

BUYER'S GUIDE

# Choosing the Right HR Outsourcing Provider

JUSTWORKS.

## HR OUTSOURCING PROVIDER

# Buyer's Guide

**Deciding how to handle your HR needs is a big decision, especially if your company is experiencing fast growth and will need to keep pace to retain and attract talent.**

As you add employees, time spent on payroll, benefits, and compliance becomes harder to maintain. Businesses can look to outsource these functions, in order to spend more time on their team and their mission.

The good news is you have options.



This is an interactive eBook! Click a section title to skip to it, and click the  icon in the header of any page to return to the Table of Contents.

# Table of Contents

<b>01</b>	<b>What's an HR solution and why do I need one?</b>	<b>4</b>
<b>02</b>	<b>What HR solutions are out there?</b>	<b>5</b>
	<ul style="list-style-type: none"><li>• Time and Attendance</li><li>• Performance Reviews</li><li>• Applicant Tracking</li><li>• Payroll Only</li><li>• All-in-one</li><li>• PEO</li><li>• HRIS</li></ul>	
<b>03</b>	<b>What are the benefits of a PEO?</b>	<b>8</b>
<b>04</b>	<b>Which HR solution is right for me?</b>	<b>10</b>
	<ul style="list-style-type: none"><li>• Features to Look For</li><li>• HR Solution Checklist</li><li>• Questions to ask</li><li>• Considerations by Company Size</li></ul>	
<b>05</b>	<b>Conclusion</b>	<b>22</b>



## 01 What's an HR Solution, and Why Do I Need One?

HR solutions are third-party service providers who can help ease the administrative burden of certain HR functions such as payroll, benefits administration, and policy creation. By having access to tech-forward HR tools and a team of industry experts, you'll have more of your time back to focus on growing your team and delivering on your business goals.

The range of solutions available on the market is quite broad. You can opt for targeted solutions to help with specific functions like time and attendance or performance reviews. If you need additional services, some HR solutions help with payroll, some include access to benefits for your team, and some offer a full suite of HR tools. Many of these all-in-one service providers are PEOs.





## 02 What HR solutions are out there?

### **Time and Attendance**

Time and attendance systems track and monitor when employees start and stop work. A time and attendance system allows employers to monitor their employees working hours, breaks, and absenteeism, and helps to control labor costs by improving payroll accuracy. These kinds of tools can be especially helpful for businesses with part-time or hourly employees who need to clock in and out.

### **Performance Reviews**

Performance reviews and management are important HR functions, and can be a hurdle for growing businesses of all kinds. Using performance review software can often help to streamline many areas of the performance review process by providing help with performance assessments and reporting, automated reminders, peer and manager feedback, and more.



## **Applicant Tracking**

Recruiting is another key aspect of HR, and an applicant tracking system is a helpful piece of software that many companies rely on — particularly those who don't have in-house recruiters on staff. This software can help teams sort through resumes, keep applicant information on file, and manage the hiring process from beginning to end.

## **Payroll Only**

Some companies don't need any bells or whistles. Their priority when looking for a back-office solution is simple: pay people correctly and on time.

If you're not ready to offer access to health insurance or other benefits, a payroll-only solution can be a straightforward and affordable option for your business. These solutions might include or integrate with time and attendance tracking.

## **All-in-one**

Some HR solutions go beyond payroll, bundling additional services into an all-in-one platform. These platforms might offer customers things like time off requests and approval, company directory and calendar, a documents center, and more.

In addition, they may offer access to health insurance. Generally, these solutions work with health insurance brokers to match their customers with insurance providers. While a health insurance broker can negotiate amongst multiple insurance providers, a broker generally cannot provide access to health coverage at the same affordable rates that large corporations enjoy.



## PEO

PEO stands for Professional Employer Organization. PEOs work with growing businesses to help them manage payroll-related taxes, certain human resources functions, access to benefits, and other employer-related administrative functions necessary to running a business. In addition, PEOs give smaller companies access to big-company benefits at much lower rates.

PEOs operate through a [practice called co-employment](#). Co-employment is a legal arrangement by which a company continues to employ its employees (and maintain control over its business and team management) while the PEO becomes a co-employer so that the PEO can take care of certain administrative HR functions.

## HRIS

A human resource information system, or HRIS, focuses on your team's HR and performance management. These software platforms offer additional solutions to help manage your team and administer many HR functions throughout the lifecycle of an employee, from onboarding to termination and everything in between.

Services offered by an HRIS could include training, HR, compliance, and recruiting functionalities. Typically, they will also offer employers the ability to create reports and analyze data about their teams. Most will include intuitive user interfaces that integrate with a number of features. While some HRIS solutions stand alone, some PEOs may also offer many of these HRIS capabilities within their platforms as well.



