriNet's range of online services).

The only down side was getting employees comfortable with the idea of TriNet acting as the "employer" for critical information that they would expect to be handled by FormRouter. For this challenge, TriNet's technology helped because most HR tasks can be done online quickly. The less time people have to spend thinking about HR the better. Once employees started selecting benefits and managing their HR information online, any concerns regarding the outsourcing arrangement seemed to go away.

What Would You Recommend for a Company in Your Position?

Outsource HR and focus your resources on activities that generate sales and improve profits.

In regards to the specific service provider, electronic delivery and data capture can save time and money. If your HR provider (or any outside vendor) doesn't leverage the Internet to its full advantage, you're bound to lose time and money on managing paper-based processes. This is true for the provider's set-up process as well as the ongoing relationship.

Conclusions

Why Full-Service HR?

Full-Service HR covers the entire range of payroll, benefits, and human resources functions. It should also deliver a range of online self-service, as well as administrative support and a call center. This approach may be optimum for your company if:

- You have a skilled talent pool that expects a premium benefits package, which your company may have difficulty procuring on its own.
- Your staff needs to retain focus on the company's core competency.
- Your HR needs mandate having a full-service solution, rather than simply payroll or benefits.
- Your employee salary and benefits structure indicate that outsourcing might save you money.
- Your employees have access to the Internet and can leverage web-based services.
- You have needs in regards to the HR function that include employer-related compliance.
- You require an outsourcing provider than help you attract and retain top talent.

Recommendations for Due Diligence

Points to consider when evaluating HR providers:

- Does the cost of the provider's services lead to other time and cost savings, such as reduced administrative staff, decreased employee oversight, and beneficial rates on healthcare and workers' compensation?
- Does the provider have customers willing to provide references?
- Is the provider's fee structure easy to understand, enabling a cost analysis of outsourcing fees versus in-house investment?
- Does the provider leverage Internet delivery for time and cost savings?
- Does the provider offer a call center for employee questions?
- What is the provider's set-up process? How fast can it be completed?

Your Next Step: Consider your Internal Costs

Before contacting an HR provider, you should map out the current cost structure for your company's human resources. Remember to consider the full time and cost of your HR function, including staff oversight as well as time and energy devoted to each process.

TriNet Can Help

If you wish to speak to a TriNet sales representative about our own service, call 888.874.6388 or email info@trinet.com.

What is a PEO?

*An introduction to the PEO model and its benefits
for small and medium-sized businesses*

“It’s great to be able to rely on an HR department without necessarily owning an HR department. When you need TriNet, they’re there to answer your questions.”

Roy L. Burger
Chairman & CEO
FirstNet Learning

The term “PEO” stands for Professional Employer Organization. PEOs provide small-medium size companies with outsourced human resource services, specifically employment and HR management services. PEOs are not staffing companies.

Traditionally, PEOs manage functions such as payroll, employer tax compliance, employee benefits, workers’ compensation, and government compliance, but those services have steadily expanded to include optional services such as talent acquisition, employee training, and performance management.

The website of the National Association of Professional Employer Organizations, NAPEO (www.napeo.org), explains that PEOs bring value via:

- Relief from the burden of employment administration.
- A wide range of human capital strategy and guidance services offered via a team of experienced professionals.
- Improved employment practices, compliance, and risk management to reduce employer-related liability.
- Access to a comprehensive employee benefits package, allowing smaller companies to be competitive in a tight labor market.
- Assistance to improve productivity and profitability.

PEOs’ Unique Selling Point: HR Isn’t Your Main Business

The reason for the existence of PEOs and the primary selling point for their business model is this: as an entrepreneur, you did not enter into business to become a human resources manager. You have no interest in contending with payroll twice a month, negotiating benefits for your employees, or worrying about how to comply with a litany of government regulations. You entered into business in order to sell a product or provide a service, and generate revenue doing what you do best.

But HR is a necessity when you have employees. And what could be better than taking a piece of your business — which although a necessity, is also a distraction — off your plate, and making it somebody else’s problem?

Is Your HR Systematized?

