

PEO INSIDER®

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THIS MONTH'S FOCUS

EXTERNAL INFLUENCES

SMALL BUSINESS CLIMATE

INSURANCE &
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LEVERAGING
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COVER STORY

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HOT TOPICS FOR PEOs HEADING INTO 2025

BY DAVID FEINBERG

Our industry is always navigating state and federal legislation, regardless of which party is in power. In 2024, the delayed processing of ERTC claims rightfully took center stage. Now, as we look ahead into 2025, there are additional issues we need to focus on to help our small business customers thrive.

While we will remain vigilant in our work on ERTC claims, here are a few top-of-mind areas for our federal advocacy next year:

•**TCJA & Section 174:** In 2017, Congress passed the Tax Cuts and Jobs Act (TCJA), which changed tax rates for both individuals and corporations. Many of these 2017 changes expire at the end of 2025, and if Congress does not act, more than \$4 trillion in tax increases will take effect in 2026. Some favorable TCJA provisions for small businesses have already expired—like the ability to immediately deduct R&D expenses rather than capitalizing and amortizing them over a period of years (Section 174).

•**20% Small Business Tax Deduction (Section 199A):** This TCJA provision is also set to expire in 2025. Deductions like this one directly impact the community that we serve. It's no secret how valuable this can be for small business owners, especially in terms of leveling the playing field for smaller family-owned businesses vs. big businesses paying corporate rates.

•**R&D Tax Credits:** Arm-in-arm with the above efforts, we should look at how we can help expand small business access to R&D tax credits. These credits encourage continued innovation at small businesses and help put cash in their pockets so they can grow and scale.

At the end of August, NAPEO sent a letter to the Chair and Ranking Member of the House Ways and Means Committee and the Senate Finance Committee outlining three priorities: payroll tax credit liability, the modernization of aggregate taxpayer processing, and requesting

statutory certainty that PEO clients are eligible for Section 199A. Looking ahead, we will continue to engage with key stakeholders in Washington, and I am optimistic about our ability to serve as a key voice for small businesses on a range of critical tax and policy issues in 2025.



As we look ahead into 2025, there are additional issues we need to focus on to help our small business customers thrive.

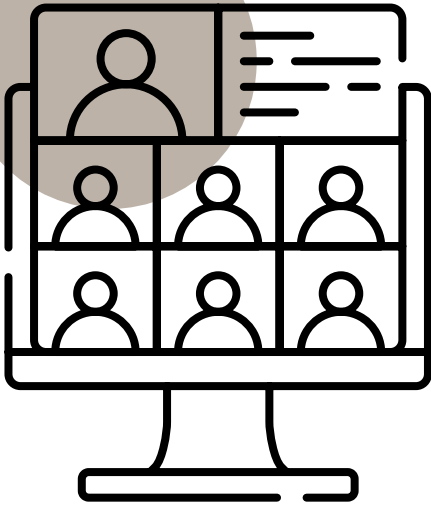
On the state-level advocacy side, we'll need to stay focused on statutorily ensuring our ability to offer our large group health plans to our small business customers. Thus far in 2024, we have realized success in this area in two states (Kansas and Ohio) and have made progress toward that goal in a third (Massachusetts). For the continued prosperity of our industry, we must continue to work towards state statutory certainty in other states like Maryland and Georgia.

It's one thing to stay tuned in, it's another to influence impact. With that, I encourage and invite your involvement not only on the government affairs committees within NAPEO but also participation in our Political Action Committee (PAC). We are never short on issues impacting our industry—our PAC is critical to our ability to effectively advocate for PEOs and small business issues. You can learn more about how to get involved with NAPEO PAC at www.napeo.org/pac. ■



DAVID FEINBERG

2024-2025 NAPEO Chair
SVP of Risk & Insurance
Justworks



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IRS ANNOUNCES PEO ERTC CONSOLIDATION PROGRAM, NAPEO WEBINAR RECORDING AVAILABLE

The IRS recently announced a new supplemental claims process for third-party payers (including PEOs and CPEOs) to correct or consolidate outstanding ERTC claims. The supplemental claims process is for those PEOs to which all the following apply:

- Has filed one or more claims aggregating the ERTC for itself and/or clients using the PEOs employer identification number (EIN).
- Has made the claim on an adjusted employment tax return (Forms 941-X, 943-X, 944-X or CT-1X).
- Has not had their prior claims processed by the IRS.

NAPEO hosted a webinar on October 2 with IRS Employment Tax Policy Analyst Crystal Stinson, who runs the CPEO program. Crystal discussed the new consolidation program and answered many questions from members. NAPEO members can review the webinar recording in our webinar archive at napeo.org/peo-resources/tools/webinars under the Legal and Government Affairs tab. For more information, reach out to Thom Stohler, tstohler@napeo.org.

AI

FISHER PHILLIPS ANNOUNCES COLLABORATION WITH AI PLATFORM TOUGH DAY

NAPEO associate member Fisher Phillips recently announced its collaboration with Tough Day, an AI platform that offers confidential, tailored guidance for employees and managers navigating workplace challenges and opportunities, to help train its Employee Resilience Artificial Intelligence, a state-of-the-art AI product designed to help employees navigate and thrive in the modern world of work.

Tough Day's AI platform helps organizations and their employees navigate workplace challenges and opportunities, mitigate workforce-related risks, and thrive. The GenAI-driven product provides confidential guidance to employees based on vetted content and safety guardrails from legal, management, and HR leaders, and is customized with each company's proprietary HR policies and processes to be relevant for their workplace.

"We are thrilled to join forces with Tough Day to innovate with the ultimate goal of having content, safe, and thriving workplaces. Our employer-side legal perspective will no doubt be an asset as Tough Day AI hones its tool to effectively diagnose employee challenges, serve helpful advice, and ensure safety guardrails," said John Polson, Chairman and Managing Partner of Fisher Phillips, in a news release.

RESEARCH

EMPLOYEES WANT POLITICAL CONVERSATIONS OUT OF THE OFFICE

New research from MyPerfectResume's Political Discussions in the Workplace survey show that an overwhelming 71% of the workforce wants political conversations in the office to stop. Key findings from the report include:

- 89% believe employers should limit or discourage political discussions.
- 74% reported that they would leave their job if their workplace promoted political ideologies they strongly disagreed with.
- 73% say they have felt pressured to share their political views at work.
- 79% of workers fear that vocalizing their political beliefs or activism outside of work could lead to negative repercussions from their employer.
- 68% admit political discussions have negatively affected relationships at their workplace.
- 73% have personally faced repercussions for engaging in political conversations at work.



CONGRATULATIONS

EXTENSISHR NAMED TO NEWSWEEK'S LIST OF AMERICA'S MOST LOVED WORKPLACES 2024

NAPEO member ExtensisHR was named to Newsweek's list of America's Most Loved Workplaces, which recognizes the country's top 200 companies in terms of employee sentiment. Newsweek and the Best Practice Institute surveyed 2.6 million employees from companies of different sizes across the country on collaboration, innovation, leadership trust, workplace belonging, and other factors. ExtensisHR earned certifications for its efforts in supporting diversity, women, veterans, parents and caregivers, career advancement, and young professionals. "This honor reinforces our mission to continually invest in our people and cultivate a workplace where they can deliver their best each day," said David Pearson, ExtensisHR's senior vice president of people and culture.

KUDOS

OPTIMUM EMPLOYER SOLUTIONS NAMED ONE OF ORANGE COUNTY'S FASTEST-GROWING BUSINESSES

NAPEO member Optimum Employer Solutions announced recently that it has once again been recognized as one of the fastest-growing privately held companies of 2024 by the Orange County Business Journal. This marks the company's third major recognition in 2024, adding to an already impressive year. Earlier, the company earned a spot on the Inc. 5000 list as a 12-time repeat honoree, which celebrates the nation's most innovative and thriving private businesses. In addition, Optimum was honored with the Orange County Business Journal's Best Places to Work Award, a distinction the company has received every year since 2016.

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NAPEO KEEPS UP ENGAGEMENT WITH LAWMAKERS AHEAD OF ELECTION

Ahead of the election on November 5, NAPEO's government affairs team maintained our proactive approach to engage with lawmakers to advance the industry's interests. Throughout the Fall, we've attended and participated in numerous events which afforded us the opportunity to discuss with lawmakers how PEOs help small businesses thrive. By building relationships with these lawmakers, we're able to provide input and perspective as they craft legislation that affects PEOs and clients. Many of our members' generous support of NAPEO PAC makes attending these events possible. However, the work will not end on election day. Next year will bring significant legislative activity around the federal tax code which has tremendous implications for PEOs. We need you to stay engaged with our efforts. You can learn more about how to do so at www.napeo.org/pac. ■



Casey Clark with Rep. Tom Suozzi (D-NY).



Alex Milliken with House Majority Whip Rep. Tom Emmer (R-MN).



Casey Clark with Rep. Brad Schneider (D-IL).



Casey Clark and Brent Tilson, NAPEO's PAC Committee Chair, with Rep. Aaron Bean (R-FL) at our PAC donor appreciation event during the Annual Conference.



Casey Clark with Rep. Steven Horsford (D-NV).



Thom Stohler with Sen. Joni Ernst (R-IA).



Casey Clark with Rep. Marilyn Strickland (D-WA).



Casey Clark with Rep. Chris Pappas (D-NH).



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Small Business Climate





Economic Update & The Rise Of AI: What PEOs Need To Know

BY JOHN SLAVIC AND CHARLES COUCH

In today's rapidly evolving economic landscape, small businesses face both challenges and opportunities. Recent economic indicators show a slowing expansion, but emerging technologies, particularly Artificial Intelligence (AI), promise a new era of growth and innovation. Let's dive into the current economy and explore how AI is shaping the future of business.

ECONOMIC UPDATE: SLOWING BUT STILL GROWING

The U.S. economy continues to grow, albeit at a slower pace. Manufacturing activity has been in contraction territory for months, signaling a slowdown in production and potentially impacting supply chains. This contraction could lead to reduced demand for raw materials and components, affecting various sectors of the economy. Similarly, retail sales, when adjusted for inflation, have shown a decrease over the last year. This decline indicates that consumers are spending less in real terms, which could be due to factors such as increased prices, economic uncertainty, or changes in spending habits. For small businesses, especially those in the retail sector, this trend underscores the importance of adapting to changing consumer behaviors and finding ways to provide value in a challenging environment.

Consumer confidence has also notably declined, reflecting growing uncertainty about the economic outlook. When consumers are less confident, they tend to be cautious with their spending, which can have ripple effects throughout the economy. Small businesses may need to work harder to attract and retain customers during periods of low consumer confidence. The labor market, perhaps the most important economic indicator, shows signs of cooling as well, with private sector job growth downshifting in recent months. This trend suggests that employers are becoming more cautious about hiring, potentially in response to economic uncertainties or because of increased productivity through automation and technology adoption. For small businesses, this could mean a more competitive hiring landscape, but also potentially more available talent. All of this is critical for PEOs as small businesses are their core client base.

Despite these challenges, there are positive signs. Inflation is easing which could provide relief to businesses and consumers in terms of cost pressures. Additionally, the Federal Reserve recently cut interest rates by 50 basis points, and additional cuts are expected going forward, which could make borrowing more affordable for businesses looking to invest or expand. Another leading indicator is the stock market. Equities

in the tech sector remain strong, signaling optimism about the economy's ability to weather near-term turbulence. This resilience in the stock market can be seen as a vote of confidence in the long-term prospects of the economy, despite current uncertainty-related headwinds.

THE AI REVOLUTION: A NEW ECONOMIC DRIVER

While the broader economy shows signs of slowing, the AI sector is still booming. Funding for generative AI has surged, reaching an impressive \$25.2 billion in recent years. This substantial influx of capital demonstrates the high level of confidence investors have in AI's potential to transform industries and create new economic opportunities. For small businesses, this trend signals the growing importance of AI and the potential for new AI-driven solutions to emerge that could benefit operations. The United States has established itself as a leader in AI innovation, creating over 5,500 AI companies in the past decade. This leadership position contributes to the country's technological edge and creates a rich ecosystem of AI talent and resources. Small businesses in the U.S. may find themselves well-positioned to benefit from this innovation hub, with potential access to cutting-edge AI tools and expertise.

The most anticipated impact of the burgeoning AI revolution is a rapid and prolonged productivity boom. Moreover, AI is expected to significantly increase labor productivity, potentially leading to a 15% increase in U.S. GDP. This productivity enhancement could be a game-changer for businesses of all sizes. For small businesses, AI-driven productivity gains could mean doing more with less, allowing them to compete more effectively with larger corporations and expand their operations without proportional increases in costs. This could also free up more resources to focus on HR, benefiting PEOs.

More broadly, the AI revolution will have a wide-ranging impact, as AI is not limited to tech companies and is beginning to transform various industries. From healthcare to finance, retail to manufacturing, AI has applications in virtually every sector. This pervasive impact means that small

businesses in any industry can benefit from AI adoption, whether it's through improved customer service, more efficient operations, or data-driven decision-making. This creates the opportunity for rapid new business formation, another boon for PEOs looking for new clients.

