

Leasing Just Makes Sense

Introduction:

Employee leasing programs are arrangements in which businesses lease their employees through an outside contractor that attends to the various personnel-related activities commonly associated with human resources management. Employee leasing programs have gained popularity particularly among small-and mid-sized companies. The reasons for this phenomenon are:

- 1) Its a viable option for increasing the benefits that their work force receives.
- 2) Its an effective strategy for getting rid of burdensome and time-consuming paperwork.

An employee-leasing company, also known as a professional employer organization (PEO), 'leases' the employees of the business that hires it. That means the PEO serves as a co-employer, taking control of the personnel administration and paperwork that drive small business owners to distraction. Most PEO's offer a wide range of services and benefits packages, including payroll administration, medical benefits, workers' compensation and unemployment insurance, retirement plans, and compliance assistance with labor laws.

Personnel department: The Associated costs

In many cases it is seen that personnel administration constitutes a major chunk of the overhead costs. Even if the firm is small to have a personnel department, the management functions still remain an important responsibility. The HR manager of a firm needs to assess these personnel costs and make important business decisions regarding how to arrange for these services in a cost effective manner. The time saved on non-revenue-producing activities can contribute directly to the firm's bottom line by allowing it to concentrate on activities that enable the firm to grow or that make it more efficient and effective.

The financial responsibilities are tasks such as:

- **Payroll management**
 - ◆ Employee benefit design and administration

- ◆ Compliance with state and federal workplace legislation
- **Provision and maintenance of competitive benefits, including health insurance and pension plans**

What will a PEO do?

A Professional Employer Organization (PEO) can take over the administration of the current staff of the firm and, in some cases, provide new staff members as needed. The firm retains primary responsibility for day-to-day management of work assignments and on-site supervision.

Specific PEO services may include:

- Development and maintenance of employee job descriptions and policy and procedure manuals.
- Employee recruitment
- Employee record keeping
- Disciplinary actions and employee discharging
- Unemployment, disability, and workers' compensation claims and administration
- Administering employee benefit programs including retirement plans, health care plans, life insurance, disability, and accidental death. It may also take up cafeteria benefits, such as fitness club memberships, child care, tuition reimbursement programs, etc.
- Payroll management
 - ◆ Equal Employment Opportunity Commission (EEOC)
 - ◆ Title VII, the National Labor Relations Act (NLRA)
 - ◆ Fair Labor Standards Act
 - ◆ COBRA
 - ◆ ERISA
 - ◆ Americans with Disabilities Act (ADA)
 - ◆ Family Medical & Leave Act (FMLA)
 - ◆ Immigration Reform and Control Act (IRCA)

Depending on the package of services opted by the client, a staff leasing may charge a fee between **2-8% of the payroll**.

Benefits of staff leasing:

- **Cost Effective:** Since leasing firms handle more than one company payroll, they can wield their greater buying power to get discounts on group health insurance, life insurance, and dental insurance that smaller companies simply would not be able to get. The small company is thus able to provide its workers with better benefits, which in turn help it to keep valuable current employees and attract promising new employees.
- **Decreases load and overheads:** Leasing companies can handle chores associated with workers' compensation and unemployment insurance. Indeed, studies undertaken by various governmental and industry groups suggest that small businesses with 1 to 25 employees can save as much as **40 percent** on the cost of unemployment and workers' compensation with a PEO, while businesses with up to 100 employees can register savings of **25-35 percent**.
- **Transfer of risk & responsibility:** Leasing companies assume risk and responsibility for preparing a client company's payroll and for paying payroll taxes, along with state and federal reporting requirements.
- **Saves time & resources:** Employee leasing programs allow small business owners and managers to spend their time doing what they do best, rather than struggling in swamps of paperwork. Once the organization turns to an employee leasing program the firm's leadership will be able to devote much more of its time and energy to more appropriate tasks.
- **Adds value to HR operations:** PEO's can often lend significant human resources expertise. PEO's offer a wealth of knowledge that can be utilized by client companies for everything from rewriting job descriptions to helping with recruiting. They assume the role of an off-site human resource professional, performing the sometimes perplexing, often complicated, and time-consuming duties related to H.R. operations.

Better Control & Co-ordination: Companies still wield ultimate control over how their business is run. Leasing companies take care of payroll and benefits administration functions, but this does not give them a voice in their clients' other business decisions. Under a leasing arrangement, the employees still report to the same bosses, who remain in charge of how the business is managed.

Conclusion:

Employee leasing best serves many small and medium scale U.S. firms whose size limits their ability to provide professional personnel services and benefits. The form of employee leasing that is gaining most in popularity involves the firing of present employees in all departments followed by rehiring those same employees through an employee leasing firm.

Most firms, if examined in an administrative audit, would be found wanting in administrative management of their staff. With so much to be gained by having additional management time to concentrate on the firm's operations and financial performance, it seems worthwhile to explore the option of outsourcing human resources management.

About vEmployee:

vEmployee is a leading IT Service provider based out of India. With services spanning over the technology value chain, vEmployee is a one stop shop for enterprise wide IT needs. With over a decade long experience in the industry, vEmployee has established itself as a trusted partner to various companies by providing timely project delivery coupled with high quality. Our parent organization Clarion Technologies is a SEI CMMi 3 level assessed company whose singular focus is on 'client satisfaction'.

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