

Article for distribution to clients of the Not For Profit Resource Center of the United Way of Buffalo and Erie County. Submitted January 5, 2007

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## **Nonprofits That Outsource HR Tasks to PEOs Gain More Time and Good Benefits**

By Edie Clark

What nonprofit leader would not welcome 25 percent more time to focus on the group's mission while knowing staff needs are met? By working with a professional employer organization, or PEO, nonprofits can recapture the time once spent handling employment-related paperwork, while offering good benefits to help them find and keep talented workers.

PEOs enable employers to cost-effectively outsource the management of human resources, employee benefits, payroll and workers' compensation. They bring employment expertise to smaller organizations so they can focus on their missions. PEOs also deliver high quality benefits and HR services similar to large for-profit organizations.

The time, effort and cost of handling HR tasks and understanding current employment regulations drove Pat Howley, executive director of the Long Island Forum for Technology ([www.lift.org](http://www.lift.org)) to find a solution. In addition, she was concerned about keeping up with current employment laws and needed advice.

"We could not easily keep a human resources person on staff and stay on top of the changing world of employment," she said. She looked for a full-service HR outsourcing solution and chose a PEO in 1996. "We were growing, and I realized that as executive director, salary and benefits were complicated. We were trying to be competitive, so we obtained expert help from the Alcott Group." Alcott is a PEO headquartered in Farmingdale, New York ([www.alcottgroup.com](http://www.alcottgroup.com)).

Alcott processes the LIFT payroll and employment taxes, provides a good health benefits package at a rate LIFT can afford, and arranges for workers' compensation coverage through a major carrier. Now Howley and the staff of 18 can focus primarily on their mission: to provide technical and strategic services to technology based firms and small to medium sized manufacturers.

The pay-off from working with a PEO can be dramatic. Nearly nine in 10 companies (89 percent) reported their PEOs significantly reduced their time demands, according to a survey by the Society for Human Resource Management Foundation. Relying on a PEO saved the average organization nine hours a week.

The PEO's health benefit plan often attracts a nonprofit leader's attention the most. "Benefits are very important to people in a nonprofit organizations," said Ann Monroe, president of the Community Health Foundation for Western and Central New York ([www.chfwny.org](http://www.chfwny.org)). "PEOs can give the

nonprofit good health benefits and plan options at good rates. They bring economies of scale, because they are professionally negotiating for large groups of clients.” The Community Health Foundation has worked with Alcott since 2003. Monroe believes that Alcott’s benefit plan helps the Foundation compete with the for-profits for people who want to work with a small organization.

PEOs also offer better life and disability programs, flexible spending accounts to help workers manage out-of-pocket medical expenses with pre-tax dollars, and extras like credit union memberships and prepaid legal plans. As the employer for purposes of administering benefit programs, the PEO offers a 401(k) program to the nonprofit’s staff and takes care of the deductions and record keeping.

Pat Howley values the relief of knowing the HR side of the business is in the hands of professionals. PEOs provide on-demand HR expertise, she noted. “I did not get to be the executive director because I am an employment expert. I have relied on Alcott for advice on employment situations that could be complicated.”

The employee handbook the PEO designs for each client clarifies workplace policies and guidelines. The PEO also updates policies and procedures and provides education on employment law compliance.

Nick Everest is an independent organization development consultant who works extensively with not-for-profit organizations in Western New York. He has referred nonprofit clients to PEOs and described the value of the PEO for a small or medium-sized nonprofit group. “There seem to be a number of reasons to consider working with a PEO. These center around ready and reliable access to a one-stop shop for HR services and support, in particular benefits plan economies and administration, guidance on performance and discipline issues and keeping up to date on the vast array of compliance requirements,” he said. “The ‘on tap’ availability of this expertise enables the organization’s leadership to focus on the core competencies of their organization and meeting their clients’ needs.”

Before deciding to work with a PEO, Everest suggests that nonprofit leaders consider the cost of trying to cover all HR activities on their own. “There is a high opportunity cost involved in managing HR matters without professional support,” Everest said. “This should be borne in mind when working out the cost/benefit equation of partnering with a PEO.”

Pat Howley of LIFT goes beyond using a PEO to recommending this type of outsourcing solution to the LIFT clients. “When we work with our clients on strategic planning, we add working with a PEO to the mix of suggestions.”

To learn more about PEOs and find a PEO, visit the NAPEO Web site: [www.napeo.org](http://www.napeo.org).

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*Eddie Clark is Director of Public Relations for the National Association of Professional Employer Organizations or NAPEO. The Not-for-Profit Resource Center requested this article to provide information so that nonprofit leaders could learn about the value of professional employer organization for their organizations.*