WHAT AI MEANS FOR SMALL BUSINESSES AND PEOs

The rise of AI presents both opportunities and challenges for small businesses. One clear opportunity is AI is leveling the playing field with larger corporations by providing small businesses access to sophisticated tools and insights previously available only to those with substantial resources. With cloud-based AI solutions, even small companies can now leverage advanced analytics, automate complex tasks, and gain valuable insights from their data. Moreover, access to advanced analytics and insights allows small businesses to make more informed decisions. AI can help in analyzing market trends, customer behavior, and operational efficiency, enabling small businesses to compete more effectively and identify new opportunities for growth.

Automation of routine tasks through AI frees up valuable time and resources. Small business owners and employees can focus on core competencies and strategic initiatives rather than getting bogged down in repetitive, time-consuming tasks. This can lead to increased productivity and higher job satisfaction as employees engage in more meaningful work. Enhanced customer experiences through personalization are now within reach for small businesses. AI-powered tools can help create tailored experiences for customers, from personalized product recommendations to customized marketing messages. This level of personalization can significantly improve customer satisfaction and loyalty, helping small businesses build stronger relationships with their client base.

As for challenges, limited resources for AI adoption can be a significant hurdle for small businesses. The initial investment in AI technology and the expertise required to implement it effectively can be daunting

for companies with tight budgets. Lack of technical expertise is another common challenge. Many small businesses may not have in-house IT teams or employees with the necessary skills to implement and manage AI systems effectively. Similarly, data privacy and security concerns are paramount when dealing with AI, which often requires access to large amounts of data. Small businesses need to ensure they have robust systems in place to protect sensitive information and comply with data protection regulations. Finally, integration with existing systems can be complex. Many small businesses have legacy systems or established processes that may not be immediately compatible with new AI technologies. Ensuring smooth integration without disrupting day-to-day operations can be a significant challenge.

STEPS BUSINESSES CAN TAKE TODAY

Start Small: Begin with small AI projects and scale gradually. This approach allows businesses to test the waters without overwhelming their resources. A small retailer might start by implementing an AI-powered chatbot for customer service before moving on to more complex applications like inventory management or demand forecasting.

Leverage Cloud Solutions:

Use cloud-based AI tools to reduce initial investment. Many AI services are now available on a subscription basis, allowing small businesses to access powerful capabilities without the need for substantial upfront costs or in-house infrastructure.

Invest in Training: Upskill your workforce to handle AI technologies. This investment in human capital can pay dividends as employees become more proficient in using AI tools and can apply them more effectively to business challenges. Consider online courses,

workshops, or partnering with local educational institutions to provide AI training.

Develop a Strategy:

Create an AI adoption roadmap tailored to your business needs. This strategic approach ensures that AI initiatives align with overall business goals and are implemented in a systematic, prioritized manner. Consider both short-term wins and long-term transformational projects in your roadmap.

THE ROLE OF PEOs

PEOs have a proven track record of helping small businesses adapt to significant changes, from healthcare reform to pandemic-related challenges. As AI transforms the business landscape, PEOs are uniquely positioned to assist small businesses in navigating this technological revolution. They can provide guidance on AI-related HR practices, help with training and development programs focused on AI skills, and offer insights into how AI can enhance various aspects of workforce management.

While economic indicators suggest a slowdown, the rise of AI presents a significant opportunity for growth and innovation. Small businesses that embrace AI early stand to gain a competitive advantage, whereas late adopters may risk obsolescence. The time to start your AI journey is now – don't be left behind in this technological revolution. Remember, change can happen fast or gradually, but being prepared is key. By taking steps today to incorporate AI into your business strategy, you're investing in your company's future success.

As for PEOs, they face a unique opportunity to help small businesses

navigate the ongoing paradigm shift, which will only strengthen client relationships going forward. ■



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The Evolving PEO Service Mix: Recruiting Is Now Non-Negotiable

BY JOSHUA SILER

The role of a PEO is no longer limited to handling payroll, benefits, and compliance. Yet, despite the growing demands of the market, many PEOs remain siloed, offering limited services while neglecting a critical component of HR management: recruiting. As businesses increasingly seek comprehensive HR solutions, recruiting services have transitioned from a nice-to-have to a non-negotiable. Without recruitment support, a PEO cannot genuinely position itself as a full-service provider.

HIRING CHALLENGES RAMP UP

The labor landscape has changed dramatically since the 2020 pandemic, and businesses face numerous challenges when it comes to hiring. Companies need to manage the art of writing competitive job descriptions, organizing a flood of online applicants, scheduling online and offline interviews, protecting against bad actors and more to find the right qualified candidates.

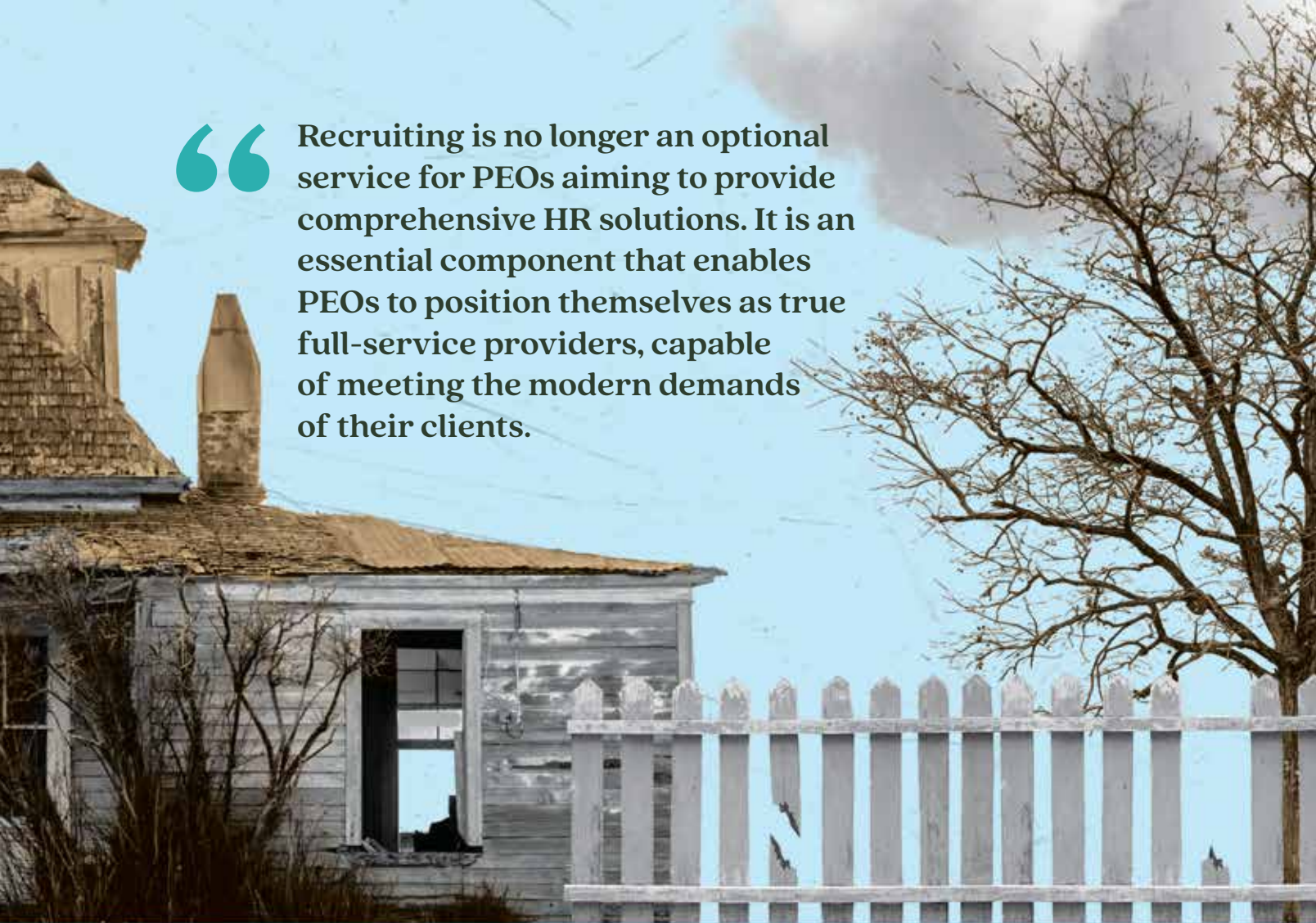
Moreover, hiring is not just about finding the right person for the job—it's about navigating a complex web of compliance issues. Businesses must ensure they are adhering to legal requirements related to hiring practices, AI, data protection, and employee rights. The complexity of these legal requirements, particularly when it comes to onboarding, adds yet another layer of difficulty for HR teams.

As a result, internal HR teams (when they exist!) are burdened with more work, often without the necessary resources or expertise to recruit effectively. This increased workload can delay hiring decisions, impede business growth, and lead to frustration for both employers and candidates.

THE COMPREHENSIVE ROLE OF A FULL-SERVICE PEO

To meet today's business demands, PEOs must provide holistic HR services that extend beyond payroll, benefits administration, and compliance. True full-service PEOs manage every aspect of HR, including talent acquisition—a critical function in building and maintaining a successful workforce. Clients now expect end-to-end recruiting solutions that not only fill vacancies but also streamline the entire hiring process, from sourcing and screening to onboarding and compliance management. These clients are looking for PEOs that can offer fully integrated workflows, ensuring a seamless transition from candidate to employee.

PEOs have options when it comes to supporting their clients with recruiting, whether through Recruitment Process Outsourcing (RPO), full-service staffing, or providing their clients with enablement tools and technology. Unfortunately, by not integrating recruiting as a core offering, PEOs miss the opportunity to deliver a seamless and comprehensive HR experience for their clients.



“ Recruiting is no longer an optional service for PEOs aiming to provide comprehensive HR solutions. It is an essential component that enables PEOs to position themselves as true full-service providers, capable of meeting the modern demands of their clients.

BOOTSTRAP WITH TECHNOLOGY ENABLEMENT

If your PEO practice is just now getting started with recruiting support, where do you begin? It can be daunting to tackle a full-service practice from zero - options like RPO consulting and staffing services require in-house expertise and often a serious ramp time before they support themselves revenue-wise.

Technology enablement is a great place to start. By providing your clients with applicant tracking, onboarding, job posting and other tools you can effectively boost their recruiting prowess while extending your overall solution.

Ideally the toolset you provide is integrated with your overall offering - a job post turns into an applicant which seamlessly flows into an employee. White label recruiting solutions offer the perfect starting point for PEOs looking to bootstrap their way into providing

comprehensive recruiting services without having to build systems from scratch. These customizable solutions provide PEOs with a strategic advantage that enhances their service offerings. With white label software, PEOs can streamline the entire hiring process—from recruitment to onboarding—while ensuring compliance and reducing administrative workloads.

FUTURE-PROOFING FOR PEOs

Recruiting is no longer an optional service for PEOs aiming to provide comprehensive HR solutions. It is an essential component that enables PEOs to position themselves as true full-service providers, capable of meeting the modern demands of their clients. Without recruitment support, PEOs fall short of delivering the seamless, end-to-end HR experience that businesses increasingly expect.

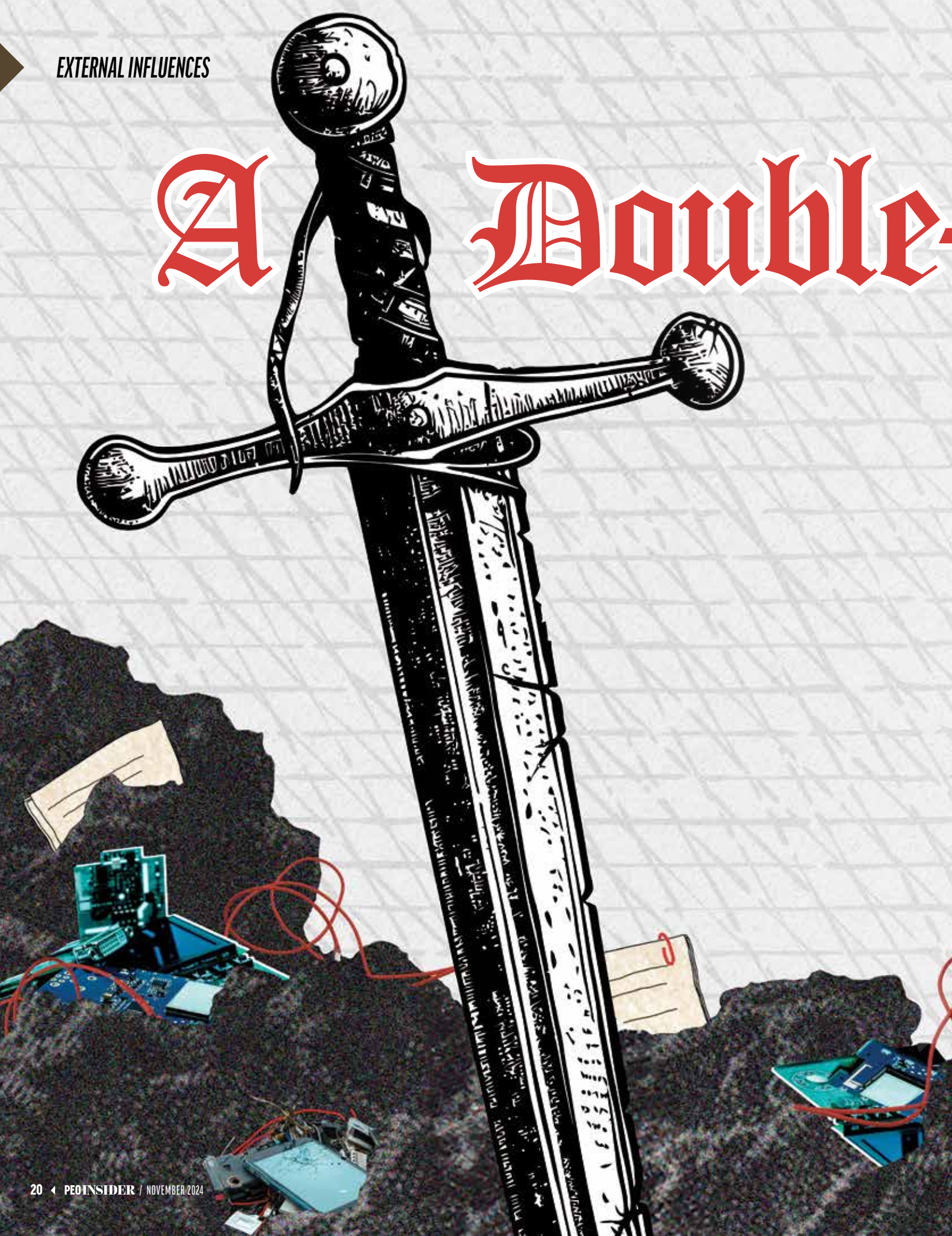
Incorporating recruiting technology offers PEOs a strategic advantage, enhancing their ability to deliver integrated HR services while addressing critical hiring challenges. Beyond meeting current client needs, embracing recruiting solutions also future-proofs PEOs in a landscape that is becoming more digital and compliance-focused by the day. By adopting recruiting technology—whether through white labeling, partnerships, or stand-alone software—PEOs can ensure they remain competitive, relevant, and equipped to offer the full-service HR support their clients depend on. ■



