Pay-As-You-Go and PEO Question and Answer

How does a Pay-As-You-Go and PEO arrangement work?

When a company engages a PEO, a co-employment relationship is created between the company, PEO and the workers of the company. The company and the Professional Employer Organization contractually allocate employment responsibilities and liabilities. The Professional Employer Organization assumes responsibility for obligations related to human resources, workers' compensation, payroll, labor law compliance and employment taxes. If the company wants to make employee benefits available to the workers, the PEO will offer the workers health insurance, disability insurance and other expanded benefits under their overall corporate plan.

Why would a company use a Pay-As-You-Go Provider or PEO?

It's simple. Using a Pay-As-You-Go Provider or a PEO allows business owners and managers to focus on their core competencies... not worrying about the non-revenue related activities of employment. Many businesses don't have the internal expertise, capability or desire to handle regulatory compliance, risk management, payroll, employee benefits administration and other employment related activities.

How is it possible that PEO will save me money?

Most businesses can not get the discounts that larger companies realize. By "pooling" all of our clients' employees together, we are able to obtain those volume and premium discounts on various employee expenses such as:

1. Workers Compensation
2. Employee Health, Dental, Life and Disability Benefits
3. There are also possible tax advantages.

plus . . . because our PEO services include handling most employee related issues and paperwork, many clients are able to reduce and, in some cases, eliminate their in-house human resource department, thereby reducing operating costs, not to mention most business owners don't have the time to handle these day to day "aggravations".
So, how much DOES it cost to use Pay-As-You-Go and PEO services?

A. Believe it or not, Pay-As-You-Go and PEO services usually do not cost any more than you are already spending on employee related expenses!

Is this the same as temporary staffing?

No. PEOs typically do not recruit, train or provide staff to their client companies as do temporary staffing firms. A PEO arrangement usually involves all or most of the employees of the client company in a long-term employment relationship.

In a PEO arrangement, do I lose control of my employees?

No. PEO client companies and the PEO become partners in the co-employment relationship of their workers. The client retains responsibility for the day-to-day management of the workers. Clients maintain all "hire and fire" authority, handle promotions and provide workplace supervision as required.

What responsibilities are generally assumed by the Pay-As-You-Go and PEO Provider?

PEOs and Pay-As-You-Go Providers are responsible for maintaining compliance with all regulations regarding the reporting and payment of federal, state and local taxes on wages paid to the workers. The PEO is recognized by the Internal Revenue Service as the "employer of record" for liability for federal income and unemployment taxes and is responsible for these payments. Many states also recognize the PEO as the employer for purposes of providing workers' compensation coverage. In states that require workers' compensation coverage, the PEO is responsible for providing the insurance. The PEO is also responsible for compliance with the broad range of employment laws and regulations including: COBRA, Title VII, ADA, FMLA, HIPPA, Equal Pay Act, and Age Discrimination in Employment Act.

What will employees think?

Workers want the quality health benefits and the opportunities for retirement savings that a PEO can offer. Through a Professional Employer Organization, Fortune 500 quality benefits can now be available to small and medium size businesses.

What about Pay-As-You-Go and PEO billing and accounting?

One of the best features of using a Pay-As-You-Go Provider and PEO is the single payment made to the organization. One payment (usually made with each payroll cycle) is all that is required. The client company reports the amounts to be paid to each employee and the PAYG Provider or PEO does the rest.