



Top 5 Reasons SMBs Choose PEOs

Executive Summary

Many small and medium-size businesses (SMBs) have their hands full focusing on their core products and services. Few have the time or expertise to wrestle with complex human resources (HR) concerns.

Yet everything from attracting and retaining talent through managing payroll, benefits, risk mitigation and compliance are essential for any successful business. This eGuide explains why 173,000 SMBs nationwide—more than 15%¹ with 10 to 99 employees—have chosen a professional employer organization (PEO) to help with the HR piece of their business.

An ROI of approximately 27.2% per year² is a good starting point for the explanation; findings from a recent survey³ offer more insight. Most notably, more than two-thirds of SMBs in the survey increased both their profitability and revenue flow since becoming a PEO client.⁴ Nearly all of them would recommend using a PEO.⁵

In 2022, TriNet dug further⁶ to better understand how PEOs help generate revenue, profits and ROI. SMBs in a TechValidate survey were especially appreciative of how TriNet helps:

- **Attract and retain talent**
- **Free up time and energy** so SMB owners can focus on the core business
- **Generate potential financial savings**
- **Ensure easy access** to dedicated HR expertise
- **Provide expert guidance** on compliance and risk mitigation

This eGuide explores those five reasons for choosing a PEO in more detail and walks you through how to choose a PEO that is right for your business.

1. https://www.napeo.org/docs/default-source/white-papers/2021-peo-industry-footprint.pdf?sfvrsn=6dde35d4_6. Accessed 12/27/22. Individual results may vary.

2. https://www.napeo.org/docs/default-source/member-resources/white-paper-7-the-roi-of-using-a-peo.pdf?sfvrsn=d2c52ed4_10. Accessed 12/27/22. Individual results may vary.

3. <https://www.napeo.org/docs/default-source/white-papers/2017-napeo-white-paper-final.pdf?sfvrsn=2>. Accessed 12/27/22. Individual results may vary.

4. Ibid

5. Ibid

6. TechValidate survey of 160 users of TriNet (2022)

What is a PEO?

A professional employer organization (PEO) is a vendor that provides SMBs with the full range of HR solutions as part of a co-employment model.

You remain the worksite employer with the right and responsibility for all workplace decisions, including hiring and firing, compensation and more. The PEO helps you in managing functions such as payroll, payroll tax filing and access to benefits, while also offering a technology solution and HR consulting.

Why SMBs Value PEOs

As evidence mounts that PEOs deliver value and ROI for small and medium-size businesses (SMBs), SMB owners are increasingly looking to PEOs for help with complex HR demands. Here are the top five reasons that SMBs choose PEOs.

REASON #1:

Enhanced Ability to Attract and Retain Top Talent

Employees are central to SMB success, but competition for top talent is always fierce. A PEO can play a vital role in the complex process of attracting and retaining the best people for your business.

Identifying specific qualities needed for various positions and developing a plan for how and where you will conduct your talent search are critical first steps. PEOs' depth and breadth of experience can help you do both.

Equally important, SMBs must create a total annual rewards package that offers competitive salaries for their industry and geography, along with benefits that inspire people to do their best work. PEOs can help with:

- **A rigorous compensation study** to help you set competitive salary levels for appropriate job descriptions
- **Access to large group health insurance benefits**, which might not otherwise be available to SMBs
- **Retirement plans**, because 60% of respondents in recent Willis Towers Watson survey cited retirement benefits as an important reason for remaining with their current employer
- **Nontraditional benefits**, such as commuter benefit and pet insurance, which are increasingly important to employees

Employees also appreciate PEOs' efficient HR technology (such as TriNet's comprehensive HR platform and mobile app) and support such as innovative HR policies and best practices for hiring, and training and development opportunities that optimize employee engagement and experience.

PEOs Are Especially Valuable in Changing Times

Given its importance for attracting and retaining talent, your benefits package should reflect your ability to respond quickly, equitably and appropriately to societal change. TriNet's Enrich™ innovative product line exemplifies how PEOs help you do just that.