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A Double-



-edged Sword

Insurance & Regulatory Pressures

NAVIGATING POLITICAL AND REGULATORY SHIFTS IN THE PEO INDUSTRY

BY CARRIE PILON, ESQ. AND
MEGAN KROUSE, ESQ.

The PEO industry exists at the crossroads of business, employment law, and human resources. PEOs are intermediaries that play a vital role in helping companies navigate the complexities of compliance, payroll, and benefits administration. However, external influences, including political shifts, regulatory changes, and evolving judicial interpretations, continually reshape the environment in which PEOs operate, affecting internal operations and profoundly impacting how PEOs serve their clients. As laws change, businesses look to PEOs for expertise, relying on their ability to provide accurate, up-to-date advice on managing their workforce across multiple jurisdictions.

Political and regulatory factors are the most significant of these external influences. PEOs must adjust their strategies to accommodate these changes while providing a consistent, unified approach to compliance for clients across varied geographic locations. With the upcoming 2024 election, union activities on the rise, and the continuing divide among states on labor issues, PEOs find themselves in an environment that demands flexibility, foresight, and a deep understanding of the political landscape.

THE IMPACT OF POLITICAL SHIFTS ON PEO OPERATIONS

PEOs have long been subject to the ebb and flow of political change as each administration approaches regulating labor, healthcare, and employment practices differently. Our clients expect clear, accurate guidance in an environment where the rules change from one jurisdiction to another and often from one administration to the next. Every election cycle brings the potential for significant shifts in labor laws, employee benefits, and workplace policies. Political and regulatory shifts inevitably influence how we operate and advise our clients. In our role as strategic advisors, we must plan for all scenarios. Whether regulations tighten or loosen, businesses will need our guidance to implement sustainable workforce strategies that work within the regulatory framework.

Elections and the Contingent Nature of Policy

The political environment exerts a powerful influence over the PEO industry, particularly regarding labor and employment law. Election outcomes at the state and federal levels can lead to substantial shifts in regulatory priorities. The PEO industry, which thrives on providing businesses with compliance solutions, must be ready to pivot in response to these changes.



The PEO industry serves as a trusted advisor for a broad spectrum of businesses, which means constantly adapting to shifts in the political and regulatory landscape. This is especially critical as we move toward the 2024 presidential election, a turning point that could have significant implications for the regulatory environment PEOs must navigate.

Political and regulatory issues create external forces that shape best practices in the PEO industry. With the outcome of the 2024 election poised to influence labor laws, healthcare regulations, and employment policies, PEOs must stay ahead of potential changes to provide timely and accurate advice to their clients.

COURT RULINGS AND REGULATORY FRAGMENTATION

In addition to political changes, the court system plays a significant role in shaping the regulatory landscape that PEOs operate within. In recent years, court rulings on issues such as workplace discrimination, wage theft, and healthcare benefits have created divergent standards across jurisdictions. Recent court rulings have created a patchwork of standards that complicate compliance efforts for businesses operating in multiple states. These rulings often leave PEOs advising clients on compliance strategies that vary depending on their employees' locations.

The evolution towards an increasingly fragmented regulatory landscape poses considerable challenges for the PEO industry. Navigating this legal environment requires PEOs to stay informed about state and federal court decisions that impact employment law, ensuring that clients are protected from liability

regardless of where they operate. As we strive to provide consistent and accurate advice to clients operating across state lines, PEOs must invest in robust compliance tools and maintain a deep understanding of the legal landscape to ensure they can offer tailored solutions that meet each client's needs.

NAVIGATING STATE DIFFERENCES

Businesses operating across state lines face various legal and regulatory challenges due to the significant differences in state employment laws. These differences can create a complex compliance landscape for companies with a dispersed workforce. PEOs play a crucial role in helping businesses navigate these inconsistencies by providing tailored guidance that ensures compliance in every jurisdiction where employees are located. Staying current with state-specific laws is essential for maintaining operational efficiency and avoiding costly penalties.

Navigating the varying applications of federal rules in different states can be challenging. Recent court rulings only add to this inconsistency, forcing us to dig deeper into state-specific compliance strategies. We must continue to develop nuanced compliance tools and processes to ensure that our clients, many of whom operate in multiple states, stay compliant.

The interpretation of wage theft laws is one area where the courts have significantly impacted state standards. States like California and New York have enacted strict laws that provide employees with greater rights to recover unpaid wages, and courts in these states have consistently ruled in favor of employees in wage theft cases. This contrasts with

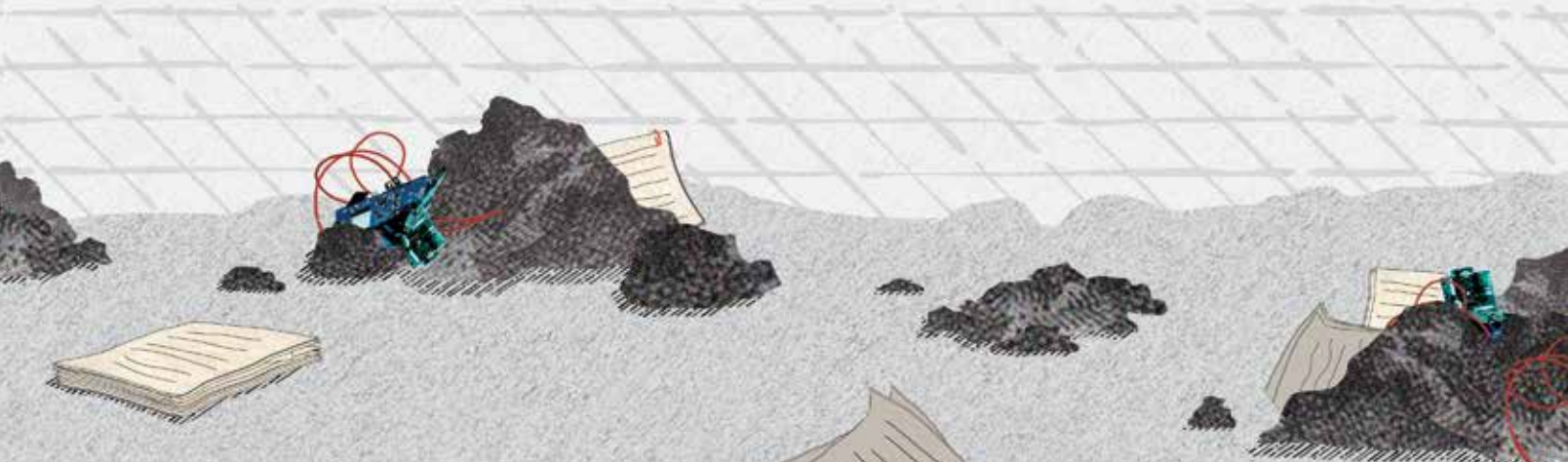
states like Texas and Florida, where wage theft cases are often adjudicated under more employer-friendly interpretations of the law. For PEOs, clients operating in multiple states may face different legal standards and outcomes depending on where their employees file wage claims.

Another significant challenge affecting PEOs is navigating paid family and medical leave. Federal legislation, such as the Family and Medical Leave Act (FMLA), provides a baseline for leave entitlements, but states have introduced varying and often more generous leave policies. For instance, states like California, New York, and Washington have implemented paid family leave programs beyond federal requirements. This creates a complex web of regulations that PEOs must navigate, especially when clients operate in multiple states.

In addition to paid leave, wage laws have been politically charged. Minimum wage debates continue to spark political contention, with some states setting their minimum wage rates significantly higher than the federal standard. States like California, New York, and Massachusetts are leading the charge in this area, with state-mandated minimum wages that exceed the federal rate by several dollars. Conversely, other states, including Georgia and Wyoming, still adhere to the federal minimum wage of \$7.25 per hour, creating significant disparities in wage laws nationwide.

EXECUTIVE BRANCH INFLUENCE ON REGULATORY PRIORITIES

The executive branch exerts considerable influence in shaping the regulatory environment in which we operate.



Through executive orders, regulatory agencies like the Department of Labor (DOL), Occupational Safety and Health Administration (OSHA), and Equal Employment Opportunity Commission (EEOC) implement sweeping changes that trickle down to our clients and our operational practices.

Looking ahead, the executive branch will continue to play a significant role in shaping labor policy. A future administration could push for more aggressive reforms or dial back the regulatory oversight we have seen in recent years. Either way, PEOs must stay ahead of the curve, updating policies and advising clients to comply with whatever new mandates come down the pipeline.

THE ROLE OF PEOS IN A SHIFTING REGULATORY LANDSCAPE

The political and regulatory landscape impacting the PEO industry is in flux, shaped by the dynamic forces of government, the judiciary, and the evolving priorities of those who hold office. What is most striking in this environment is the role that the judiciary has played and will continue to play in interpreting the statutes that impact the day-to-day operations of PEOs and the businesses they serve. Recent court rulings on employment law, wage classifications, and regulatory overreach create significant ripple effects. The inconsistency among federal courts, particularly in applying employment standards, has left PEOs to manage a fragmented landscape of laws, depending on jurisdiction. This scenario raises significant questions about federalism and the appropriate balance between national labor policies and states' rights to regulate employment standards.

Given the political and regulatory uncertainties that lie ahead, PEOs must adopt a proactive approach to managing risk and providing clients with the support they need to thrive in a complex environment. This involves several key strategies. PEOs must stay informed and maintain an ongoing and profound understanding of federal and state regulations. They must also monitor pending legislation and court rulings that could impact their clients. PEOs must offer timely advice and help clients prepare for potential disruptions by staying ahead of regulatory changes.

HOW PEOS CAN STAY AHEAD OF REGULATORY SHIFTS

In an industry like ours, being reactive is not an option. Moving forward, PEOs must continue navigating the complex political and regulatory environment and offer customized solutions that meet each client's needs. This may involve developing state-specific compliance plans, adjusting benefit offerings, or providing guidance on navigating complex employment laws.

Developing systems that account for state-specific regulations and federal mandates while striving to maintain a consistent approach across different jurisdictions helps provide clients with top-tier support. Leveraging technology and investing in legal expertise will be critical to navigating this complexity and ensuring that PEOs can respond quickly to changes in the law.

While political and regulatory shifts are inevitable, the bedrock principles of law should guide how we respond to these changes. Through this lens, PEOs can continue to serve their clients, providing stability in an uncertain world and

ensuring that businesses can operate within the confines of the law while striving toward growth and success.

PEOs are vested in shaping the regulatory environment in which they operate. By engaging with policymakers and industry associations, PEOs can advocate for policies that support business growth and create a more predictable regulatory landscape. Building relationships with key stakeholders can help ensure the PEO industry's voice is heard in Washington and beyond.

PEOs are about more than just compliance. We're about partnership. That means helping our clients navigate and succeed in the complex political and regulatory landscape as it evolves. As trusted business advisors, we must remain agile and adaptable, ready to pivot operations and provide clients with accurate and consistent guidance in an increasingly fragmented regulatory environment. PEOs can navigate these challenges and continue to play a critical role in helping businesses thrive amidst uncertainty. As we look to the future, the ability to provide clear, actionable advice in the face of shifting regulations will be more critical than ever for PEOs seeking to maintain their status as indispensable partners to their clients. ■



CARRIE PILON, ESQ.

Associate General
Counsel/HR Consultant
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MEGAN KROUSE, ESQ.

