
PEOs VS. HR PLATFORMS

WHAT'S THE DIFFERENCE?



Introduction

In today's business landscape, organizations face numerous challenges when it comes to managing their workforces effectively. To address these challenges, many companies turn to human resources solutions like professional employer organizations (PEOs) or HR platforms.

While both options can help streamline HR tasks and improve overall employee management, there are key differences between PEOs and HR platforms that organizations should consider when choosing the right solution for their needs.

In this article, we will explore the differences between PEOs and HR platforms and help you understand which solution may be the best fit for your business.



PEOs

**HR
Platforms**

What's a PEO?

A PEO, OR PROFESSIONAL EMPLOYER ORGANIZATION, IS AN HR OUTSOURCING MODEL THAT OFFERS A COMPREHENSIVE SUITE OF HR SERVICES TO SMALL AND MID-SIZED BUSINESSES.

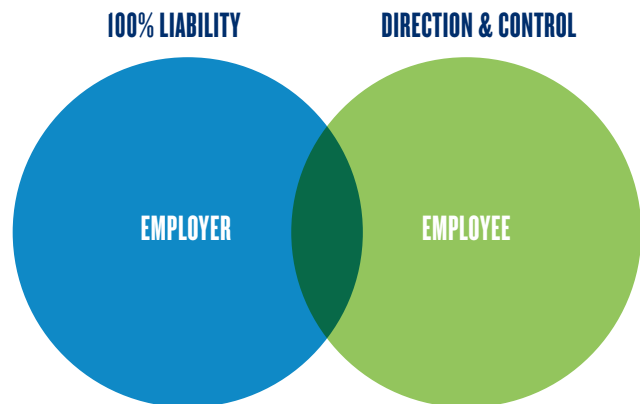
PEOs take on many HR-related functions for their clients, such as payroll processing, benefits administration, human resources, tax administration, risk management, and compliance assistance.

In addition, many PEOs provide workers with access to 401(k) plans, health, dental and life insurance, dependent care, and other benefits not typically provided by small businesses. This enables organizations that use a PEO to focus on their core mission, to improve productivity and profitability, and to grow.

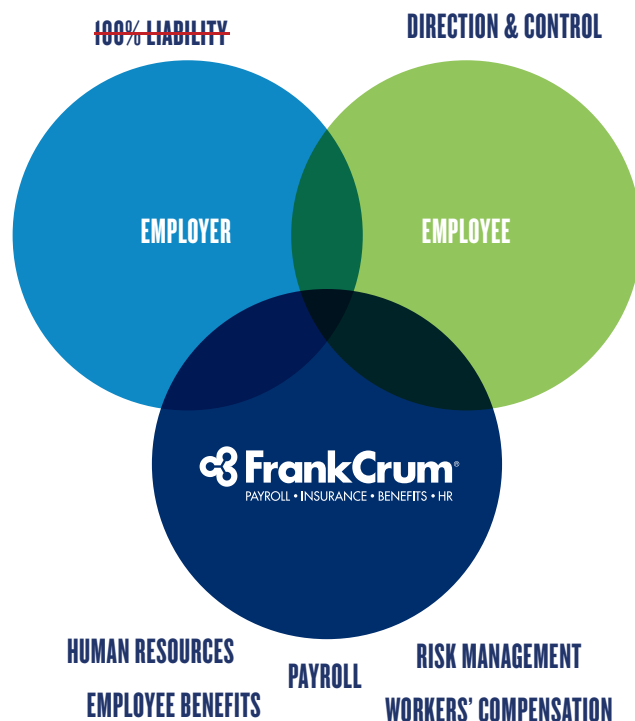
Partnering with a PEO creates a formal division of responsibilities between the client and the PEO, an arrangement known as “co-employment.” For the duration of the co-employment legal agreement, the client company places its employees on the PEO’s payroll with all taxes being filed and W-2s being issued under the PEO’s FEIN.

While the client company maintains direction and control over employees, the PEO serves as the “employer of record,” responsible for a clearly defined set of administrative functions. This arrangement also allows businesses to pool their employees together under the PEO to leverage economies of scale to receive higher-quality benefits and lower-cost insurance plans.

Without a PEO



With a PEO



Though they share some common features, it's important to distinguish PEOs from Administrative Services Only or ASOs. ASOs operate on a limited basis providing services such as basic HR support, payroll processing, and tax administration. Unlike PEOs, ASOs don't implement a co-employment agreement with their clients which limits their scope of services.

In addition to national PEOs, there are also companies that specialize in serving specific market segments, such as:



Industry-specific PEOs:

Industry-specific PEOs specialize in serving businesses in a specific industry, such as aviation, hospitality, or legal services. These PEOs have highly specialized knowledge and expertise in the unique HR challenges and regulations of that industry.



Regional PEOs:

Regional PEOs serve businesses in a specific geographic area, such as a state or region. These PEOs have expertise in local HR laws and regulations.





What is an HR Platform?