- **Enrich Access** allows companies to provide tax-free reimbursements to eligible employees who travel to obtain medical care not available to them locally
- **Enrich Learn** allows companies to provide tax-optimized reimbursements for expenses incurred by their employees to advance their education
- **Enrich Adopt** allows companies to provide a tax-favored adoption assistance program for eligible employees
- **Enrich Disaster Relief** allows companies to provide tax-favored reimbursements for expenses incurred by employees impacted by federally declared disasters

REASON #2: More Time to Focus on Your Core Business

Getting time back to focus on what inspired you to start a business is one of the most valuable benefits a PEO offers to SMB leadership. In a recent TriNet survey of SMB leaders, 98% of respondents reported considerable or moderate time savings with TriNet.⁸ Such time savings emerge through a combination of expert tools and technology, proven processes and dedicated professionals guiding SMBs through complex HR tasks.

The technology alone can make an enormous difference, as top PEOs offer a platform for HR that puts your people and business data in an, easy-to-access and easy-to-visualize place. Rather than awkwardly siloed software that many SMBs have acquired piecemeal as their businesses have grown, a platform frees your team to complete HR tasks faster and with fewer headaches. In part, this is because the best of these platforms have capabilities that:

- **Span the entire employee lifecycle** from onboarding through offboarding
- **Offer interoperability** with your people-related point solutions
- **Create a positive user experience**



8. TechValidate survey of 160 users of TriNet (2022)

REASON #3: Opportunities to Save Money

According to the 2019 report by McBassi & Company, the ROI of using a PEO in cost savings alone is 27.2%.⁹ In a recent survey, 84% of surveyed customers reported cost savings in HR-related spending when using TriNet.¹⁰

How could PEOs help achieve these savings?

First and most importantly, there are the economies of scale that PEOs offer. Clients may get a quality and range of HR capabilities that might otherwise be cost and resource prohibitive to obtain on their own. Access to benefits—from health insurance and retirement plans to childcare and education subsidies—are important considerations for existing employees, but SMBs cannot always offer such benefits on their own.

Similarly, PEOs can provide efficient payroll processing and training services, as well as a roster of HR professionals who can guide you to cost-effective HR solutions for the specific needs of your business.



9. https://www.napeo.org/docs/default-source/member-resources/white-paper-7-the-roi-of-using-a-peo.pdf?sfvrsn=d2c52ed4_10. Accessed 12/27/22. Individual results may vary.

10. TechValidate survey of 160 users of TriNet (2022)



REASON #4: **Easy Access to Dedicated HR Expertise**

Our survey found 59% of SMB owners still rely on web research to answer employees' HR-related questions.¹¹ That's not only time-consuming, but it's unlikely to yield clear-cut and reliable answers to questions that can have both financial and compliance implications.

In contrast, when working with a full-service PEO, you have access to experienced HR experts who can help guide you with best practices on complex topics ranging from employee relations and compensation strategies to hiring and firing, diversity, equity and inclusion (DEI) programs, and developing an employee handbook.

These same HR experts are also acutely aware of and can adapt quickly to changes in both regulatory environments and workplace cultures. TriNet's Enrich product, described above, is one example. They can also connect you with additional product and service offerings such as Clarus R+D Solutions LLC, described below.

Making It Easier for SMBs to Claim Their R&D Tax Credits

Clarus R+D Solutions LLC simplifies and automates the research and development tax credit process for SMBs. TriNet experts understand that many types of SMBs—not just the tech and life sciences companies—have people conducting some form of research. When such SMBs are eligible for this credit against taxes owed; TriNet experts help companies maximize that credit.

11. TriNet/Jebbit survey (2022)

REASON #5:

Expert Risk Mitigation Delivers Peace of Mind

As most SMB owners know, it is hard to put a price on the peace of mind that comes with knowing you have thoughtfully mitigated potential risks to your business.

As co-employers, PEOs have skin in the game. The best PEOs understand part of their role is delivering ongoing guidance, administration and reference resources to support compliance with ever-changing employment rules and regulations. Some, like TriNet, also offer employment practices liability insurance (EPLI) coverage for certain employee-related claims.

TriNet's Customers Benefit From Compliance Expertise

An overwhelming majority **(95%) of TriNet's surveyed customers agreed they were able to gain peace of mind with respect to HR compliance after moving to TriNet.**¹² That's no surprise given the confusing maze of federal, state and local regulations—and the financial and reputational risk of inadvertently violating those regulations.