Associate General
Counsel/HR Consultant
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AI AND TORT LIABILITY

BY PAUL HUGHES

Artificial Intelligence (AI) has permeated our personal and professional lives in recent times in a big way with broad application. Some of the functionality of AI is easy to understand, in no way controversial and helpful in our daily lives. For example, if you bought this on Amazon, you probably may want to buy that as well. If your team is up by a certain score at a certain time, the chances to win are understood on a percentage basis based on all the outcomes of the past in that sport in similar situations. Both useful and innocuous applications of AI have advanced if you understand that for it to work, you may compromise your own behavioral data to use some applications. Algorithms need to understand 'you' against historical patterns to predict against the past and that can be intrusive to some.

A tort (the French word for wrong) is an act that involves a breach of a civil duty owed to someone else other than a breach of contract. Torts include all negligence cases as well as intentional wrongs which result in some form of harm. Tort law defines what is a legal injury and therefore, whether a person, an entity or its agents may be held legally liable for an injury they have caused, whether accidental or deliberate.

There are applications such as driving a car that are more intensely scrutinized due to the potential physical harm caused by AI and the ensuing legal liability that results. The National Transportation Safety Board (NTSB) recently received a letter from six senators imploring more investigation into the carmakers that have adopted AI technology. In rapid succession, the National Highway Traffic Safety Administration (NHTSA) has opened investigations into almost all the major companies testing autonomous vehicles as well as those that offer advanced driver-assist systems in their

production cars. Tesla, Ford, Waymo, Cruise, and Zoox are all being probed for alleged safety lapses, with the agency examining hundreds of crashes, some of which have been fatal¹.

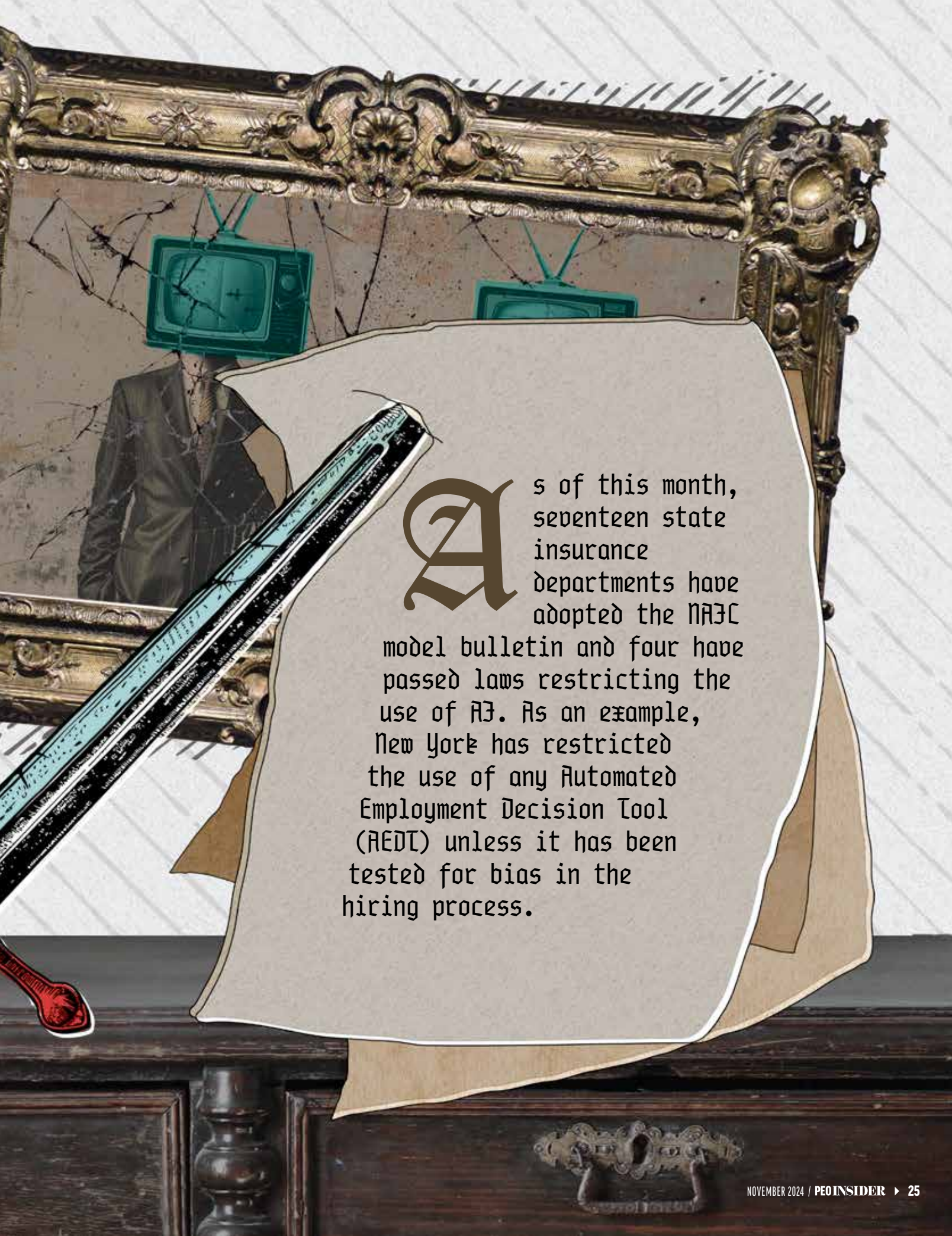
In general, AI comes with inherent risks from an insurance perspective. According to the National Association of Insurance Commissioners (NAIC) in their model bulletin regarding the use of AI for the insurance industry: "AI may facilitate the development of innovative products, improve consumer interface and service, simplify and automate processes, and promote efficiency and accuracy. However, AI, including AI Systems, can present unique risks to consumers, including the potential for inaccuracy, unfair discrimination, data vulnerability, and lack of transparency and explainability. Insurers should take actions to minimize these risks."²

As of this month, seventeen state insurance departments have adopted the NAIC model bulletin and four have passed laws restricting the use of AI. As an example, New York has restricted the use of any Automated Employment Decision Tool (AEDT) unless it has been tested for bias in the hiring process.

What other risks could AI create for your PEO? Here are a few areas you should pay attention to:

1. Operational shutdowns resulting from AI-system malfunctions could trigger business interruption claims (property insurance).
2. Professionals could face claims for (1) erroneous advice or misinterpretations; and (2) unexplainable decisions (hallucinations) delivered by AI-driven research or other tools that have negatively impacted end users (professional and/or product liability).
3. Manufacturers of AI-enhanced products could be subject to property damage and/or bodily injury claims resulting





As of this month, seventeen state insurance departments have adopted the NAAC model bulletin and four have passed laws restricting the use of AI. As an example, New York has restricted the use of any Automated Employment Decision Tool (AEDT) unless it has been tested for bias in the hiring process.



“named peril,” exclude the exposure or be silent to it. We see most insurers at present taking the silent approach, but it is my opinion that this will change quickly as AI cases are brought along with ensuing covered losses. The increase in usage of AI products will only increase the legal liability that they can create, which leads to another opportunity.

As noted in a recent article as a part of Deloitte’s FSI Predictions 2024, there is a growing need for insurance products that cover the risks associated with AI itself. At present, the capacity for the AI insurance market is mostly in areas such as product liability for autonomous cars, but that is expected to change rapidly and exponentially. Insurers who move quickly to develop such products could establish themselves as leaders in this emerging area, but they must balance innovation with careful risk management.³

At present, some insurers have developed specialty programs or coverage extensions to existing policies that provide specified coverage for AI tools. Most policies are still silent to this exposure, but it is expected that will change and exclusionary language will be introduced by some insurers, causing need for a specific coverage form just for AI risk. As we continue to immerse ourselves in ever-evolving AI applications it is important to recognize that usage of these models can create an array of legal liability implications for your business. I see the most immediate impacts to the PEO industry in areas of AI deployment for hiring, screening claimants and professional advice (Legal, HR, insurance). ■

¹ <https://core.verisk.com/Insights/Emerging-Issues/Articles/2024/June/Week-2/Autonomous-Vehicle-Safety-in-Focus-After-Government-Investigations>
² https://content.naic.org/sites/default/files/inline-files/2023-12-4%20Model%20Bulletin_Adopted_0.pdf
³ <https://action.deloitte.com/insight/3990/insurance-industry-sees-organic-opportunity-in-artificial-intelligence>



PAUL HUGHES

Principal
Libertate Insurance LLC
Orlando, FL

from AI failures or malfunction, or where product liability regulations have been violated (professional and/or product liability).

4. Corporate leaders could face accusations of failing to oversee/mitigate the risks associated with implementation of AI-driven processes that have led to financial losses or reputational damage (D&O).
5. AI-driven hiring practices that inadvertently introduce bias could trigger discrimination lawsuits and claims against employers for unfair employment practices (EPLI).
6. Copyright violations and/or patent infringement as a result of leveraged training data or from the AI model itself could result in claims in liability coverages (general liability/patent infringement).
7. Increased use of AI in healthcare diagnostics could change insurance

demand, but also give rise to potential gaps in coverage (medical malpractice).

8. Insurers could face claims increases due to erroneous advice or misinterpretations delivered by AI-driven underwriting tools. AI-driven underwriting models that inadvertently introduce bias could trigger discrimination lawsuits and claims against insurance companies (EPLI).
9. AI-created instructions (“Deep Fake”) requesting funds to be wired (crime).

Are you covered for all this? Probably for now, but I’d check with your broker and review policies if you are deploying AI in a manner that could bring potential liability to the business. Most PEOs have non-admitted liability policies that are manuscript in nature and are not standardized. In layman’s terms, each policy is written different and can either include the exposure to legal liability as a

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EXTERNAL INFLUENCES

LEVERAGING OUTSIDE EXPERTS



Empowering PEO Success: Maximizing Strategic Impact Through External Influencers

BY MARK STEIGER

When a company signs up with a PEO, two major parties are involved: the company or client and the PEO provider. While a PEO evaluation and implementation can be handled among those entities alone, it's not the best way to go.

We've found that when clients enlist help from skilled and knowledgeable external parties, their chance of choosing the right PEO for them goes way up. Besides being an invaluable source of advice and information in the PEO selection process, outside entities work to smooth the data-gathering and implementation process. They can help clients get started on the right foot.

We talk to business executives all the time who have been told that a PEO might be worth investigating. Often, they've read an article on the subject or seen some ads. Everyone has lots of questions, naturally. They want to find out if a PEO is right for their company and decide for themselves if the benefits outweigh the cost, just as with any other business decision. Where do they turn to get their answers? In our experience, it's external influencers and trusted advisors. Typically, not the PEO.

PEO shopping is something most companies should avoid doing on their

own. It's foreign territory for the most part and can be horribly time-consuming. A big reason for engaging a PEO is to stop spending so much time on administrative tasks. So why would company executives want to waste weeks researching and comparing PEO firms when a better approach exists?

UNDERSTANDING THE ROLE OF OUTSIDE INFLUENCERS IN PEO SELECTION

Outside influencers, like our company, play a pivotal role in the selection process by offering expert guidance. They streamline the process, ensuring clients match with a PEO that meets their unique needs. Their insights can be invaluable, especially if the clients are unsure about what to look for in a PEO.

PEO advisors assess a client's business requirements and recommend PEOs that address specific areas important to the company. This targeted approach saves time and reduces the risk of selecting a PEO that may not fully align with the business objectives. Clients that collaborate with professionals who understand the intricate details of PEO relationships enjoy clarity and confidence in their choices.

Company executives might not have the specialized insights required to

navigate the complex PEO landscape. A knowledgeable advisor can identify the best PEO options, considering factors such as industry-specific needs, compliance requirements, and employee benefit packages.

By leveraging the proficiency of an external resource, clients can avoid common mistakes that arise from a lack of experience.

HOW EXPERT ADVISORS BENEFIT THE PEOs

Outside influencers can help PEOs garner a wider distribution within regional markets. An external partner can give a PEO immediate access to networks of insurance brokers or CPAs-relationships that would take a PEO years to develop on their own.

PEO industry experts from outside the PEOs have a unique perspective on what the clients say they want from a PEO. Armed with this information, a PEO can adjust their offerings or develop new features with the confidence that they will appeal to their customers. A PEO aiming to expand into a new geographic area, for instance, would be well-advised to prominently advertise coverage from popular regional employee healthcare benefit providers. A PEO consultant who works with companies in the region can supply the PEO with this valuable information up front.

PEO services are a competitive marketplace. Creating the right presentation for a client can be the difference between success and failure. Because they deal with so much information about a myriad

of topics important to all parties, knowledgeable external resources help everyone when PEOs partner with them.

UNLOCKING COST SAVINGS WITH THIRD-PARTY CONSULTANTS

Engaging a third-party consultant in a PEO selection process leads to significant cost savings, a benefit backed by testimonials and real-world examples. Our clients tell us they save between 30% and 60% in areas such as employee benefits, workers' compensation, and unemployment insurance premiums.

Real world PEO experience varies greatly among individuals billing themselves as PEO consultants. Misinformation offered by less-qualified third parties reinforces a mysterious negative connotation that must be corrected. Educational opportunities like outreach programs and webinars, aimed at bringing PEO resellers up to speed, can make a huge difference in what they tell business owners and their management teams about PEO solutions.

