

# Facts about Professional Employer Organizations (PEOs)

## What is a PEO?

- A professional employer organization (PEO) provides comprehensive HR solutions for small businesses. Payroll, benefits, HR, tax administration, and regulatory compliance are some of the many services PEOs provide to small and growing businesses across the country.

## Why a PEO?

- By providing payroll, benefits, and HR services and assisting with compliance issues under state and federal law, PEOs allow small businesses to improve productivity and profitability, to focus on their core mission, and to grow.
- Through a PEO, the employees of small businesses gain access to big-business employee benefits such as: 401(k) plans; health, dental, life, and other insurance; dependent care; and other benefits they might not typically receive as employees of a small company.

## PEO Facts

- PEOs provide services to between 156,000 and 180,000 small and mid-sized businesses, employing between 2.7 and 3.4 million people.
- The current size of the PEO industry is between \$136 and \$156 billion.
- According to a recent study by noted economists Laurie Bassi and Dan McMurrer, businesses that use PEOs grow 7 to 9 percent faster, have employee turnover that is 23 to 32 percent lower, and are 50 percent less likely to go out of business than companies that do not use PEOs.
- In each of the last 30 years, the industry has added, on average, roughly 100,000 worksite employees and 6,000 net new clients.
- While only 27 percent of small businesses overall offer employee retirement plans (according to the NFIB), approximately 95 percent of NAPEO's members offer retirement plans to their small business worksite employees. Virtually all of those offer some level of matching contribution.
- To date, 40 states have adopted some form of PEO legislation and PEOs operate in all 50 states.

## About NAPEO

- The National Association of Professional Employer Organizations (NAPEO) is the national trade association for the PEO industry, representing about 85 percent of the industry's estimated \$92 billion in gross revenues.
- NAPEO has more than 300 PEO members ranging from start-ups to large publicly held companies with years of success in the industry, as well as some 200 service provider members. NAPEO members are headquartered in more than 40 states and have worksite employees in all 50 states.



*"Using a PEO is like having a human resources department. You have a team of HR people, but only pay a portion of the expenses."*



*"Our PEO has been with us every step of the way in handling challenging employee issues. The staff is always there to help us with benefits and payroll."*



*"Our relationship with a PEO gives us the freedom to focus our attention on our customers."*



**National Association of  
Professional Employer Organizations**

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