

# PEO INSIDER

PUBLISHED BY THE NATIONAL ASSOCIATION OF  
PROFESSIONAL EMPLOYER ORGANIZATIONS\*

THIS MONTH'S FOCUS

## STRATEGIC HR

THE HR EVOLUTION

PEOPLE STRATEGY AS  
BUSINESS STRATEGY

BUILDING A BETTER  
EXPERIENCE

### COVER STORY

## HOW ALLEVITY TURNED A FOUNDER'S VISION INTO A 50-YEAR PEO LEGACY

Kevin Ahlswede, Director of Business Development; Craig Ahlswede, President; and Ann Soinila, Director of Operations; Allevity

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# PUTTING IDEAS INTO ACTION

BY BILL MANESS

**M**any of you reading this column will have recently returned from NAPEO's Annual Conference & Marketplace. The annual event always presents a valuable opportunity to reconnect with colleagues, hear new ideas and take the pulse of our industry. Over a few packed days, we learn from one another and leave with many new ideas.

But the real value of the conference and return on your investment begins after you get home.

The conversations we have in hallways, during sessions and over dinner matter most when they lead to action. Maybe it is a new approach to serving clients. Maybe it is a fresh way to develop your team, strengthen your culture or improve an internal process. Maybe it is a connection with a peer who has already worked through a challenge your company is facing.

Our industry has always been built on that willingness to help each other grow.

That collaborative spirit is especially important as we head into the final stretch of the year. For PEOs, the fourth quarter is one of preparation: open



*If you've never attended a NAPEO event, I encourage you to make that a goal for 2027.*

enrollment, year-end planning, budgeting and getting clients ready for what comes next. It is also a time to look honestly at what worked this year, what did not and where there is room to improve.

That is why I hope those who attended take something from the event and put it into practice.

It does not have to be a major initiative. Sometimes the most meaningful progress starts with one conversation or one change in the way we approach a familiar challenge.

One of the greatest strengths of the PEO industry is the experience and expertise that exists across our community. We compete in the marketplace, but

we also recognize that a stronger industry benefits all of us. When we share best practices, invest in our people and raise the standard of service we provide, we strengthen the value of the PEO model itself.

NAPEO's role as an industry convener plays an important part of that. Bringing our industry together creates opportunities to learn from peers, challenge our assumptions and think differently about the future. If you've never attended a NAPEO event, I encourage you to make that a goal for 2027.

As you look toward the end of 2026 and the opportunities ahead in 2027, I encourage you to think back on the conversations you had and the new ideas you've heard. Then choose one thing and act on it.

That is how a few days together can create value long after the conference ends. ■



**BILL MANESS**

2026-2027  
NAPEO Chair  
CEO  
Syndeo

## QUICK HITS

### M&A

## DECISIONHR ACQUIRES PAYMASTERS

NAPEO member DecisionHR has acquired Paymasters, a Minnesota-based PEO, as the company continues to execute a national growth strategy backed by private equity firm Coalesce Capital. "Paymasters has built a strong reputation for taking care of its clients and employees across the Midwest, and that shared commitment to service made this a natural fit," said Peter Newman, chief executive officer of DecisionHR. "Welcoming their team deepens our presence in the region and allows us to bring even more resources to the businesses that count on us every day."



### LEADERSHIP

## PRISMHR PROMOTES MICHAEL DELESSIO TO PRESIDENT



NAPEO member PrismHR has promoted Michael DeLessio to president. DeLessio joined the company in 2013 and most recently served as chief administration officer and chief of staff,

where he drove alignment across enterprise initiatives and ensured execution of strategic priorities. "I'm honored to step into the role of President at such an exciting time for PrismHR," said DeLessio. "We have an incredibly strong foundation, a talented team and a clear vision for the future. I look forward to continuing to work closely with our clients and partners as we focus on delivering innovative solutions, operational excellence and long-term value."

### CONGRATULATIONS

## JOE BEERS HONORED WITH 2026 DOYLE AWARD



NAPEO is proud to announce that Joe Beers of G&A Partners is the recipient of the 2026 Michaeline A. Doyle Award, the PEO industry's highest honor. The award was presented during NAPEO's Annual Conference & Marketplace in Marco Island, Florida. Named in honor of industry pioneer Michaeline A. Doyle, the award recog-

nizes an individual who carries forward her legacy of leadership, service and commitment to strengthening the PEO industry.

Joe has long embodied those qualities. Throughout his career, he has generously shared his time, expertise and experience to support NAPEO and his fellow PEO professionals. He is especially well known for mentoring peers and helping others across the industry succeed. Joe's service to NAPEO has included serving on the association's board of directors and chairing the Arizona Leadership Council. Please join us in congratulating Joe on this well-deserved recognition.

### LEADERSHIP

## ABSENCEISOFT APPOINTS JACLYN ZHUANG AS CHIEF PRODUCT OFFICER

NAPEO member AbsenceSoft has appointed Jaclyn Zhuang as chief product officer. She will lead the company's product strategy, roadmap and AI integration efforts, focusing on helping organizations manage increasingly complex leave and workplace accommodation requirements while improving the experience for HR teams and employees. "We're pleased to welcome Jaclyn to AbsenceSoft as we hit the next stage of growth," said Chris Murphy, chief executive officer of AbsenceSoft. "Jaclyn has a proven record of building market-leading software, and her deep enterprise SaaS experience makes her exactly the right product leader for us as we continue to grow."



## DATA

# NAPEO RELEASES NEW INDUSTRY RESEARCH

New research from NAPEO underscores the continued growth, scale and economic impact of the PEO industry. The 2026 industry research report finds that more than 500 PEOs now operate across the United States, supporting more than 233,000 client businesses and 5.4 million worksite employees. PEOs now serve an estimated 14% of businesses with 20 to 499 employees, and the industry has grown at a compounded annual rate of 7.2% since 2008. The report also found that in 2025 the industry generated \$446 billion in total revenue.

The findings reinforce what NAPEO members see every day: PEOs are an increasingly important part of the small business economy. You can view the full report and more research from NAPEO at [napeo.org/intro-to-peos/industry-research-data/](https://napeo.org/intro-to-peos/industry-research-data/).



## INSIGHTS

## JUSTWORKS RELEASES REPORT ON SMALL BUSINESS BENEFITS GAP

NAPEO member Justworks has released a report examining how small-business decision-makers and workers view health benefits and why the gap between employee expectations and employer offerings is widening. The report found that 89% of decision-makers believe it is important to offer employees more choice in their health coverage, while 86% of employees say flexibility in choosing a health insurance provider is important when evaluating a job offer, underscoring growing demand for more flexible benefits solutions.



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## KUDOS

### OPTIMUM HR NAMED AN ORANGE COUNTY BEST PLACE TO WORK

NAPEO member Optimum HR has been named one of Orange County's Best Places to Work by the Orange County Business Journal, underscoring the company's dedication to fostering a workplace built on collaboration, integrity and a commitment to both its employees and clients. "Being recognized for eleven consecutive years speaks to the incredible team and culture we've built together," said Kevin Gramian, chief executive officer of Optimum HR. "When our employees feel supported, respected, and empowered, they do their best work. That commitment extends to our clients, and we're proud to continue investing in the talented people who make Optimum HR what it is."



## M&A

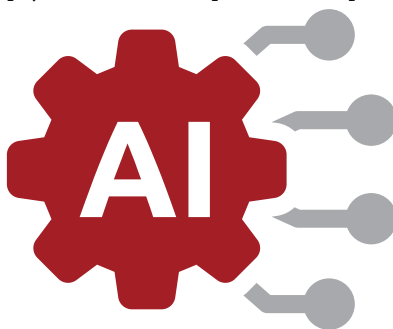
### ONEDIGITAL ACQUIRES PAYROLL EXPERTS

NAPEO member OneDigital has acquired Payroll Experts, a UKG Ready partner that helps organizations optimize payroll, HR, timekeeping, talent, benefits and workforce management. "Welcoming Jason, Alexia, and the entire Payroll Experts team to OneDigital is an exciting milestone," said Ted Crawford, president of OneDigital PEO. "Their 19-year track record as a premier UKG Ready partner, combined with their white-glove service model and genuine care for their clients, makes them the ideal team to lead and elevate our UKG Ready offering. This is exactly the kind of expertise and culture that strengthens everything we are building."

