

# Cure your HR ills

**More business owners turn to professional employer organizations to help them manage the small stuff.**

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(FSB Magazine) -- Elizabeth Bradt was a great veterinarian but a lousy HR manager. Within a year of opening All Creatures Veterinary Hospital in Salem, Mass., half her employees had quit.

Bradt blamed herself; unsure how to ask the right interview questions, she ended up hiring technicians who didn't fit. And while she offered health insurance, Bradt couldn't lure top talent with the kinds of benefits larger employers could provide: 401(k)s, dental insurance, health spending accounts. But then Bradt found a solution to her HR woes: She took her entire staff off the payroll.

No, she didn't fire them. Instead, All Creatures ([creaturehealth.com](http://creaturehealth.com)) enlisted the help of Integrated Staffing ([integratedstaffing.com](http://integratedstaffing.com)), one of about 700 professional employer organizations (PEOs) in the U.S. PEOs work by becoming the legal employer of your staff for purposes of payroll, benefits, and HR. By aggregating the employees of many businesses, a PEO can often offer better rates on health and workers' compensation insurance, while giving employees big-business-style benefits.

For the business owner PEOs take on the headache of payroll taxes, regulatory compliance, and a gamut of HR issues, from hiring to drafting an employee handbook to mediating conflicts. Although PEOs have been around since the early 1980s, the industry has been growing at 15 to 20 percent annually over the past several years, according to the National Association of Professional Employer Organizations ([napeo.org](http://napeo.org)), an industry trade group.

The benefits go beyond the balance sheet. Bradt says Integrated Staffing CEO Laurie LaBrie has eased interoffice communications as well. "When we first opened practice, I didn't realize employees would come to me with personal problems," says Bradt. "Laurie taught me that to keep people, I need to make time for them." LaBrie also helps Bradt form agendas for staff meetings, follow up on problems raised there, and encourage the office technicians to set up monthly meetings to learn new skills.

## The perks

According to winning workplaces, a nonprofit human resources consultancy in Evanston, Ill. ([winningworkplaces.org](http://winningworkplaces.org)), the cost of replacing an employee ranges from 50 to 150 percent of that employee's annual salary. And the ability to offer big-company benefits allows small employers to compete for highly skilled workers.

Bradt went a year without any employee turnover and was named businesswoman of the year by the Salem Chamber of Commerce for 2006. She estimates that losing a technician sets her back \$20,000; a lost veterinarian costs at least \$50,000. "Having Integrated Staffing has been a huge savings," says Bradt.

PEO services typically require a one-time startup fee and then an ongoing percentage of payroll, which can fluctuate from less than 5 percent to more than 15 percent, depending on the services and the average worker salary. But experts caution that the savings from PEOs are not always measurable in dollars.

"Looking at health care, I am not convinced a PEO is always going to save a company more money than bidding out the job on its own," says Nancy Anheier, owner of HR Direction (hrdirection.com), a consulting firm in Kennesaw, Ga. "If your employees are primarily young, healthy males, you're probably going to get great rates - maybe lower than what a PEO could offer."

Aside from financial benefits, PEOs can offer peace of mind for harried entrepreneurs, freeing them to expand their businesses. That's what happened to Margie Halsell. The co-owner of Halsell Builders (halsellbuilders@yahoo.com), an 11-employee construction company in Santa Maria, Calif., Halsell hoped to start a sister real estate development firm but found herself spending three days a week bogged down with administrative paperwork.

In March she hired a local PEO, Your People Professionals (ypp.com), and seven months later had completed a business plan, market analysis and financing for her new business's first development. She recently hired three employees through Your People Professionals, which recruited and interviewed potential hires and administered personality and construction-skill tests. "Your People Professionals is making us money because the resources we have are better spent more directly in services we're trying to provide rather than HR or insurance," she says.

Halsell's PEO helped her in other ways as well. When she hired it, Halsell was in the middle of a workers' compensation insurance audit and had just been sent a \$58,000 bill for incorrect reporting. Your People Professionals' insurance specialist resubmitted Halsell's records and got the bill reduced to \$15,000.

"The service costs us \$12,000 a year, so that \$43,000 savings alone paid for more than three years," says Halsell. In July the PEO even got Halsell a \$10,000 refund from a liability insurance audit for the year before she hired it. "It is such a relief to know that all these critical aspects of our business are being taken care of by experts in the field," says Halsell. "It just gives me a sense of freedom."

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