Businesses succeed by building good systems. Your organization has likely systematized the financial part of the business because you recognize how important it is to have a strong financial system in place. Likewise, you probably have refined systems for your company's operations and customer service.

But do you have a systematic approach to HR? For example: if you hired a good person today, what's your guarantee you can hire a good person tomorrow? Is it a repeatable process? Do you know the right way to source benefits year after year? Do you know how to build the proper infrastructure for attracting and retaining talent? Were you lucky your last hire took a job at that salary, or did you have some understanding of current compensation levels?

At the same time, do your employees have access to the systems they need to succeed? Can they manage their payroll and benefits information? Can your managers hire, terminate, and administer their employees' data? Can your executives access your company's data via dashboard reporting? These are also components of a systematic approach to HR.

Who Can Do Your HR?

You have 4 basic choices in regards to who can handle your HR function:

- You can do it yourself, or offload the job to current internal staff.
- You can hire additional administrative and HR staff.
- You can outsource to multiple vendors: one vendor for payroll, another for benefits, and so on. However, doing so can end up becoming a time-consuming referee match as you try to steer your patchwork of vendors toward a common goal.
- You can use a PEO as a single vendor solution under a co-employer relationship.

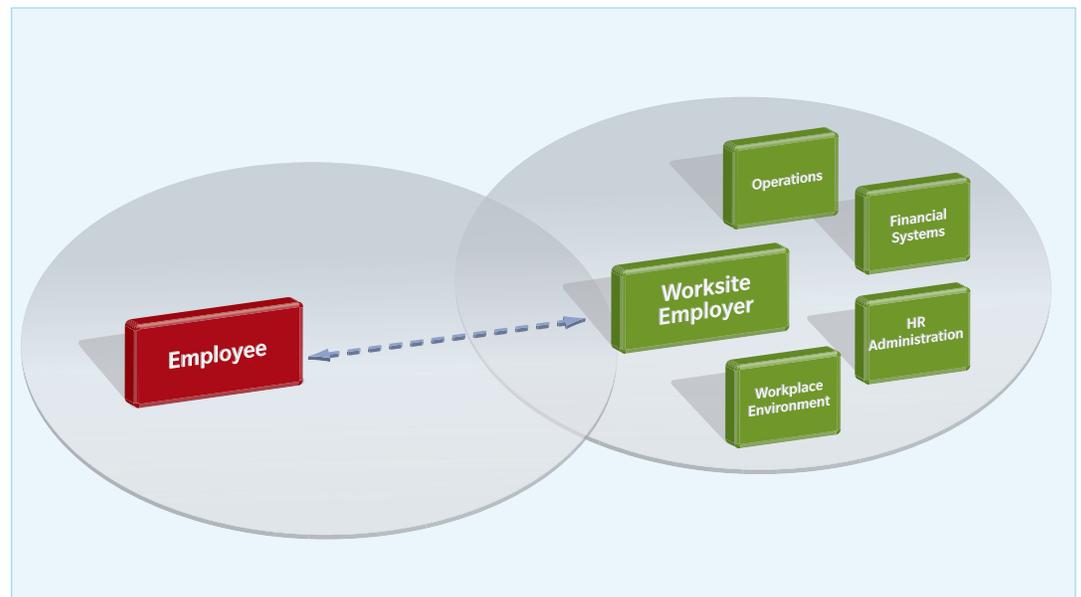
Especially for professional industries where having top talent is the main asset of the business, the reality is this: PEOs can manage your organization's HR functions better and more efficiently than if you did it yourself, allowing you and your organization to stay focused on your core business.

