

Free Yourself from Costly Human-Service Duties with a

PEO

Using a PEO helps Sacramento River Partners fulfill its mission of providing wildlife habitat.

A Professional Employer Organization may be just what you need to cut costs and escape the paperwork jungle.

Photo by Bob Bernardo

By Bradley S. Avooske

John Carlon was working with The Nature Conservancy in the 1990s when he got an unusual assignment: Help Sacramento River Valley farmer Barney Flynn convert a portion of his land to wildlife habitat. The two men, who might have found themselves on opposite sides of the fence, hit it off. And they both realized that the mighty Sacramento needed a focused conservation effort.

The result of their collaboration was the founding of Sacramento River Partners, a 501(c)(3) based in Chico, California, that creates wildlife habitat for the benefit of people and the environment. Since 1999, Sacramento River Partners has initiated riparian restoration on over 2,000 acres and has expanded to include projects on the San Joaquin, Feather, and Stanislaus Rivers as well.

But with Carlon's attention directed to environmental restoration, Flynn looking out for local communities' interests, and both

working on development, neither man had the time or expertise to deal with the more mundane aspects of organizational management. Take workers' compensation insurance, for example. Or payroll. Not to mention recruiting, hiring, training, and providing benefits for employees as their organization grew.

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After they'd been around for a year, Carlon and Flynn turned to a growing U.S. industry — Professional Employer Organizations (PEOs) — to handle their workers' comp and do their payroll. The impetus was two-fold: to keep overhead costs to a minimum and to help attract and retain qualified employees. Over time, they've hired 20 staff members and outsourced all their human resources functions.

The PEO now handles their

employee benefits program, which includes health and dental insurance, workers' comp, a 401(k) pension program, and vacation policies. In addition, the PEO helps with payroll, taxes, employee recruitment, and staff performance evaluations.

For relatively small nonprofits like Sacramento River Partners, it's difficult if not impossible to develop competitive health and dental insurance plans and keep costs to a reasonable level. "Because we're part of a PEO that has thousands of employees, we do enjoy a good benefits package," says Carlon. "The same is true for our workers' comp rate: Because we are part of a very large employee pool through our PEO, the rate remains reasonable for us."

These kinds of advantages have fueled 20% to 30% growth in the PEO industry across the country in recent years, experts say. The National Association of Professional

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How to Choose a PEO

A Professional Employer Organization (PEO) can be a godsend for nonprofit organizations that don't want their donor dollars to fund costly, in-house human resources departments. Here are just a few of the many things a PEO can do for you:

- **Provide** competitive benefit packages.
- **Manage** employee files.
- **Take care of** payroll administration and tax reporting.
- **Oversee** benefit and COBRA administration.
- **Develop and implement** safety programs.
- **Handle** workers' compensation claims reporting, year-end audits, new-hire reporting, employee garnishments, 401(k) administration, and myriad other services.

Outsourcing your human-resources department isn't something to leap into, but it's definitely worth looking into. Here's what to do:

- **Take stock** of your needs. Do you need a full-service PEO with all the human resources functions attached, or just basic administration of your payroll and workers' comp?
- **Contact a number of PEOs** and find out what they offer. A list of PEOs (and other helpful information) can be found at the Web site of the Employer Services Assurance Corp. (ESAC): www.esacorp.org.
- **Ask for banking and credit references**, as well as client and professional references, from all the PEOs you interview. Check the references meticulously. Make sure you know exactly what you're getting in terms of benefits and services.
- **Network with other nonprofit organizations** that have outsourced. Find out which outfit they're using and how satisfied they've been with the service and product.
- **Narrow the field** to a few candidates. Then, visit their offices, or ask them to pay your organization a visit. Meet the payroll and benefits representatives who will be working with your staffers. You'll be handing a lot of responsibility over to these folks — they may be issuing paychecks, for example — so you'll want to be sure they're professional, pleasant, friendly, and easy to reach in a pinch, even if it's after hours or during the holidays.
- **Check that the PEO you're considering** meets licensing and other state requirements. Ask if they're members of NAPEO (the National Association of Professional Employer Organizations) and if they're accredited members of ESAC, an accreditation service. ESAC independently verifies its members' financial net worth and operating standards and extends surety bond protection to its membership, providing you a high level of security.

- **Read the fine print** before signing the service agreement. Make sure you know under what provisions you or the PEO can cancel the terms of the contract if need be.

Employer Organizations (NAPEO) estimates that there are more than 2,000 PEO providers in the U.S., responsible for more than \$18 billion in employee wages and benefits going to 2 to 3 million people nationwide.

Along with breaks on employee benefits and insurance, PEOs offer nonprofit organizations relief from the

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mounting paperwork associated with state and federal employment compliance and liability issues. Because PEOs typically represent thousands of workers from many organizations, they can negotiate discounts on workers' compensation and medical-benefit costs, allowing even micro-organizations to offer their employees low-cost, portable health insurance, retirement plans, educational assistance, cafeteria plans with disability, dental, and vision, and more.

For nonprofit organizations, providing competitive employee benefits packages is a powerful recruiting and retention tool. Some PEOs have branched out in recent years and also provide specialized options such as adoption assistance, pet insurance, transportation credits, scholarship programs, after-hours discount programs for entertainment venues, and access to discounted office equipment and supplies through contracts with large vendors.

Complying with the law and freeing Carlon's staff from the HR paperwork shuffle are also important benefits. "Our PEO answers questions for us quite often, sometimes every day," says Mona Cross, Carlon's executive assistant. "The easier questions they answer right on the spot, and for the questions with more complicated responses they call us back within a short time."

The bottom line, for Carlon, is running the organization in the most professional, efficient manner possible. "We feel it's more cost-effective for us to have a Professional Employer Organization handle all these functions," he says, "so our people can concentrate on the work we specialize in." ■

Resources

Parmenter, Eric, "Play to Your Strengths: Using Outsourcing to Manage Human Resources," *Nonprofit World*, Vol. 17, No. 1.

Vaughn, Emmett, "Outsourcing in the Nonprofit Sector: A Strategic Approach to the Challenges of Growth and Staffing," *Nonprofit World*, Vol. 15, No. 5.

These resources are available from the Society's Resource Center at www.snpo.org/articles.

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