



The Power of PEO Partnerships

How professional employer organizations can help their clients support employee well-being



Professional employer organizations’ reach, role, and impact continue to expand

According to the National Association of PEOs (NAPEO), the penetration rate of PEO use among US businesses with between 10–99 worksite employees is 13%, up from 11% in 2021. PEOs have grown at an average 7.5% compounded annual growth rate since 2008.¹

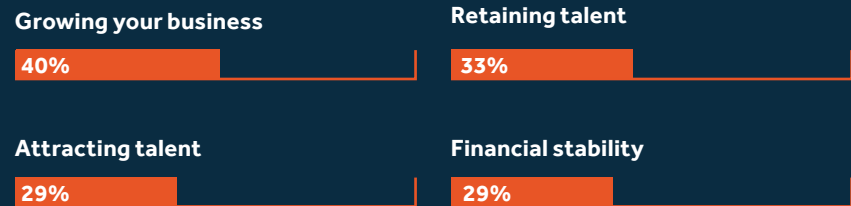
Fortunately, the number of employers joining PEOs may be poised to grow even more in the coming years. Through an increase in remote work and businesses being more open to hiring remote employees, many firms are increasing their geographic footprint. The more states employers have worksite employees in, the likelier they are to use a PEO.

Fifteen percent of employers with workers in 10 or more states use a PEO compared to 7% of employers with worksite employees in 5–9 states.

That’s a positive trend for both PEOs and employers, as compliance with state leave laws is a major compliance challenge for small businesses.² Indeed, many services PEOs provide tie directly to some of small businesses’ most significant challenges.

Top challenges faced by small businesses

Percentage of employers at organizations with <50 worksite employees who strongly agree

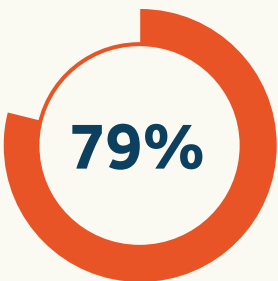


Partnering with a PEO can help small businesses address those challenges, freeing up HR professionals to focus on supporting their worksite employees in other ways. This often leads to greater business success.

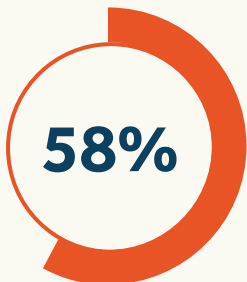
Still, one of the prevailing reasons why firms join PEOs is to access and provide a greater variety of benefits to their worksite employees. Knowing what the most in-demand benefits are that also are most effective at supporting worksite employees’ well-being is a crucial opportunity for PEOs.

Amid challenges around talent attraction and retention, offering as competitive a benefits package as possible while controlling costs is an appealing combination to employers, and one PEOs can help provide. Helping firms understand why becoming a PEO client may benefit them, as well as understanding what they should be offering to be the best worksite employers possible, is an important part of a PEO’s strategy.

Organizations that have experienced significant or moderate growth in the past three years



Work with a PEO



Don't work with a PEO

PEOs can help enable more robust growth, lower turnover, and higher revenue among clients

Overall, organizations using a PEO are more successful across several measures than organizations that don't. While there are several factors contributing to this, nearly a third of employers using a PEO cite the fact that PEOs help remove distractions relating to HR administration, enabling them to focus on business and revenue generation.³

Eighty percent of organizations using a PEO say they anticipate significant or moderate revenue growth in the next three years compared to 65% of those that don't.

As a result, they're less likely to go out of business. NAEPO found that small businesses using PEOs are 50% less likely to go out of business than organizations that don't belong to one.⁴

Organizations using a PEO also do a better job retaining their worksite employees.

PEO clients have 10% to 14% lower employee turnover.⁵

In an era where top talent is difficult to attract and retain, this is valuable insight for organizations.

In addition to business success, organizations using PEOs experience a range of HR- and benefits-related advantages.

Their investment in a PEO pays off, with organizations using PEOs rating themselves as more successful than organizations not using PEOs across a range of objectives.

Percentage of current PEO members that agree with the following advantages⁶



Dedicated resources to support HR services (e.g., workforce planning, cybersecurity) my organization wouldn't otherwise have

37%



Support with benefits communications and administration

33%



Support with evolving compliance and employment laws

33%



Access to more comprehensive benefits

31%



Lower payroll processing and accounting costs

30%

Percentage of employers using a PEO who rate themselves most successful at...