## 03 What are the Benefits of a PEO?



### PEOs can help you:

- ✓ Automate payments to employees, contractors, and vendors
- ✓ Protect your team with workers' compensation coverage
- ✓ Offer your employees access to high-quality benefits at affordable rates
- ✓ Stay compliant with employment requirements



*Many PEOs offer a range of HR tools and support that are often considered HRIS features.*





## Small businesses using PEOs:



GROW

**7-9% faster**



LOWER

**Employee turnover by 14%**



REDUCE

**Chance of failure by 50%**

The National Association of Professional Employer Organizations (NAPEO) has done extensive research on the benefits of PEOs for small businesses. [According to their data](#), small businesses using PEOs grow 7-9% faster and are 50% less likely to fail compared with small businesses overall.



## 04 Which HR solution is right for me?

Selecting the right HR solution can seem daunting, but it doesn't need to be.

Here are a few ways to tackle the decision making process, and determine which option will be the best fit for you.

### Features to Look for:

When evaluating the features and benefits of an HR solution, try weighing your options in terms of must-have's versus nice-to-have's. This helps you break down which features are critical to your business (and need to fit into your budget), and which you could live without.





# HR Solution Checklist

Use this checklist to help you organize these common features based on your company's needs.

	MUST-HAVE	NICE-TO-HAVE
<b>Benefits</b>		
Medical Insurance		
Dental Insurance		
Vision Insurance		
Employee Assistance Program (EAP)		
Mental Health Services/Providers		
Commuter Benefits		
401(k)		
Life and Disability Insurance		
Gym membership		
Bike membership		
<b>HR Tools</b>		
Access to HR Specialists		
Vacation Tracking		
Document Center		
Company Calendar and Directory		
Online I-9 Forms		
Performance Reviews		
Applicant Tracking		
Training		





	MUST-HAVE	NICE-TO-HAVE
<b>Payroll &amp; Payments</b>		
Employee Payroll		
Off-cycle Payments		
Contractor & Vendor Payments		
Expense Reimbursements		
Garnishment Order Payments		
Quickbooks Integration		
Xero Integration		
Customized/Detailed Reports		
Time and Attendance		
<b>Compliance</b>		
Payroll-Related Tax Filings		
New Hire Reporting		
Workers' Comp		
EPLI		
Unemployment Insurance		
Claims Administration		
Anti-harassment training		
<b>Technology</b>		
Best-In-Class Software		
Modern UI		
Self-service Onboarding		



To get a clearer picture of whether a HR solution will suit your business needs, ask yourself — and any sales reps you speak to — these key questions.

Find the best way to meet your basic requirements for features and functionality, and build from there. While you may want to offer your team benefits down the road, it's okay if it's not on your list today. A more inclusive all-in-one system or PEO may be something to keep on deck for the future when your company grows and your needs change.

## What's the cost?

The breakdown of price can vary from solution to solution. Choosing a payroll-only provider will likely be more affordable than an all-in-one solution or a PEO. However, bear in mind that in order to access additional services down the road, you'll likely need to increase your budget to add a solution.

If you opt for a PEO or all-in-one solution, know that most charge either by a per-employee or percentage-of-payroll model to use their services. It's also worth factoring in health insurance savings you may get by switching, as well as time savings you might gain by using a tech-forward platform — think features like self-service onboarding. No matter the HR solution you're considering, always request a quote to get a clear picture of pricing.



## Questions to Ask, Continued

### What kind of benefits do I need?

Being able to offer benefits helps small businesses not only hold on to their more valuable employees, but also bring in top talent. It's important to come to the table with a good idea of what your current — and potential — employees want and need in terms of health coverage, and what you're willing to spend on it.

Small businesses can often offer employees better benefits at better rates through a PEO — benefits they may not otherwise be able to afford. In general, all PEOs offer access to health insurance as a part of their services. However, the providers they work with and the richness of the plans can vary greatly.

If offering access to health insurance isn't in the cards for your business at this time, many all-in-one solutions and PEOs offer access to their other services like payroll and compliance support with the ability to opt in to additional benefits at a later date.

Beyond health insurance, consider other benefits that may help attract and retain employees. This might include things like an Employee Assistance Program (EAP), discounted gym memberships, discounted bike share memberships, commuter benefits, retirement savings, and more. Given this wealth of options, it's good to consider what your current and potential employees are looking for, and what other companies in your industry offer.

Will those added benefits give your company a competitive advantage in recruiting talent? Will access to certain benefits and perks create a great place to work and help retain your team? Answering these questions can help you decide which benefits to provide.

### Notes

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## Questions to Ask, Continued

### What kind of support will I get?

When you choose an HR solution, you should feel like someone has your back. With payroll and compliance, issues can come up that you may not predict. Knowing you have experts in your corner can be a big comfort.

If you find yourself managing HR administrative tasks over late nights or on the weekends, ask whether the solution you're considering offers 24/7 support. Also, think about how you like to communicate. Find out what channels the support team makes available, whether it's phone, email, online chat, or others.