## INNOVATION

### ISOLVED DEBUTS ITS FIRST AI AGENT DESIGNED TO DELIVER PAYROLL OUTCOMES

NAPEO member isolved has debuted The Guardian, the company's first AI agent designed to deliver payroll outcomes for HR teams. The Guardian acts as an AI-driven payroll assistant capable of independently delivering outcomes while giving payroll



professionals configurable oversight, permissions-based checkpoints, visibility into every action it takes and the flexibility to expand its autonomy over time. "For decades, every wave of technology has asked HR to do more with less. AI is the first wave that asks HR to manage more – not just people, but an intelligent workforce of agents that can deliver outcomes," said Michael Haske, chief executive officer of isolved. "The Guardian is what that looks like in

practice: an agent that doesn't just flag payroll issues but resolves them, with the oversight and accountability HR leaders require."

## CONGRATULATIONS

### TRINET RECOGNIZED AS A TOP WORKPLACE

NAPEO member TriNet has been recognized by *TIME*, *Newsweek* and *U.S. News & World Report* in their 2026 workplace rankings, reflecting the company's commitment to providing a workplace where employees can grow, contribute and succeed. "We're honored to be recognized by these respected publications as a top workplace," said Mike Simonds, president and chief executive officer of TriNet. "These awards reflect how our colleagues have stepped up for our customers and one another while navigating the challenges of a demanding SMB environment. I'm proud of their dedication, resilience and continued commitment to making TriNet a place where people can do meaningful work and thrive." ■





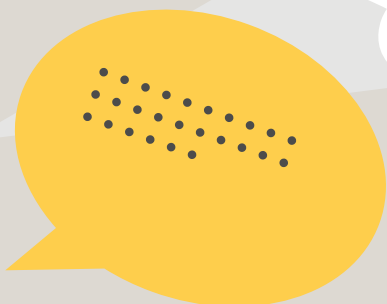
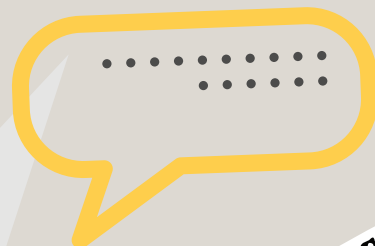
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# *The* **HR** *Evolution*



# Why the Most Successful PEOs Are

# *Building Relationships,*

# Not Just Processing Transactions

BY KIRK DAVIS

**F**or much of the PEO industry's history, our value proposition was relatively straightforward. We helped businesses manage payroll, administer benefits, navigate compliance obligations and reduce the administrative burden associated with employing people.

Those services remain critically important. In fact, if we fail at operational excellence, nothing else matters.

But if we are honest with ourselves, that isn't why clients stay.

Clients don't remain with a PEO because payroll was processed accurately this week. They don't renew because an employee enrollment form was completed correctly. Those things are expected. Clients stay because, at some point, the relationship evolves beyond administration. They stay because they trust us.

That shift—from administrator to advisor—is perhaps the most significant evolution our industry has experienced, and it is fundamentally changing what it means to be a successful PEO.

## **A CHANGING BUSINESS LANDSCAPE REQUIRES MORE THAN ADMINISTRATIVE SUPPORT**

Today's business leaders face challenges that few anticipated a decade ago.

They are trying to attract talent in highly competitive markets. They are navigating increasingly complex employment laws across multiple jurisdictions. They are managing distributed workforces, addressing employee well-being concerns and building cultures that can withstand constant disruption.

The reality is that many business owners did not start their companies because they wanted to become experts in employment law, organizational development, compensation strategy or leadership coaching.

Yet every one of those issues now affects their ability to grow.

As a result, clients are asking different questions than they once did. They are no longer simply asking, "How do I process this?" Instead, they are asking: "What should I do next?"

That distinction matters. The first question requires administration. The second requires consultation, judgment, and partnership. It is precisely where the modern PEO creates its greatest value.

### THE DATA TELLS A COMPELLING STORY

The industry's evolution is supported by outcomes, not just aspirations.

According to NAEPO's latest research, businesses that partner with a PEO grow at more than twice the rate of comparable companies, experience employee turnover rates that are 12% lower, and are 50% less likely to go out of business than similar organizations that do not use a PEO. NAEPO also reports that PEO users achieve an average return on investment of approximately 27% through cost savings and operational efficiencies.

Those are remarkable numbers. But they raise an important question. Are companies achieving these outcomes simply because someone processed payroll?

Of course not. They are achieving better outcomes because they gain access to expertise, guidance, systems and strategic support that help leaders make better decisions.

The administrative platform creates the foundation. The advisory relationship creates the value.

### THE CONVERSATION THAT CHANGED EVERYTHING

Several years ago, I worked with a business owner who initially engaged our organization for what appeared to be fairly traditional reasons: payroll, benefits, compliance support, and HR administration.

For the first several months, our interactions were largely transactional. Then one day he called—not with a payroll issue—but with a leadership problem.

As my team jokingly refers to me as the office “Work Dad,” those conversations are often where I find myself most valuable—not interpreting regulations, but helping leaders think through difficult people decisions with perspective, experience and a steady hand.

A high-performing executive was becoming increasingly disruptive. Team morale was suffering. Turnover was beginning to rise within a critical department. Revenue goals were being missed, and he wasn't sure whether the issue was performance, culture, leadership or all three. Over the next several weeks, our conversations had nothing to do with forms, processes or regulations. Instead, we talked about accountability, communication, management expectations, organizational structure and employee engagement.

Together, we developed a plan, coached leaders through difficult conversations, clarified expectations and rebuilt trust within the team.

Within a year, voluntary turnover had decreased significantly, employee engagement scores improved and the company was back on a growth trajectory. When discussing the experience later, the client said something that has stayed with me: “*The payroll and benefits got you in the door. The advice made you part of the team.*”

That statement captures the future of our profession.



## THE REAL PRODUCT IS CONFIDENCE

The most valuable thing a PEO provides today is not payroll.

It's confidence. Confidence for a business owner making a difficult personnel decision. Confidence for a manager navigating a sensitive employee issue. Confidence for an executive team managing growth, acquisition, restructuring, or succession planning.

Every day, PEO professionals help clients answer questions that do not have neat regulatory checklists attached to them.

Should we reorganize this department? How do we retain key employees? What compensation strategy makes sense? How do we hold leaders accountable without damaging culture? How do we manage growth without losing who we are?

Those are business questions. The answers require business partners.

## WHY CONNECTION IS BECOMING A COMPETITIVE ADVANTAGE

As technology continues to evolve, many administrative tasks that once required significant human involvement are becoming automated. That should not concern us.

It should challenge us. Automation can process information. Artificial intelligence can summarize regulations. Technology can streamline transactions. But none of those tools can build trust.

They cannot sit across from a worried business owner and understand the weight of a decision that could impact dozens of employees and their families. They cannot recognize the hesitation in a leader's voice when discussing a struggling executive. They cannot create the



*The PEO industry has earned its reputation through decades of administrative excellence. We should never lose sight of that foundation. But our future will be defined by something larger.*

psychological safety necessary for honest conversations. People still need people.

In fact, as technology becomes more capable, human connection becomes more valuable.

The PEOs that thrive in the next decade will not be those with the longest list of administrative features. They will be the organizations that combine technology with trusted relationships, operational excellence with strategic guidance and expertise with genuine human connection.

## THE FUTURE BELONGS TO TRUSTED ADVISORS

The next generation of successful PEO professionals will need a broader skill set than ever before.

Certainly, they must understand employment law, compliance, benefits, payroll and risk management. But they must also understand leadership.

They must be coaches, communicators, problem-solvers and trusted advisors.

The strongest client relationships I have seen over my career did not develop because someone had all the answers. They developed because someone took the time to listen, understand the business, and help leaders navigate uncertainty.

That is what trusted advisors do. And increasingly, that is what clients expect from their PEO.

The PEO industry has earned its reputation through decades of administrative excellence. We should never lose sight of that foundation. But our future will be defined by something larger.

The businesses we serve need more than vendors. They need partners who understand that business challenges are ultimately people challenges. They need professionals who can translate complexity into clarity and uncertainty into confidence.

Most importantly, they need relationships built on trust. The evolution from administrative HR to strategic partnership is not a future aspiration for our industry—it is already happening.

The PEOs that embrace that reality will not simply help clients manage employees. They will help clients build stronger organizations, better leaders, and more connected workplaces. And that is a far more meaningful role than administrator.

