

Key Findings

PEOs: Good for Businesses and Their Employees

This report, highlighting the effects that partnering with professional employer organizations (PEOs) has on small and mid-sized businesses and their employees, is the fifth in NAPEO's series of white papers designed to help the general public and the small and mid-sized business community better understand the economic impact and value of the PEO industry. It uses comprehensive survey data from both small and mid-sized business owners and their employees to examine the differences in a variety of key areas between companies that use PEOs and comparable companies that do not use PEOs. The analysis finds that working with PEOs yields a broad range of positive effects for PEO clients.

Business Owners' Experience with PEOs

- 98 percent of business owners who are PEO clients would recommend a PEO to a small business colleague.
- 70 percent report that their revenues have increased since becoming a PEO client; and
- 66 percent report that their profitability has increased since becoming a PEO client.

Advantages of Using a PEO for Small and Mid-Sized Businesses

- Annual median revenue growth for PEO users was twice that of comparable non-PEO firms;
- Expected annual median revenue growth for PEO clients is 40 percent greater than that of comparable non-PEO firms;
- PEO client firms were 16 percent more likely to report an increase in profitability; and
- PEO users are significantly less concerned than non-PEO users about their ability to handle key business challenges:
 - o Hiring employees (45 percent of PEO clients reported this was a "moderate" or "major" concern, versus 70 percent of non-PEO firms);
 - o Increasing revenues (73 percent of PEO clients reported this was a "moderate" or "major" concern, versus 90 percent of non-PEO firms); and
 - o Raising capital/funding (18 percent of PEO clients reported this was a "moderate" or "major" concern, versus 45 percent of non-PEO firms).

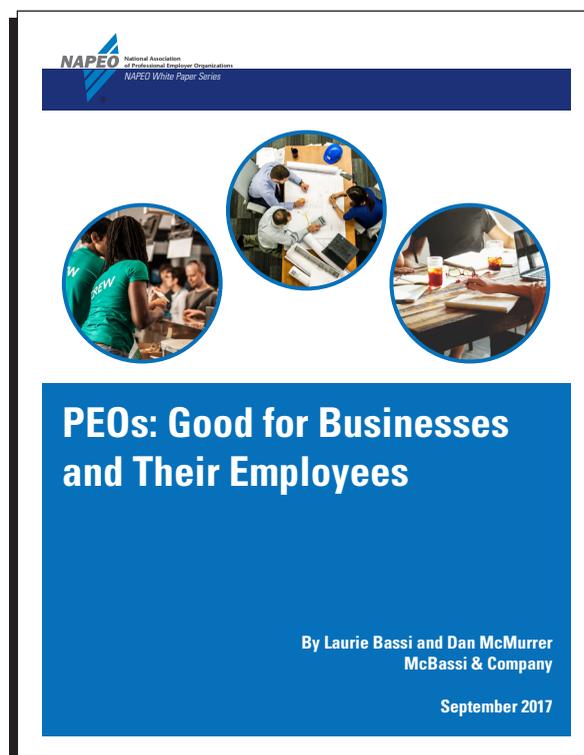
Advantages of a PEO for Employees

Compared to employees working in businesses that are not PEO clients, employees working in businesses that *are* PEO clients are significantly more likely to report that their employer:

- Demonstrates a commitment to them as employees (average response was +8 percentage points higher);
- Has good hiring practices (+8);
- Has good HR policies and practices (+5);
- Does a good job of designing employees' jobs (+4); and
- Provides employees with good training and development opportunities (+4).

Employees of PEO clients also report significantly higher scores on key measures related to employee satisfaction and confidence in company management:

- Levels of employee engagement (+5);
- Intention to stay with their current employer until retirement (+8);
- Belief that employer is taking the right steps to be competitive (+8);
- Trust that employer is supporting employees in delivering excellent customer service (+7); and
- Confidence in employer's approach to growing the company (+5).



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