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Inside Restaurant HR Outsourcing: Part II

[Milan P. Yager](#)

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Cooking great food and serving it well are a foodservice operation's two most important jobs. For everything HR related, there's a professional employer organization, or PEO, ready to take another item off an operator's

personal plate.

PEOs are about much more than passing on employment responsibilities. They are helping position restaurants for strategic growth within an increasingly competitive marketplace and uncertain economy.

"Most franchisees want to bring the same scalability, consistency and quality controls they receive from a franchisor into their HR operations," said Ellie Finehout, operations director for Modern Business Associations, a PEO who recently worked with an owner opening a 100 unit operation. "A PEO automatically provides these types of quality controls for payroll, taxes and benefits in the face of high employee turnover rates of 90 days."

Finehout helped the soon-to-be operator estimate his annual HR costs for 2,000 employees in 23 different locations. "Including all the non-revenue producing tasks of personnel responsibilities, employee benefits, workers' compensation and risk management, and payroll administration, the yearly analysis in terms of HR hours and costs totaled \$171,600."

The National Association of Professional Employer Organizations (NAPEO) found from one of its recent surveys of companies using a PEO, that a small business owner will spend 10 percent more time complying with workplace regulations than they did a decade ago.

In addition to payroll, some other important services that a PEO provides include I-9 compliance, which ensures that all employees are operating within INS regulations. A PEO can assist clients by auditing current pay methods to guarantee they are compliant with Fair Labor Standards Act regulations, shares legal risks and responsibilities, and can help streamline human resources operations by handling employee-related administration to hiring and firing matters. PEOs also can help restaurants fill positions ranging from managers to kitchen staff.

For independent restaurant owners, a small restaurant can level the playing field, and offer its employees the same benefits as a chain.

The economies of scale provided by PEOs also are helpful when administering health insurance benefits. By aggregating all of its worksite employees, a PEO can contract with

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providers all over the country and provide more types of health benefits for operators to choose from.

"Let's be honest about it, restaurants have always been notorious for having human resource issues," said Jeff Thomas, director of marketing for the PEO, Avitus Group. "We do not just give them a handbook and wish them luck. We train the supervisors to help avoid most problems, but our HR staff is on call and on site when needed."

How to select a PEO

Now that we've discussed the benefits of working with a PEO, let's take a look at how to choose one. Here are five steps to follow when researching one or several PEOs:

1. **Conduct a basic needs analysis.** Lay out exactly what type of HR and risk management concerns your company has first. Meet with all PEOs in person ensure they have the experience to help you reach your goals. Find out what work they have done in your industry and ask what they did to help similar companies achieve success.
2. **Understand how the employee benefits are funded.** Is the PEO fully insured or partially self-funded? Who is the third-party administrator (TPA) or carrier? Is their TPA or carrier authorized to do business in your state? How well does the PEO manage employer risk? Is there a risk management department with trained and certified risk management professionals?
3. **Ask what kind of on-site services you will receive.** While a PEO vendor typically works outside your office, they should make regular trips to your company to discuss any issues or upcoming policy changes with you and your employees. You also might want to confer with them for advice on a particular issue that needs an immediate solution such as an employee dispute, so ask about their policies and response times for both emergency situations and routine questions.
4. **Find out if the PEOs charge any upfront fees and how those fees are determined.** What about prepayments? Do you have to put up a deposit? Most PEOs will allow you to meet and prescreen the actual staff who would work with you. This will let you gauge their approach to business and personality to decide if you could work together as co-employers.
5. **Check their financial background including their banking and credit references.** You want to ensure they paid all payroll taxes and insurance premiums on time. Also, find out if they are affiliated with a recognized industry organization like the National Association of Professional Employer Organizations (NAPEO) that has specific business practice requirements to become a member.

** Milan Yager is president and CEO of the National Association of Professional Employer Organizations.*

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