

In-House HR Or PEO?

Everything You Need To Know To
Make Your Decision



Your business is growing, which is great! But along with that excitement, you may be experiencing some growing pains. Those internal challenges may have led you to realize you need help managing the human resource functions of your business if you want to continue to grow and scale successfully for the longterm.

Now you're on the verge of a pivotal decision:

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Should you find a way to handle HR in-house or simply outsource your HR functions?

In this guide, we'll identify some of the signs that might indicate you need additional help, and explore the pros and cons of both options—in-house hiring and outsourcing—to help you take steps toward an informed decision.





5 Red Flags Indicating It's Time To Consider Hiring An HR Pro For Your Business

Eventually, all growing businesses begin to see “cracks” in their infrastructure—issues that highlight the limitations of their internal processes in handling the requirements for expansion. If you're experiencing one (or many) of the following scenarios, it's time to begin thinking about what you should do differently:

- 🚩 You don't have one single person or role dedicated to the HR functions of your business.
- 🚩 You're hoping to attract better talent both locally and globally.
- 🚩 You want to grow your business into other states, but you're afraid of the complications that come from having employees outside of your original business footprint.
- 🚩 You have experienced a negative compliance situation—you may have been fined as an employer, faced complaints, etc.
- 🚩 You worry about what's falling through the cracks of your business, but you don't think you can shuffle around anyone in your existing employee pool to cover the responsibilities and get it done the right way.

Do any of these situations sound familiar? If so, it's not because you're a bad business owner; on the contrary, experiencing growth pains means you're heading in the right direction! However, you need to make sure you quickly address these issues before they spiral to a point where you can no longer control them. Acknowledging that you can't do everything is the first step toward greater efficiency and growth.

5 Steps In Making A Decision To Hire Someone For Your HR Functions

Once you've recognized that you can't go on with the existing pain points to your business, you may be wondering what's next. How will you choose between hiring a new, internal employee or outsourcing the job to external partners, and what factors should you consider? The following steps will help you make the best decision for your organization:



1. Inventory the areas where you need help.

In addition to recognizing your pain points, think about what is needed to address those problems over the long term. Business owners and/or executives should step back and inventory neglected tasks and responsibilities as well as the people your organization already employs. Can some of these needs be met internally by reallocating roles? Which of the tasks you've identified require a role or skills you don't already have?



2. Understand your options for “filling the gap.”

In the HR market, there are two major options to consider: 1) hire an additional full-time staff member or 2) partner with one or more external companies that provide HR services.



Option 1: Hire an additional full-time staff member.

Your first thought may be to add a new internal position for HR- and compliance-related tasks. However, for small and midsize businesses, this is often not only financially difficult to swing, but it also doesn't fully solve all the HR problems you're facing.

It's unrealistic to think that a single hire can handle the entire HR function. There's simply too much ground to cover—compliance, technology, HR, payroll, benefits, and more—and yet it all needs to be done. You could hire multiple people, but for most small businesses, that strategy would be cost-prohibitive (especially for an area that isn't revenue-generating).

One case where it may work is if you have a narrow set of outcomes. For instance, if your only need is payroll, you may be able to find a single hire who can handle both at a cost you can support.

Cost Breakdown Of Internal Hires

An HR professional's salary alone can range between \$65,000 and \$85,000 per year—and that's without the cost of fringe benefits (taxes and cost of insurance benefits). This rate will provide you with 3-5 years of experience at best.



Option 2: Partner with an external company that provides HR services (outsource).

In most situations, outsourcing your HR to the right partner is the best way to help your business continue to grow while simultaneously maintaining compliance, keeping your employees happy, and controlling your costs. If you're considering scaling your efforts, building your team, and increasing your bottom line, you need to consider HR outsourcing. There are several types of outsourcing partners to consider:

- Professional Employer Organizations (PEO)
- Administrative Service Offerings (ASO)
- Human Resource Outsourcing Companies (HRO)
- Staffing companies
- Independent contractors



Let's take a closer look at each of these options.

1. Professional Employer Organization (PEO)

A PEO is a business model that provides an outsourced solution for HR management that encompasses [co-employment](#)—where the PEO becomes your employer of record in order to provide the services your business needs. A PEO contracts with your business to perform these processes, assume associated responsibilities, and provide ready expertise in human resources management. Put bluntly, a PEO can handle any and every HR need you have, scaling with your business and providing HR expertise when and where you need it.

