

Key Findings

PEOs: Good for Small Businesses and Their Employees

This report, highlighting the effects that partnering with professional employer organizations (PEOs) has on small businesses and their employees, is the fifth in NAPEO's series of white papers designed to help the general public and the small business community better understand the economic impact and value of the PEO industry. It uses comprehensive survey data from both small 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 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).

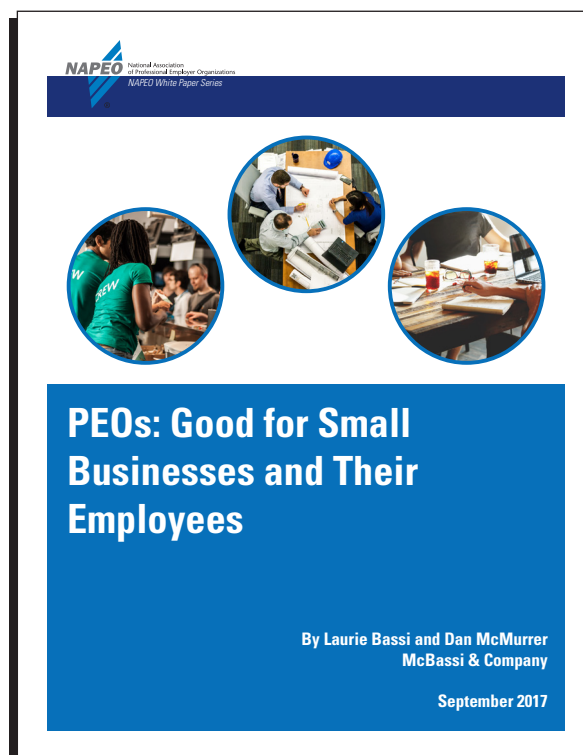
Advantages of a PEO for Employees

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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