PEOs and the Co-Employment Relationship

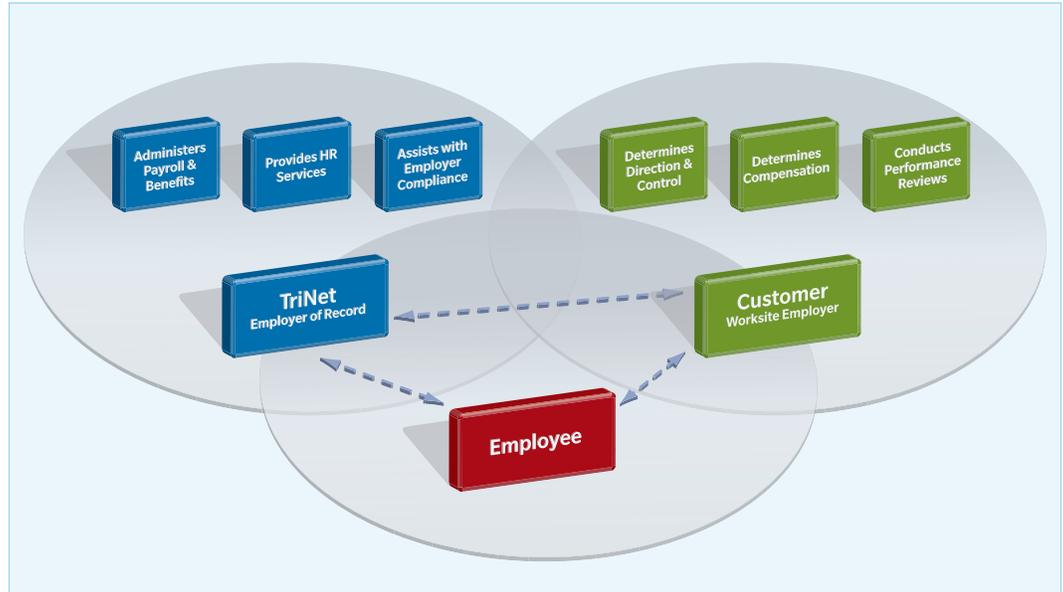
The PEO accomplishes its work by sharing a tax ID with its customers, which is called a “co-employer” relationship. This arrangement enables a company to transfer many of its key employer responsibilities to the PEO, including aspects of employer-related risk and compliance. A formal Customer Service Agreement specifies the division of responsibilities between the PEO and its customers.

What Is Co-Employment? The Three-Point Relationship

Your relationship with your employees right now looks like this: just your organization and its employees.



Once your organization enters into a co-employment relationship with the PEO, your employees still work for you. You still retain complete control over your operations, hiring and terminating your workforce, building your company culture, and defining your employment brand. But with the co-employment relationship, many of the other tasks related to administering HR become the responsibility of the PEO.



Both U.S. and Canadian governments now recognize there are two employers in this situation, but for the most part government agencies look at the PEO as being as the responsible party for the administration and HR. They consider the PEO the **Employer of Record**. This arrangement means your employees' checks will carry the name of the PEO, though to the rest of the world, they are employed by your organization. And if there are any legal issues arising from the HR function, then the PEO assumes some of that risk.

An analogy: It's like going from having one parent (the employer), as most businesses have it today, to having two parents. As the initial employer, you are still responsible for operations. But the functions that aren't core to running your business are assigned to the other "parent," your PEO.

Is there a downside to co-employment? There can be, if you partner with the wrong one. When you use a PEO to handle HR and employee administration, you are putting a great deal of trust in another company. You want to make sure you select a PEO that has a proven track record, extremely efficient systems, and solid financial strength to ensure it will be around for the long term. Using a PEO for your business should be considered a long-term strategy, not a short-term fix.

“I was advised to do what I do best, which is banking, and not mess with all the compliance issues that come with HR. Offloading human resources to a PEO has proven to be a very good decision on our part.”

Ed Thomas

CEO

Town Center Bank

Benefits of the PEO model

The advantages of the co-employment model are substantial.

One: You don't have the time to waste.

With a product to develop and a business to grow, the last thing you probably want to do is spend time mastering the universe of complex employment related regulations.

Furthermore, a large part of the HR function is assessing, negotiating for, and providing benefits options for your employees. This will also be a drain on your time, even if you engage with a benefits broker. There are options to wade through and many negotiations with carrier representatives to tackle.

