



Always Designing  
for People®

# PEO 101

## YOUR QUICKSTART Q&A



How can you transform your small business's HR from a complex challenge to a strategic advantage? A professional employer organization (PEO) is a pathway to operational excellence and growth.

By offering HR services such as payroll, benefits and more, PEOs help small businesses leverage the purchasing power of a larger organization, better manage risk and oversee some employer responsibilities.

**It's not just about outsourcing; it's about unlocking your company's full potential.**

### Q | What is a professional employer organization (PEO)?

**A** A PEO provides the full range of human resources services, including payroll, tax filing, benefits, workers' compensation and workplace safety, in addition to HR administration and guidance to help small businesses manage certain employer responsibilities and risks.

A PEO delivers these services by establishing and maintaining a co-employment relationship with the employees at your worksite.

### Q | What is co-employment?

**A** When a small business partners with a PEO, the PEO assumes certain employment responsibilities. This means you maintain control of the day-to-day management of your employees and business. By sharing certain employment responsibilities with the PEO, you're able to stabilize related expenses and reduce some of the liabilities associated with being an employer, such as compliance.

### Q | Why consider a PEO relationship?

**A** You're better together! When your business joins forces with a PEO, you free up time to:

- Deliver on your core strengths
- Focus on growth strategies
- Dream bigger about your business goals



PEO clients experience a  
**12%**  
lower employee turnover rate.<sup>1</sup>

## Q What types of businesses are right for a PEO arrangement?

**A** While small and midsized companies are the most prevalent, larger organizations are also discovering the value of working with a PEO. Companies of all types — from manufacturing and professional services to trades such as plumbing and auto repair — have found tremendous value in partnering with a PEO.



More than half of small businesses rank employee **recruitment/retention** and competitive benefits among their **top 5 challenges**.<sup>2</sup>

## Q How does a PEO benefit my business?

**A** PEOs shoulder the burden of many “non-core” administrative activities, while giving your business access to:

- Strategic HR expertise
- Risk mitigation through shared responsibilities
- Scalable technology infrastructure

## Not all PEOs are created equal

Choosing the right PEO partner can be challenging. Conduct your due diligence and assess the capabilities of each based upon how well they can meet the unique needs of your business employees.



## Q How does a PEO benefit my employees?

**A** Employees want access to attractive benefits and the opportunity to save for the future. And when they feel valued, remarkable things happen, like increased productivity, stronger company loyalty and improved retention rates.



Small businesses with a PEO are **1.2x more likely to report employee happiness and 1.3x more likely to report employee engagement**.<sup>3</sup>

# ADP TOTALSOURCE®: YOUR FULL-SERVICE HR PARTNER

With the right PEO partnership, you're in business for yourself, but never by yourself. Give your business the resources and expertise to be ready for the next anything with ADP TotalSource. Because together really is better.

Learn how to dream bigger at [adptotalsource.com](https://adptotalsource.com)

1. PEO Clients: Faster Growing, More Resilient Businesses with Lower Turnover Rates, NAPEO, 2024.

2. NAPEO Annual Tracking Survey, 2024.

3. The PEO Advantage: The Growing Role for PEOs in Maximizing Employee Care, MetLife, 2024.