



PEOs: An idea whose time has come and gone

Professional Employer Organizations (PEOs) seemed to be the answer to every Human Resource issue faced by small to mid-size organizations. Consider the positives they proclaimed:

- Lower insurance premiums, particularly workers compensation
- HR in a box, with ready-made policies and procedures and HR consultation
- Total outsourcing of HR administration, including payroll and benefits

If it all sounded too good to be true, it was. Many organizations, enticed by the illusion of cost-savings and organizational efficiencies, signed up with PEOs whose main asset was their powerful marketing machinery. Organizations often overlooked the “co-employment” relationship that meant that both the PEO and the organization shared the responsibilities of being the employer. The disillusion usually occurred in the second year. What happened?

Insurance premiums increased more rapidly than the market; HR in a box was more often a telephone number that never got answered; and the “co-employment” requirement was often a one-sided affair with the organization having to do the work expected of the PEO. The biggest catch? PEOs are much like the Hotel California; you can check out but you can never leave. Many organizations felt trapped and extricating themselves from the PEO wasn't easy.

Organizations have become more cautious in their approach to solving HR issues. They found that nimble, professionally managed HR consulting firms could help them navigate the world of HR, Payroll and Benefits, saving them time and money, without locking them into long-term costly PEO relationships. Rather than ending up in a one-size-fits-all PEO, they have the ability to pick and choose from menus of HR services.

Ready to break the PEO habit? We have successfully sprung the PEO trap for many of our clients. Let us create a custom solution for your organization. Contact Human Resource Dimensions at www.hrdracc.com.