If you choose to outsource to multiple vendors, you run up against the same problem. It takes time to manage these relationships individually and make sure they work together without problems or errors. Imagine having to inform each of your vendors about any changes in manpower, or coordinating both internal and external systems that affect payroll and/or benefits. The opportunity cost of all this effort can be substantial.

The highest and best use of your (or your HR person's) time is in building your core business. You cannot be as efficient as a PEO's service team of professionals. You should be focused on perfecting your product and building a market. Anything else is a step backwards.

Two: PEOs can position you competitively in the talent market.

PEOs that deal with a large number of customer organizations aggregate the employees of each company. This allows PEOs to negotiate for benefits plans on the customer's behalf by leveraging the combined size of thousands, or even tens of thousands, of employees. PEOs can then offer even small to medium-sized customer companies the same benefits plans that large corporations enjoy. This enables PEO customers to attract and retain key talent that might otherwise choose to work at larger, more established organizations.

“We chose TriNet’s outsourcing solution because they offered the widest range of HR, payroll, and benefit services.”

Jerry Panagrossi

Director, Technical Consulting
Symbian, Inc.

Alternatively, if you negotiate for benefits plans on your own, you’re spending time evaluating vendors. And to those benefits vendors, you’re just one small company. If PEOs pick a benefit plan, it’s a benefit plan for thousands of people. It contains options and plan features that smaller companies simply can’t obtain, much less afford.

The best PEOs offer a wide range of benefits, not forcing any one medical, dental or plan on an employee but rather emphasizing flexibility and choice in regards to multiple plan options. This same strategy is in play in large companies.

Three: PEOs employ HR professionals that understand your business.

It’s likely that you either don’t employ HR professionals at all, or have staff with more strategic issues at top of mind than HR concerns and employee administration. A PEO can help. A top-quality PEO will employ human capital consultants who are familiar with your specific industry, enabling them to anticipate and resolve your problems and act as a true strategic partner. They can assist you with interviewing strategies, training, performance management—even succession planning. They can be a genuine asset to your company’s growth and success.

Four: PEOs help minimize your company’s risk.

Your organization needs people to operate the business, but at the same time, those very resources — those human resources -- are in and of themselves a liability. In fact, your company may be at risk of running afoul of a minefield of employment laws. There are only three things you can do with such risk:

- Offload every bit of employer-related risk that you can.
- Share as much as you can.
- Manage what’s left to the best of your ability.

PEOs offer support in all three of those areas. You can offload much of the risk to PEOs, and then they can assist you in managing the risk that’s left. It’s a proactive defense against employer-related liability in your organization.

As a co-employer, PEOs assume part of your employer risk—and it’s in the PEO’s best interest to guide you accordingly. Issues such as workplace safety, sexual harassment—even the production of employee handbooks—are all matters that PEOs handle on a daily basis in the effort to minimize risk for themselves, their customer organizations, and the employees that they service.

Minimizing risk simply means taking a proactive versus reactive stance towards liability. People are typically putting in these components in their business after going through a certain amount of pain — perhaps an expensive lawsuit or a heavy fine. It makes more sense to prevent these hardships. An ounce of prevention is worth a pound of cure.

Due Diligence in Choosing a PEO: Seven Tips

Selecting the right PEO to partner with is a critical decision for your organization. You need to align yourself with a trusted player in the PEO industry. Here are some tips on finding the right PEO:

1. Find a legitimate and stable PEO. Select a PEO partner that has been around for some time, and looks stable in its financials as well as in its systems. Look at their history and their credentials. The best PEOs generally have accreditation from the industry's "watchdog" organization, the Employer Services Assurance Corporation (ESAC). ESAC continually monitors HR outsourcing firms for adherence to important financial, ethical, and operational standards. Another good resource for information on quality providers is the National Association of Professional Organization (NAPEO) website (www.napeo.org).

Be sure the PEO can serve your employees in all geographic areas where you have employees. Some of the larger PEOs provide service in all 50 states, and some offer international services as well.