It is the role of a trusted strategic partner. ■



**KIRK DAVIS**

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# From HR Vendor to

# Strategic Partner:

## How PEOs Can Elevate the Client Conversation

BY RONDA MCCULLOUGH

**P**EOs solve a lot of problems. Payroll gets processed. Benefits get administered. Compliance questions get answered. HR issues get addressed. Those services matter. In fact, they may be exactly what brought the client to the PEO in the first place.

But they aren't necessarily what makes the relationship strategic.

The greatest long-term value often comes when a PEO moves beyond helping a client manage today's HR needs and starts helping them think about what's next.

Where is the business going? What could get in the way? Where are people challenges affecting growth? And what workforce decisions need to be made now to support where the company wants to be a year or two from today?

That shift doesn't necessarily require adding another service.

Sometimes, it starts by changing the conversation.

### START WITH THE BUSINESS, NOT HR

It's easy for client conversations to become focused on what's immediately in front of us. A benefits question. A compliance update. An employee issue. A recruiting

challenge. Those things need attention, but strategic HR requires understanding the bigger picture behind them.

Consider the difference between asking "Are you having trouble hiring?" and "What are your growth plans over the next 12 to 24 months, and do you have the people you need to get there?"

The first identifies an HR problem. The second opens a business conversation.

That distinction matters because people decisions rarely exist in isolation. Hiring, retention, compensation, benefits, leadership development, and workforce planning all have the potential to affect a client's ability to execute its business strategy.

The more a PEO understands that strategy, the more valuable its guidance can become.

### BETTER QUESTIONS CREATE BETTER CONVERSATIONS

Becoming more consultative doesn't mean arriving at every meeting with all the answers. It often means arriving with better questions.

Questions like:

- What are the company's most important business goals this year?

- Where are people issues slowing growth or creating risk?
- What positions will become critical if the company grows as planned?
- Where is turnover having the greatest impact?
- Are managers equipped to lead the team the business will need next year?
- What workforce data should we be reviewing together?
- What is taking up leadership's time that shouldn't be?

Questions like these can uncover needs that may never surface in a conversation focused solely on HR administration. They also send an important message to the client: We want to understand your business, not just your HR tasks. That's where a vendor relationship can begin evolving into a strategic partnership.

### TURN DATA INTO INSIGHT

PEOs often have access to something extraordinarily valuable: data.

Payroll trends. Turnover. Compensation. Benefits utilization. Hiring patterns. Workers' compensation information. Employee demographics. But data alone isn't strategic.



The value comes from helping clients understand what the data is telling them and what they might do differently because of it. If turnover is increasing, where is it happening and why? If hiring is slowing, could compensation, benefits, or the employer brand be contributing? If the business plans to expand, what does the current workforce tell us about its readiness to do so?

Instead of simply reporting information, PEOs have an opportunity to add context, identify patterns, and help clients connect workforce trends to business performance.

That is a very different conversation from reviewing a report.

### **DON'T WAIT FOR THE CLIENT TO ASK**

There is another important distinction between being a provider and being a strategic partner. Providers respond. Partners anticipate.

A client may not know to ask about succession planning, workforce gaps, retention risk, or whether its benefits strategy will support future hiring. It may not recognize a people problem until it has already become a business problem.

The PEO often has a broader perspective.

Because PEO professionals work across organizations and industries, they see patterns clients may not. They know which questions other business leaders are asking. They can often spot emerging workforce challenges before an individual client sees them coming.

Bringing those insights forward proactively demonstrates value that goes well beyond administration.

*Moving from HR vendor to strategic partner isn't about abandoning the administrative work clients depend on. It's about using that work, the data behind it, and the expertise surrounding it to help clients make better business decisions.*

### **MAKE STRATEGIC CONVERSATIONS PART OF THE RELATIONSHIP**

Strategic HR shouldn't be reserved for an annual review. It can become part of the regular client experience.

That might mean periodically stepping away from immediate HR needs and intentionally discussing the business. What has changed? What is coming next? What is keeping leadership up at night? Where could the PEO bring additional expertise or resources to the table?

The goal isn't to turn every interaction into a formal strategy session.

It's to create enough visibility into the client's business that the PEO can connect its expertise to what matters most.

### **THE CONVERSATION CAN START BEFORE THEY'RE A CLIENT**

This approach shouldn't begin after the contract is signed. PEO sales and marketing teams have an opportunity

to introduce this kind of thinking much earlier in the buyer's journey.

At LeadG2, we often talk about the importance of moving conversations beyond products and services and toward the business problems a prospect is trying to solve. Educational content can do the same thing before a salesperson ever enters the conversation.

Articles, videos, case studies, webinars, and other resources can help business leaders think differently about their workforce challenges while demonstrating the PEO's expertise.

Sales can then build on that foundation by asking better questions and connecting PEO capabilities to the prospect's business goals.

The result isn't just a better sales conversation. It's the beginning of a different kind of relationship.

### **STRATEGIC HR STARTS WITH UNDERSTANDING THE BUSINESS**

PEOs have long provided SMBs with HR expertise and resources they may not otherwise have access to. The opportunity now is to take that value even further.

Moving from HR vendor to strategic partner isn't about abandoning the administrative work clients depend on. It's about using that work, the data behind it, and the expertise surrounding it to help clients make better business decisions.

And often, that evolution begins with something surprisingly simple. Ask better questions. Listen differently. Understand where the client is going.

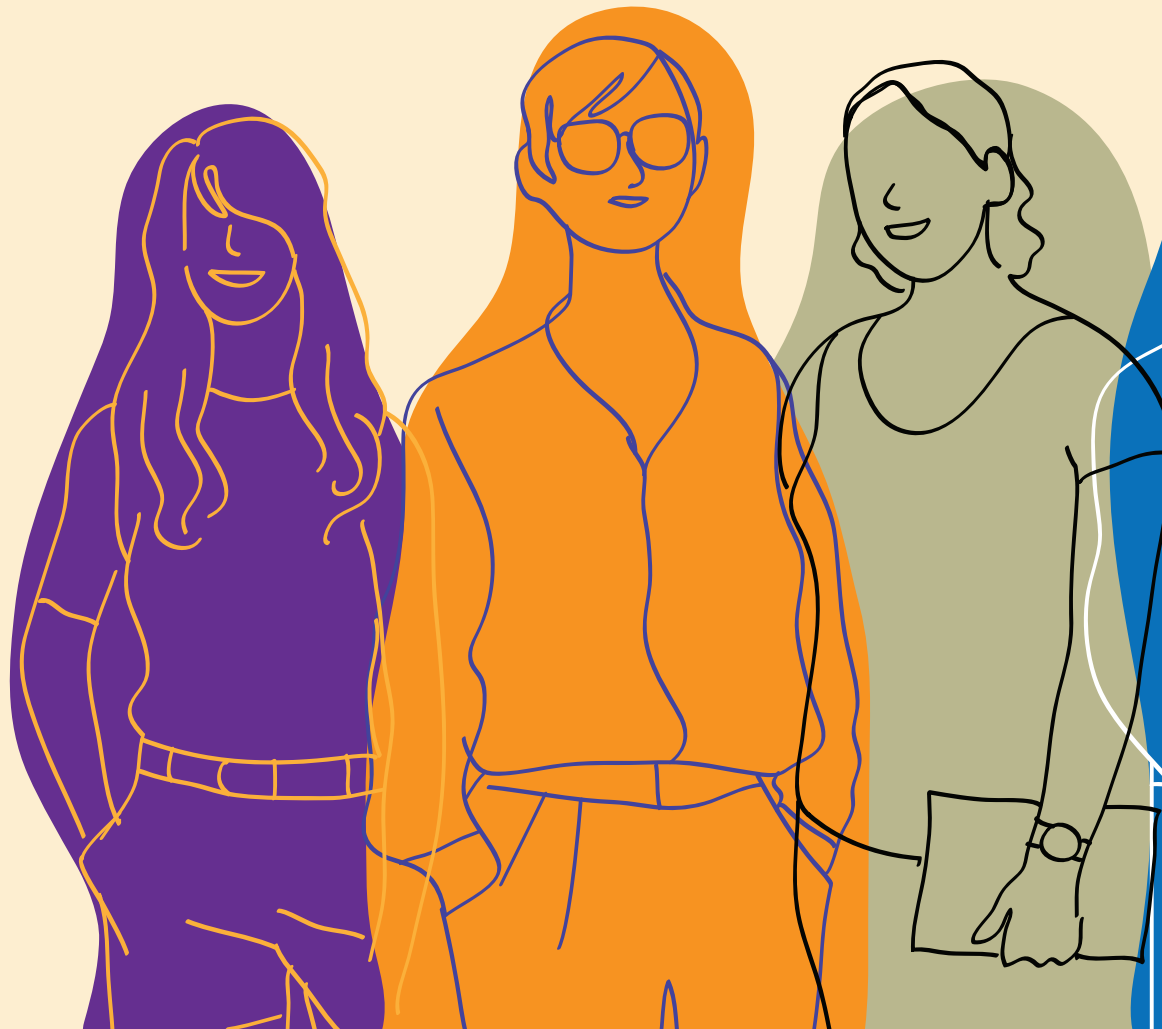
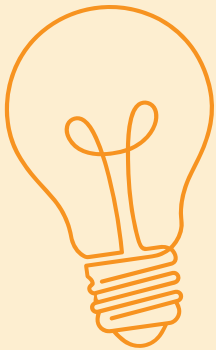
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**RONDA MCCULLOUGH**

