

Even the playing field

HROs can help smaller companies compete. **Interviewed by Marcia Passos Duffy**

Small and medium-sized business owners know how difficult it is to compete for talent with the “big boys” in the arena of employee benefits. However, what most business owners do not know is that there is a way to level the playing field.

HROs, or Human Resource Organizations, are fast becoming the best way for small and medium-sized businesses to compete by pooling together benefit packages, human resource services, payroll and retirement plans.

“HROs level the playing field,” says Mike Leach, Senior Vice President of Employco Group, an HRO that handles human resource outsourcing for 400 small and medium-sized Midwest companies.

“A small company can become a member of an HRO and offer its employees the same benefits as a *Fortune* 500 company.”

Smart Business spoke with Leach on how Human Resource Organizations operate and the benefits to becoming a member.

How does an HRO work?

It is an outsourcing vehicle to help reduce and stabilize labor costs by using the power of a large group. You can outsource several areas of a business, but there are four main areas: human resources, employee benefits, payroll and workers’ compensation. The smaller company falls under the umbrella of the HRO and is therefore able to offer discounted health, dental, auto insurance and even pet insurance to its employees. This is a huge advantage for smaller companies that must compete for the same shrinking talent pool.

The HRO takes on what the business owner does not have time to deal with — including HR, providing decent health coverage, claims management, payroll taxes, direct deposits, etc. It is a way to simplify a small business owner’s life by taking away the administrative burdens.



Mike Leach
Senior Vice President
Employco Group

Why don’t more companies in the Chicago area utilize this service?

HROs have been around for a long time in Florida, Texas and California. In other areas of the country, it has required a fair amount of education for business owners to understand how HROs work. But, as the economics of business are changing because of the exorbitant cost of health care for employees, business owners quickly understand the benefits of belonging to an HRO.

What type of company is best suited for HROs?

There are two types: small businesses that are finding it a challenge to get decent health care for employees; the other is a business with high workers’ compensation costs. Companies usually range from 10 employees up to 500. HROs are very advantageous to start-up companies and franchise businesses that cannot manage HR and employee benefits on their own.

Clients come from various industries;

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however, there are certain industries that will not be accepted by most HROs because of the high risks, such as roofing companies or ammunitions factories, to name a few. Companies must apply to the firm and, honestly, many are turned down. The business must be well managed to participate in an HRO and add to the stability of a group.

How much does it cost to participate in an HRO?

HROs charge a percentage of a business’s payroll. They often conduct an extensive analysis of a business’s needs in order for the costs to break even with the savings. Most firms have flexible programs — and employers can often pick and choose the programs to meet the ‘no cost’ goal.

What kind of company would not benefit from using an HRO?

Companies that are too large — over 500 employees — often can get good benefit deals on their own and don’t have a need to belong to an HRO. Very small companies — with less than 10 people — can most certainly use the service, but not all HROs will take on such small operations.

What are the steps to selecting a good HRO?

1. Look for stability. Select a firm that has a good track record and has been in business at least 10 years.
2. Go local. An HRO that is in your city or region has its advantages since paychecks need to get to employees on time.
3. Ask for, and check, client references.
4. Get flexibility. If you are a small business owner, you need to be able to start small and have the HRO grow along with your needs. <<

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