

How do PEOs work?



A Professional Employer Organization (PEO) specializes in HR services that small to midsize businesses can use to manage their payroll, HR, and benefits. It allows businesses to offload complex administrative tasks, while providing employees access to big-company benefits, such as large group health coverage.

Under a PEO, employees are co-employed—meaning employees are employed by both the business, as the ‘worksite employer,’ and the PEO, as the ‘administrative employer.’ While the PEO helps administer employment-related responsibilities, like state-by-state compliance and unemployment tax registrations, the business maintains control over the operational aspects of running a business, like hiring, determining employees’ responsibilities, and building culture.

What we’ll cover:

How do PEOs work?

Why do businesses use PEOs?

How does PEO
co-employment work?



Why do businesses use PEOs?

Access better benefits

Large group health plans are typically more affordable than small group plans, but are only available to businesses with more than 50 or 100 employees depending on the state. Because PEOs “co-employ” workers from many individual businesses, they can negotiate with carriers to secure higher-quality large group benefits for those small business employees.

Outsource compliance work

Labor and employment laws are complicated, differ in every state, and change often. A PEO helps you follow the rules and avoid costly fines. You’ll get support with ACA and COBRA administration, employee insurance claims, and mandatory workplace posters.

Simplify management of remote teams

It’s becoming common for small businesses to hire and manage a remote workforce. Making sure you’re compliant and paying taxes in each state where your employees live is necessary to avoid fines. PEOs often alleviate that burden by registering for you in those states, and ensuring your tax rates are updated whenever they change.

Significantly cut HR costs

A recent [study by McBassi and Associates](#) found that a PEO cuts down HR costs by on average \$1,775 per year per employee. Businesses that use PEOs often see lower employee turnover, higher rates of both employee and revenue growth, and enhanced employee benefit offerings.

When small businesses use a PEO they have...

50%

higher chance
of staying
in business

14%

lower employee
turnover rate

5%

higher revenue
growth rate

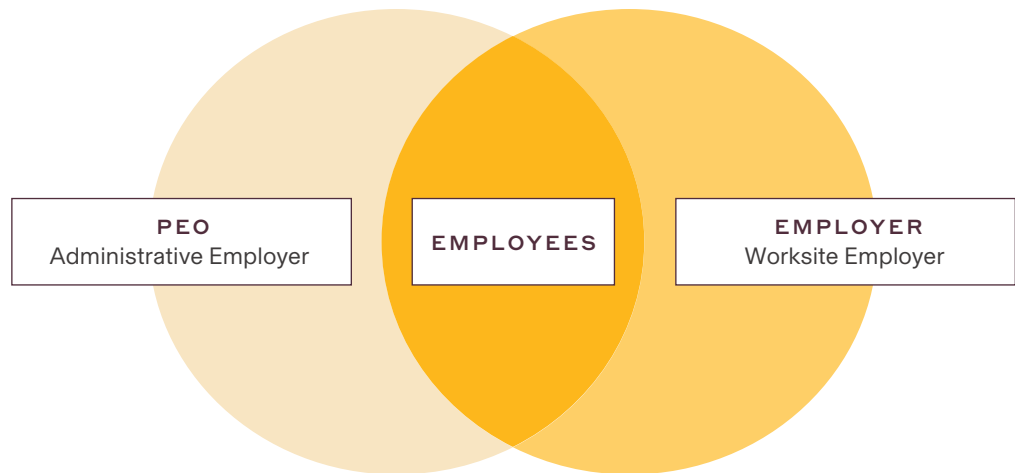
\$1,775

saved per employee
per year on HR admin
and benefits costs



How does PEO co-employment work?

When a company joins a PEO, the PEO will co-employ the workforce for administrative purposes, like paying employees and filing payroll taxes. The company will still retain full control over who is hired, which benefit plans and designs are offered to employees, and other important human resources decisions.



Rippling PEO

Gives your employees access to large group benefits and workers' comp

Pays your employees (after you run payroll) and files your taxes with Federal and State agencies

Helps keep you compliant in each state where you have employees.

Your employees

Receive pay stubs from the PEO

Enroll in the PEO large group benefits plans, including Medical, Dental, Vision, Life, Disability

Are covered under the PEO's workers' compensation policy

Your company

Determines employees' roles/responsibilities and compensation

Manages day-to-day people operations, including hiring, firing, performance reviews, and culture

Ensures worksite safety, training, and employee feedback/discipline



Want to learn about Rippling PEO? [Read more](#)

Rippling's modern PEO automates your HR + IT busywork for you. We take care of your manual (and costly) compliance work. Plus, your employees can access better, more affordable benefits.