Offering more value-added services

63%

+43% over those not using a PEO

Tailoring communications and enrollment experiences for various worksite employee segments

68%

+34% over those not using a PEO

Expanding the use of mental and emotional health resources

71%

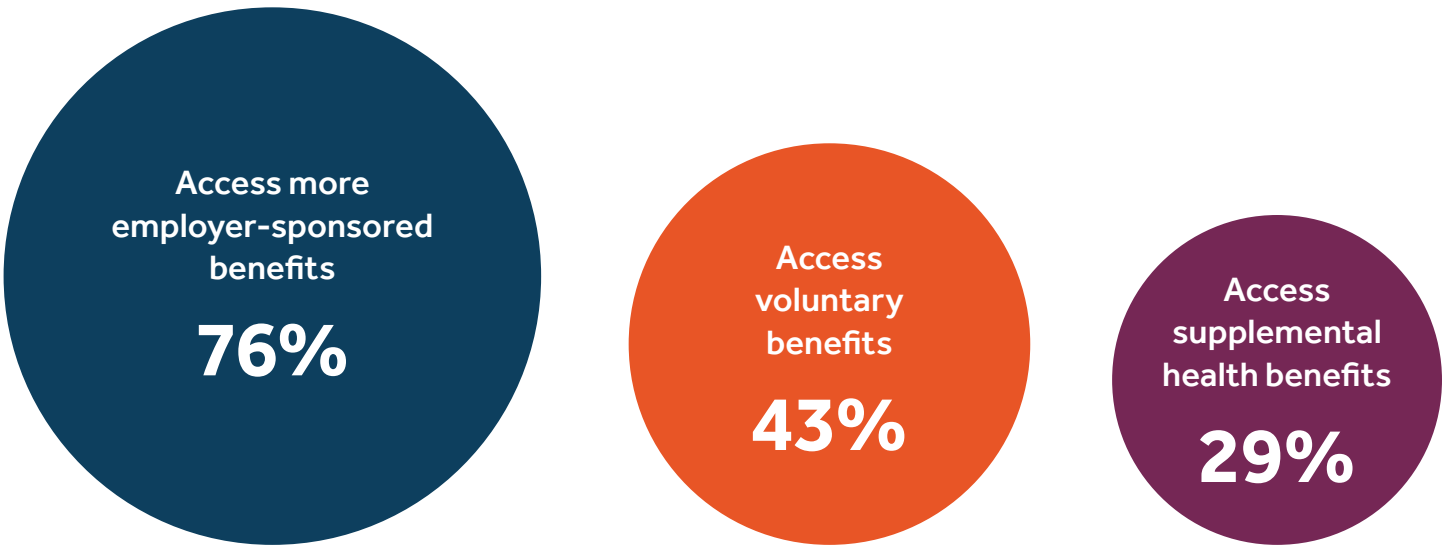
+33% over those not using a PEO

Expanding employer-sponsored benefits drives many organizations to work with a PEO

Across industries, a major reason businesses that use a PEO choose to do so is to access more employer-sponsored benefits to offer their worksite employees. Seventy-six percent of PEO clients joined for that reason, up from 72% in 2021.

Goals motivating employers to join PEOs

Percentage of current PEO members that strongly agree

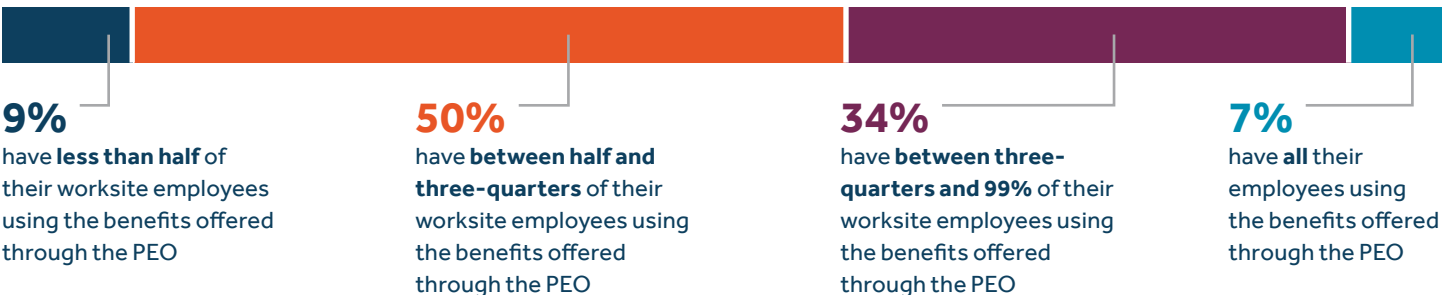


More specifically, the top benefits employers are looking to add are medical insurance (46%), mental wellness benefits (45%), life insurance (32%), and vision (31%).