2. Find a PEO that solves issues quickly and effectively. The PEO you choose should have systems in place that give good service — and by service, we mean two things: direct access to someone who can answer your employees' questions, no matter how trivial those questions may seem, and the option of self-service HR tasks via an online platform. Do they have a dedicated toll-free call center? Are there multiple points of access given to you: phone, fax, email, chat? Do they even answer their phones? Is there an online system in place which allows employees to do routine tasks such as ask for vacation leave? Is there a technology in place that allows managers to keep track of the people they manage, and maybe even assess their performance?

One way to find out about a PEO's service technology is to check customer and professional references. What their customers say about the PEO will indicate how well their service will work for your organization.

“It made economic sense for us to do it. It was efficient, inexpensive, and extremely helpful to our growth. We made the move to TriNet and haven’t looked back and it’s been a wonderful experience ever since.”

Grant Stephen

CEO & President

My Financial Advice

3. Understand how you are being charged. There are two basic ways PEOs charge their customers. There’s the break-out model, where you are shown what each category costs: workers’ compensation insurance, benefits, service fees, etc. And then there’s the bundled model where payments are grouped together in various ways. A transparent set of fees will be easier to understand than a percentage of payroll fee — and the latter can be tremendously expensive if your organization employs highly compensated people that routinely accrue bonuses and salary increases.

4. Look for better benefits. Benefits are a key way to attract and retain the talent you need to remain competitive. You simply can’t skimp on them. To make the cut, HR outsourcing candidates should offer a package that provides all the benefits that large companies offer their employees. Features should include:

- A wide range of options for each employee to choose from
- Coverage for new hires with little or no waiting period
- No pre-existing condition exclusionary clauses
- No individual underwriting
- Guaranteed issue coverage

In addition, make sure the HR provider offers a stable health care provider network with modern administration systems. If you have any employees working out of state or perhaps out of the country, pick a partner that has mastered the complex issues associated with a dispersed workforce. A PEO with this expertise is especially important if you are expanding operations overseas or recruiting foreign employees to the U.S.

5. Verify the employee risk pool matches the employer’s profile. An HR provider that mixes your relatively low-risk staff with other employers’ higher-risk group of employees almost ensures your health insurance and workers’ comp rates will rise faster than market rates.

Scott Stanton, CFO of International Association of Exhibitions and Events—a trade association that represents more than 6,000 individuals involved with the exhibition industry—switched providers for that very reason. He stated, “We were with another HR provider for a while, but their customer base was largely blue collar and low wage. That meant the provider could not control the risk associated with its own customer profile, and as a result, IAEE was seeing rapidly escalating benefits costs year after year. We saw a 30% increase one year, and then 45 percent, and then 90 percent!”

“Offering generous benefits is in sync with our firm’s strategy for keeping and retaining people, so getting premium benefits packages from TriNet is a logical step.”

Bill Daniels

CFO

Asset Management

The company quickly found an HR provider that specialized in high wage employees, and made the switch. Being grouped together with companies that resembled its own industry and workforce profile made all the difference financially.

6. Ensure that the service provider meets all state regulatory requirements.

Regulations vary from state to state, so ensure that the PEO you pick complies with the laws in your area. If you have employees in multiple states, make sure that your PEO can easily handle HR for those states. Ideally your PEO should be able to handle HR and administration anywhere in the 50 states, or at least in all states where you will have employees.

7. Find out how long it takes to transition. Ask about the set-up process; how many days will it take? How much paperwork will it entail? Or is the process mostly online? How much hassle will you have to go through in the transition process?

TriNet customer case study: Asset Management

One company that has entered into a co-employment relationship with a PEO is Asset Management, a small venture capital firm that seeks to deliver fundamental change to economies, industries, and societies in the areas of information sciences and life sciences.

When CFO Bill Daniels joined the firm, he quickly realized that the firm could gain additional efficiencies in the realm of human resources. He had high-level employees who were handling HR issues — and those employees had far better things to do with their time.

Daniels recalls, “Previously we had a controller who, by default, was in charge of payroll and benefits issues. It didn’t get a lot of her focus because she had far more pressing challenges in front of her. When I joined the firm, I asked what her biggest problems were, and she mentioned the time and energy spent on handling mundane HR administrative tasks.”

