

A Guide to PEO

Understanding the role and responsibilities
of a professional employer organization

deel.

Introduction

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NAPEO, The ROI of
Using a PEO, 2019

Today's HR teams are grappling with increasing administrative burdens as they try to balance complex payroll processing, dynamic labor laws, and competitive benefits packages.

For support, many companies turn to a professional employer organization (PEO) to streamline payroll operations, enhance compliance, and improve their employee offerings. Using a PEO also stimulates significant cost savings, as companies that manage employee benefits without a PEO overspend by \$4,500 USD per employee per year.¹

To effectively leverage the advantages of a PEO, you first have to understand how responsibilities are divided between the PEO and your company.

This guide walks you through where a PEO's role begins and ends, empowering you to maintain control over core business operations and make strategic decisions while benefiting from the PEO's expertise and support.

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Getting started



What is a PEO?

A professional employer organization (PEO) is a strategic partner hired by a company to handle various HR tasks such as payroll, tax filing, and benefits administration.

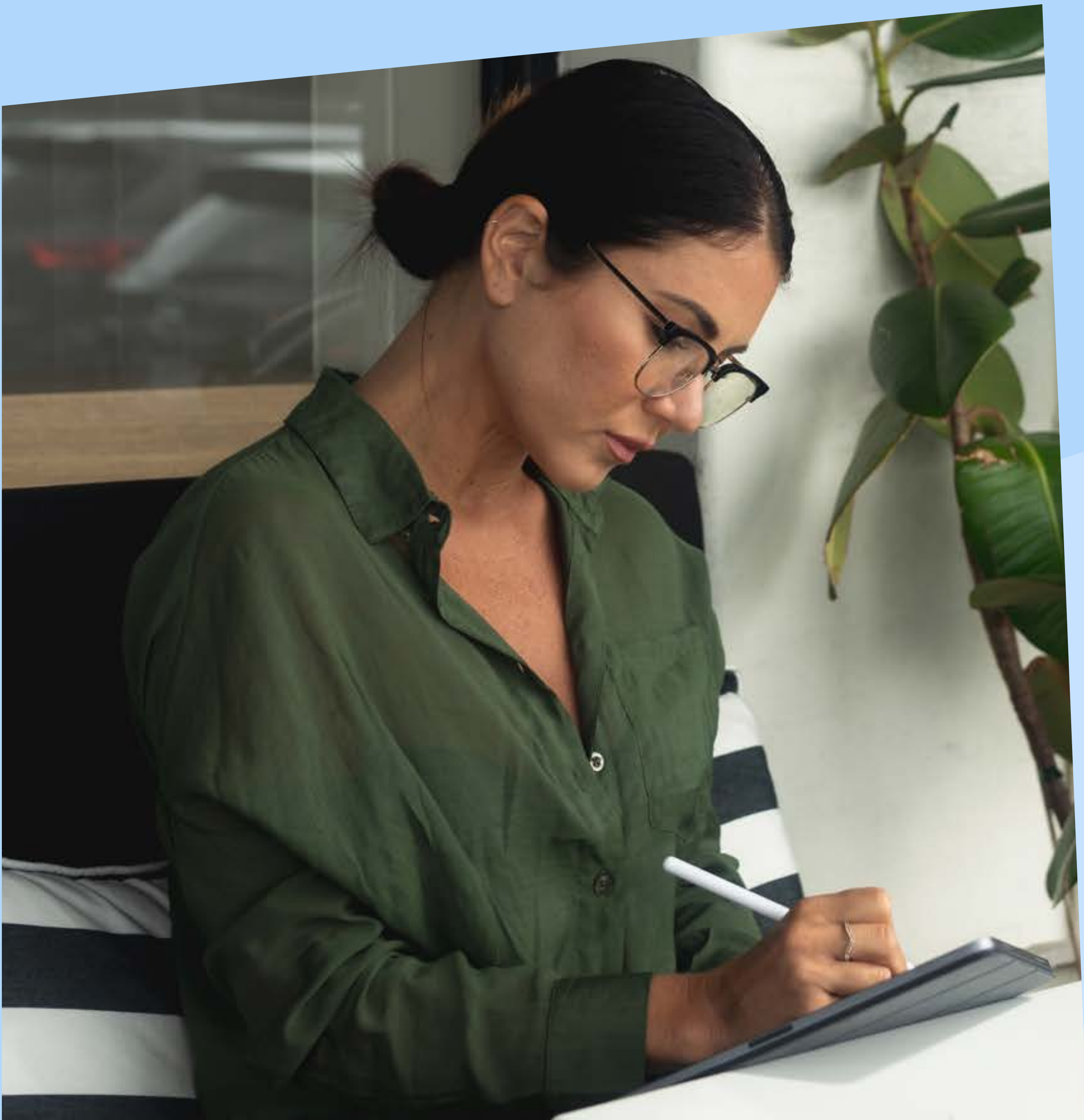
When a company engages a PEO, they enter into a co-employment relationship, which means the PEO assumes partial legal responsibility for the employees. Employee wages are reported under the PEO's federal employer identification number (EIN), not the client company's.