Overall, firms have been more successful in recent years in using PEOs to improve access to benefits for worksite employees. The largest share of employers using a PEO (50%) say between half and three-quarters of their worksite employees use the benefits offered through their PEO, up from 41% in 2021, but the percentage that have all their worksite employees using the benefits offered through the PEO has grown the most.

The share of PEO clients that have all their worksite employees using the benefits offered through their PEO has increased significantly since 2021.

Of employers who use a PEO:

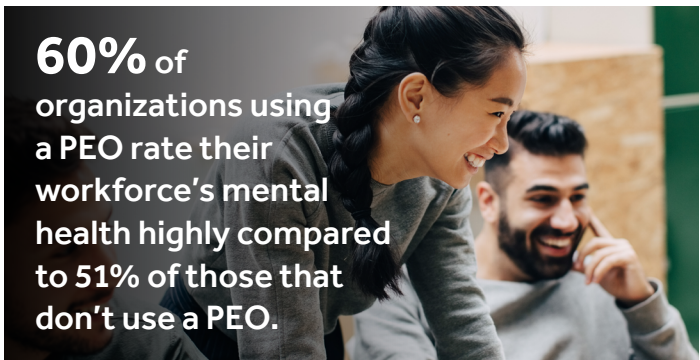
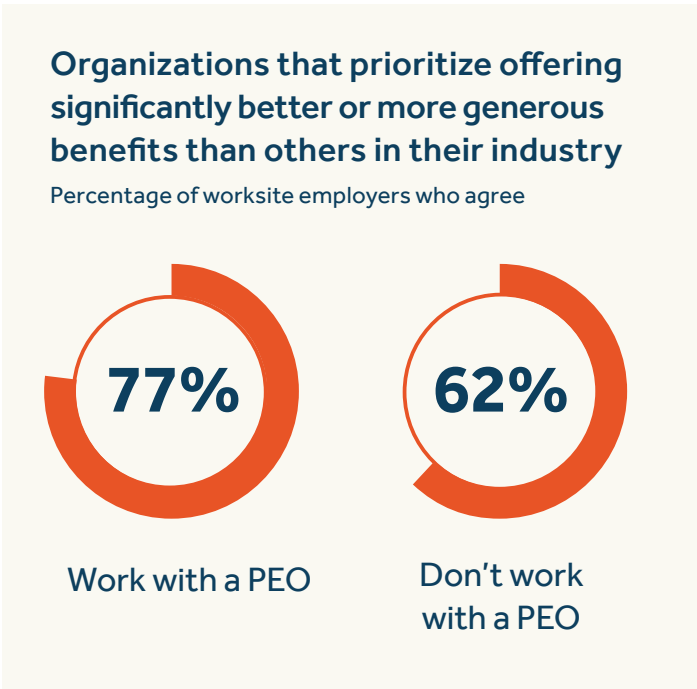


PEO clients offer richer physical and mental wellness benefits and policies than organizations that don't work with a PEO

Over the past few years, worksite employee well-being has declined across physical, mental, and financial health. As such, it's critically important that organizations offer benefits and policies that support worksite employees across all dimensions of wellness and at pivotal life moments.

PEO clients are leaders when it comes to prioritizing benefits offerings overall, and place a higher emphasis on being strategic about benefits packages as a talent attraction and retention tool than organizations that don't work with a PEO.

Companies that excel in key areas related to worksite employee well-being are also far likelier to work with PEOs. For example, PEO clients are 57% likelier to offer a behavioral health program than businesses that don't use one, 127% more likely to offer an employee assistance program (EAP), and 138% more likely to offer employee support groups. Their investment pays off, as employers using PEOs report significantly better overall workforce mental health than employers that don't.