Fortunately, he already knew where to go. “I had previously worked with an HR outsourcing company, so I told her ‘We can take care of that.’ And I brought in TriNet.”

A Full Suite of Benefits and HR Services

One of Asset's biggest concerns was the cost of healthcare; it just kept rising and rising. Daniels points out, "With TriNet, we're able to join forces with thousands of other companies to get the purchasing power we need to obtain high-quality benefits. Offering generous benefits is in sync with our firm's strategy for keeping and retaining people, as we also offer generous compensation and a 401(k) match. So getting premium benefits packages from TriNet is a logical step."

He continues, "We gain other advantages as well. Prior to engaging TriNet, we had no employee handbook, no policies or processes written down, and no real documentation for workforce management and administration. That's a dangerous way to go — but TriNet provides the infrastructure we need."

A Long-Term Strategy

The self-service features are beneficial to Asset's team as well. "We like being able to tell our employees that all they'll need is a computer screen and a phone number to resolve most of their issues. TriNet handles the rest."

Having TriNet as a single point of contact for Asset Management's entire HR function has proven to be a durable long-term strategy for the firm. "It's a partnership that I intend to continue. It allows us to keep our focus on our portfolio companies. It really has worked great for us."

More information on PEOs

Visit the National Association of Professional Employer Organizations (NAPEO) at www.napeo.org

More information on ESAC, the organization that provides accreditation for PEOS at www.ESAC.com

Check out the Demo

Demo: www.trinet.com/trinetdemo

Teaming With a Professional Employer Organization (PEO)

How Does a PEO Work?

A Professional Employer Organization serves as an outsourced human resources department providing comprehensive employment services such as payroll and benefits administration, HR management, and assistance with employer compliance. A PEO serves as your strategic HR partner that can help:

- Attract and retain talent
- Contain rising HR costs
- Create efficiency
- Minimize liability and exposure to risk

A Shared Employer Relationship

When working with a PEO, your company enters into a shared employment relationship. The PEO becomes the “Employer of Record” and is responsible for payroll and payroll tax compliance, benefits administration, workers’ compensation, processing unemployment claims, and other HR-related administrative tasks. Your company remains the “Worksite Employer” and continues to retain day-to-day control and direction of the worksite employees.



[More](#) ▶



TriNet's Total HR Solutions

	Your Company is Responsible	TriNet is Responsible
Conducts business operations	✓	
Day-to-day employee activities	✓	
Delivery of services or product development	✓	
Processes payroll & payment of employment taxes		✓
Sponsors & administers benefits		✓
Provides HR management & consulting services		✓
Manages workers' compensation issues & processes unemployment claims		✓
Compliance & other employee-related liabilities	TriNet joins with your company to oversee other selected areas of employer compliance & liabilities	

This shared relationship allows you to transfer many of the time-consuming administrative tasks to the PEO, and more importantly, allows you more time to focus on making core business decisions.

Due Diligence When Considering a PEO

Selecting the right PEO is a critical decision for your business. Here are some things to consider when deciding which service provider is right for you:

- Check customer and professional references
- Ask whether the service provider is a member of National Association of Professional Employer Organizations (NAPEO) and accredited by the Employee Services Assurance Corporation (ESAC)

- Understand how the employee benefits are funded and insured
- Verify that the employee risk pool matches the employer's profile
- Confirm that participating employees can receive first-day coverage for benefits
- Ensure that the service provider meets all state regulatory requirements

As a leading PEO for more than two decades, TriNet serves more than 8,000 customers and over 205,000 employees in the United States and Canada. Our total HR services allow small- to mid-sized businesses to operate more efficiently and cost-effectively.

About TriNet

TriNet delivers HR outsourcing services that allow small companies to do what they do best. Thousands of companies have turned to TriNet for human resources, benefits, payroll, workers' compensation, and strategic HR services. As their trusted HR advisor, TriNet helps these organizations contain HR costs, minimize employer-related risks, and relieve the administrative burden of HR.

For more information, visit www.trinet.com.