To use a PEO, you must own a local legal entity in the country or region of operation and may have to meet a minimum headcount. A PEO can help you with state registration if needed.

With a PEO, you can:

- **Access exclusive benefits:** Through a PEO, you gain access to employee benefits typically reserved for Fortune 500 companies. This means companies of any size can offer employees top-tier health insurance, retirement plans, and perks.
- **Improve local legal compliance:** PEOs employ local legal experts to ensure your company complies with country and state laws. They can manage safety training programs, assist with inspections and audits, and handle liability insurance to reduce risk.
- **Increase HR efficiency:** A PEO takes over time-consuming and repetitive administrative tasks involved in payroll processing, benefits administration, and HR compliance, allowing businesses to focus their resources on strategic initiatives, employee engagement, and talent development.
- **Cut costs:** By pooling together a large number of employees from various client companies, PEOs can leverage economies of scale to offer cost-effective HR solutions. They often negotiate better rates for employee benefits, insurance premiums, and other services, resulting in potential cost savings for the client company.

Use cases



When to consider using a PEO

A company may consider engaging a PEO for a variety of reasons. Here are some of the most common drivers:

- **Pursuing business expansion:** When a company expands into a new region, they often rely on a PEO with expertise in the target location to ensure compliance with local labor laws, tax regulations, and employment practices.
- **Experiencing rapid growth:** Companies experiencing rapid growth may struggle to keep up with the increasing demands of HR functions. A PEO can provide scalable HR solutions to accommodate the growth by minimizing their administrative workload.
- **Facing limited HR resources:** Small businesses or startups often have limited resources and may lack a dedicated HR department. By engaging a PEO, these companies can access professional HR services and expertise without investing in building an internal HR infrastructure.
- **Attracting and retaining talent:** Attracting and retaining talented employees often requires offering competitive benefits packages. By joining a PEO, companies gain access to a larger employee base, allowing them to offer more comprehensive and cost-effective benefits to attract top talent.
- **Working in high-risk industries:** Some industries or occupations carry higher levels of risk, such as construction or healthcare. PEOs assist companies in these sectors by managing workers' compensation, implementing safety programs and HR policies, and providing compliance support.

What's required

Though the exact services you receive will depend on your chosen provider, a PEO is generally responsible for many employer responsibilities.



Your responsibilities when using a PEO

At the start of a co-employment arrangement, the client company and PEO sign a client service agreement (CSA) outlining each party's responsibilities. As the client company, you will retain management control of your workforce while using a PEO. This includes:

- ✓ Employee work schedules
- ✓ Employees' scope of work
- ✓ Day-to-day employee supervision
- ✓ Performance management
- ✓ Strategic decisions
- ✓ Core business operations
- ✓ Maintaining company culture
- ✓ Administrative fees

Compliance and risk management

PEOs have teams of legal experts who can help you navigate sensitive employment issues and mitigate risk. They stay up to date on employment laws and regulations to create and maintain compliant documentation and processes for your team.

They are typically responsible for setting up and managing local payroll tax accounts, complying with state and federal HR laws, and managing claims support for unemployment, workers' compensation, workplace harassment, and employment practices liability insurance (EPLI).

Any workers' compensation and insurance claims will go through the process set by your PEO, who will manage all communication and paperwork required by the employee and insurance company.



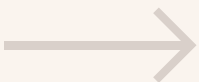
HR expertise

As part of their HR responsibilities, a PEO will help your team streamline worker onboarding, configure paid time off (PTO) policies, navigate employee claims, and collect compliance documentation in line with federal, state, and local laws.

Some PEOs, like Deel, also include support for employee training, employee relations, Family Medical Leave Act (FMLA) management, employee handbooks, and job descriptions.

Deel’s US PEO offering includes access to [Deel HR](#), our global HRIS tool that can help you save up to \$20,000 per year vs. competitors.

	Deel	Rippling
People directory	 Yes	?
Automated workflows	 Yes	 No
Unified analytics	 Yes	 No
Onboarding/ offboarding automation	 Yes	 No
Permissions and approvals	8	1
Advanced admin and field privileges	120+	1
Document and e-sign management	 Yes	 No



Payroll and tax administration

PEOs typically handle payroll processing, deductions, and reporting on behalf of a company, as well as delivering online pay stubs and invoices. The PEO will calculate, file, and pay federal and state payroll taxes owed by your company on your behalf.

Full-service employee benefits administration

A PEO allows you to access big-company benefits for less than you're paying today while ensuring compliance with federal, state, and local benefit laws.

PEOs can administer mandatory and voluntary benefits packages per local requirements, including health insurance such as Medicare, retirement savings plans like a 401(k), unemployment insurance, and more.

