



**EGUIDE**

# **Find the Best Value in an Outsourced HR Solution**

**trinet**<sup>7</sup><sub>™</sub>

## Businesses don't go it alone, at least not ones that want to be successful in the long run.

From legal services to accounting and even marketing and sales, they often turn to external experts to handle some or all aspects of their business that go beyond their know-how. The same goes for payroll—and with good reason. After delivering your product or service to your customers, paying your people is probably your next most important responsibility; some might say it is your most important. However, as your business grows, the complexities of managing human resources (HR) can become overwhelming, demanding valuable time and resources you may not have to spare.

Outsourcing your HR administration is one way to handle this sometimes-overwhelming task. If you were looking to outsource your HR administration, you have options ranging from professional employer organizations (PEOs) and administrative services organizations (ASOs) to technology-based vendors or even using multiple vendors, each providing a targeted service. But, how do you know which is best for your business?

For some, the decision process begins with a look at costs, but face-value pricing can be confusing and deceptive—rarely an apples-to-apples comparison. In addition, there is the important consideration that some HR vendors can add significant value by delivering their expertise in consultative and diagnostic roles that can help save you money. They can also help drive revenue by helping to attract the best and the brightest talent for roles that can be difficult to fill.

### IMPORTANT CONSIDERATIONS

Narrowing down the choices for outsourcing HR starts with evaluating your business and seeing where your current HR administration comes up short. Once you know what you need to bolster your HR operations, it's time to evaluate what you seek in a provider. For many businesses like yours, consider assessing your options based on these criteria as a starting point:

**Relevant expertise:** The provider's core offerings should align with your size, industry and geography—and the best HR service providers have experts on staff with the tools and experience needed to provide truly informed support. Client references and candid conversations with your personal and professional network can offer first-hand testimony about whether a provider has the relevant expertise.

**Access to quality benefits and packages:** Unless you are solely focused on outsourcing payroll and doing everything else in-house, the right HR service provider for your business should offer access to and options for quality health insurance coverage in your operating regions. This includes robust traditional and nontraditional benefits. Such benefits are vital in attracting and retaining the employees you need to succeed.

**Transition time:** Ask about the set-up process and understand how it might disrupt your business. How much paperwork will it entail? Is the process mostly completed online? How much hassle will you have to go through during the transition?

**Support:** Your HR service provider should demonstrate that it has a system and expert resources available to answer your and your employees' questions quickly and thoroughly and provide strategic guidance. There should be multiple access points to these resources, such as phone, email and chat. Finally, it's helpful if the HR service provider offers a self-service HR platform, including a mobile app, for your employees to manage their routine HR tasks and requests—and for you to engage as needed.

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### **COMPARING PEOs TO ASOs**

One significant difference between PEOs and ASOs is that ASOs do not establish a co-employment relationship, unlike PEOs. Co-employment is a relationship between your business, your employees and the PEO. Typically, the client and the PEO responsibilities are expressly described in a service agreement. The PEO, the co-employer, assumes certain employer rights and responsibilities, and is the employer of record for tax purposes and is responsible for collecting and remitting payroll taxes for employees on its platform. As the client, you maintain your own separate employment relationship with your employees, just as you would without a PEO. You control your workforce and make decisions about recruiting, hiring, discipline, termination of employment, day-to-day scheduling, pay, promotions, demotions, supervision, performance management, reviews, workplace safety, company culture and other considerations.

The PEO provides HR services, products and access to benefits that may not typically be available to your employees, along with HR expertise, systems and help with HR processes. The exact responsibilities that a PEO takes on will depend on the service agreement with the client. Typically, a PEO will take responsibility for:

- Processing payroll based on input from clients
- Paying and reporting wages to client employees in the name of the PEO and under its FEIN
- Remitting and reporting payroll taxes
- Sponsoring large group employer health and welfare benefits
- Obtaining certain insurance policies for risk management purposes
- Assisting with the handling of various claims and requests from client employees
- Providing guidance on HR best practices

A PEO typically oversees the same day-to-day HR administration as an ASO. The main difference is described in the sponsor of benefits and fiduciary responsibilities. The PEO is responsible for certain HR complexity of the relationship where the ASO may not. This is a major plus for PEOs. While the cost per employee for an ASO may be more cost effective, it is important to consider two other cost considerations.

