

Impact of a PEO on a Nonprofit Organization

Nonprofit organizations face unique challenges in comparison to their for-profit counterparts, especially in today's economy, with government funding and financial donations on the decline. One way a nonprofit organization can save on administrative costs while gaining time to focus on programs and fundraising is to partner with a professional employer organization (PEO). PEOs assist in furthering a nonprofit's mission by lifting the human resource burden off the Executive Director (and Board members) including payroll processing, benefits administration, risk management, recruiting, retention, training, organizational development and daily personnel issues.

Many nonprofit organizations are not in a position to hire individuals specializing in each of these areas to create an in-house human resource department; some get creative and outsource these functions to a PEO. A PEO benefits nonprofit organization on several levels, including:

Extra Time: Most nonprofit organizations operate on a skeleton staff in order to maximize program funds and minimize administrative costs. The Executive Director often assumes responsibilities typically managed by HR Directors. When an Executive Director spends the majority of time on personnel issues, submitting payroll, and solving employee claims issues, he or she has little time to focus on improving programs, volunteer management and the all-important task of fundraising. When partnering with a PEO, nonprofits are able to relieve their staff of time spent on payroll processing, benefits shopping and renewal activities, new hire and benefits orientations, compliance issues, recruiting, managing workers compensation claims and insurance and so much more!

Shared Fiduciary Responsibility: The Board of Directors will appreciate a partner in fiduciary responsibility. Directors are typically volunteers, whereas human resources is a PEO's livelihood. A PEO carefully monitors personnel, liability, safety, payroll, and benefits issues, and proactively approaches Directors with areas of concern before issues arise. The Board remains in complete control of the organization and its decisions, while sharing liability.

Shared Liability: When an organization partners with a PEO, they enter into a co-employment agreement. This means the PEO takes on the liability of your personnel. Many of business liabilities are then shared with the PEO, which has a vested interest in making sure you are compliant with all current employer laws. PEOs will fight your unemployment claims, ensure a safe work environment and generally make sure daily operations are conducted in a legal, consistent manner to avoid any lawsuits between employees and employers at your worksite. This includes advising of proper procedures for hiring and firing when the need arises, keeping handbooks up-to-date and administering proper harassment training and awareness among many other things.

Expert Knowledge: Does your Executive Director (or anyone on your nonprofit's staff) have the expertise of a HR Director, employment attorney, benefits specialist, payroll specialist and risk manager? Most likely, the answer is no. While Executive Directors and nonprofit staff have a wealth of knowledge and talents that assist your organization in achieving its mission, human resources is not usually one of them. Your mission is vital to your organization's success. Leave the experts to deal with the HR matters.

Attract and Retain Employees: PEOs afford small and mid-sized organizations the luxury of offering a wealth of benefits to employees at reasonable prices by using their pooled client buying power. A nonprofit organization may not be able to pay the highest salaries but can offer a rich benefits package (let's talk health, dental, life, short- and long-term disability insurance, flexible spending program, employee assistance program and 401k), a safe work environment and a corporate culture that fosters

employee growth and training. In turn, you will be able to attract and retain the best talent for your organization.

Responsible Spending: Nonprofits often need to watch their budgets and prove to donors and members the diligent use of administrative funds. Providing PEO services to *any* organization, whether nonprofit or for profit, at a price equal to or less than the salary of one HR employee is money well spent.

Many times HR outsourcing makes sense for nonprofit organizations. For a free HR audit or a financial comparison between your current HR activities and the offerings and price of a PEO, contact us today at 630.928.0510 or visit www.TandemHR.com.

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