

# BEFORE YOU GO PEO!

Looking to outsource HR functions? We are your **ALTERNATIVE!**



Where do you turn when you don't have an in-house HR expert, or when your in-house HR needs added help? There are different types of providers to consider, and they work a bit differently. Two primary types of entities that provide human resource assistance and support are HR outsourced providers (HROs) and professional employer organizations (PEOs). It's important that you know the difference – or at least that you know what questions to ask when you are considering outsourced HR support! That's why we gathered this information. It explains key differences between PEOs and HROs.

## PEO – PROFESSIONAL EMPLOYER ORGANIZATION

A PEO is a company that typically offers a single platform for your HR policies, payroll, employee benefits, and workers comp insurance. A PEO tries to deliver a comprehensive (one-size-fits-all) solution to its clients. In doing so, they 'co-employ' your people, meaning you lose some control and decision-making power.

- **CO-EMPLOYER:**
  - A PEO replaces you as employer of record, and co-employs your people. When you want to disengage, you will need to reestablish yourself as an employer.
  - The PEO handles payroll, taxes, benefits, and compliance on your behalf.
- **COMPREHENSIVE SERVICES:**
  - PEOs often bundle HR services, including payroll, compliance, workers' compensation, employee benefits, and risk management.
  - PEOs claim to be able to negotiate better rates on health insurance, but ACA regulations have leveled the playing field in that regard.
- **REDUCED CONTROL:**
  - A PEO assumes many of your employer-related liabilities, and in turn you lose some control and accountability over your people and processes.

## HRO – HUMAN RESOURCE OUTSOURCING

An HRO (such as **Alternative HR, LLC**) offers a wide variety of outsourced and fractional HR services (e.g. recruitment, onboarding, benefits administration, compensation and payroll support, performance management, leadership coaching and strategic HR) to provide targeted assistance, along with a high degree of flexibility.

- **CONTRACTOR:**
  - An HRO provides outsourced HR services as an independent contractor. Your business retains full control and responsibility for your people, while the HRO provides professional assistance.
  - An HRO can provide a range of administrative services, as well as strategic HR support.
- **CUSTOMIZABLE SERVICES:**
  - HROs offer à la carte services. You choose which functions (e.g., recruitment, compliance assistance, compensation and benefits support, training and development, etc.) to outsource.
  - HROs offer greater flexibility, from targeted support to full-service solutions.
- **RETAINED CONTROL:**
  - An HRO will be able to help you comply with employment laws impacting you, but you retain full control as the employer of record.

**ALTERNATIVE HR, LLC**

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## PEO – PROFESSIONAL EMPLOYER ORGANIZATION

- **BEST SUITED FOR:**
  - Small businesses who want to ‘off-load’ responsibility for payroll, benefits and workers compensation. That comes at a high price in terms of fees and in loss of control.
- **LIMITED CAPABILITIES:**
  - Helps with some administrative functions; not so much on management or strategic level.
  - May offer proprietary platforms for recruiting and training, but don’t usually provide recruiting expertise or customized training or coaching.
  - May offer basic HR guidance, but usually not high-level HR expertise, hands-on management support, or strategic HR guidance.
- **COST:**
  - Difficult to understand fees are based on ‘Per Employee Per Month’ (PEPM), ‘Per Employee Per Payroll’ (PEPP), or a percentage of payroll. Identifying costs of services provided is tough.

## HRO – HUMAN RESOURCE OUTSOURCING

- **BEST SUITED FOR:**
  - Businesses of all sizes who need HR support for a specific project, for on-going fractional support to manage your HR functions, or for interim HR support when you have gaps in your team.
- **EXPANDED CAPABILITIES:**
  - Can provide a full range of support, from administrative to strategic HR planning.
  - Can provide wide-ranging expertise with workforce acquisition and development, as well as leadership development.
  - Will not only help assure compliance with employment laws, but will help implement best practices to build strong reputation and culture.
- **COST:**
  - HRO fees are generally based on an hourly rate, a project budget, or a monthly service retainer (aka fractional, or managed services fee). Straightforward. Easy to understand.

KEY DIFFERENCES	PEO	HRO
<b>Employment Model</b>	Co-Employment	Independent Contractor
<b>Services</b>	Comprehensive; Bundled	Customizable; Targeted; Flexible
<b>Responsibility</b>	PEO Shares Employment Responsibilities	You Retain Full Control; HRO Works for You
<b>Technology</b>	May have Proprietary Software	Works with Your Providers; Offers Recommendations
<b>Benefits</b>	Insurance Providers Determined by PEO	Insurance Providers Determined by You
<b>Customer Service</b>	Primarily Remote Support	May Offer a Combination of On-Site and Remote
<b>Cost Savings</b>	PEO May Negotiate Lower Benefit Rates	HRO Can Facilitate Negotiations and Manage Benefits
<b>Control</b>	Less Control over HR Processes/Decisions	Full Control over all HR Processes and Outsourced Tasks
<b>Exit Transition</b>	Exits Can Be Complex and Messy; You Must Rebuild Your Payroll/Benefit Infrastructure	Thirty-Day Notice is Requested; Upon Exit, An HRO Will Provide Necessary Training to Your Staff

### WHICH IS RIGHT FOR YOU?

- A PEO is great if you want some administrative support, a hands-off approach to HR, and are okay with less control.
- An HRO will work best if you want to retain control over HR functions and access a wider range of HR support.

### QUESTIONS TO ASK ANY POTENTIAL HR SERVICE PROVIDER

- Who will be doing the work and providing support? Will we have an assigned HR professional, or a call center?
- What accountability/metrics/reports/communications are provided, and when?
- What services and benefits are tied to the service provider, and will go away if/when the relationship ends?
- Are all documents, such as employee handbook, company policies, offer letters, separation paperwork, etc., specific to your business, or will you need to create new documents at time of separation of services?

### KEY BENEFITS OF WORKING WITH ALTERNATIVE HR, LLC

- Flexibility, from as-needed HR support, to interim support, to full-service, on-going fractional HR management.
- Professionalism, with a team of highly knowledgeable and experienced HR practitioners.
- Recruiting assistance, helping you attract, select and retain top talent.
- Compensation assistance, with up-to-date, nationwide comp data, pay ranges and pay plans.
- Policy assistance, with employment policies, procedures and handbooks tailored to your business.
- Development assistance, with training and coaching for front-line supervisors, mid-level managers and executives.
- Compliance assistance, helping assure compliance with all federal, state and local employment regulations.
- Strategic partner, providing practical solutions, who is invested in you and your organizational goals.