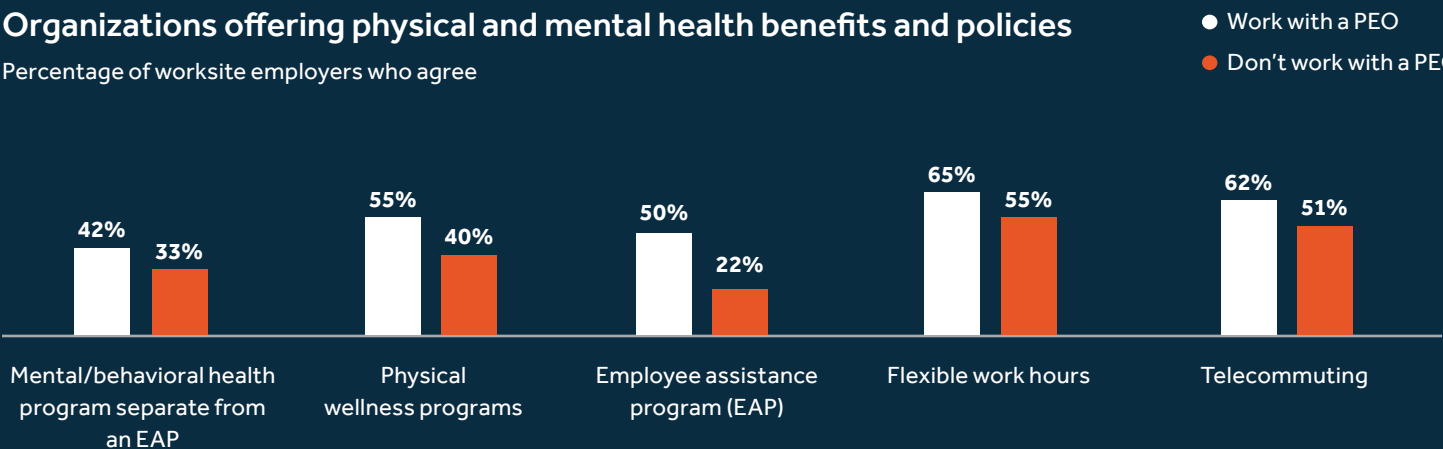


PEO clients also prioritize their worksite employees' physical health more so than firms that don't work with a PEO. Seventy percent of employers that work with a PEO highly prioritize expanding the use of physical wellness, preventive, and health initiatives for their worksite employees compared to 55% of firms that don't use a PEO.

PEO clients are 38% more likely to offer physical wellness programs such as health risk evaluations, smoking cessation, and weight loss programs.

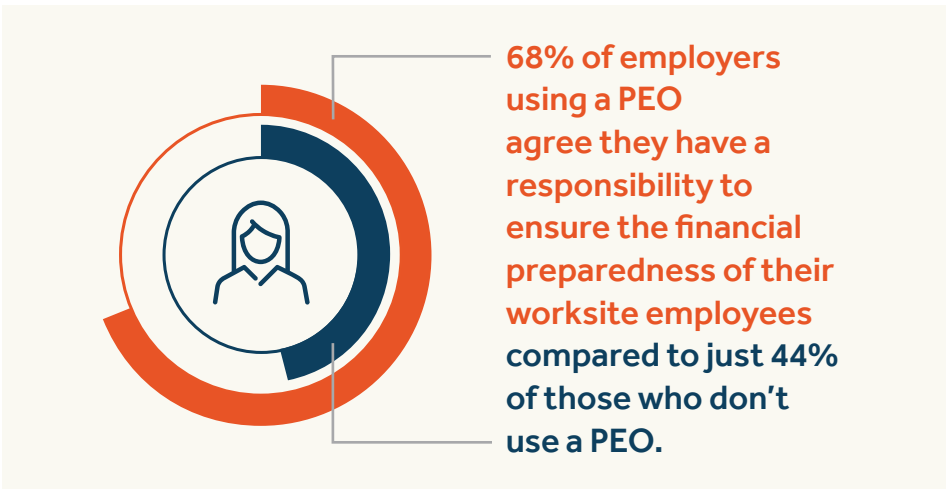
Organizations offering physical and mental health benefits and policies

Percentage of worksite employers who agree



PEO clients take a greater responsibility for their worksite employees' financial wellness and offer a wider array of protection products

Overall, organizations using PEOs tend to have a greater sense of responsibility for their worksite employees' financial wellness.



