



Companies that Use PEO Services Grow Faster

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A new study from NAPEO by McBassi & Company, reveals that small business owners who avail themselves of PEO services grow 5-7% faster than similar companies that do not.

According to the report:

PEO Client Growth Rates

Evidence shows the number of workers employed by PEO clients has grown more quickly than comparison groups (U.S. small business employment as well as overall U.S. non-farm employment). This is consistent with the expectation that small business owners that use PEOs and are thus relieved of major administrative burdens associated with HR are better able to focus on their businesses, reflected in the higher employment growth rates for PEO clients relative to their competitors.

These findings are based on the PEO Employment Index, which was developed in 2004 by Slavic 401(k), together with Florida Atlantic University professor Dragan Radulovic. The index, the best available evidence on PEO employment, has tracked changes in employment levels across thousands of PEO clients since December 2004. It is designed to reflect the overall industry mix in the United States and is weighted by geography to also reflect the geographic distribution of U.S. companies. It is calculated based on employment at the company's PEO clients that offer 401(k) plans. As discussed earlier, virtually all PEOs (97 percent) offer some form of retirement plan, so this PEO Employment Index can be seen as representative of the broader population of all PEO clients.³⁷

Because most PEO clients are small businesses, the best comparison for the PEO Employment Index is a measure of small business employment growth in the United States overall. The most timely source of comparison information³⁸ is the Paychex/IHS Small Business Jobs Index, which was launched in April 2005.³⁹ It measures employment for the approximately 350,000 businesses in the Paychex client base that have fewer than 50 employees,⁴⁰ using "same-store" analysis methods to assess trends over time.⁴¹

On the following page are two graphs comparing the growth of small business 'with' and 'without' PEO services from the Paychex Index of Small Business (fig. 7), and the PEO Index from Slavic401k (fig.8).

Figure 7. Employment Growth, PEO Clients versus Small Businesses Overall, April 2005 (date of Paychex index inception) = 1000

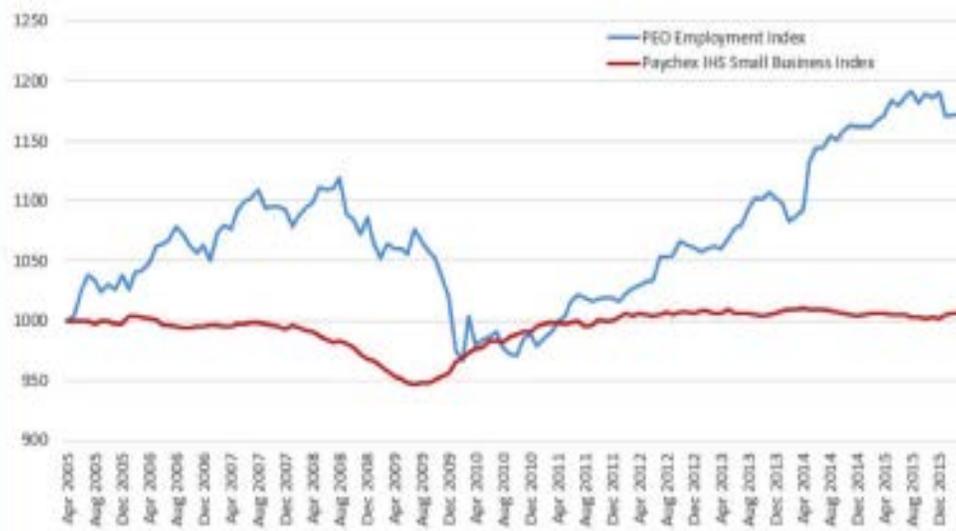


Figure 8. Employment Growth, PEO Clients Versus U.S. Employment Overall, December 2004 (date of PEO index inception) = 1000