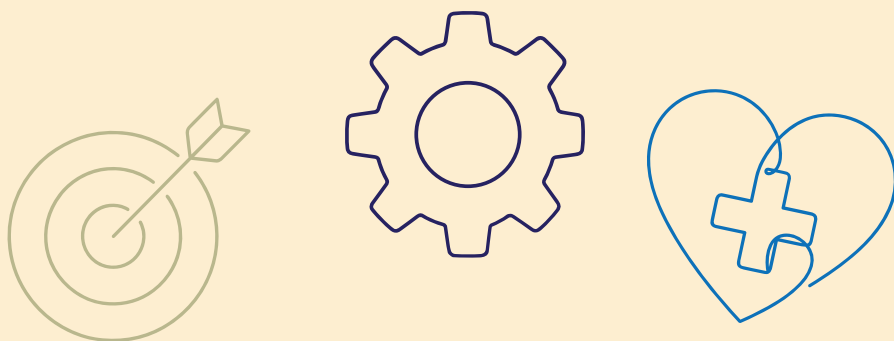
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# PEOPLE STRATEGY AS BUSINESS STRATEGY



# CAN HUMAN RESOURCES DRIVE REVENUE?

## RETHINKING THE STRATEGIC VALUE OF PEOS



BY STACY JENSEN, SPHR

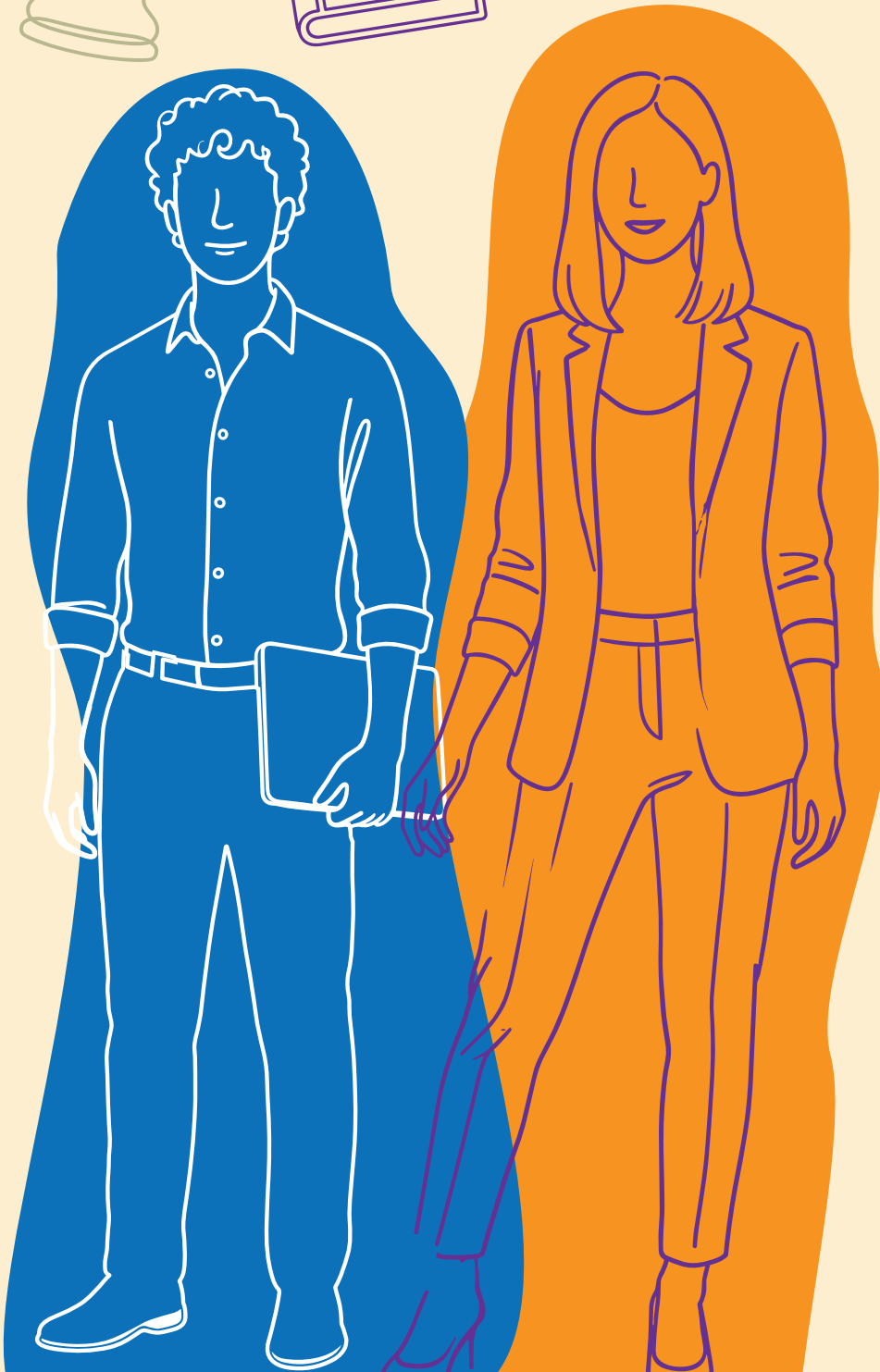
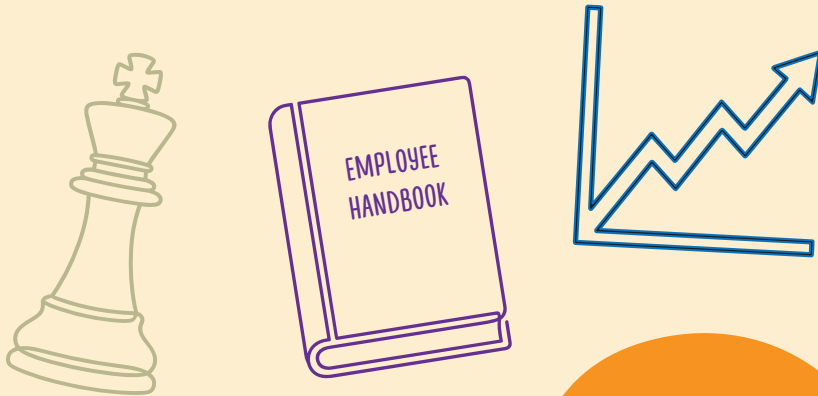
One of the most enticing things about the PEO value proposition is the inherent cost savings attached to hiring an entire HR Department for a small fraction of the price of an a la carte team of professionals. How then do our client partners optimize the PEO relationship to actually enable revenue, not just save money? The value proposition in benefits, onboarding, payroll and HR consulting services is just the cherry on top of the profitability influence of the PEO model.

### THE NEEDS ANALYSIS

The first step in effectively contributing to revenue generation is performing a needs analysis of staffing and HR gaps with key stakeholders during the business development process. This is a much deeper dive than analyzing insurance demographics or asking for the workers' compensation premium cost. Sales teams should specific questions like these.

**Human Resources:** How are you placing job ads? What systems are you using to accomplish your HRIS functions and how much does that cost? What does your HR person spend most of their day doing? If your managers could spend 20% less time on HR and 20% more time growing the business, what would that mean for revenue?

**Benefits:** Do you lose candidates because of benefits? What is your 401(k) strategy? Who answers employee benefit questions? How much time does your company spend on open enrollment?



**Compliance:** When was your handbook last updated? Who created your handbook? How confident are you that it contains policies that serve to reduce your risk? How do you keep up with employment law changes? Have you had a wage and hour complaint? How do you deal with unemployment claims? Who represents you in unemployment hearings? How would you handle an EEOC complaint? Are managers trained on harassment? What mechanism do you use to comply with employee anti-harassment training protocols?