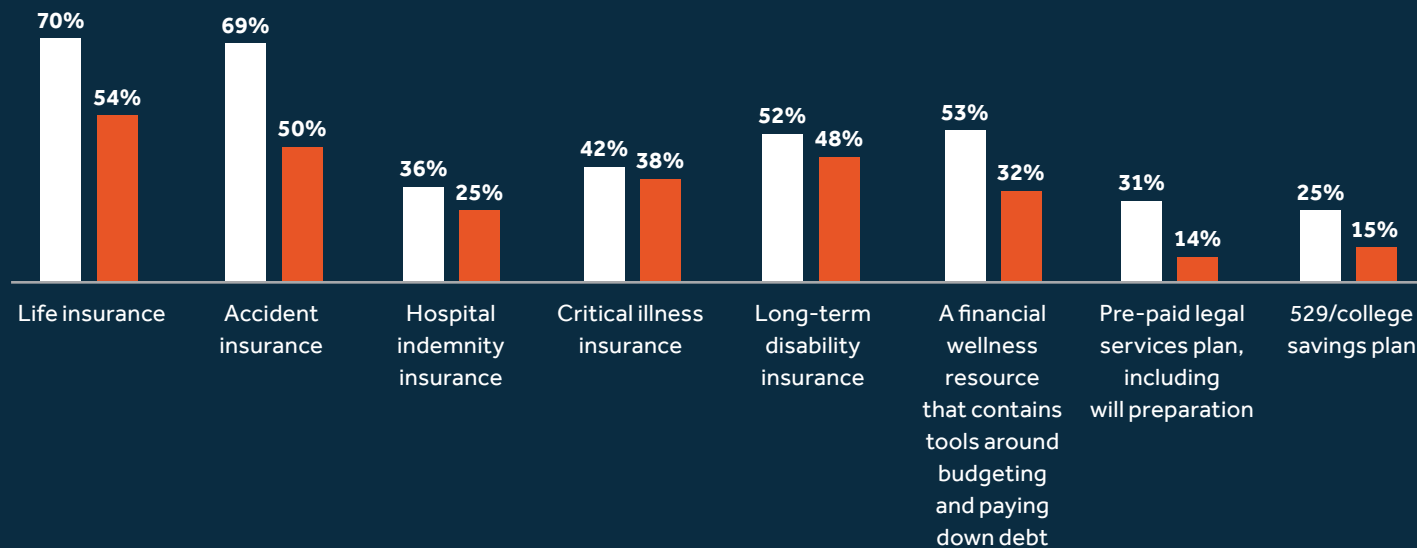
Additionally, employers that work with PEOs are far likelier to say that improving their worksite employees' financial security is a top priority (80%) versus those that don't (68%).

They also offer financial protection and supplemental health products at a higher rate than companies that don't work with a PEO.

Organizations offering financial health and protection products

Percentage of employees and employers who agree

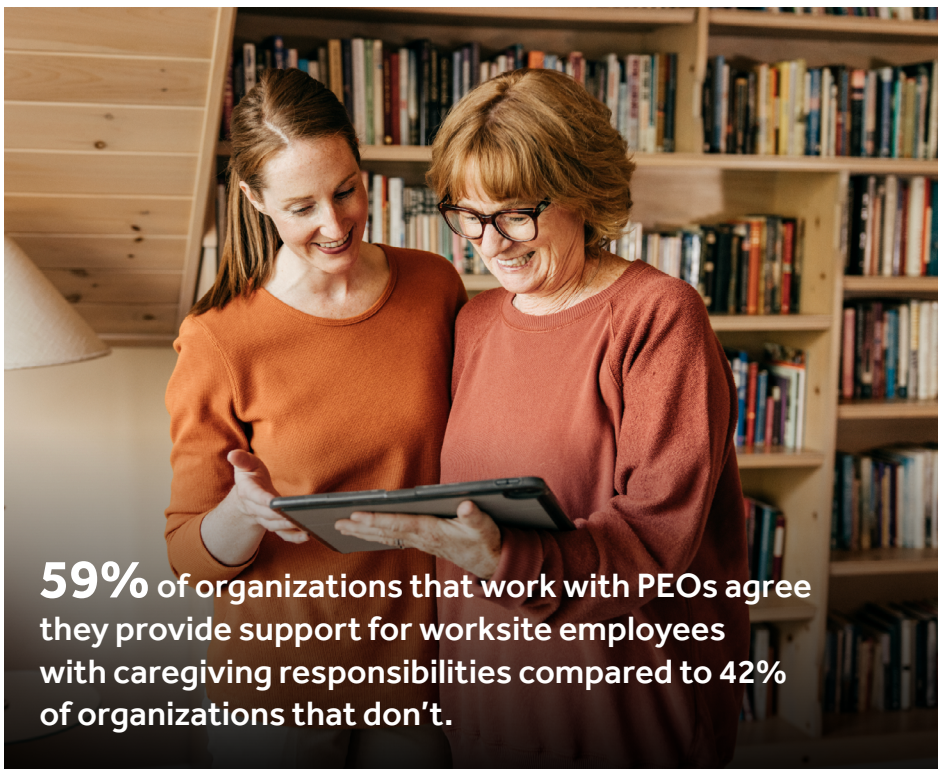
- Work with a PEO
- Don't work with a PEO



Organizations using a PEO are more likely to offer benefits and resources that support caregivers in their workforce

PEO clients also tend to provide more generous paid leave policies to their workforces, especially caregivers. This is a positive and impactful strategy, as 73% of American worksite employees have some type of caregiving responsibility.