Knowledgeable advisors compare various PEOs to find the best fit, ensuring clients don't overspend on unnecessary services. PEO consultants produce precise cost estimates and comparisons, which help clients make informed decisions and avoid costly mistakes.

An advisor partner can negotiate better terms. Familiarity with industry standards and leverage in the market often results in more favorable contracts. Clients enjoy cost savings and better service terms, enhancing the overall satisfaction and effectiveness of the PEO

relationship. Consultants arrange and manage meetings with potential PEOs, ensuring that discussions remain focused and productive.

Clients of trusted advisors or outside influencers may reach out to the incumbent PEO if they encounter service challenges. If they don't get a response, their next call is likely to be the external influencer. The advisor must have ready access to all the internal PEO resources to resolve the situation quickly. Failure to do so can cause clients to shop for a new PEO at contract renewal time.

In our case, as a third party to the CSA, we ask PEOs to include us in their service operation. This strategy is tremendously beneficial for year-over-year client retention. Plus, we are more likely to place increased volumes of business with PEOs that work closely with us as partners. We know the clients will be well supported.

With the right PEO, smaller organizations can provide employees with Fortune-500-style benefits. Such offerings enable smaller businesses to attract top-tier talent who might otherwise gravitate towards larger corporations with more robust benefit packages.

Most people in our industry reading this edition of *PEO Insider*® know that clients with PEO-supplied competitive benefits increase employee satisfaction and loyalty, reducing employee turnover. This is especially true for smaller organizations.

A stable workforce lowers employee acquisition costs, as businesses spend less time and resources on recruiting new talent. Retaining seasoned employees also reduces training expenses

associated with onboarding new staff. These savings may not show up as line items in the company balance sheet, but they contribute to the long-term success and growth of smaller businesses.

Often, it's client operational efficiencies, the "soft dollar savings", that are never quantified in a black and white proposal, where external Influencers shine. The client trusts the external influencer more than the PEO salesperson to objectively validate and quantify investments in the PEO administration fees.

OUTSIDE INFLUENCERS: A CRITICAL ENTITY IN THE PEO ENVIRONMENT

Clients and advisors like accountants or insurance brokers all profit from investing in assistance from professional PEO consultants. At every step of the process, knowledgeable experts work to bring parties together, coordinate efforts, and create PEO arrangements that work for everyone involved. ■



MARK STEIGER

Chief Executive Officer
Workforce Management
Agency
Lake Worth, FL



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MEET NAPEO'S NEW BOARD OF DIRECTORS MEMBERS



ERIC FOSTER
Managing Principal
PEO Velocity by Compass/PRM

1. HOW DID YOU JOIN THE PEO INDUSTRY AND WHAT WERE YOUR FIRST IMPRESSIONS?

I joined as President of the PEO Division of Aetna back in 2007. It was, and continues to be, a high energy and dynamic industry.

NAPEO stood out as a very welcoming and collegial association of industry experts.

2. WHAT CONTINUES TO INSPIRE YOU ABOUT THE PEO INDUSTRY TODAY?

New investment, new geographies, new partners, and expanding services. There are still ample opportunities to grow.

3. HOW DO YOU THINK THE INDUSTRY WILL EVOLVE IN THE NEXT DECADE OR SO?

The industry will adopt AI technologies to better profile SMBs and customize services. There will be enhanced marketing and customer service, too.

4. WHAT DO YOU THINK WILL BE THE BIGGEST CHALLENGE FOR PEOs IN THE YEARS AHEAD?

Acquiring adequate, well-trained internal staff to support the growing PEO platform.

5. WHY DID YOU WANT TO JOIN THE NAPEO BOARD?

I've had the pleasure of serving as Chairman of the Associate Member Committee for three years and witnessed the significant contributions of the Board in serving the needs of NAPEO members and the industry. I'm excited by the opportunity to contribute directly to the discussions.

6. WHAT'S YOUR ADVICE TO OTHER MEMBERS WHO WANT TO BECOME MORE INVOLVED IN THE ASSOCIATION?

The NAPEO staff, Board, and committee chairs are all very open to discussing opportunities for members to get more involved. If there aren't immediate openings for leadership positions, there are many opportunities to speak at NAPEO events and contribute articles to *PEO Insider*®. Those are great avenues to increase engagement.

7. ARE YOU INVOLVED WITH ANY OTHER PROFESSIONAL ORGANIZATIONS AND/OR COMMUNITY GROUPS?

At PEO Velocity, we believe giving back through charitable efforts is a cornerstone of our business mission. We've been consistent contributors to NAPEO Gives Back, supporting Give Kids the World Village most recently, and other organizations like Blessings in a Backpack, The Salvation Army, and the Payton Wright Foundation. We've also replaced our traditional client gifts with items that support charitable organizations, including funding charities as clients direct us.

8. CAN YOU SHARE SOMETHING NON-WORK RELATED TO HELP MEMBERS GET TO KNOW YOU A LITTLE MORE?

As many of our know, I enjoy traveling with my wife, Jessie, who has become fast friends with many NAPEO members. I also unwind from busy work weeks playing favorites on the piano.



ANGELA L. HOCH
Executive Vice President
Hexagon HR

1. HOW DID YOU JOIN THE PEO INDUSTRY AND WHAT WERE YOUR FIRST IMPRESSIONS?

I came from the banking industry and started in the payroll department for a startup PEO in the 1990's.

2. WHAT CONTINUES TO INSPIRE YOU ABOUT THE PEO INDUSTRY TODAY?

Helping business owners and their worksite employees. It is so rewarding to see the positive impact a PEO brings to the table.

3. HOW DO YOU THINK THE INDUSTRY WILL EVOLVE IN THE NEXT DECADE OR SO?

I fear more consolidation due to long-time PEO owner retirements which will lead to acquisitions. Unless we focus on the next generation of PEO leaders and help mentor/grow these future leaders, the industry will not continue to evolve and grow.

4. WHAT DO YOU THINK WILL BE THE BIGGEST CHALLENGE FOR PEOs IN THE YEARS AHEAD?

The IRS relationship and their view on PEOs, plus monitoring other legislation being presented and the effect it has on a PEO and client relationship.

5. WHY DID YOU WANT TO JOIN THE NAPEO BOARD?

To continue helping move this awesome industry forward. I hope to share my personal experience and insight from a PEO and associate member's perspective.

6. WHAT'S YOUR ADVICE TO OTHER MEMBERS WHO WANT TO BECOME MORE INVOLVED IN THE ASSOCIATION?

Volunteer! What are your areas of expertise? Step outside of your comfort zone and join a committee. Start with regular attendance at conferences, talk with the NAPEO team or reach out to any board member. We are here to help and want your NAPEO membership to be rewarding to you and your organization.

7. ARE YOU INVOLVED WITH ANY OTHER PROFESSIONAL ORGANIZATIONS AND/OR COMMUNITY GROUPS?

Anything to do with our veterans or military but nothing specific at this time due to building a newer PEO. I do like to assist with fundraisers in the community. If they need money, time or donations, I like to help the ones struggling so they can reach their goals.

8. CAN YOU SHARE SOMETHING NON-WORK RELATED TO HELP MEMBERS GET TO KNOW YOU A LITTLE MORE?

Enjoying "empty nester" phase of life with my husband, Jeff and our two German Shepherds, Sako & Tikka. Looking to do a little more travel and hopefully plan a cross-country RV trip in the near future! One of my bucket list items!



MELISSA KELLY
Senior Director, Government Relations
ADP TotalSource, Inc.

1. HOW DID YOU JOIN THE PEO INDUSTRY AND WHAT WERE YOUR FIRST IMPRESSIONS?

A little over a decade ago, I learned of a government affairs opening at NAEPO and was fortunate to be offered and accept the job. My first impression was an excitement about the scope of services that PEOs offer their clients, the positive impact PEOs have in the small business base and the camaraderie members of the industry share.

2. WHAT CONTINUES TO INSPIRE YOU ABOUT THE PEO INDUSTRY TODAY?

The impact that PEOs have on their small and midsize business clients is remarkable. Hearing ADP TotalSource clients speak to the benefits of partnering with a PEO is not only inspiring, but heartwarming. And the NAEPO data about PEOs' impact on employee recruitment, retention and business success reinforces those benefits are widespread.

3. HOW DO YOU THINK THE INDUSTRY WILL EVOLVE IN THE NEXT DECADE OR SO?

Perhaps it is stating the obvious—the industry will continue to grow. Remote work has become more common, making

HR and compliance more complex. The industry has been nimble, adapting to new government requirements and incorporating new technology to increase efficiency and enhance offerings. Artificial intelligence (AI) will undoubtedly bring continued innovation. These trends, particularly given the increased PEO brand recognition, will continue to highlight the PEO value proposition and result in growth.

4. WHAT DO YOU THINK WILL BE THE BIGGEST CHALLENGE FOR PEOs IN THE YEARS AHEAD?

Continuing to adapt to an evolving regulatory landscape and to technology innovations, like AI, will be critical. These disruptors bring opportunity but also challenges. To continue its existing growth trajectory, the industry will need to be strategic in planning, decision-making and action. For example, if utilizing AI, it's critical to build in appropriate privacy and cybersecurity safeguards and data governance processes.

5. WHY DID YOU WANT TO JOIN THE NAEPO BOARD?

I have been very engaged in NAEPO at the committee level and as a Leadership Council Chair. I believe that serving on the Board is a natural extension of those engagement roles and view it as an

additional opportunity for service to the industry. I am committed to using my expertise to support the NAEPO team, efforts to build industry awareness nationally and collaborative Board work on all topics.

6. WHAT'S YOUR ADVICE TO OTHER MEMBERS WHO WANT TO BECOME MORE INVOLVED IN THE ASSOCIATION?

Dive in! Pick a committee that is of interest, join and become an active member. Become involved in NAEPO government affairs activities. Whether it is federal or state, at the committee or a working group level, there is a plethora of important work and you can make a difference. Consider going to your local Leadership Council Forum. Those smaller meetings offer a great opportunity to engage with colleagues and NAEPO staff.

7. ARE YOU INVOLVED WITH ANY OTHER PROFESSIONAL ORGANIZATIONS AND/OR COMMUNITY GROUPS?

I am a member of the Florida Association of Professional Employer Organizations (FAPEO) Board of Directors, and ADP's Women in Leadership. I am also involved in the Pancreatic Cancer Action Network in honor of my late father who passed from the disease and am an active member of my church.

8. CAN YOU SHARE SOMETHING NON-WORK RELATED TO HELP MEMBERS GET TO KNOW YOU A LITTLE MORE?

I love the holidays, decorating for them and especially enjoy the opportunities they bring to spend time with my family in celebration. I am proud of my Irish heritage and St. Paddy's is one of my favorite days of the year. If you spot me that day, I will be wearing green and a lot of flair! I adore my dog Maddi and we are often out and about in our dog-friendly town, Alexandria. We recently went to Dogtoberfest at a local brewery. I also enjoy live music and my interest spans many genres. I frequently take advantage of the many great venues that the DC area offers.



JULIE LONG
Chief Financial Officer
Tilson HR

1. HOW DID YOU JOIN THE PEO INDUSTRY AND WHAT WERE YOUR FIRST IMPRESSIONS?

I joined the PEO industry in 2014 as a Senior Staff Accountant. My first impression was how impactful the PEO model is for small and mid-sized businesses, providing them with the support they need to focus on growth while ensuring they remain compliant with regulations. Over time, my role evolved from accounting into managing broader operations, and I'm now the CFO of the company. In this position, I oversee not only the financial aspects but also play a key role in the overall strategy and efficiency of the business. I've come to deeply appreciate the value PEOs bring, and I'm proud to help businesses streamline their operations and succeed.

2. WHAT CONTINUES TO INSPIRE YOU ABOUT THE PEO INDUSTRY TODAY?

The challenges companies face in managing their workforce—especially with complex employment laws—are real, and I'm inspired by how we can alleviate those burdens, giving businesses the freedom to focus on what they do best.

3. HOW DO YOU THINK THE INDUSTRY WILL EVOLVE IN THE NEXT DECADE OR SO?

I believe the PEO industry will evolve to become even more tech-driven, compliance-focused, and employee-centric, playing an even greater role in helping businesses manage complex HR and workforce challenges in an increasingly global and flexible work environment.

4. WHAT DO YOU THINK WILL BE THE BIGGEST CHALLENGE FOR PEOs IN THE YEARS AHEAD?

The biggest challenge for the PEO industry will be navigating an

increasingly complex regulatory landscape, particularly in the context of remote work and global expansion, while ensuring cybersecurity and technological innovation to meet client needs. Adaptability and expertise in compliance will be key to overcoming these hurdles.

5. WHY DID YOU WANT TO JOIN THE NAPEO BOARD?

I sought the opportunity to not only deepen my understanding of the industry but also to contribute to an organization with the potential to make a meaningful impact by serving others.

6. WHAT'S YOUR ADVICE TO OTHER MEMBERS WHO WANT TO BECOME MORE INVOLVED IN THE ASSOCIATION?

My advice to other members who want to become more involved in the association is to start by taking small, intentional steps. Begin by attending events, webinars, or conferences to get a sense of the community and the opportunities available. Networking with other members and participating in discussions can help you build relationships and learn more about the industry's challenges and trends.