A great way to determine an HR solution's support level is to review their Net Promoter Score (NPS). This score ranges from -100 to 100, and measures the willingness of customers to recommend a company's products or services to others. You can also check to see if the company has received any accolades or awards for customer service.

Compliance support is another key element to consider. For businesses concerned with compliance, a PEO can help. PEOs know about employment compliance and can offer support to their customers on both the federal and state levels. An additional advantage of a PEO is that they take on some of the compliance risk for you. Most PEOs can also provide access to employment practices liability insurance (EPLI), which provides coverage for claims made by employees, former employees, and potential employees alleging discrimination, harassment, wrongful termination, and certain other employment-related issues.

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## What kind of HR services do I need?

For those looking to outsource HR on a broader level, there are some HR solutions that do provide fully outsourced HR. Be sure to note the difference between fully-outsourced HR and HR support, and understand which is best for your business. Many PEOs, for example, offer HR support via access to seasoned HR specialists, who can provide you with valuable knowledge and insight but should not be considered a replacement for an in-house HR team.

## Notes



Questions to Ask, Continued

How much control will I have?

Your decision on how you handle HR depends on how much day-to-day involvement you want in HR management. For small business owners who are used to having their hands in every aspect of the business, relinquishing control of HR can be a tough adjustment.

If your business decides to work with a PEO, you'll enter into a co-employment arrangement. That means you'll continue to employ your employees (and maintain control over the human and strategic functions of HR), but a PEO will become a co-employer with you to help administer certain employer-related responsibilities. In particular, co-employers will help your business with payroll functions, certain government tax and reporting forms, managing employer risks, and benefits administration. That said, the worksite employer (customer) maintains full discretion over all employment decisions including but not limited to hiring, terminations, and compensation.

Notes



## What kind of technology does the solution offer?

Ensuring your HR technology systems are up-to-date and safe is critical. The right tools make managing time off and keeping track of employee information easier and safer. The benefit of using an HR solution is that they already have a system in place that works and that you can start using right away.

Another aspect of the technology to consider is whether the solution offers self-service onboarding. For smaller companies, the ability to get started on your own can be a very efficient means of transitioning to a new system.



# Considerations by Company Size

HR needs change as companies grow. Here are some important factors businesses of various sizes may need to consider.

## 2-10 EMPLOYEES

**You're all in it together at this stage. Most employees are juggling lots of responsibilities and wearing multiple hats. You – with the help of other staff members – are probably addressing issues as they arise and handling it all in-house to save money and keep it personal.**

You likely already have a payroll provider, but turning to a PEO or all-in-one solution often makes sense at this stage. You'll free your employees from some of the time spent wearing the HR hat, and make more confident decisions at the advisement of the PEO's HR consultants. Additionally, PEOs can offer your employees access to health coverage at rates on par with that of a large corporation, even though they work for a much smaller operation.

## 11-50 EMPLOYEES

**HR duties become more time consuming at this stage, and managing HR isn't just about payroll anymore. Compliance is a bigger issue now that more people need to be hired and paid.**

Taking care of the team is especially important here too: finding benefits to offer becomes a big focus. It's also worth noting that the American Disabilities Act applies to companies with 15 or more employees, which affects your obligations to accommodate disabled employees and candidates. Compliance and hiring becomes more of a deciding factor in how you approach HR. It's time to consider a dedicated resource to help your company comply with its employer obligations, whether that's through an in-house hire, and/or turning to a PEO or all-in-one solution.



## 51-150 EMPLOYEES

Offering benefits and staying compliant is more important than ever as you grow. By offering a richer benefits package, you can recruit and retain top-notch employees and keep your teams motivated. It's also time to start acting like a big company, as you lay the groundwork for actually becoming one.

Many times, companies don't do this early enough and find it very difficult to change the patterns and ways of managing later on.

For companies of this size, setting employment policies and procedures is particularly important. Establishing formalized leveling frameworks, offer packages, paid time off policies, parental leave policies — these all help leverage you as a more competitive employer. Having in-house HR generalists and HRIS specialists can help you dedicate resources to employee growth and policy setting. Alternately, turning to a PEO or all-in-one solution can help you offer the benefits you need to attract top talent.

## 150+ EMPLOYEES

It's all about strategy for management and culture for employees. As you move on up, focus on retaining and attracting talent that will help build the foundation for the company you envision.

With more people on board, expect to experience a few growing pains and more employee relations issues along the way that only an experienced HR professional should address.

At this stage, HR can be a very important tactical, in-house department that can help you make the company better and maintain the company culture. Arming that team with the best tools is also important, and HRIS can be key here. The ability to streamline team management and other HR functions in an easy-to-use software platform can prove very helpful as a business continues to scale.



## 05 Conclusion



### Justworks Can Help

Justworks takes the busyness out of growing a business and alleviates the unknown. We've combined a simple platform and exceptional 24/7 customer service with the power of a PEO, so all teams have more time to focus on what matters.

Get access to corporate-level benefits, seamless payroll, HR tools, and compliance support—all in one place.