The answers our prospects present to these questions, and the assistance we as the PEO can offer them to hire better, comply with regulatory agencies and administer benefits smarter and more efficiently, are what not only reduce overhead but ultimately drive revenue for our small and mid-sized business partners.

### HR CAN HELP DRIVE BUSINESS PERFORMANCE

Business leaders are savvy about the importance of financial metrics like revenue, profit margins, customer retention and operational efficiency. What is behind every one of those metrics? People.

Perhaps no industry is better positioned to elevate HR to a source of revenue generation than PEOs.

By combining our expertise across compliance, payroll, benefits, recruiting, compensation, employee relations, performance management and leadership development, we can bring the perspective to aid our clients in providing their employees with the tools they need to be satisfied with their work and driven to succeed.

Employees design products, serve customers, solve problems, innovate processes and build company culture. When organizations attract, develop

and retain high-performing employees, the business performs better.

Not only does reducing employee turnover decrease recruiting and training costs, but it also preserves institutional knowledge. Clients and customers like the familiarity of a representative they know can help them, know will get back to them, and know their direct line will lead to a friendly voice. Customers are much less likely to change vendors or offices if they have developed a relationship with their provider.

A succinct and professional employee onboarding process accelerates time-to-productivity for new hires. This onboarding efficiency is particularly impactful to small and mid-sized businesses who may not otherwise have that step of the new hire process on lock.

Performance management aligns employee efforts with company goals, and hitting company goals increases the company's earnings.

Competitive compensation strategies improve recruiting success and reduce vacancies that slow production or sales. Partnering with a PEO who can run and analyze salary surveys for their clients takes the time and guesswork out of properly paying employees their value. It can further lead to reduced turnover (see first point here).

When the PEO offers their clients measurable financial returns, we are offering so much more than simple HR initiatives and cost saving measures.

## SUPPORTING CLIENT MANAGERS

The best employees are supported by the best managers. The quality of front-line leadership influences all their direct reports. Unfortunately, especially in smaller organizations, many high-performing individual contributors wind up being promoted into management roles without being provided leadership training. It's difficult to quantify how

much investing in manager development will produce returns to employers, but we can certainly speculate.

This is an area where PEOs can provide tremendous value to our small to mid-sized clients. We can do so through coaching, performance appraisal training, conflict resolution skill guidance and manager education. Having an online platform to provide management trainings, as well as an in-house manager coaching expert, provides resources that would otherwise be inaccessible if not incredibly costly to potential and actual PEO clients.



*In an increasingly competitive labor market, the businesses that treat HR as a strategic investment rather than an administrative necessity will be the ones best positioned to outperform their competitors.*

## SETTING THE COMPLIANCE FOUNDATION

One of the PEOs superpowers is helping our clients navigate employment laws, wage and hour regulations, ACA and Section 125 compliance, workplace investigations, and risk management.

While compliance remains essential, it by no means defines the HR function.

Compliance is the building's foundation. Without it, the structure becomes unstable. We've seen this play out at

businesses who lack that foundation, where employee discontent and confusion morph into litigation.

Though a solid foundation alone doesn't generate revenue, the lack of one can certainly hurt the bottom line.

Once compliance risks are controlled, organizations can shift attention toward strategic initiatives that improve productivity, strengthen culture, and accelerate growth.

## THE PEO ADVANTAGE

Working across hundreds of client organizations allows PEO professionals to identify trends, benchmark best practices and recommend proven strategies that individual businesses may never discover independently. The access we have to improvement strategies for our business partners is right there in front of us, by observing and learning from our current and former clients and by partnering with true vendor partners who can elevate businesses and eliminate non-revenue generating activities.

For PEOs, that represents the greatest opportunity of all—not merely helping clients stay compliant but also helping them build organizations where people and business performance grow together. In an increasingly competitive labor market, the businesses that treat HR as a strategic investment rather than an administrative necessity will be the ones best positioned to outperform their competitors.

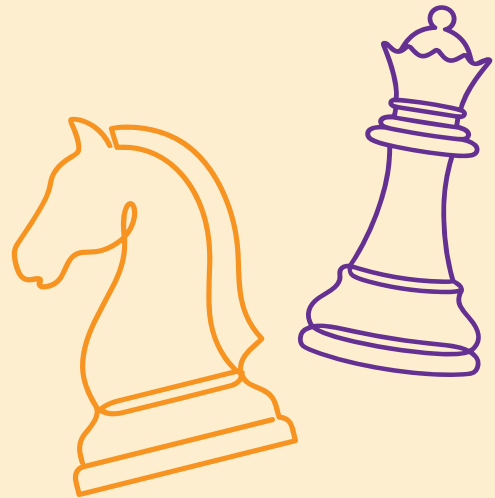
By combining HR expertise with strategic business insight, PEOs can help organizations leverage their people strategy to achieve measurable business outcomes. ■



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# Your People Strategy Is Your Business Strategy



BY MANDY RESMONDO

**A**s someone who has spent years partnering with executives and business owners, there has often been a common theme. When leaders talk about growing their business, they don't usually start the conversation by talking about their HR function.

Their focus tends to be on increasing revenue, improving profitability, expanding into new markets, enhancing customer experience or becoming more efficient. Every one of those business objectives depends on one thing: having the right people in the right positions, doing the right work.

That's why HR might possibly be the most important business strategy within your organization. Every hiring decision, leadership investment and workforce decision has a direct impact on a company's financial performance.

## START WITH THE BUSINESS GOALS

The best HR strategy includes more than just benefits, policies or compliance. It needs to start with asking one question: *Where is the business going?*

If your goal is to double revenue over the next three years, your workforce strategy should look different than if you're focused on improving profitability or preparing for an ownership transition.

Your people strategy should be intentionally designed to help you achieve your business strategy.

## BUILD A CULTURE THAT DRIVES PERFORMANCE

Culture is about creating clarity within the organization. People want to know what's expected of them, how success is measured, and how their work contributes to the bigger picture.

Clarity provides employees with the confidence to make decisions and take ownership of their work. Sense of ownership gives people purpose and helps drive stronger engagement.

## HIRE FOR TODAY. DEVELOP FOR TOMORROW.

Hiring the right people into the right seats will always be one of the most important investments a business makes, but workforce planning shouldn't stop once someone accepts an offer.

The most successful organizations are constantly asking:

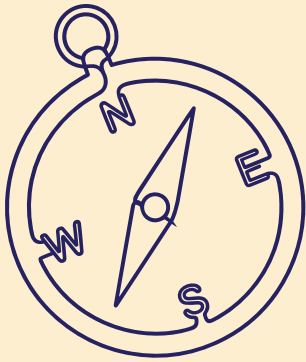
- What skills are we missing today?
  - What capabilities will we need in two or three years?
  - Who can we develop internally?
  - Where do we need outside expertise?
- That strategy may include leadership



*When HR leaders understand how the business creates value, they make better decisions about hiring, leadership development, compensation, workforce planning and organizational effectiveness.*

development, cross-training, internships, outsourcing specialized functions, partnering with a recruiting firm or creating succession plans for critical positions.

There typically isn't one right solution. Most often, it's a combination of options. Having the knowledge and understanding of how to align your business objectives with how you will obtain the right talent and skills is an important piece of your business strategy.



## HR SHOULD IMPROVE BUSINESS OUTCOMES

The most effective HR strategies are measured by business outcomes, not HR activities.

Hiring faster only matters if it enables growth. Leadership development only matters if it builds stronger leaders who can execute the company's strategy. Employee engagement only matters if it translates into better performance, stronger retention and a better experience for customers.

Too often, organizations evaluate HR by what it does instead of what it delivers.

Strategic HR should influence the metrics every executive cares about: revenue growth, productivity, profitability, retention, operational efficiency and the organization's ability to adapt and scale.

When people strategy is aligned with business strategy, HR stops being viewed as a support function and becomes a competitive advantage.

## BUSINESS ACUMEN IS THE FUTURE OF HR

One request I've heard repeatedly from executives over the past several years is: "We don't just need an HR leader. We need a business leader who happens to have deep HR expertise."

I couldn't agree more.

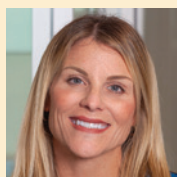
Today's HR leaders need to understand financial statements, operational challenges, workforce economics, organizational design and growth strategy just as well as they understand employment law and talent management.

