

Managing your business processes is a complicated task. You run the risk of costly penalties for noncompliance with federal and state employment law. Hiring human resources staff and developing the knowledge and expertise required to manage your business processes on a day-to-day basis can be time-consuming, difficult, and expensive, and keeps you from focusing on what you do best – running and growing your business.

Human resources (HR) is the cornerstone of your growing business. When considering an outside resource for HR, there are two common outsourcing options that companies consider: a PEO or an ASO.

## What is a PEO?

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A Professional Employer Organization (PEO) is a firm that partners with employers in a contractual co-employment relationship that involves shared responsibility for managing employees. A PEO becomes the “employer of record” for your employees, in essence, terminating your employees, rehiring them as employees of the PEO, and moving them over to the PEO’s federal employer identification number (FEIN). Since the PEO is now the employer, the service provider chooses the benefits for you, provides you with the employee handbook and policies it requires you to use, and can often make decisions on how you hire and terminate employees.

Many companies feel this model of outsourced HR services removes much of their control over decisions regarding employees and even the business itself. They find this loss of control can be frustrating when, for example, they are told what benefits to offer and whether to hire or fire an employee.

## What is an ASO?

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An Administrative Services Organization (ASO) is a firm that provides similar services offered by PEOs, but does not “own” your employees. The most important difference between an ASO and a PEO is that an ASO does not establish a co-employment relationship with your employees. Under an ASO agreement, your employees remain solely under your control. The ASO will handle your company’s payroll and tax filings, but the paperwork is filed under your company’s FEIN number.

Much like a PEO, an ASO oversees the day-to-day administrative aspects of managing your company’s human resource functions. While an ASO does not sponsor employee benefit programs or workers’ compensation coverage (as a PEO does), it is generally active in arranging for and helping you secure coverage. When working with an ASO, you can carve out your own benefit plans any way you want. Many companies prefer an ASO because it allows them to retain control without having to deal with mundane details on a daily basis.

## HR Knowledge: The Best of Both Models

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Our service delivery model is different. We are not the employer of your employees, but we do provide virtually the same suite of services that a PEO offers – for a fraction of the cost. We offer you the best of both service models without becoming the “employer of record.” HR Knowledge provides a toolbox full of resources and services to choose from in areas like benefits administration, employee onboarding, managed payroll, employee handbooks, employee training, and regulatory compliance. We handle transactional HR tasks so that you can concentrate on company culture, employee retention, and productivity. We offer a single outsourcing solution that gives you more time to attend to strategic HR and to driving productivity and profitability in your organization. Our cloud-based workforce management solutions integrate HR, time and attendance, and payroll functions to deliver better visibility and control of your labor costs, productivity, and compliance.

While HR Knowledge is an ASO, we consider ourselves a Human Resources Outsourcing (HRO) service provider. HRO is one of the fastest-growing segments of the Business Process Outsourcing (BPO) market. According to *Forbes*, an estimated 50 percent of large companies outsource all or some of their HR services. Small businesses are now following the lead of larger companies, having quickly recognized that HRO is a cost-effective alternative. Many businesses are turning to HRO firms to help them manage payroll, benefits and HR administration, workplace compliance, and recruiting. Businesses are always looking for ways to reduce costs and improve efficiencies and productivity. By outsourcing certain HR functions, business leaders gain time to play a more strategic role in their organizations.

To learn more about the differences between a PEO and ASO, please contact us, and put HR Knowledge to work *in* your business so you can focus *on* your business.