7. CAN YOU SHARE SOMETHING NON-WORK RELATED TO HELP MEMBERS GET TO KNOW YOU A LITTLE MORE?

My favorite quote is by Eleanor Roosevelt: "No one can make you feel inferior without your consent." I enjoy reading, walking, bike riding, grandchildren, traveling, and sun tanning by my pool.



CHAD PARODI
Managing Director, PEO and Insurance
Paychex

1. HOW DID YOU JOIN THE PEO INDUSTRY AND WHAT WERE YOUR FIRST IMPRESSIONS?

I joined the PEO industry in 1996 as a sales representative for Staff Leasing. I thought the service was highly beneficial to employers looking to reduce cost, offer better benefits and focus on their core competencies. At the same time, it was obvious that the industry was new and that individuals like me needed to spread the word one employer at a time.

2. WHAT CONTINUES TO INSPIRE YOU ABOUT THE PEO INDUSTRY TODAY?

The simple fact that as an industry we provide invaluable services and products to the fabric that holds this great country together, small and medium size businesses.

3. HOW DO YOU THINK THE INDUSTRY WILL EVOLVE IN THE NEXT DECADE OR SO?

The industry will continue to find ways to solve some of the biggest challenges for businesses of all sizes. This includes new and cutting-edge health care options to ensure affordability, AI assisted technologies to help our clients attract and retain employees, and access to capital to fuel and grow the businesses we serve.

4. WHAT DO YOU THINK WILL BE THE BIGGEST CHALLENGE FOR PEOs IN THE YEARS AHEAD?

Diversifying the product set to drive differentiation and market share.

5. WHY DID YOU WANT TO JOIN THE NAPEO BOARD?

My reason for joining the NAPEO board is simple, to give back and help advance this wonderful industry that has given so much to so many.

6. WHAT'S YOUR ADVICE TO OTHER MEMBERS WHO WANT TO BECOME MORE INVOLVED IN THE ASSOCIATION?

Action is the beginning of all great things to come. Regardless of your level of involvement, get started and enjoy the journey.

7. ARE YOU INVOLVED WITH ANY OTHER PROFESSIONAL ORGANIZATIONS AND/OR COMMUNITY GROUPS?

I currently help out with several small non-profit organizations and belong to numerous LinkedIn community groups.

8. CAN YOU SHARE SOMETHING NON-WORK RELATED TO HELP MEMBERS GET TO KNOW YOU A LITTLE MORE?

My favorite past time is listening to live music. I love how music unites people, provides a beautiful escape from reality and soothes the soul.

NAPEO'S REGULATORY DATABASE

RDB

Expanding into a new state? Starting a new PEO? Need to check the UI rates for 2024? Look no further than NAPEO's Regulatory Database!

NAPEO's comprehensive Regulatory Database provides up-to-date, detailed information about the broad range of laws and regulations affecting the PEO industry in all 50 states and at the federal level.

The Federal Regulatory Database is the starting point for research into federal laws and regulations affecting PEOs. For each state, the State Regulatory Database includes:

- Qualifying to do business
- PEO registration/licensing
- Unemployment insurance
- Workers' comp
- Health and other benefits
- Sales and other corporate taxes
- Starting/terminating the PEO-client relationship
- Records/record retention requirements



www.napeo.org/regulatory-database



STEVE SCOTT
President and Chief Operating Officer
Engage PEO

1. HOW DID YOU JOIN THE PEO INDUSTRY AND WHAT WERE YOUR FIRST IMPRESSIONS?

I entered the PEO industry in 2003 after working with a Fortune 100 company, without fully grasping the complexities and wide range of services PEOs offer to small and medium-sized businesses. My initial impressions were filled with awe, excitement, and a sense of opportunity. The chance to influence not only the growth and success of businesses but also the well-being of their employees and families inspired me then—and continues to fuel my passion today.

2. WHAT CONTINUES TO INSPIRE YOU ABOUT THE PEO INDUSTRY TODAY?

I'm constantly inspired by the people I meet, both within our industry and among the clients we serve. It may seem simple to acknowledge the impact we have on our clients' lives, but when you take a moment to reflect on the services we provide, and receive that heartfelt email or phone call from a client expressing their gratitude, it truly reinforces that what we do is making a difference.

3. HOW DO YOU THINK THE INDUSTRY WILL EVOLVE IN THE NEXT DECADE OR SO?

Over the past 20 years, I've witnessed our industry significantly expand its presence

in the small to mid-sized business sector, becoming more HR-focused, compliance-driven, and advancing our technology and reporting capabilities. While these areas will continue to evolve, there's a growing need for us to accelerate in order to meet rising client expectations and adapt to the ever-changing workforce dynamics.

4. WHAT DO YOU THINK WILL BE THE BIGGEST CHALLENGE FOR PEOs IN THE YEARS AHEAD?

Our greatest challenge ahead will be our ability to remain agile and responsive in both the technology and regulatory landscapes. On the technology side, the rapid innovations in artificial intelligence, automation, and HR tools are astounding. Staying up-to-date with these advancements is crucial to delivering exceptional service, improving efficiency, and exceeding client expectations. Meanwhile, on the regulatory front, we're navigating a continuous stream of changes in labor laws, tax regulations, and compliance issues at both the federal and state levels. It's essential that we equip ourselves with the appropriate internal resources and systems to ensure compliance, offer timely guidance to our clients, and prepare for future regulatory shifts and new legislation.

5. WHY DID YOU WANT TO JOIN THE NAPEO BOARD?

I am motivated to join the NAPEO Board because I wholeheartedly believe in the organization's mission and its positive impact on our industry. This role offers me the opportunity to collaborate with dedicated professionals who share my commitment to strengthening our industry. I am eager to help drive initiatives that enhance member engagement, promote best practices, and tackle the challenges we face. With over 20 years of experience in the industry and a strong desire to give back, I am confident that I can bring valuable insights and perspectives to the Board. I am excited about the opportunity to influence meaningful change and contribute to the ongoing growth and success of NAPEO.

6. WHAT'S YOUR ADVICE TO OTHER MEMBERS WHO WANT TO BECOME MORE INVOLVED IN THE ASSOCIATION?

There are several ways to become more involved in the association, and I encourage you to consider any or all of the following:

1. Attend NAPEO Events: Participating in association meetings, conferences, and workshops offers excellent opportunities to network, learn, and engage with fellow members.
2. Share Your Expertise: Consider presenting at events or writing articles for *PEO Insider*®. This will allow you to share your knowledge and enhance your visibility within the association.
3. Volunteer for Committees: Getting involved in committees is a fantastic way to contribute your skills to NAPEO while gaining deeper insights into the association's operations.

7. ARE YOU INVOLVED WITH ANY OTHER PROFESSIONAL ORGANIZATIONS AND/OR COMMUNITY GROUPS?

Yes, I am actively involved with several professional organizations and community groups. Being part of these networks enables me to collaborate with peers and contribute to initiatives that align with my personal and professional values. Additionally, my family and I engage with a few philanthropic organizations, as I believe in giving back and making a positive impact in our community. These experiences not only enrich my personal and professional journey but also allow me to connect with like-minded individuals who share my commitment to growth and service.

8. CAN YOU SHARE SOMETHING NON-WORK RELATED TO HELP MEMBERS GET TO KNOW YOU A LITTLE MORE?

On a personal note, having spent part of my life in Northern California, I am a die-hard fan of the San Francisco 49ers, Golden State Warriors, and San Francisco Giants. As a family, we divide our time between Florida and Colorado. We consider ourselves foodies, enjoy good wine, and love spending time with family and friends. ■

PEOs IN THE COMMUNITY:

ALTRES: HAWAII'S POTHOLE CREW

BY EVAN FALLOR

At ALTRES, giving back isn't a choice. It's *kuleana*.

That phrase—Hawaiian for responsibility to take care of one another—is a mantra familiar to many Hawaiians. Fittingly, it's also the guiding principle behind ALTRES' community service mission.

As Hawaii's largest staffing company, ALTRES has always seen volunteering in the Aloha State as a core tenet of its corporate responsibility. But it took its efforts to new heights in 2019 when it launched the ALTRES Foundation, its nonprofit arm that provides funding, expertise and volunteers to local organizations whose values align with ALTRES'. It was a way to mark the firm's 50th anniversary and continue an enduring legacy when its 100th anniversary arrives.

Leaning into giving back only made sense. ALTRES President and CEO Barron Guss after all spearheaded the creation of NAPEO Gives Back, the association-wide initiative that has raised more than \$1 million for the communities that host NAPEO's Annual Conference & Marketplace and other meetings.

In tandem with the foundation, ALTRES also created a committee of 25 employees who plan quarterly fundraising activities and designate where the giving goes throughout the year.

Employee-driven, the program includes donation-matching and collaboration across departments, leading to a stronger workforce and a more sustainable Hawaii.

"It's our *kuleana* to serve together and the most exciting part is that it's led by our staff," said Siana Hunt, the company's director of corporate philanthropy.

The combination of these efforts has manifested in what company leadership likens to fixing Hawaii's growing pothole problem. Many get filled by public works, but an equal number of fresh potholes show up the next day. True to the meaning of *kuleana*, ALTRES believes the private sector has a responsibility to be part of that pothole crew—especially in a small, tight-knit state like Hawaii.

"If there are six degrees of separation on the mainland, there are two on Hawaii," Hunt said. "One thing that's impressed upon us as a company is that it's incumbent on all of us to give back and make a difference."

And make a difference they have.

When last year's wildfires devastated Maui, the ALTRES Foundation quickly mobilized the company's tech capabilities to launch HireMaui, a free service that matched workers left unemployed by the fires with local companies needing to fill key positions. With it becoming increasingly clear that workers needed to leave Maui—and perhaps even Hawaii—to stay employed, PEO owners from one side of the company quickly worked to bring on workers who went weeks without paychecks because local banks had been destroyed in the fires. Not only did it provide vital income for residents, but it also helped keep local businesses afloat.

When the COVID-19 pandemic struck, ALTRES gifted state businesses with the Wellness Tracker, a free self-screening software that more than 250 Hawaii companies utilized. The tool allowed employers to send a daily health survey to workers who could self-report COVID symptoms, effectively keeping the community safe and helping to restart the state's economy. It wasn't the only gift from ALTRES that year: the ALTRES Foundation also donated \$250,000 to help deliver more than 24,000 family-size boxes of fresh food to underserved communities in 2020.

They were all emergency calls answered by the pothole crew.

“As a company, we’re a bit more nimble and can move faster. We’re in a unique position to work with the public sector to address issues as they come up,” Hunt said. “There’s never going to be someone to solve all the problems in the community, so it takes all of us.”

Through the company’s paid volunteering policy, the ALTRES ‘ohana—Hawaiian for family—has logged more than 650 volunteering hours with 75 local nonprofits over the past five years. Efforts truly run the gamut, from beach cleanups to helping improve Hawaii’s fragile, oft-polluted ecosystem to volunteering for the Special Olympics. Employees are in the community filling backpacks for local children, spending time with the Pacific American Foundation to improve area schools, and strengthening native Hawaiian culture with the Malama Loko Ea Foundation.

These efforts are especially important for Hawaii, which, although known as a vacationer’s utopia, has faced increasing social and economic challenges in recent memory. For locals, paradise comes at a price.

The state faces an exorbitant cost of living, which has led to a growing homeless community, many of whom have no functioning mailing address, no credentials, and no identification. For potential workers, these are all barriers to workforce entry. For employers, they never make it on their hiring radar.

The service industry is stricken by poverty, and many potential workers cannot take on a job simply because they have no one to watch their children. Even if they do, the cost of childcare is simply too expensive. The result: an exodus of Hawaiians to the mainland U.S. in search of attainable employment.

That’s where ALTRES has stepped in. It partnered with nonprofits to help establish childcare in community housing projects and create jobs like cleaning trails or growing community gardens.

Leveraging its tech expertise, ALTRES has worked with local nonprofits to help



the native Hawaiian community gain tech skills through the internal network of the PEO program. With many locals unable to afford college, ALTRES has worked hand-in-glove with universities to build apprenticeship programs to help launch successful careers in information technology, many of whom may have left the state for more lucrative opportunities. And during the pandemic, the company launched a pilot program with the public sector to provide PEO industry training and employment for 800 previously displaced hospitality workers.

It’s all part of ALTRES’ kuleana to serve the community it calls home, both today and 50 years from now.

“If you’re passionate about it, so are we,” Hunt said. “That’s what the PEO industry is about. You can make a difference too. Grab a shovel and join us.” ■



EVAN FALLOR

*Director, Communications
NAPEO
Alexandria, VA*

FOSTERING A CULTURE OF LIFELONG LEARNING

BY EMILY DUNCAN

Through the bustling thoroughfares of today's corporate domain, a persistent reverberation permeates the air: the nurturing of a culture rooted in continuous learning. As organizations grapple with the relentless rhythm of technological advancements and the ever-shifting dynamics of consumer behavior, the dedication to ongoing evolution emerges as the cornerstone of enduring success. In this dynamic environment, the strategic execution of tailored training and development initiatives isn't merely an option but rather a vital strategic imperative.

