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Buyer's Guide to HR Outsourcing

Making the Right Choice for Your Growing Business

The HR Challenge Facing Growing Businesses

If you're running a business with 20 to 100 employees, you're in a unique position. You're no longer a startup, but you're not yet a large enterprise with a comprehensive HR department. You're in the growth zone, and that comes with its own set of challenges.

You're likely spending more time than you'd like on HR administration: processing payroll, managing benefits, staying compliant with employment laws, handling workers' compensation, and fielding employee questions. These tasks pull you away from growing your business and serving your customers.

According to recent research, one-third of business leaders spend more than 10 hours per week on HR administrative tasks. That's more than a full workday every week dedicated to paperwork and compliance, rather than strategic business growth.

The question isn't whether you need HR support; it's what kind of support will best serve your business. This guide will help you understand HR outsourcing options, evaluate whether it's right for your business, and make an informed decision.

Understanding HR Outsourcing and PEOs

What Is HR Outsourcing?

HR outsourcing is the practice of delegating human resource functions to an external provider that specializes in managing these tasks efficiently and in compliance with regulations. Rather than handling everything in-house, you partner with experts who take on the administrative burden, compliance responsibilities, and specialized knowledge required to manage a modern workforce.

HR outsourcing can take several forms, but the most comprehensive solution for growing businesses is a Professional Employer Organization (PEO).

What Is a PEO?

A Professional Employer Organization (PEO) is a specialized HR outsourcing provider that enters into a co-employment relationship with your business. The PEO becomes the employer of record for tax and insurance purposes, while you maintain full control over day-to-day operations, hiring decisions, and management of your workforce.

This partnership allows the PEO to handle critical HR functions, including:

- **Payroll processing and tax administration**
  Accurate, on-time payroll with federal and state tax filing
- **Employee benefits**
  Access to competitive health insurance, dental, vision, and retirement plans
- **Workers' compensation insurance**
  Coverage, claims management, and workplace safety support
- **HR compliance**
  Expert guidance on employment laws, regulations, and best practices
- **Risk management**
  Support for unemployment claims, wage and hour compliance, and employment liability
- **Technology solutions**
  Modern HRIS platforms for payroll, onboarding, time tracking, and employee self-service

Why HR Outsourcing Matters

The HR outsourcing market was valued at $42.5 billion in 2024 and is projected to reach $69 billion by 2032.[^1] This growth reflects businesses discovering that outsourcing HR functions delivers tangible benefits:

- **Cost Savings:** Companies can save up to $1,775 per employee per year in HR-related costs. PEOs help reduce administration costs by up to 50% or more for many businesses.
- **Time Savings:** Business owners reclaim 7-10 hours per week previously spent on administrative tasks, allowing them to focus on revenue-generating activities.
- **Better Benefits:** Access to enterprise-level health insurance and benefits at group rates that would be impossible to negotiate independently.
- **Compliance Protection:** Expert guidance navigating complex federal, state, and local employment regulations, reducing the risk of costly mistakes.
- **Business Growth:** Companies working with PEOs report 40% better revenue growth and are 50% less likely to go out of business.[^2] During the pandemic, small businesses were 58% less likely to have closed if they worked with a PEO.[^3]

For businesses in industries such as professional services, franchises, medical offices, and skilled trades, these advantages can be transformative.

Key Factors to Consider When Evaluating HR Outsourcing

1. Comprehensive Service Offering

Does the provider offer a complete HR solution, or will you need to piece together multiple vendors? For growing businesses, a comprehensive solution typically delivers better results because all your HR functions work together seamlessly.

2. Technology Platform and User Experience

Your HR technology should be intuitive, mobile-friendly, and designed for practical use in the real world. Your employees should be able to access pay stubs, request time off, and enroll in benefits without needing to contact the HR department. Poor technology creates bottlenecks and frustration.

3. Customer Service and Responsiveness

One of the most common complaints about HR outsourcing providers is the poor quality of customer service. Look for providers who offer direct access to dedicated account managers, real people who answer the phone, and same-day resolution for urgent issues.

Key questions to ask:

- Will I have a dedicated team of experts working on my account (Account Manager, Payroll Coordinator, HR Consultant, etc.)?
- What are your typical response times?
- What is your customer satisfaction rating?