When HR leaders understand how the business creates value, they make better decisions about hiring, leadership development, compensation, workforce planning and organizational effectiveness.

They become strategic advisors instead of administrative partners.

Whether your organization has 50 employees or 500, your workforce can be one of your greatest competitive advantages. Successful businesses will invest in more than technology or operations. They'll invest in building a workforce strategy that aligns with where the business is headed.

Your HR function is one of the most powerful drivers of growth, profitability and long-term success. At the end of the day, every business strategy succeeds or fails based on the people responsible for executing it. ■



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# ***BUILDING A BETTER EXPERIENCE***

## ***THE UNSUNG HERO:***

### **HOW PEOS ARE EVOLVING FROM ADMINISTRATOR TO STRATEGIC PARTNER**

BY JENNIFER MING

**T**hroughout my career, I've worked for larger companies where benefits, compliance and HR infrastructure were just there. I didn't have to think about it. I took all of that for granted, until volleyball got involved.

Being a volleyball fanatic, I picked up a part-time gig at an indoor beach volleyball facility, four to eight hours a week, totally uncommitted, alongside my actual, put-it-on-LinkedIn job. No benefits. No compliance calendar. No one quietly making sure the paperwork got filed. Just me, a court schedule, and whoever remembered to unlock the doors.

It was the first time I saw, up close, how much invisible work goes into keeping a small business running without benefits, compliance or an HR team to lean on.

I never had to consider what that's like for the owner who has to do all of that

invisible work alone. The one wearing every hat, Googling labor laws at 2am, one audit away from a very bad day.

#### **EVERY HERO HAS AN ORIGIN STORY**

When I first looked into what PEOs actually do, my initial reaction was (and I'm sorry) "boring." Compliance. Regulations. Payroll. Dry.

Then I realized that PEOs taking on the "dry" stuff is the reason small businesses can function. They handle the complicated, time-consuming, "I don't specialize in this and I don't have time for it" work, so small businesses and HR teams of one can get back to doing what they actually love. Building things. Serving customers. Growing.

PEOs are the superheroes whose deep expertise, quick thinking, and ability to juggle multiple balls makes it look dry, boring, and less colorful to the uninitiated.

The work is also incredibly necessary, but most PEOs are happy to let someone else take the spotlight. *Ta-da!* The crowd goes wild. Just not for you. Selfless? Absolutely. Also kind of the problem.

### THE INVISIBLE CAPE

Ask most SMB owners what their PEO does and the answer is usually some version of “they handle payroll and compliance.” Not wrong. But, it’s like calling Batman the guy with the car. Totally accurate while wildly underselling it.

PEOs do far more than keep the lights on but if clients only experience you as the people who make sure checks go out and forms get filed, that’s how they’ll value you. The shift from administrative to strategic isn’t about doing more. It’s about stepping out of the shadows once in a while.

### EVERY HERO NEEDS A VILLAIN

Most employers think turnover and absenteeism are management problems. Bad culture. Poor leadership. Not enough pizza parties.

The real villain is something much simpler. Financial stress. 72% of employees are stressed about finances.

Financially stressed workers lose over seven hours of productive focus per week. They’re not disengaged because they don’t care. They’re distracted because they’re trying to figure out how to make it to payday with a tank of gas that is already running on fumes.

A PEO that surfaces this insight, the one that says “this isn’t a management issue, it’s a financial wellness gap, and here’s how we solve it,” isn’t an administrator. That’s the hero every SMB needs, even if they don’t know to ask for it.

The solutions don’t have to be complicated either. Tools like earned wage access cost nothing to implement, add zero admin work, and companies offering them are seeing up to a 29% reduction in turnover.

### TIME TO PUT THE CAPE ON

Here’s what some PEOs might underestimate: you’re already in the room. Already trusted. Already woven into how these businesses operate. The leap from “we handle your payroll” to “we help you keep your people” is a lot smaller than most PEOs think.

Someone just has to make that leap visible. The PEOs that do are the ones

who set the standard. The ones that don’t? They’ll keep doing incredible work that nobody talks about. They’ll continue to be Robin, the unsung hero. Always there, but never on the poster.

### NOT ALL HEROES WEAR CAPES

SMBs are getting more sophisticated about what they want from their partners. “You do my paperwork” isn’t a long-term value proposition. “You make my business a place people want to work” is.

The shift from administrative to strategic doesn’t mean adding complexity or overhauling everything. It means bringing solutions before clients know to ask for them. It means being the partner that makes the small business owner say “I don’t know what I’d do without them” instead of “yeah, they do our payroll.”

PEOs have been the unsung hero long enough. Get on the poster. ■



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# HOW PEOS HELP CLIENTS BUILD **STRONG EMPLOYER BRANDS**



BY HEATHER KEEFER SAULSBURY

**W**hen people talk about employer branding, the conversation often starts with career pages, social media or recruitment campaigns. Yet, employees rarely decide if a company lives up to its brand based on what they read online. They remember the tone of an offer letter, whether a Human Resources representative took time to explain their benefits, how they were welcomed on their first day and whether HR responded when they needed help. These everyday moments, not marketing slogans, define a company's true employer brand.

One of the greatest opportunities PEO professionals have is helping clients create employee experiences that consistently reflect the culture they want to build. A PEO professional's role in recruitment marketing and branding can help a company go from having a lackluster reputation to having one that future employees look up to.

To build the type of brand employees desire, a PEO must be strategic from the first conversations with a client before implementation starts.

## **EMPLOYER BRANDING BEGINS LONG BEFORE A NEW HIRE'S FIRST DAY**

A PEO discovers an employer's brand during the earliest strategic conversations with a client, not when implementation starts. These conversations often uncover far more than operational needs, including: business vision and long-term goals, leadership priorities, company culture, recruiting challenges, employee retention concerns, desired employee experience and organizational values.

Understanding these goals helps ensure every recommendation supports the organization's long-term vision for its people.

Consultative selling is about more than recommending human resources solutions; it's about understanding who the client wants to become as an employer. By asking insightful questions and actively listening, PEOs help clients define the employee experience they want to create.

## EVERY DISCOVERY CONVERSATION BUILDS THE FOUNDATION

During the sales process, every discovery conversation lays another piece of the employer brand foundation.

Thoughtful questions and attentive listening can uncover the nuances of a client's culture. Documenting these insights captures leadership priorities and ensures the client's vision carries forward into implementation. It also creates a shared understanding of what success looks like long after implementation is complete.

## EXCELLENT CLIENT EXPERIENCES DEPEND ON GREAT INTERNAL HAND-OFFS

The handoff from sales to implementation is crucial. The risk isn't just losing information: it's losing the context that gives that information meaning.

Implementation teams need to understand not only what decisions were made, but why they were made. The context behind leadership priorities often shapes every recommendation that follows.

The areas that deserve continuity are:

- Business objectives
- Leadership expectations
- Company personality
- Recruiting philosophy
- Employee value proposition
- Communication preferences

When internal implementation teams understand these elements beyond the logistics, they're better equipped to reinforce the experience leaders want employees to have.

When that context is shared across teams, implementation becomes more than an operational handoff; it becomes an opportunity to reinforce the culture leaders are working to build.

## CONSISTENCY BUILDS TRUST

Whether it's designing benefit offerings, determining waiting periods or developing onboarding materials, every decision sends a message about how an organization values its employees.



*Whether it's designing benefit offerings, determining waiting periods or developing onboarding materials, every decision sends a message about how an organization values its employees.*

The enrollment experience is another touchpoint that communicates a company's values. A seamless and supportive enrollment process demonstrates that an organization cares about its employees' needs. Every operational decision communicates something about how a company values its people.

## THE EMPLOYER BRAND LIVES IN EVERYDAY EMPLOYEE EXPERIENCES

Employer branding isn't a one-time event. It's reinforced or diminished through daily interactions. Employees notice the everyday experiences leaders often overlook, such as how quickly HR responds, whether managers communicate consistently and whether technology makes routine tasks easier or harder.

Benefits administration and employee issue resolution are areas where employees notice friction long before leadership does. Small experiences shape lasting perceptions, and it's essential to address these areas proactively.

## A COMPANY'S CULTURE SHOWS UP IN THE DETAILS

The details matter when it comes to employer branding. A job posting

introduces an organization's voice. An offer letter reinforces its values. Even the language in an employee handbook shapes how employees experience the culture.