THE STRATEGIC RATIONALE FOR CONTINUOUS LEARNING

At the heart of modern business philosophy lies a profound acknowledgment: adaptability stands as the bedrock of resilience. In a landscape marked by intricate webs of challenges and opportunities, organizations must ensure their workforce possesses the essential tools and competencies needed to navigate the ever-shifting tides of professional growth. Continuous learning furnishes employees with the agility, insight, and flexibility requisite for confronting emerging challenges with unwavering confidence and competence.

Fostering a culture centered on continuous learning yields an array of benefits, including elevated levels of employee engagement, satisfaction, and retention.

A steadfast dedication to employee growth and advancement cultivates a profound sense of purpose and belonging among employees. This not only reduces attrition rates but also strengthens the organization's talent pipeline.

The rewards of investing in continuous learning extend far beyond individual skill acquisition. They catalyze comprehensive transformations in performance, productivity, and profitability. As employees become more adept and adaptable, they contribute to a culture of innovation and excellence. This, in turn, drives organizational success by fostering collaboration, creativity, and continuous improvement across all levels of the company.

ARCHITECTING TAILORED TRAINING INITIATIVES

When coordinating training and development initiatives, a strategic and sophisticated approach is indispensable. Such initiatives must be meticulously crafted to address the unique needs and aspirations of both individual employees and the broader organizational ecosystem. This initiative should include most of the following topics: Conducting a comprehensive needs assessment, customized curriculum development, personalized learning paths, continuous feedback mechanism, resource allocation optimization, leadership development, integration with organizational goals and measurement and evaluation.

COMPREHENSIVE NEEDS ASSESSMENTS

Embarking on the journey toward organizational enlightenment may initially feel daunting, as organizations grapple with where to begin. However, conducting a comprehensive needs assessment and diagnostic analysis can serve as a guiding light, illuminating the prevailing skills gaps, knowledge deficiencies, and developmental imperatives within the organization. This critical step provides clarity and direction, enabling organizations to pinpoint areas ripe for improvement and growth.

This assessment uncovers valuable insights into the specific challenges and opportunities facing employees and the broader organizational ecosystem. It unveils the skills and competencies that are essential for driving success.

Armed with this invaluable information, organizations are empowered to provide the necessary scaffolding for the formulation of targeted training interventions. These interventions are carefully tailored to address the identified areas of need, ensuring that training initiatives are precisely aligned with the organization's strategic objectives and priorities.

The insights gleaned from the needs assessment serve as a roadmap for prioritizing resources and investments, guiding decision-making processes, and optimizing the effectiveness of training programs. By leveraging data-driven insights, organizations can make

informed decisions that yield tangible results and drive meaningful progress toward organizational excellence.

CUSTOMIZED CURRICULUM DEVELOPMENT AND PERSONALIZED LEARNING PATHS

The diverse spectrum of learning preferences and aptitudes among employees underscores the importance of curating a diverse array of learning methods and mediums. From traditional instruction where face-to-face interactions foster engagement and collaboration, to cutting-edge virtual e-learning platforms that offer flexibility and accessibility, the training curriculum must embody a multifaceted approach.

By offering a spectrum of learning modalities, organizations empower employees to choose the mode of learning that best suits their individual preferences, learning styles, and scheduling constraints. Some employees may thrive in a structured setting where they can actively participate in discussions and engage with instructors in real-time. Others may prefer the convenience and self-paced nature of online learning platforms which allow them to access training materials anytime, anywhere.

In essence, by embracing a multifaceted approach to training and development, organizations foster a culture of inclusivity and empowerment, where employees are supported in their learning quests. By providing flexibility and choice, organizations not only enhance employee engagement and satisfaction but also maximize the effectiveness and impact of training initiatives, ultimately driving organizational success and resilience in an ever-changing business landscape.

LEADERSHIP DEVELOPMENT AND SUCCESSION PLANNING

Leadership development programs are vital investments for future organizational success. These programs are meticulously tailored to identify and nurture leadership talent within the organization, providing participants with the skills, knowledge, and mindset necessary to excel in leadership roles.

One of the primary benefits of leadership development programs is the cultivation of a robust succession pipeline. By identifying and grooming high-potential individuals, organizations can ensure a steady supply of capable leaders to fill key positions. This proactive approach minimizes disruptions and ensures continuity in leadership, safeguarding organizational stability and performance.

By providing opportunities for aspiring leaders to enhance their capabilities and broaden their perspectives, these programs encourage continuous improvement and innovation at all levels. Leaders who are equipped with the latest skills and insights are better positioned to adapt to changing company dynamics, seize emerging opportunities, and address complex challenges effectively.

Furthermore, effective leadership development programs empower leaders to inspire and motivate their teams, driving employee engagement, commitment, and productivity. Leaders who possess strong interpersonal skills, emotional intelligence, and empathy can foster a positive work environment where individuals feel valued, supported, and empowered to contribute their best efforts. This, in turn, enhances collaboration, creativity, and organizational performance.

COMMUNAL LEARNING AND KNOWLEDGE SHARING PLATFORMS

Embracing a culture of communal learning and knowledge sharing is instrumental in maximizing the collective intelligence and innovation potential inherent in an organization's workforce. By creating platforms and opportunities for employees to exchange insights, ideas, and best practices, organizations can leverage their diverse expertise and experiences to drive continuous improvement and innovation.

Forums and workshops serve as invaluable spaces for facilitating dialogue, collaboration, and learning among employees. These interactive sessions provide a platform for individuals from different departments, teams, and levels of seniority to come together, share their perspectives, and engage in meaningful

discussions on relevant topics. Whether in-person or virtual, these forums enable participants to gain new insights, challenge conventional thinking, and explore innovative solutions to common challenges.

Online communities, discussion boards, and collaboration tools also provide employees with convenient avenues to share ideas, seek feedback, and collaborate on projects in real-time, regardless of geographical location or time zone. By leveraging technology, organizations can break down silos, facilitate cross-functional collaboration, and harness the collective intelligence of their workforce on a global scale.

Furthermore, organizations can encourage knowledge sharing through mentorship and coaching programs, where experienced employees can impart their expertise and insights to younger or less experienced colleagues. These mentorship relationships not only facilitate the transfer of knowledge and best practices but also promote professional development and career growth among employees. By nurturing a culture of mentorship, organizations can create a supportive learning environment where individuals feel valued, empowered, and invested in each other's success.

CONTINUOUS MONITORING AND EVALUATION MECHANISMS

Implementing robust monitoring and evaluation systems is crucial for guiding and sustaining organizational transformation efforts. These systems enable organizations to track progress, measure outcomes, and identify areas for improvement, thereby ensuring that resources are allocated effectively, and strategic objectives are achieved.

Feedback loops are essential components of monitoring and evaluation systems, allowing organizations to gather insights and perspectives from stakeholders at various levels. By soliciting feedback from employees, customers, and other key stakeholders, organizations can gain valuable insights into the effectiveness of training initiatives, the relevance of strategic initiatives, and the impact of organizational changes. This feedback

HR, EMPLOYMENT, & BENEFITS

enables organizations to identify strengths, weaknesses, and areas for improvement, informing decision-making and course corrections as needed.

Establishing clear and measurable performance indicators, organizations can objectively evaluate the impact of training programs on employee knowledge, skills, and behaviors. These metrics may include training completion rates, skill proficiency levels, employee satisfaction scores, and business outcomes linked to training initiatives. By analyzing performance data over time, organizations can identify trends, patterns, and areas requiring further attention, allowing them to refine their training design and delivery strategies for maximum impact.

Outcome assessments are another important component of monitoring and evaluation systems, focusing on the

broader impact of organizational transformation efforts on business performance and stakeholder outcomes. These assessments involve evaluating the extent to which desired outcomes and objectives have been achieved because of training initiatives and other interventions. Outcome assessments may include measures such as improved productivity, increased customer satisfaction, reduced employee turnover, and enhanced organizational agility. By linking training outcomes to broader organizational goals and priorities, organizations can demonstrate the value and ROI of their training initiatives, securing buy-in and support from key stakeholders.

PIONEERING THE JOURNEY TOWARDS ORGANIZATIONAL EXCELLENCE

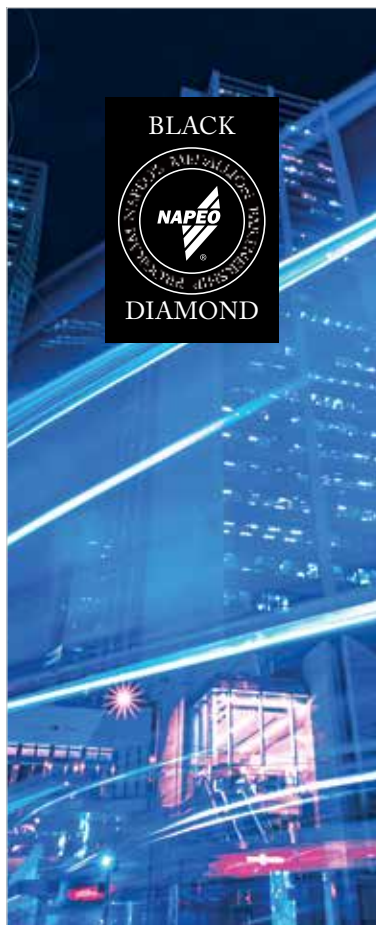
As we stand at the brink of organizational destiny, let us heed the call for

continuous learning as the beacon of transformative progress. Through the strategic implementation of tailored training and development initiatives, organizations can unlock the full potential within their workforce, catalyzing holistic enhancements in performance, productivity, and profitability. By nurturing a culture of growth and innovation, organizations not only ensure their adaptability to the ever-evolving business landscape but also pave the way for enduring success and prosperity in the journey ahead. ■



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THE FEEDBACK LOOP: POWERFUL WHEN PURPOSEFUL

BY STEVEN SWEENEY

The feedback loop, by definition, is a process where the outputs of a system are circled back and used as inputs. Yikes! I just had a flashback to 10th grade science. That definition just sounds so mechanical. Well, technically it can be... but if you think about what that definition is actually saying, it is relevant to everything we do, every day. And when we apply the principle of the feedback loop in the proper way, with purpose, it can be a powerful tool with limitless applications in this complex business we are in.

Every moment we are either giving or getting feedback. Think about all the interactions with our colleagues, vendors, clients, worksite employees... ourselves! But are we doing that in a manner that improves us? Expands our business? Enhances our vendor relationships? Contributes to the success of those around us? If we operate without purpose, which is easy to do, the answer is no.

We are living in an “endemic” of information overload and constant busy. With flexible schedules and remote employees, how often are you

having meaningful interactions with your colleagues? With rising costs and the need to improve bottom lines, how often are we building our relationships with vendors? In an effort to continuously grow, do our current clients fall to the wayside?

So how do we improve and overcome this challenge? Being purposeful with feedback.

As professionals in the people business, we are typically strong communicators. We know the basics of the feedback loop without even knowing that we are executing them. We listen, ask, analyze and act. It seems simple. So why is it so hard? We don't break it down or understand what to do with it all. Let's bucket where we want or need feedback, how to get it and what to do with it.

CLIENTS, WSES, AND INTERNAL EMPLOYEES

Do you know if your service exceeds client and worksite employees' expectations or just hits the mark? How is your internal culture? Do you have surveys in place to measure these items? How do you know what your clients, worksite employees and colleagues really want or prefer? If your answer to these is no, or I'm not sure, understand that this client



We don't want to hear the bad stuff, BUT, this “bad stuff” are where the opportunities lie to improve a process, policy, interaction or service offering. It's where your organization can innovate and grow.

feedback (whether good or bad) is crucial to collect, analyze and act upon to help your business grow.

As businessowners we all want to hear kudos from happy customers and be the best employer. We don't want to hear the bad stuff, BUT this “bad stuff” is where the opportunities lie to improve a process, policy, interaction or service offering. It's where your organization can innovate and grow. It may be easier to not ask for feedback, but wouldn't you rather hear the truth?



Jenn Sweeney-Klaiss of NEMR Total HR and Joe Zeff of PrismHR

If you have not yet directly asked for feedback, there is no better time to start than now. Engage your team, your clients and their teams. Be present

either physically in person or virtually. Have meaningful conversations and let them know you care. If you are using surveys, keep in mind to draft them with the understanding that the questions must be realistically actionable. If you are currently surveying your clients, are you analyzing the results and acting upon them? If not, what message does that send? Finally, thank them for sharing their experience and detail your plans for improvement.

VENDORS

As an executive or leader, do you have your finger on the pulse of these relationships? Enough to provide feedback? In many cases, we just rely on our vendors to be mind readers. We expect them to do the impossible just because “we pay

them”. Unfortunately, it doesn’t work this way, and, in many cases, we only hear about the problems that exist from our team. Just like we want our clients to be “partners”, our vendors want the same.

How do you know what is going on with your vendors before there are problems? Try having a vendor discussion in your leadership meetings. Understand what is going well and what areas may need improvement. If you aren’t having a regular cadence meeting with your critical vendors, now is a good time to start. The potential for improvement within your service offering and the relationship is immense. Something as simple as this can dramatically improve your processes, products and ultimately those improvements get passed on to your clients... strengthening your partnerships.

Better together. Stronger than ever!