Organizations working with PEOs are more likely to respond to that need and to have added benefits and resources specifically for caregivers, likely because they notice the toll caregiving can take. Thirty-five percent of employers agree that worksite employees' caregiving responsibilities can have a negative impact on their health and productivity.

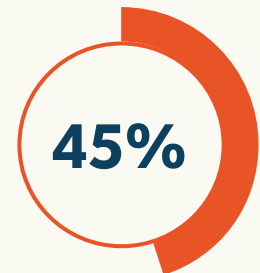


59% of organizations that work with PEOs agree they provide support for worksite employees with caregiving responsibilities compared to 42% of organizations that don't.

PEO clients are also far more likely than firms that don't work with PEOs to offer support to worksite employees returning to work following a leave of absence. Seven in 10 (71%) PEO clients say providing accommodations to employees returning to work following a disability, leave or serious illness is very important compared to 51% of organizations that don't use a PEO.

Organizations offering services for caregivers (e.g. home health aids, referrals, legal aid, etc.)

Percentage of employers who agree



Work with a PEO



Don't work with a PEO

Managing benefits is more complex than ever before, and small firms especially need support

The rapid rate of change in the employee benefits landscape over the past decade has led to a growing number of employers reporting that managing benefits has become increasingly complex.

Sixty-three percent of firms with <50 worksite employees strongly agree that managing benefits has become more complex.

Specifically, three-quarters of organizations with fewer than 50 worksite employees say that managing compliance in light of changing federal and state regulations is a significant priority. As a result, nearly six in 10 small businesses (58%) are concerned with improving their leave management practices .

In addition, 72% of small businesses are concerned that their worksite employees understand the full value of their benefits packages. This is a valid concern since individuals who work for smaller firms report lower benefits satisfaction (23% of worksite employees who work for firms with <50 employees report being unsatisfied with their benefits packages) than their peers at larger firms (7% of worksite employees who work for firms with 100–999 employees).

Individuals who work for smaller firms are more than 200x more likely to be dissatisfied with their benefits packages than their peers at larger firms.

While offering more benefits is one way to improve satisfaction, often the more effective strategy is to boost benefits education and communication so worksite employees have a better awareness of what benefits are available to them and how they work.

Employers that work with PEOs lead when it comes to making concerted efforts and progress on benefits communication and education strategies that can help address this.

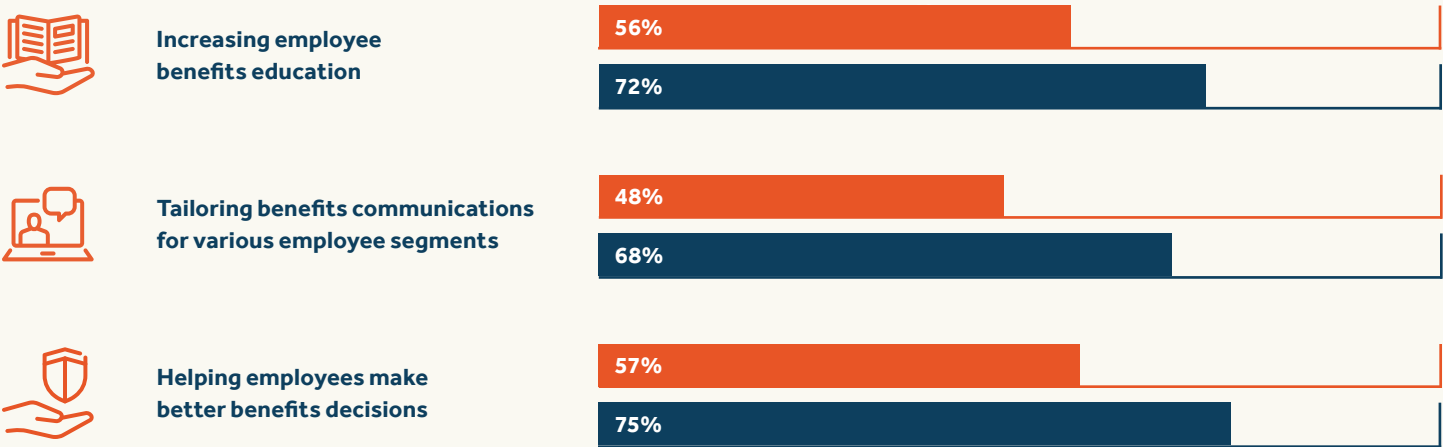
As a result, companies working with a PEO are far likelier to seek out decision-support tools as part of their benefits technology strategy to offer worksite employees more personalized guidance.