More examples of how culture shows up in the details include: employee handbook language, learning management systems, performance review processes, human resources audits and employee feedback processes.

Every document and every process tells employees something about what an organization values. Employee feedback and periodic HR reviews help organizations determine whether the experience employees are having actually reflects the culture leaders intended to create.

## EMPLOYER BRANDING IS AN EXPERIENCE, NOT A CAMPAIGN

Employees remember experiences far longer than taglines. Every conversation, document, response, transition, and interaction contributes to the story employees tell about where they work. For PEOs supporting organizations through growth and change, the opportunity isn't simply to implement HR solutions, it is to help clients create employee experiences that consistently reflect who they aspire to be.

When strategy, communication and people stay connected, the employer brand becomes something employees don't just hear about; they experience it. An HR audit with a new client can determine what the client is happy with, what they would like to change, areas that need to be improved and buttoned down, and what the company's growth goals are. A PEO partnership presents a golden opportunity to shape an employer's brand for the better and make it a culture employees can't wait to be a part of. ■



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# HOW ALLEVITY TURNED A FOUNDER'S VISION INTO A 50-YEAR PEO LEGACY

BY CHRIS CHANEY

**I**n 1974, long before PEO became a familiar term, Kent Ahlswede saw a problem.

As a CPA in Chico, California, he had encountered a business providing something resembling an employer-of-record service. But the operation was rudimentary: employees were being paid from clients' own checking accounts, and important responsibilities such as HR, workers' compensation and health insurance were not being properly managed.

Kent thought there had to be a better way.

He researched California's labor laws and found a framework that allowed businesses to lease employees. Then he built a company around the concept. Staff Resources, Inc. opened in 1974 as one of the industry's first PEOs.

More than five decades later, the company is known as Allevity and primarily still serves businesses in California while supporting employees in roughly a dozen additional states as

clients hire remote workers or expand geographically.

While the company's technology, services, footprint and name have evolved dramatically, what has not changed, says President Craig Ahlswede, is the belief at the center of his father's original idea: a passion for helping businesses succeed.

Kent Ahlswede's background as a CPA shaped the way he viewed the employer relationship.

People are often afraid of the IRS, Craig recalls his father telling him. They hire CPAs because they do not want to make a tax mistake or face an audit. But Kent believed that being an employer could expose a business owner to risks that were just as serious—and often less well understood.

Wage-and-hour claims, workers' compensation issues, employment practices and other liabilities could threaten the survival of a business. Small and mid-size employers, however, rarely

possess the internal expertise necessary to manage every requirement themselves.

That realization became both a business model and something of a mission.

"Being an employer is much more risky than people think," Craig says. "They just don't understand the risk that they're putting themselves into."

Over the ensuing decades, that complexity has only increased. Craig remembers the company once using a graphic to illustrate the expanding volume of employment laws and regulations: a relatively short stack in 1974, a taller one a decade later and an increasingly imposing one with every passing decade.

Eventually, he jokes, "it just goes off the page."

The issues have changed, too. Remote work, multistate employment, leave requirements and a constantly evolving regulatory landscape have joined the perennial questions surrounding wage and hour, benefits and workplace practices.

That makes Allevity's original value proposition more relevant, not less.

## THE NEXT GENERATION

Craig did not initially expect to make the family business his career.

After graduating from college in 1990, he briefly joined the company, but quickly decided he needed experience elsewhere. He spent several years in recruiting, working with engineers, programmers, designers and project managers and gaining firsthand experience with payroll, pay rates, taxes, hiring, termination paperwork and other aspects of employment.

Then, in 1995, Kent suffered a life-threatening heart condition.

Craig returned to Chico and joined his father's company for good, eventually taking over as company president in 2006.

The transition ultimately required more than learning the technical details of the business. It meant helping a company founded by an entrepreneur adapt to a larger organization.

Kent, Craig says, was an exceptional entrepreneur. When a founder can hear nearly every conversation happening in a company, that founder can make decisions quickly and personally solve problems. Growth requires a different model.

"As you grow, you've got to give people the ability, the authority to make decisions, to make mistakes and learn and grow," Craig says.

That became one of his central contributions to the business.

Craig's brother Kevin Ahlswede also found his way to the family business and played a central role in evolving the company's service offering to attract a new set of clients. Kevin Ahlswede joined the company in September 1998, when the company still operated primarily with a benefits-focused PEO service model. Kevin recognized an opportunity to expand the company's appeal to a



Kevin Ahlswede, Craig Ahlswede and Ann Soinila



*Kent Ahlswede understood early on that for the emerging industry to succeed, PEOs needed more than a viable business model. They needed a collective voice.*

segment of the market that Allevity had not catered to. To reach employers that did not want to provide employer-sponsored health benefits, Kevin helped launch Employer Concepts, a blue-collar division that offered PEO services without requiring health insurance.

Today, Kevin serves as Director of Business Development. He's a trusted voice in the community with a reputation for developing relationships, understanding each organization's challenges and recommending meaningful solutions that help businesses thrive.

## HIGH TECH, HIGH TOUCH

At a time when much of the HR and PEO marketplace is racing toward greater automation, Allevity has taken a deliberately balanced approach.

The company embraces technology where it improves service and efficiency. But Craig is skeptical of the idea that

every HR function can—or should—be reduced to an app.

Allevity assigns clients dedicated representatives who understand their businesses and histories. When clients call, the goal is for a person to answer rather than route them through a call center. The company wants clients to consider Allevity an extension of their own organization—their HR, payroll and recruiting department as well as a resource for workers' compensation, benefits and related employer responsibilities.

Technology should support the business requirement, not define it.

Where software alone cannot fully meet a practical need, Allevity professionals provide the process, administration, reporting and guidance to close the gap.

That high-touch model is also central to how Craig describes Allevity's competitive differentiation.

“We care about our clients,” he says. “We are in business with our clients as true partners.”

Their success, in other words, is Allevity’s success.

## CULTURE BEFORE STRATEGY

Craig applies a similar philosophy inside the company.

Ask him about the biggest leadership challenge he has confronted, and he does not begin with technology, regulation or competition. He begins with culture.

A leader can devise strategies all day, he says, but they will go nowhere if employees do not feel valued and do not feel like teammates.

At Allevity, Craig wants work to feel like a true team environment—one in which employees cover for one another, step in when colleagues are away and make room for enjoyment alongside hard work.

One of the company’s culture-building traditions puts that idea into tangible form.

Employees can nominate coworkers for recognition when they go above and beyond for a colleague or client. Client compliments can generate recognition as well. The employee then gets a spin on a prize wheel with rewards that can range from gift cards and meals to leaving early on a Friday or even receiving an additional full day off.

While everyone appreciates the prizes, the larger objective is to give employees a mechanism to notice and celebrate one another.

“Giving them the tool to recognize each other has helped so much,” Craig says.

His view of leadership has evolved similarly. Success as a leader, he says, is not about claiming accomplishments. It is about lifting people up, helping others succeed and making sure they receive the recognition for what they achieve.

## A NAME TO MATCH THE MISSION

For years, “Staff Resources” created a persistent branding problem. The name sounded like a staffing or employment agency, Craig says, and did not accurately communicate the breadth of services the company provided.

Around 2012, a group of employees approached the company’s owners and asked whether they would consider changing the name.

The answer was yes.

The internal team developed possibilities and ultimately landed on “Allevity,” a combination that evokes both alleviating the burden of being an employer and bringing a measure of levity—ease and even fun—to what can otherwise be a stressful responsibility. The company officially adopted the Allevity name in 2012.

The name was not designed to provide an instant definition of the company, Craig says. It was designed to start a conversation.

What does Allevity mean? What do you do?

The answer leads directly back to the company’s purpose.

## A RISING TIDE LIFTS ALL BUSINESSES

Allevity’s history is closely intertwined with the history of the PEO industry itself.

Kent Ahlswede understood early on that for the emerging industry to succeed, PEOs needed more than a viable business model. They needed a collective voice.

Craig remembers traveling to Washington, D.C., with his father during the 1980s as federal tax reform legislation threatened to affect the PEO industry.

“If you want to have a say, or an impact on how laws change, you have to get involved,” Craig remembers his father saying. “You have to be there and be part of the conversation.”

Kent put that belief into action. In 1984,

he joined 13 other PEO operators in founding the National Staff Leasing Association, which would later become NAEPO. From the beginning, he took an active leadership role, serving as the association’s first vice president.