They typically manage benefits enrolment, employee education, and claims processing, and liaise with insurance providers on your behalf. PEOs can also help US employers navigate COBRA administration as well as the complex employer reporting requirements included under the Affordable Care Act (ACA) regulations.

What's not included

PEOs typically do not handle responsibilities involving executive action, day-to-day employee management, or global expansion.



Services not provided by a PEO

Strategic decision-making

The client company retains autonomy in making strategic decisions that impact the direction and growth of the business.

Employee supervision and performance management

The client company remains responsible for the day-to-day supervision of employees, setting performance expectations, and conducting performance evaluations.

Core business operations

PEOs focus primarily on HR functions, while the client company manages core business operations such as production, marketing, sales, and service delivery.

Company culture and employee engagement

The client company is responsible for its culture, promoting employee engagement, and building a strong employer brand.

Financial and accounting matters

PEOs handle payroll processing and related tax calculations, but broader financial and accounting functions remain the responsibility of the client company.

International expansion

PEOs are used for local expertise. Companies seeking support for international hiring, payroll, and HR should consider using a global-first HR platform like Deel.

Deel's employer of record (EOR) model is particularly beneficial for companies planning international expansion, as it enables them to legally engage employees in another country or region without establishing a foreign subsidiary.

If your company already has legal entities in other countries, you can use Deel's Global Payroll to manage payments and taxes. You can also use Deel HR to manage your entire workforce in one place, no matter their employment type or location.

PEO vs. HR



Does a PEO replace your HR department?

This depends on your team and needs. Founders often find themselves at a crossroads where they can no longer manage HR, payroll, and benefits administration themselves. In this case, they either hire an in-house HR team or completely outsource the responsibilities to a PEO to access better benefits and local expertise without the costs of hiring an entire HR team.

For companies with an established in-house HR department, the PEO works collaboratively with your existing team to bolster HR functions and ensure you meet full regulatory compliance, freeing your team to focus on strategic matters that require a deep knowledge of your company and its growth ambitions.

Either way, the employee experience is significantly improved due to streamlined HR processes, simpler onboarding, and access to competitive benefits plans.

Other HR service provider examples



PEOs vs. other HR service providers

Employee leasing companies

The main difference between a PEO and an employee leasing company (ELC) is their relationship with the employees.

Employee leasing companies provide a company with new workers, usually for temporary projects. After the leased employees complete the work for the company, they return to the ELC to find another short-term job.

A client company hires a PEO to handle HR tasks. Once a PEO and client company terminate their relationship, the employees stay with the client company, and their ties with the PEO cease. PEOs do not provide the company with a supply of new employees.

Temporary staffing services

Like an ELC, temporary staffing services provide client companies with additional staff. These organizations recruit workers for companies experiencing seasonal shortages, temporary skill shortages, or employee absenteeism.

Administrative services outsourcing (ASO)

Under an ASO arrangement, the client company retains full employer status and must report payroll taxes using its own employer identification number. Companies can also maintain their existing benefits and workers' compensation providers with an ASO.

Human resources outsourcing (HRO)

With an HRO, the client company retains full administrative employer status. However, unlike PEOs and ASOs, HROs provide specific HR-related tasks based on their experience and specialty. HROs are popular with larger companies that have developed internal departments and only require specific HR expertise.



Employer of record (EOR)

Like a PEO, an employer of record takes care of a company's HR tasks while the company manages their workers' day-to-day activities, schedules, and workloads. However, the EOR is the legal employer of the company's workforce, which means they assume complete responsibility for the company's full-time employees.

Payroll service providers (PSP)

Traditional payroll service providers only provide support for payroll and tax-related processes, not HR duties outside their specific scope of practice.

Get Deel PEO for your US-based team

Before Deel, companies with US employees were restricted to US-centric platforms that lacked support for global processes.

Now, you can streamline HR and run instant, accurate payroll for US teams and beyond, all in one platform.



Simplify US workforce management with Deel PEO



US payroll and tax administration

Direct deposits and payslips

✓

Federal, state, and local tax payments and filings

✓

W-2, W-4, 1099, and new hire filings

✓

Instant payroll adjustments and shorter cut-off dates

✓

Integrations with Quickbooks, Xero, and Netsuite

✓



HR administration and compliance

Onboarding

✓

Claims management

✓

Regulatory compliance

✓

Employee handbooks

✓

Job descriptions

✓

Mandatory training

✓

Employee relations support

✓

HR policies

✓

Unemployment administration

✓

Workers' compensation management

✓



Employee benefits

Benefits plan configuration

✓

Benefits processing

✓

Medical, dental, vision, life, and disability benefits

✓

Insurance

✓

FMLA management

✓

401(K)

✓

With Deel, you can reduce duplicate costs, consolidate your tech stack, and end data errors while providing a user-friendly experience for your team.



Learn more about [Deel's US PEO](#) or [schedule a 30-minute demo](#) with an expert to get a closer look at the platform.