Nearly three-quarters of organizations that work with PEOs prioritize finding benefits technology solutions that include decision-support tools that help employees make effective benefits decisions compared to 57% of organizations that don't.

Strategies to help boost benefits awareness and engagement

Percentage of employers who prioritize the following goals

- Don't work with a PEO
- Work with a PEO



For small businesses, PEOs can be an important enabler in digital adoption

HR technology can help organizations of all sizes increase efficiency in administering benefits, onboarding, and managing enrollment, especially for small companies with lean HR teams.

More than 55% of small businesses only have one person dedicated to HR, and they are likely also managing a variety of other responsibilities. Unfortunately, this often means that small organizations trail larger organizations when it comes to benefits technology adoption.

Nearly 70% of small businesses with fewer than 100 employees still use mostly paper-based processes to collect employee enrollment information.

For short-staffed HR teams, efficiency can be the difference in keeping up with offerings from larger companies they're competing against for top industry talent. Yet many small businesses are still relying on basic processes that have been available for decades. Nearly three-quarters report using spreadsheets and email to manage many of their HR initiatives.

51% of small businesses are interested in the use of automation and technology to free up employees for higher-value work.

About half of small businesses recognize the opportunity and are interested in expanding their use of benefits technology. But in addition to budgetary concerns, their primary barrier to adoption is lack of knowledge about available technology solutions (36%).⁷

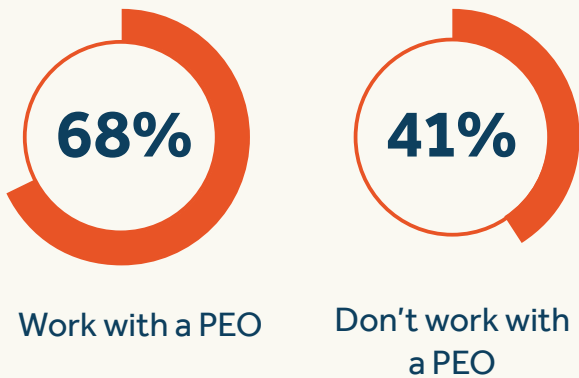
These trends shift, however, when examining small businesses that work with PEOs.

Firms that work with PEOs are also 75% more likely than firms that don't to say that they collect employee enrollment information in seamless, real-time processes, like Application Programming Interfaces (APIs). And of those using APIs, nearly 9 in 10 organizations using PEOs (89%) say they've made measurable efficiency gains with APIs vs. 52% of companies that don't work with a PEO.

As a result, PEO clients have better enrollment outcomes overall than companies that don't work with PEOs.

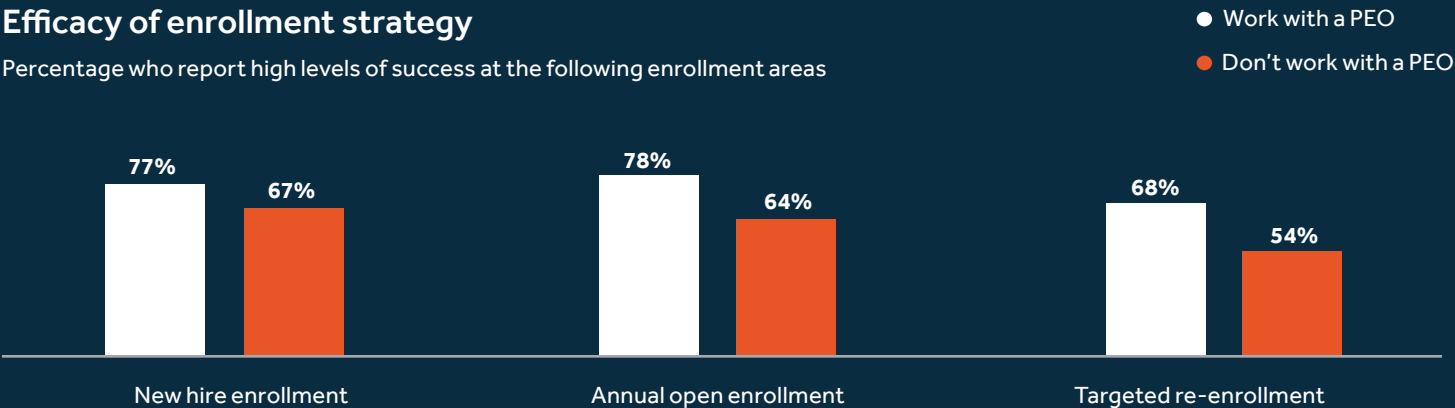
Organizations that work with PEOs lead in digital adoption