AN HR PLATFORM, ALSO KNOWN AS HR SOFTWARE OR AN HR MANAGEMENT SYSTEM, IS TECHNOLOGY DESIGNED TO HELP BUSINESSES MANAGE VARIOUS WORKFORCE-RELATED FUNCTIONS, SUCH AS EMPLOYEE DATA MANAGEMENT, PAYROLL PROCESSING, BENEFITS ADMINISTRATION, PERFORMANCE MANAGEMENT, AND TIME AND ATTENDANCE TRACKING.

There are various types of HR platforms that offer different features and functionalities to help businesses manage their HR tasks. Here are some of the most common types of HR platforms:

- 1 Core HR platforms:**
Core HR platforms are designed to manage the most essential HR tasks, such as employee data management, benefits administration, payroll processing, and compliance tracking. These platforms typically provide a centralized database that stores employee information and automates HR workflows, such as onboarding and offboarding.
- 2 Talent management platforms:**
Talent management platforms are designed to help businesses manage their employee performance and development. These platforms may include features such as goal setting, performance tracking, learning management, and succession planning.
- 3 Recruiting platforms:**
Recruiting platforms are designed to help businesses attract and hire top talent. These platforms may include features such as job postings, applicant tracking, resume screening, and interview scheduling.
- 4 Benefits administration platforms:**
Benefits administration platforms are designed to help businesses manage employee benefits. These platforms may include features such as open enrollment management, benefits plan configuration, and employee self-service portals.

Differences between PEOs and HR Platforms

Here is a look into some of the key differences between PEOs and HR Platforms:



Comprehensive HR guidance vs. software tool:

A PEO provides access to HR experts who are knowledgeable in all aspects of labor and employment compliance. Though the client is responsible for managing its employees and complying with state and federal law, it can lean on its PEO partner for assistance. An HR platform, on the other hand, is a software tool that helps businesses manage their HR tasks in-house. It provides features such as employee self-service, time and attendance tracking, benefits administration, and compliance management. It may offer some basic HR support, but not the level of tailored expertise and resources as a PEO.



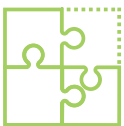
Employer of record vs. employer:

When a business works with a PEO, the PEO becomes the employer of record. This arrangement allows employees from multiple businesses to pool their resources under the PEO's umbrella to receive better-quality benefits and lower-cost insurance. As a technology solution, an HR platform doesn't provide employers with this advantage.



Cost structure:

PEOs typically charge a percentage of the employer's payroll as their fee. This fee includes all the HR outsourcing services provided by the PEO. An HR platform, on the other hand, typically charges a flat monthly or annual fee based on the number of employees using the platform. The cost of an HR platform may be lower than a PEO, but businesses that use them may need to hire additional staff or consultants to manage their HR functions.



Wide-ranging vs. targeted solutions:

PEOs offer a wide range of services, including HR management, payroll administration, benefits administration, and risk management, and they can be especially valuable for small businesses that may not have the resources or expertise to handle these functions in-house. HR platforms, on the other hand, offer targeted solutions such as benefits administration, time tracking, or performance management, and may be a better fit for larger businesses with specialized needs or businesses that have already developed expertise in areas of HR management.

Ultimately, the decision to use a PEO versus an HR platform depends on the specific needs and priorities of a business. It's important to carefully evaluate options and consider factors such as cost, features, and customer support before making a decision.

Making the Switch to a PEO after Using an HR Platform

Switching from an HR platform to a PEO involves some work, but it is possible to make a smooth transition with the right PEO partner. Here are some factors to consider:

Contractual obligations:

If you are currently under contract with an HR platform provider, you will need to carefully review the terms of your contract to determine whether you're able to switch to a PEO before the end of your contract term.

Data migration:

You will need to work with your new PEO provider to determine the best approach for migrating your data to ensure all necessary information is accurately transferred.

New technology:

When you move to a PEO, you and your employees will gain support through both technology tools and service teams. The tech tools may be similar to the HR platform you've been using, or they may be quite different. You can work with your PEO provider to understand the technology and service options available for your business needs.

Cost and contract terms:

Before making the switch to a PEO, it's important to carefully review the costs and contract terms to ensure that it is a good fit for your business.

While switching from an HR platform to a PEO may require some effort, it is certainly possible to make a smooth transition with a little planning and good communication. It's important to carefully evaluate your needs and priorities, and work with a reputable PEO to ensure a successful transition.



Why FrankCrum

As a PEO, FrankCrum has been in business for more than 40 years, offering a comprehensive range of HR solutions along with personalized, white-glove service.

Our clients begin with a structured yet flexible implementation process to ensure efficient and accurate onboarding. Upon completion, they are introduced to a dedicated account manager who connects them with the full range of FrankCrum's value-added services, such as benefits products, workers' compensation certificates of insurance, claims support for workers' compensation, unemployment, and employment practices liability (EPLI) claims support, discounted background checks and drug testing, dedicated HR support through our experienced FrankAdvice team, safety and risk management assistance, and more.

FrankCrum's personalized service is designed to provide clients with a high level of support and expertise, while also allowing them to retain control over their businesses. Our HR technology platform, MyFrankCrum, also helps them and their employees to manage their HR, benefits, and payroll needs from any device.

At FrankCrum, our mission is to help businesses become the best they can be. To learn more about our comprehensive services, [contact us today](#).