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OURSELVES

This one is tough. Sometimes, as leaders, we just don't have a system for any feedback, let alone realistic feedback. We move swiftly and often make quick decisions with limited information. The feedback we receive can be jarring because it's usually provided via success or failure... whether in our actions or the performance of the business. Why is that? It doesn't need to be if we took our own advice of listen, ask, analyze and act.

While this is a massive topic, we only have 1000 words in this article. I could recommend you read industry veteran Brent Tilson's *Go Slow to Grow Fast* or just make some simple, thoughtful adjustments.

Surround yourself with capable leaders. Be approachable and let them know you are open to feedback as warranted. Have regular, dedicated cadence meetings where there are opportunities to give and receive that feedback. When you get feedback, listen. Have a willingness to act and/or make a change if necessary.

I'll end with a story that highlights the wide impact of the feedback loop. Three years ago, my business partner (and sister) gave some feedback to our critical partner, PrismHR. She indicated the need for more training. The executive she spoke with was receptive and excited to hear her ideas. This year at Prism Live, this executive called Jenn out in the main session and credited her for providing that feedback and prompting them to take action. This executive listened, analyzed and most importantly, acted. Jenn approached and provided feedback in a purposeful manner based on our company's outputs. To think about how many companies, employees, clients and worksite employees have benefited from the inputs of that single piece of output. That is powerful.

It takes thought, effort and may require slowing down a bit, but when you trust the feedback loop and you provide the output... you will most always be pleasantly surprised in the resulting inputs. ■



STEVEN SWEENEY

President
NEMR Total HR
Marlton, NJ

Time to Renew Your NAPEO Membership

We look forward to continuing to serve you and your staff through NAPEO membership in 2025. To avoid disruption in your member services, please complete your membership renewal and submit your membership dues to NAPEO before December 20.

Why should you renew?

As NAPEO is the voice of the PEO industry, it's crucial for you and your organization to be a member. Many of our members find the below invaluable to their membership experience:

- Timely updates on regulatory and legislative developments
- Access to the regulatory database at your fingertips
- Industry financial ratios and PEO operating statistics
- Invaluable networking opportunities with fellow PEO members

Why members renew

"Being a NAPEO member is like tapping into a treasure trove of knowledge and opportunities every single day. From the invaluable insights and resources to the inspiring community of professionals, NAPEO has been a compass in navigating the ever-evolving landscape of the PEO industry. NAPEO isn't just an acronym; it's a badge of pride, a commitment to continuous growth, and a testament to my dedication to this incredible industry."

Remind your organization's billing contact to renew today!

Only your organization's Main or Billing Contact is allowed to renew membership. Give them a gentle reminder to renew soon so you don't experience a lapse in membership!

If you require assistance or would prefer to complete an application and return via email or mail, please contact Andrea Desmond, adesmond@napeo.org, (703) 739-8169, or Cass Likouris, clikouris@napeo.org, (703) 519-3897.



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UNDERSTANDING VEBAS: A GUIDE FOR PEOs

BY JASON F. CLAUSEN, CPA

In the current world of employee benefits, Voluntary Employees' Beneficiary Associations (VEBAs) are often overlooked by employers. At a closer glance, they stand out as a worthwhile solution for providing tax-advantaged benefits to employees. VEBAs serve a dual purpose: they provide an instrument for employers to offer various benefits to their workforce, and they provide employees with a structured way to receive those benefits effectively. This article will introduce the concept of VEBAs, trace their evolution over time, and outline how PEOs can utilize them for enhanced offering to their client companies.

WHAT IS A VEBA?

A Voluntary Employees' Beneficiary Association (VEBA) is a type of trust that gives workers a path to obtain benefits like health care, life insurance, and other welfare benefits. Established under Section 501(c)(9) of the Internal Revenue Code, VEBAs are designed to be a tax-exempt vehicle for funding employee benefits, allowing employers to reduce their taxable income while providing valuable services to employees.

Key characteristics of VEBAs include: tax advantages, wide array of benefit options, and employee control and flexibility.

Tax Advantages: Employers can make tax-deductible contributions to the VEBA, which can grow tax-free within the trust. This means that not only are contributions a deductible expense, but the proceeds from investments inside the VEBA are also not taxed until distributed.

Variety of Benefits: VEBAs can be utilized to provide a wide array of benefits primarily focused on medical costs, including health insurance, dental and vision benefits, life insurance, and long-term care.

Employee Control and Flexibility: Employees control how their VEBA funds are used, with many VEBAs allowing members to vote on benefit options and management.

THE HISTORICAL DEVELOPMENT OF VEBAS

The concept of VEBAs originated in the early 20th century as union workers sought ways to secure benefits for themselves and their families during a rapidly developing economy. The labor movement promoted for better working conditions and securing employee benefits through collective bargaining. The U.S. Congress recognized this need and enacted the Revenue Act of 1959, establishing the legal framework for VEBAs, allowing them to provide long-term welfare benefits while maintaining tax-exempt status.

Since their inception, VEBAs evolved together with changes in labor dynamics and health care costs. The rising costs of health insurance in the late 1970s and early 1980s led to an increased demand for structured benefits funding. Companies began to view VEBAs as an integral part of their employee benefit strategies, rather than a union concession.

In the 1990s and early 2000s, as employer-sponsored health benefits became even more critical, many organizations, including large corporations, utilized VEBAs to manage retiree health care benefits. The growing emphasis on corporate social responsibility in recent years has also led to renewed interest in VEBAs, as companies aim to provide competitive benefits packages to attract and retain talent in an increasingly competitive job market.

BENEFITS OF FORMING A VEBA FOR PEOs

By forming a VEBA, PEOs can provide several advantages to their client businesses and their employees. This includes benefit offerings, tax advantages, flexibility, lesser administrative burdens, client employee retention

Benefits Offerings: VEBAs provide PEOs a way to differentiate themselves in a crowded market by offering customized, tax-advantaged benefits that can boost worksite employee satisfaction and retention.

Tax Efficiency: By using a VEBA structure, PEOs and their clients can optimize their tax positions. Contributions made to the VEBA can be deducted, and funds can grow without incurring immediate tax liabilities, making benefit funding more efficient.

Flexibility: VEBAs can be tailored to meet the specific needs of different workforces. This flexibility allows PEOs to adapt benefit offerings based on a variety of demographic factors, including age or health status of worksite employees.

Lesser Administrative Burden: VEBAs can alleviate some administrative burdens for client businesses by centralizing benefit management, leading to streamlined processes for claims, funding, and reporting, freeing internal resources for other tasks.

Employee Retention: Offering comprehensive benefits through a VEBA can lead to improved worksite employee morale and loyalty. Organizations that invest in their employees' welfare often

experience lower turnover rates, saving costs associated with recruitment and training.

Support for Small Businesses: Small and medium-sized businesses may struggle to negotiate favorable benefits on their own. A VEBA enables them to pool resources through a PEO arrangement. This collaborative approach leads to more competitive benefits packages similar to those seen in larger corporations.

Mitigating Health Care Costs: As health care costs continue to rise, VEBAs can provide a proactive approach in managing these expenses. By funding a VEBA, PEOs can create a safety net for health-related expenses that would otherwise be a financial burden for employees and employers.

Compliance Support: Navigating employee benefits regulations can be overwhelming. By forming a VEBA, PEOs can provide greater compliance support, ensuring that all IRS

regulations are followed, and minimizing legal risks for their client companies.

VEBAs serve as a robust tool for both employers and employees in the complex world of employee benefits. Their historical evolution reflects changing labor dynamics, health care systems, and corporate attitudes toward employee welfare. For PEOs, establishing a VEBA presents an excellent opportunity to increase their service offerings, improve tax efficiency, and create a competitive advantage in the marketplace. As businesses continue to recognize the importance of comprehensive employee benefits, VEBAs can play a critical role in shaping the future of employee welfare programs, making them an investment worth considering for PEOs and their client companies. ■



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NAPEO'S 2024 WHITE PAPER

During our Annual Conference and Marketplace in September, we unveiled the findings of our latest white paper. This year's study is the thirteenth issue in the series and was conducted by noted economists Dr. Laurie Bassi and Dan McMurrer of McBassi & Company. Titled *PEO Clients: Faster Growing, More Resilient Businesses with Lower Turnover Rates*, the study examined how PEO clients fare compared to similar businesses that do not use a PEO. The study looked at three metrics: business growth rates, employee turnover rates and business resiliency. In each case, PEO clients fare better than similar businesses that do not use a PEO.

Relative to comparable non-PEO users, businesses using a PEO:

- Have a growth rate that is more than 2 times higher
- Have an employee turnover rate that is 12 percent lower
- Are 50 percent less likely to go out of business

GROWTH RATES

PEO clients grow faster—as measured by employee growth rates—than comparable other businesses that do not use a PEO. PEO client growth (4.3 percent annually) was more than twice as high as any available national comparisons. This higher growth rate among PEO clients likely reflects primarily their increased capacity to focus on strategic business matters while the PEO provides all of the employee-related services.

EMPLOYEE TURNOVER

PEO clients have lower employee turnover rates than comparable businesses growing at the same rate. On an annual basis, the employee turnover rate of PEO clients is 12 percent lower than it is among non-clients, calculated by dividing the turnover rate of PEO clients by the turnover rate of non-clients. Stated differently, employee turnover is more than 7 percentage points higher among non-clients calculated by subtracting

the turnover rate of PEO clients from the turnover rate of non-PEO clients.

BUSINESS RESILIENCY

Reflecting their higher growth rates and more stable employee workforces, it is not surprising that PEO clients also consistently demonstrate more resilience—the ability to survive and thrive, even during difficult economic circumstances—relative to comparable companies not using a PEO. It can be challenging to capture the concept of business resilience statistically. Fortunately, there is some available organization-level data—such as business survival rates over multiple years—that can be used as a proxy measure for resilience. Our analysis of this proxy variable shows that, in recent years, organizations not using a PEO are 50 percent more likely to go out of business on an annual basis than comparable businesses that were PEO clients at the start of the analysis period.

LEARN MORE

Past white papers have focused on the size and composition of the PEO industry and analysis of PEOs and their relationships with clients. Topics have included PEOs' impact on client organizations as well as industry-related data.

You can read the entire 2024 study at napeo.org/whitepaper. All previous white papers are available at www.napeo.org/whitepapers. ■

SOURCE	GROWTH RATE
PEO Clients	+4.3%
US employers overall weighted to match PEO client size distribution (from ADP National Employment Report)	+1.9%
US employers overall (from BLS Current Employment Statistics)	+1.6%
US employers overall (from BLS Quarterly Census of Employment and Wages)*	+1.5%

* Most recent QCEW data available is preliminary data for December 2022 to December 2023

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PEOPLE HELPING PEOPLE

BY CASEY M. CLARK

As I write this column for a *PEO Insider*® issue related to external influences, I'm struck by the confluence of a few things:

- Parts of our country and our industry have been heavily impacted by natural disasters.
- We are approaching the most contentious election in our nation's history.
- We all have the ability to positively influence the lives of people around us.

NATURAL DISASTERS

By any definition, the impacts of Hurricanes Helene and Milton have been devastating. The images from Asheville, Sarasota, Tampa and other communities are heartbreaking. So, too, are the stories I've heard from PEOs about their clients, some of whom they fear may not be able to recover.

I can't imagine the uphill climb these businesses face to clean up, recover and rebound from something so unpredictable. After all, you can prepare, but as the great American poet Mike Tyson famously said, "everyone has a plan until they get punched in the face." Fortunately, many of the impacted small businesses' plans included the support of a PEO, so they aren't alone. As an industry, we can do more now to be prepared to help when the next natural

disaster disrupts our clients and our communities, and NAPEO will be looking for ways to do just that. In the meantime, there are a number of resources available to support businesses impacted by these devastating events which we'd be happy to connect you with.

U.S. ELECTIONS

At the time of writing, we're less than three weeks from consequential elections with control of the White House, House of Representatives and U.S. Senate up for grabs. All of them are too close to call. In fact, the one thing we *can* predict is that it's unlikely that we have a clear answer on election day, which used to be the norm. It also wasn't that long ago that non-peaceful transfer of power wasn't in our lexicon, and that change elections, while infrequent, were just a temporary shift in national priority, not identity.

Now that nearly every election (10 of the last 12) results in change of control in one form or another, it can be hard to get our footing before the dynamic shifts again. There's a lot at stake for the business community in this election, with all eyes on the expiring tax cuts and required policy-making from a Congress that candidly hasn't been great at legislating (82 pieces of legislation in this Congress, 362 in the previous Congress). With predictability

hard to come by, NAPEO has been hard at work this year building relationships that span the political spectrum so we can ensure a seat at the table regardless of who holds the majority.

PEOPLE HELPING PEOPLE

My former boss, mentor and friend Tom Donohue passed away this week. Tom was a Washington legend, leading the powerhouse U.S. Chamber of Commerce back to prominence. The tributes to Tom's impact on the global business community and, most importantly, on thousands of us privileged enough to be part of his life have been overwhelming. He gave generously of his time, experience and counsel, cared deeply about people, meeting us right where and when we needed it most, and left the world far better than he found it. "If you can, you must" was his mantra, and a small example of how he sought opportunities to contribute meaningfully to his communities and to everyone around him. We would all benefit from there being more Tom Donohues, and being more like him, too. ■



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