**“Quality PEOs offer access to regional and national carriers, which allows for providing access to benefits across states.”**



First, because the ASO doesn't sponsor benefit programs, there may be additional benefit administration costs that your business may incur in an ASO arrangement. Conversely, PEO-sponsored benefit administration costs are included in the PEO's pricing.

Annual return on investment (cost savings alone) from using a PEO like TriNet is 27.2%.<sup>1</sup> According to NAPEO, the average annual cost savings per employee were:

- Internal HR salaries/benefits 54%
- Health benefits costs 37%
- Other external HR expenditures 5%
- Workers' compensation costs 4%
- Total average cost savings: \$1,775 per FTE

In fact, 84% of surveyed customers experienced cost saving in HR-related spending with TriNet.<sup>2</sup>

When working with an ASO, the potential exposure and administrative costs are also associated with HR compliance obligations. The costs of HR compliance—which may include considerable time and human resources spent monitoring regulatory concerns and, in some cases, the dollar figures for fines and/or lawsuits—can be significant. Conversely, certain PEOs help their clients mitigate certain risk, including offering a number of resources to help clients prevent employment-related claims and access to HR best practices.

### **COMPARING A PEO TO A MULTI-VENDOR SOLUTION**

In a multi-vendor arrangement, the business chooses solutions from several different providers to suit their needs. For example, a typical multi-vendor relationship might involve a payroll provider for processing payroll and an insurance broker for benefits or business insurance purposes. Also, multi-vendor solutions may not offer HR best practices.

1. [https://www.napeo.org/docs/default-source/member-resources/white-paper-7-the-roi-of-using-a-peo.pdf?sfvrsn=d2c52ed4\\_10](https://www.napeo.org/docs/default-source/member-resources/white-paper-7-the-roi-of-using-a-peo.pdf?sfvrsn=d2c52ed4_10). Accessed, June 1, 2023. Your results may vary.

2. <https://www.trinet.com/insights/see-how-trinet-can-help-you-scale-your-business>. Accessed June 1, 2023. Your results may vary.

There can be advantages to engaging specialty providers as needed, including occasional cost-savings, the ability to retain a focus on areas specific to tactical HR functions, and simpler transitions and terminations of vendors. In addition, these multi-vendor solutions may be best for small businesses with less complex HR needs, such as those with fewer than five employees.

However, managing multiple vendors can be complicated, chaotic and time-consuming, especially as your company continues to grow—which may defeat the purpose of outsourcing to help take some HR tasks off your plate.

This creates a sub-optimal HR administration that can limit business success because this approach may not provide a unified, integrated or holistic approach. In order to come close to achieving this, the customer may need to expend resources to integrate, if it is even possible, and maintain those different integrations, which may lead to accumulating HR debt.

Finally, typically these types of vendors do not offer strategic HR guidance in HR compliance and complex HR issues. Without a co-employment relationship, they cannot provide the same services that a PEO can.

Once you add up the costs of all the third-party vendors and consider the significant added value they offer, comprehensive PEO solutions may be more competitive than a multi-vendor solution. Moreover, a multi-vendor solution cannot offer an integrated, bundled HR solution with a comprehensive platform to help facilitate payroll processing, access to benefits, risk mitigation, help with HR compliance and so much more. In addition, the best PEOs may offer:

- **Responsive service:** Call centers for most single-service vendors can give you quick answers to transactional inquiries. However, they do not typically have sophisticated HR expertise for guidance on complex HR issues, such as employment policies and employee relations, and applicable federal, state and local HR-related laws.

**“Managing multiple vendors can be complicated, chaotic and time-consuming, especially as your company continues to grow—which defeats the purpose of outsourcing to help take some HR tasks off your plate.”**



- **Sophisticated reporting:** Most multi-vendor solutions can only offer limited reporting because, by definition, you'll be working with multiple disparate data sets. Yet because HR data is interrelated, you need a unified dataset that encompasses payroll processing, time off, expenses and benefits administration including proper tax withholding, calculations, and filing. A PEO may offer integration with HR data as well as standard and custom reporting. Dynamic HR dashboards display real-time HR data, including your employee headcount, leave requests, payroll, tax withholdings and benefits.
- **Proactive employment-related risk mitigation:** With multi-vendor solutions, there may be less focus on the employer's HR inefficiencies. They may provide clients with a checklist and little substantive guidance. In contrast, a PEO helps with risk mitigation, including HR best practices. Unlike a solution that may focus on one task, a PEO helps with processing your payroll—and reporting and remitting payroll taxes—so it's focused on compliance. In addition, as the single-employer sponsor of health benefits, a PEO has skin in the game and helps to ensure the compliance of those plans. Non-PEO providers may not do this.
- **Talent acquisition:** Best practices on offering competitive compensation and access to benefits and compensation benchmarking, screening and selection processes, writing and posting job descriptions as well as onboarding of new hires.
- **Continuous learning:** Continuous learning is essential for employee growth and success. Adding incremental skills to existing employees is often the most efficient way for an organization to scale talent.
- **Leadership development:** Retention of employees is often tied to long-term development and growth. Developing a strong leadership team and the next generation of leaders within the organization helps both your success and the success of your people.