The National Association of Professional Employer Organizations (NAPEO) recently issued a whitepaper¹³ that demonstrates the value of PEOs in a crisis. In 2021, during the COVID-19 pandemic, relative to comparable small businesses, **PEO clients were 71% more likely to have received PPP loans.**¹⁴

Through July 2021, PEO clients were also less likely to have permanently closed or even to have seen a negative overall effect on business.¹⁵ As of that time, they were also more likely to have business operations back to normal and more likely to have seen employment growth than their peers.¹⁶

12. TechValidate survey of 160 users of TriNet (2022)

13. https://www.napeo.org/docs/default-source/white-papers/september-2021-peo-clients-in-pandemic-white-paper.pdf?sfvrsn=9f2c36d4_2

14. Ibid

15. Ibid

16. Ibid



TriNet Helps Its Clients Navigate a Pandemic

Throughout the COVID-19 pandemic, TriNet has drawn on its longstanding business continuity program to create a dedicated COVID-19 response team, with appropriate technology and resources. A diverse group of experts underwent training to address concerns that include COVID-19-related furloughs, return to the workplace, compliance options for extending benefits through the crisis and filing for a PPP loan.

How to Choose a PEO

Once you're convinced that a PEO is the right choice for your business, it's time to find the right one. Among the considerations:

- **Appropriate experience and accreditation:** Select a PEO that has a demonstrated operational history and financial strength. The Employer Services Assurance Corporation (ESAC), which accredits PEOs through a rigorous verification process, is the gold standard for PEO best practices and reliability. Only 9% of PEOs achieve ESAC verification,¹⁷ TriNet among them. It is also worth checking references or case studies to validate that the PEO has experience working with peer companies in your industry.
- **Quality benefits:** Your PEO should offer access to quality health care coverage in all regions where you operate. This has become increasingly important with employees spreading across multiple geographies. It's also important that your PEO can offer access to benefits that are a priority for workers in your industry.
- **Relevant expertise:** The best PEOs have HR experts on staff with the tools and experience needed to provide support to a company of your size and industry.
- **Fair, transparent rates:** PEOs generally charge their clients either a flat rate per employee or percentage of payroll. The flat rate is a standard fee for every employee. The percentage of payroll is based on the amount of each paycheck processed, so fees can fluctuate with compensation changes, including bonuses and commissions. Make sure your PEO provides you an itemized breakout of all category fees.
- **Transition time:** Understand how disruptive the set-up process will be to 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 PEO should be able to demonstrate a system that makes expert resources readily available to answer questions and provide strategic guidance. There should be multiple points of access, such as phone, email and chat. It's also important to assess the experience of the professionals delivering any guidance or consulting. Finally, it's helpful if the PEO offers a self-service HR platform and mobile app for your employees to manage routine HR tasks and requests.

17. <https://www.esac.org/>. Accessed 12/28/22



Take Advantage of a Valuable Resource

Few SMBs would dispute that talented people are the key to SMB success. For those people to thrive and grow with your business, you need an environment and employee experience that keeps people fully engaged with their work.

Teaming with a full-service PEO like TriNet frees you to create that environment, because we provide access to the benefits, service options and HR expertise that enable you to focus on your business and compete effectively for talent, even against the giants. Our industry-tailored solutions help organizations solve their unique HR challenges.

The rewards from a PEO are clear:

- **66% of SMBs reported that their profitability has increased** since becoming a PEO client in a recent survey¹⁸
- **Annual median revenue growth for companies that use a PEO is *double*** businesses that don't and 70% of respondents in the survey above reported that their revenues have increased since becoming a PEO client¹⁹
- **98% of PEO clients would recommend a PEO** to a small business²⁰

To get started, go to [TriNet.com](https://www.trinet.com) or speak with a TriNet representative at **888.874.6388**.

18. <https://www.napeo.org/docs/default-source/white-papers/2017-napeo-white-paper-final.pdf?sfvrsn=2>. Accessed 12/27/22. Individual results may vary.

19. Ibid.

20. Ibid.

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**.

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