[PEOs](#) help your business manage complex employee-related matters, and administer the following:

- Onboarding
- Performance management
- Health and welfare benefits
- Payroll
- Payroll tax compliance
- 401 (k) plan
- Leaves of absence
- Paid time off practices
- Workers' compensation claims
- Unemployment insurance claims
- COBRA



GenesisHR is a PEO—which means we do all of this and more! We offer a suite of integrated services, customized to your company’s needs and growth goals, to effectively manage your critical human resource responsibilities and employer risks. We deliver these services by establishing and maintaining an employer relationship with the employees at your worksite, and by contractually assuming certain employer rights, responsibilities, and risks.

2. Administrative Service Offering (ASO)

When you partner with an ASO, you’re essentially hiring someone to manage the outsourcing of your administrative functions, including employee benefits, payroll, HR management, workers compensation, and safety programs. With an ASO, your small business gets one partner that manages multiple vendors.

Unlike a PEO, an ASO requires you to select the vendors you work with. While letting someone else choose your vendors may seem counterintuitive, this is actually a key benefit to partnering with a PEO. When it comes to offering life insurance benefits, for instance, a PEO can get volume price discounts by leveraging its own vendor relationship; you wouldn’t be able to get those discounts working on your own as a small employer.

3. Human Resources Outsourcing (HRO)

HRO is the process of sub-contracting human resources functions to an external supplier.

(**Personnel Today**) HRO may also be referred to as BPO, or Business Process Outsourcing. In this type of arrangement, HR outsourcing can be viewed as an entire function, and implies a speciality with years of experience.

With an HRO, an employer remains the ‘employer of record’ in this type of arrangement; Unlike PEOs, HROs are not involved in choosing benefits or managing third-party partners you choose, and no volume discounts are available.

4. Staffing Companies

Staffing companies, also called staffing firms or staffing agencies, help companies find and hire employees. In other words, they are recruiting firms, and help find job candidates for employers to interview. Staffing companies work with organizations up to the time a position is filled, and are not engaged on the benefits side of employment. They don't handle payroll or any other area of HR; their sole purpose is to help staff organizations. Businesses that work with staffing companies can and do also work alongside PEOs; the two services benefit employers at different points in [the employee lifecycle](#).

5. Independent Contractors

Hiring an independent contractor allows your business to have a person available to help build your HR function and ensure appropriate practices are in place, without hiring an employee or giving them full-time work. Having an independent contractor on retainer can be costly; you also don't have any say in their availability. Companies have told us that it can be helpful to hire a contractor for one sole purpose, but that the limitations in their expertise or capacity are sometimes frustrating.

In addition to independent contractors, you might also consider engaging attorneys (kept on retainer), consultants, or benefits brokers (who have expanded service models to deliver some HR functions).





3. Compare the offerings of all your options.

	Holistic Approach	Volume Pricing For Benefits	Assumes Risk & Liability	Coemployer Relationship	Cost	Certifications Required	Selects & Manages Third-Party Partners	Manages Benefits	Handles Payroll & Taxes	Assists In Navigating Employee Relationships	Handles Compliance
In-House Hire	Y					M	Y	Y	Y	Y	Y
PEO	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
ASO					Y	M	M	Y	Y	Y	Y
HRO					Y	M	M	Y	Y	Y	Y
Staffing Company					Y	M	M	Y		M	M
Independent Contractors					Y	M	M	M		M	M
Consultants					Y	M	M	M		M	M

Y = Yes
M = Maybe
Blank = No



4. Compare the options to your business needs.

Some of the critical roles and value pieces a new HR hire should bring are indicated below. These may be expressed as definitive skill sets, like understanding and managing benefits, or they may be more fluid, like having experience in onboarding or legal issues and compliance. However, it is crucial to evaluate candidate qualifications in the following areas:

- What is their experience level?
- How long have they worked in HR?
- Are they knowledgeable and on top of the latest compliance regulations? How can they demonstrate that knowledge?
- What types of automation, systems, and data management methods do they use?
- What is their role in managing a comprehensive benefits plan?
- What is the cost of the services offered? Do you get fair and transparent pricing for the services rendered?
- What do their existing clients say?



5. Make the best decision for your growing business.

Keep in mind that this may not be an either/or choice; it's more of a hybrid. You can choose one option or multiple—whatever best fits your needs and goals!

If you're considering a PEO as one of your top options, we'd love to help you discern if that choice is the right fit for you. Schedule a consultation with us today.

Wondering which outsourcing option is best for you?

Schedule a call to get started: 781-272-4900