4. Industry Experience

Different industries face different HR challenges. Medical offices must navigate HIPAA compliance. Franchises need multi-location HR management. Skilled trades companies face unique workers' compensation challenges. Professional services firms compete intensely for specialized talent. A provider with experience in your industry will understand your challenges and provide relevant guidance.

5. Scalability and Growth Support

Can the provider grow with you? Evaluate whether the provider can support multi-state operations, handle increasing complexity, and scale their services as your needs evolve.

6. Benefits Quality and Options

Access to quality, affordable benefits is often a driver for choosing a PEO. Request detailed information about plan options, coverage levels, and costs to inform your decision.

7. Workers' Compensation Coverage

For businesses with workplace injury risks, workers' compensation coverage and safety program support are critical. Some PEOs own their own workers' comp insurance carriers, which can provide better rates and more direct claims management.

8. Pricing Transparency

Pricing models vary significantly. Some charge a percentage of payroll; others use a flat per-employee monthly fee. Hidden fees and unclear billing practices can quickly erode value. Demand complete transparency about pricing structure, what's included in your base fee, and what costs extra.

9. Credentials and Compliance Track Record

Look for providers with certifications such as state PEO licensing where required, and strong financial ratings (such as AM Best ratings for workers' comp carriers).

10. Contract Terms and Exit Strategy

Understanding the contract terms, notice requirements, and transition process if you decide to leave is essential.

Common Mistakes to Avoid

1. Choosing Based on Price Alone

The cheapest option often comes with hidden costs—poor customer service, limited benefits options, inadequate technology, or compliance mistakes that result in penalties. Focus on the total value, not just the lowest price.

2. Failing to Check References

Sales presentations always highlight strengths. Speaking with current clients reveals the day-to-day reality. Ask for references from businesses similar to yours in size and industry.

3. Overlooking Customer Service Quality

Poor customer service is one of the top reasons businesses switch PEO providers. Evaluate customer service quality during the sales process. It's usually a good indicator of what you'll experience as a client.

4. Not Understanding What's Included

Get a detailed, written breakdown of all services included in your base fee, and all potential additional charges to avoid surprise bills.

5. Rushing the Decision

Implementing a new HR solution is significant. Take time to thoroughly evaluate options, ask questions, and think through the implications.

Is HR Outsourcing Right for Your Business?

Signs HR Outsourcing Is Right for You

- ✓ You're spending too much time on HR administration
- ✓ You struggle to offer competitive benefits
- ✓ Compliance concerns keep you up at night
- ✓ You're planning to grow and need scalable support
- ✓ Workers' compensation costs are significant
- ✓ You don't have dedicated HR staff
- ✓ Your current systems are inefficient

Signs You Might Want to Wait

- ✗ You prefer complete control over all vendors; Co-employment may feel constraining
- ✗ You have sophisticated in-house HR capabilities
- ✗ You're going through significant, ongoing business uncertainty

The ROI Equation

Consider HR outsourcing an investment rather than an expense. Calculate the potential return by considering:

- **Time savings:** How many hours per week could you reclaim?
- **Cost savings:** What could you save on benefits, workers' comp, and administrative overhead?
- **Risk reduction:** What would a compliance mistake or lawsuit cost you?
- **Growth enablement:** How much faster could you grow without HR constraints?
- **Employee satisfaction:** What's the value of reduced turnover and higher engagement?

For most growing businesses, the ROI is clear and compelling.

The FrankCrum Difference: What Sets Quality PEO Providers Apart

Characteristics of Quality PEO Providers

- **Exceptional Customer Service**
  Top PEO providers maintain strong customer satisfaction ratings and retention rates. They provide direct access to real people who can solve problems.

- **Personalized Support**
  Quality providers tailor their approach to your business, combining white-glove service with innovative technology.

- **Owned Insurance Carriers**
  PEOs that own their own workers' compensation insurance carriers can often provide better rates and more responsive claims management, backed by strong financial ratings from organizations like AM Best.

- **Comprehensive HR Expertise**
  Top providers offer support across the full spectrum of HR needs: compliance, government reporting, wage claims and audits, EEO services, unemployment claims, tax credits, and more.

- **Modern Technology**
  Leading PEOs provide mobile-friendly platforms for payroll submission, onboarding, PTO tracking, pay statements, benefits enrollment, and records management.