**“Adding incremental skills to existing employees is often the most efficient way for an organization to scale talent.”**

- **HR technology solutions:** While HR information systems (HRIS) can be found from multiple vendors, integration can be difficult leading to missed information and opportunities. A PEO can provide technology that delivers centralized management of employee data, recruitment and applicant tracking systems (ATS), onboarding and training, time and attendance management, data analytics and reporting, expense management, and payroll processing.

## COMPARING PEOs TO HR TECHNOLOGY VENDORS

Technology vendors provide access to HRIS that help clients with benefits, payroll and HR management. Many of these vendors are also online brokers offering access to small group benefit pricing and plan designs on the open market. Typical benefits of working with these vendors include access to self-service tools and capabilities on a technology platform with a simple user interface that enables easy sign-up and onboarding.

However, these offerings may not include access to the same robust benefits that PEOs may offer, along with leading-edge technology that delivers maximum control for employees and administrators, whether at their desks or on the go with a mobile app. Most importantly, many online vendors tend to have less HR expertise, less robust support and the challenge of integrating disparate systems. And, here again, the lack of a co-employment relationship means that when compared with PEOs, single solution vendors may not provide the same level of support for complex HR issues.

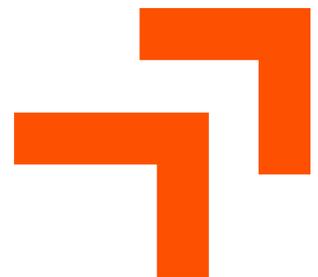
When comparing HRIS vendors to PEOs, exploring any fees they might charge beyond what it costs to access the platform is important. For example, there are often additional fees for processing payroll, health savings account (HSA) and flexible spending account (FSA) administration and access to HR professionals. And here again, face-value pricing does not really address the value-add of a PEO, including:

- **Responsive, expert, in-depth support:** Unlike technology vendor arrangements, where clients typically pay extra to speak with HR professionals, a PEO's pricing typically includes working with you as your strategic HR consultant. You have access to HR professionals to help you with day-to-day support for benefits and payroll issues and when you need to address complex HR issues, such as employee relations, employment-related compliance and employment policies. A PEO usually has the service level, expertise and technology to complement your HR department.
- **Sophisticated reporting:** Look for a solution that offers both standard and custom reports, with dynamic HR dashboards displaying real-time HR data, including your employee headcount, leave requests, payroll, tax withholdings and benefits. You'll also want an enterprise-level platform that delivers role-based, self-service capabilities to help with HR administration through a single interface.
- **Help with risk mitigation:** HRIS vendors often help businesses with certain compliance filings and deadlines, whereas a PEO goes beyond the compliance paperwork and proactively helps customers mitigate employment-related risks with expert guidance and updates on ever-changing regulations.

Deciding whether and how to outsource HR is a question that nearly any business like yours must eventually confront. Experience matters. Expertise matters. Access to quality benefits, service and support matter. Understanding how to compare your options—digging beneath initial pricing quotes to identify the outsourced solution that fits your needs is the key to making the right decision for your business.

Take our assessment today to help you decide if a PEO is right for your business.

To learn more about how TriNet PEO services can help your business with headache-free payroll, proactive risk mitigation, access to big-company benefits and more, visit our website, <https://www.trinet.com/>.



## About TriNet

TriNet (NYSE: TNET) provides small and medium size businesses (SMBs) with full-service HR solutions tailored by industry. To free SMBs from HR complexities, TriNet offers access to human capital expertise, benefits, risk mitigation and compliance, payroll and real-time technology. From Main Street to Wall Street, TriNet empowers SMBs to focus on what matters most—growing their business.

Go to **TriNet.com** to get started or speak with a TriNet representative at **888.874.6388**.



**Learn all about our tailored solutions at [TriNet.com](https://www.trinet.com) or call 888.874.6388.**