Percentage of organizations that have highly digital benefits processes



Efficacy of enrollment strategy

Percentage who report high levels of success at the following enrollment areas



Positioning your PEO as a valued partner to clients

Although the advantages to working with a PEO are clear, not all companies that would benefit from a PEO partnership choose to pursue one. A major reason is cost; firms may be concerned that the value isn't there, and even some companies that used to work with a PEO cite cost as the primary factor behind why they stopped doing so.

But in today's climate, where workforce well-being is declining and worksite employees are more reliant than before on their benefits, working with a PEO is an investment small companies especially can't afford not to make to remain competitive and attract and retain top talent.

Below are some ideas for PEOs to more effectively position themselves as key partners to their current and prospective clients.



Ensure your benefits package includes offerings that worksite employees need

Core benefits such as life insurance, disability insurance, and vision and dental insurance can play a critical role in supporting well-being.



Work with carriers that offer the most in-demand benefits

Benefits that may have previously been classified as "nice-to-haves" have since become table stakes. Worksite employees want mental health resources, caregiver support, and financial protection products like supplemental health benefits.



Be a resource on benefits technology

Many small businesses don't know where to start when it comes to developing an HR administration and benefits technology strategy. PEOs can provide valuable guidance, enabling their clients to get help with tools that can help companies provide decision-making support, personalization, and benefits access to their worksite employees.



Advise on benefits communication and enrollment strategy

Small firms especially are concerned about attracting and retaining worksite employees. Helping them understand the connection between how awareness and value of benefits translates to improved loyalty is critical to them investing in working with a PEO.



Help clients manage benefits and compliance

Managing benefits administration and compliance is complex, especially for smaller firms. PEOs can help them keep track of ever-changing leave laws and regulations.

Appendix

Methodology and sample characteristics

The Guardian 13th Annual Workplace Benefits Study was fielded in January and February of 2024 and consisted of two online surveys: one among benefits decision-makers (employers) and another among working Americans (employees), allowing us to explore benefits issues from both perspectives.

Employer survey

Employer results are based on a national online survey of 2,000 employee benefits decision-makers. Respondents include business executives, business owners, human resources professionals, and financial management professionals. The survey covers all industries and is nationally representative of US businesses with at least five full-time employees. For the purposes of this report, small businesses were defined as having fewer than 100 employees.

Data shown in this report have been weighted to reflect the actual proportion of US businesses by company size, based on data from the US Census Bureau. The margin of error at the 95% confidence level is +/- 2.2%.

Employee survey

Employee results are based on a survey conducted among 2,000 employees age 22 or older who work full time or part time for a company with at least five employees. The survey sample is nationally representative of US workers at companies of at least five employees.

Data shown in this report have been collected in a way to reflect the actual proportion of US workers by gender, region, race, ethnicity, education level, household income, age, and employer size, based on data from the Bureau of Labor Statistics and the Census Bureau. The margin of error is +/- 2.1% at the 95% confidence level.

Guardian's Workforce Well-Being Index™ (WWBI) measures consumer attitudes in three core areas: financial wellness, physical wellness, and emotional wellness, and ranks them on a 10-point scale.

Unless otherwise noted, all information contained in this report is from the 13th Annual Guardian Workplace Benefits Study, 2024. All information specifically noted as 2023 data is from the 12th Annual Guardian Workplace Benefits Study.

References

- 1 [PEO Industry Footprint 2023](#). The National Association of Professional Employer Organizations (NAPEO), 2023
- 2 [The Value of Leave Integration](#). 2023 Guardian Absence Management Activity Index and Study, 2023
- 3 [The PEO Advantage](#). Guardian 11th Annual Workplace Benefits Study, 2021
- 4 [PEO Fact Sheet 2022](#). NAPEO, 2022
- 5 Ibid
- 6 [The PEO Advantage](#). Guardian 11th Annual Workplace Benefits Study, 2021
- 7 [2023 State of HR Executive Summary Report](#). Mineral, 2023



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Unless otherwise noted, all data are sourced from Guardian's 13th Annual Workplace Benefits Study, 2024.

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2024-180254 (Exp. 8/26)