- **Proven Track Record**
  The best PEO providers have been in business for decades, serve thousands of clients, and have consistent positive feedback from businesses in your industry.

Questions to Ask Potential Providers

1. What is your customer satisfaction rating and client retention rate?
2. Will I have a dedicated team of experts, such as a Payroll Coordinator, HR Consultant, Account Manager, etc.?
3. Do you own your own workers' compensation carrier? What are your financial ratings?
4. Can you provide references from businesses in my industry?
5. How do you handle customer service—phone queues or direct access?
6. What exactly is included in my base fee, and what costs extra?
7. How do you support businesses as they grow and expand?

Making Your Decision: A Step-by-Step Process

Step 1: Define Your Needs

- What HR tasks consume the most time?
- What are your biggest pain points?
- What are your growth plans for the next 3-5 years?
- What's your budget range?

Step 2: Research and Shortlist Providers

Identify 3-5 potential PEO providers that serve businesses in your industry and size range. Look for strong credentials, positive reviews, and appropriate experience.

Step 3: Request Information and Proposals

Get detailed service descriptions, complete pricing breakdowns, technology demos, references, credentials, and implementation timelines.

Step 4: Evaluate and Compare

Create a comparison framework weighing service comprehensiveness, technology quality, customer service approach, benefits options, pricing, industry experience, scalability, and track record.

Step 5: Check References and Reviews

Contact provided references and research online reviews to get a complete perspective on the provider's day-to-day performance.

Step 6: Conduct Final Due Diligence

Review contract terms carefully, clarify remaining questions, understand the implementation process, and verify credentials.

Step 7: Plan Implementation

Work with your chosen provider to set a realistic timeline, plan employee communication, and establish success metrics.

Your Next Steps

Managing HR effectively is essential to business success, but it doesn't have to consume your time and energy. HR outsourcing through a quality PEO partnership can help you:

- ✓ Reclaim valuable time to focus on growing your business
- ✓ Offer competitive benefits that attract and retain top talent
- ✓ Reduce compliance risks and protect your business from costly mistakes
- ✓ Access enterprise-level technology and expertise
- ✓ Scale efficiently as your business grows

Ready to Explore Your Options?

If you're a business owner with a growing company, and you recognize the challenges outlined in this guide, it's worth exploring whether HR outsourcing could benefit your business.

Schedule a consultation to discuss your specific needs, challenges, and goals. In a no-pressure conversation, you can explore whether HR outsourcing is right for your business and what a partnership might look like.

For more information about FrankCrum PEO and how we support growing businesses with comprehensive HR solutions, visit www.frankcrum.com or call 1-800-277-1620 to schedule a consultation to discuss your specific needs.

References

[^1]: Credence Research. "HR Outsourcing Market Size, Share, Trends and Forecast 2032." June 2025. https://www.credenceresearch.com/report/hr-outsourcing-market

[^2]: NAPEO Research. "PEO Clients: Faster Growing, More Resilient Businesses with Lower Turnover Rates." September 2024.

[^3]: PEOcompare. "Five PEO Disadvantages." https://www.peocompare.com/PEO-disadvantages-5-reasons-companies-abandon-them/

About FrankCrum

Although FrankCrum clients appreciate our long and successful track record, financial stability, technology capabilities, and the wide range of services we offer, what we hear most often is that they appreciate being able to speak with a live person who gives them straight answers to what may sometimes be difficult questions. That's the way we do business—one person at a time, one client at a time. It's literally part of our DNA as the FrankCrum family of businesses: what we call a "Family of Employer Solutions."

Our organization was founded in 1981 when Frank W. Crum, Jr., and his father started offering temporary staffing services, with a deep commitment to the success of business owners. Because of that commitment, we expanded our professional offerings over time as clients partnered with us to help them grow. Today, that family of businesses—still owned and operated by Frank Crum, Jr. and now his son, Matt, and daughter, Haley—offers HR services through FrankCrum PEO, commercial insurance through Frank Winston Crum Insurance, and staffing services through FrankCrum Staffing. You'll find the same operational philosophy in all three companies, which Frank refers to as "doing the right thing for the right reasons."

It boils down to this: We help businesses be the best they can be.

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