Kent understood that the success of his own company was connected to the success and credibility of the PEO model itself. Building a stronger industry ultimately meant building stronger PEOs—and creating more opportunities to help employers succeed.

That philosophy has carried into the next generation.

Craig has served as chair of NAEPO’s California Leadership Council and remains active in state advocacy, working to ensure that laws and regulations written for employers appropriately account for the PEO relationship.

More than 50 years after the company first opened its doors, nearly everything around the business has changed from technology to employment laws to client expectations. Through it all, Allevity’s mission has remained remarkably consistent: Employers have enough to worry about. Allevity exists to make being one easier.

For Craig and the Allevity team today, carrying that purpose forward is about more than preserving a family business or honoring its history. It is about continuing the work Kent began—helping employers succeed, strengthening the PEO industry and adapting to whatever comes next. ■



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# #NAPEO26

**O**ur Annual Conference and Marketplace—NAPEO26—had an electric vibe throughout the entire event. We packed a full house of PEO industry leaders and partners to learn, connect and celebrate our industry.

Nearly 1,000 individuals attended, but if you missed the opportunity this year, we hope to see you next year in Denver, CO. It's a once-a-year opportunity to learn from and network with industry leaders, innovators and experts. Our panel hosts brilliantly shared insights, tips and knowledge on myriad topics from industry data and economic forecasts to AI in HR to healthcare regulation changes and more.

The conference kicked off with keynote speaker Marcus Buckingham. A renowned

researcher, bestselling author and workplace expert, he challenged our conventional thinking about leadership, talent and performance. He explored what the world's best leaders do differently to unlock individual strengths, build high-performing teams and create workplaces where people can thrive. Attendees left inspired to rethink how they lead, engage talent and bring out the best in themselves and others and capitalize on the most powerful force in business: love.

The annual Michaeline A. Doyle Award presentation is always a crowd favorite. This year's winner is Joe Beers of G&A Partners. Anyone who knows Joe understands he has a passion for helping others succeed. His willingness to share

his expertise, insights and time to help our industry has made us all stronger. Congratulations, Joe!

We also came together once again to support NAPEO Gives Back. Collectively, we raised more than \$300,000 for Our Daily Bread Food Pantry. The funds will be used to repair aging vehicles and purchase new trucks that will allow the organization to better serve the community. Your generosity has truly made a difference in the lives of many people.

Giving back and coming together is what our conference is all about. It's a forum for PEOs to learn from each other, and for service partners to demonstrate the latest products and solutions to power PEOs and to help them better serve clients. We'll see you next year in Colorado. ■

Save the dates for **#NAPEO27** in Denver, CO. Join us September 13-15, 2027, for the PEO industry's flagship event.



# Why are PEOs choosing **PRO** over their current provider?

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# LABOR AND EMPLOYMENT LAW LANDSCAPE FOR PEOs APPROACHING 2027

BY JOHN POLSON, ESQ.

**T**he midterm elections are right around the corner, and Republicans are hoping to maintain control of both the House and Senate while Democrats are banking on regaining control of one or both chambers to flip the power dynamic. But, whatever the outcome, the “winners” will only hold a razor-thin margin, and it is probably safe to assume that Congress will remain largely divided and unable to pass any significant labor and employment legislation at the federal level. Thus, PEOs should expect to see the drive for legislative changes pursued at the state or local level to continue for the foreseeable future. The hodgepodge of local labor and employment policies that vary from jurisdiction to jurisdiction will continue to pose compliance challenges for PEOs that operate across state lines. No matter

the outcome of the midterms, here’s what we forecast as the labor and employment policy landscape for PEOs as 2026 ends and 2027 begins.

## 1. INCREASED IMMIGRATION ENFORCEMENT WILL CONTINUE

It has been a tumultuous year when it comes to immigration, and we don’t expect things to slow down anytime soon. We predict a continued focus on employment eligibility verification, which means that I-9 compliance will remain crucial. PEOs take various approaches to I-9 compliance, from completely allocating compliance to the customer, to facilitating it with compliance support. Regardless of your approach, liability will likely depend on the extent to which the PEO was involved in preparing, collecting and/or reviewing I-9’s. Thus, clear contractual language that delineates I-9 responsibilities between PEOs and clients

will remain a key component in determining PEO’s potential liability.

Additionally, there is speculation that legislation could make E-Verify participation compulsory for more employers in 2027. All PEOs should consider how they will respond if large numbers of customers become subject to a mandatory E-Verify rule.

## 2. DEVELOPING AI POLICY – AT ALL LEVELS – SHOULD BE CLOSELY MONITORED

From hiring to performance management, from resume review to video interviews, AI is increasingly relied upon by employers to help with a wide spectrum of tasks—and lawmakers are taking notice.

At the federal level, the two political parties are still pursuing very different visions of what AI legislation should look

like, but it appears that both sides believe they can pass something...eventually. PEOs are urged to continue tracking federal legislative progress to determine if/how any developing Congressional AI policy will impact the industry.

And, in the meantime, it will be even more important for PEOs to pay attention to state laws as the primary source of AI compliance for the foreseeable future. Regulation at the state level has a particular impact on PEOs and their vendors, and PEOs should continue to adjust compliance activities, especially in states leading the charge like Colorado, California, and Illinois.

PEOs in these states must ensure their clients and their own operations have robust policies and practices for workplace compliance and investigations, especially those involving AI-driven decisions. Savvy PEOs will also work closely with vendors to limit liability arising from third-party products utilized by the PEO.

Colorado's new AI law will take effect on January 1, 2027, and, although the state Attorney General's office has indicated that it will not enforce it until rulemaking is complete, PEOs should not wait on compliance efforts.

### **3. STATE LAW REMAINS THE WILDCARD WITH JOINT EMPLOYER RULE**

DOL's proposed joint employer rule would establish a uniform federal standard for enforcement under the FLSA, FMLA, and MSPA, which is a welcome upgrade from the current patchwork of circuit-by-circuit tests. But PEOs must remember that the federal proposal does not preempt state law. California, New York, and several other states apply broader joint employer standards, and PEOs with worksite employees in those jurisdictions will need to continue navigating state-specific analysis.



*The hodgepodge of local labor and employment policies that vary from jurisdiction to jurisdiction will continue to pose compliance challenges for PEOs that operate across state lines.*

### **4. LABOR BOARD NOW HAS THE VOTES TO START REVERSING COURSE**

The National Labor Relations Board finally gained enough votes in August to start reversing a slew of Biden-era policies that impact all employers, not just unionized ones, and PEOs should take notice. We should expect the agency to spend much of late 2026 and 2027 revisiting rulings on captive audience meetings, workplace handbook rules, employee discipline standards, severance agreement provisions, and union election procedures. Several of these issues carry outsized significance for PEOs given the co-employment relationship: workplace rules and severance agreement language are areas where PEOs and their clients frequently share exposure, so any loosening of the current restrictive standards would ease compliance burdens across the board. Be ready to update client-facing templates and guidance as the new Board issues decisions.

### **5. EEO DEMOGRAPHIC REPORTING REQUIREMENTS REMAIN UNCERTAIN**

Over the summer, the US Equal Employment Opportunity Commission (EEOC) issued a proposed rule that would

officially eliminate the EEO-1 reporting requirement. This is welcome news for PEOs as EEO demographic reporting—specifically the annual EEO-1 Component 1 filing—has a particularly thorny impact on PEOs because of the co-employment structure. But, while there is some reason to celebrate at the federal level, PEOs must remember that state reporting rules are unaffected.

Deregulation at the federal level has no impact on state demographic and pay data reporting laws. In fact, Colorado recently enacted a law that will soon require state-level EEO-1 data reporting, even if the federal obligation is scrapped. Thus, PEOs should work with counsel to determine whether any state laws apply and to ensure continued compliance.

### **6. THE CHATGPT PLAINTIFF WILL REMAIN A PROBLEM**

The rise of the ChatGPT plaintiff reflects a permanent shift in the competence and confidence of pro se plaintiffs. And this will only continue to evolve as AI becomes more capable and more widely used. For PEOs, the co-employment structure that creates so much value for clients also creates shared exposure to this emerging litigation reality. The PEOs that get ahead of it—through smarter contracts, better documentation practices, and proactive client education—will be better positioned than those that treat it as someone else's problem. ■

This article is designed to give general and timely information about the subjects covered. It is not intended as legal advice or assistance with individual problems. Readers should consult competent counsel of their own choosing about how the matters relate to their own affairs.



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# WHO OWNS YOUR ACH COMPLIANCE?

## WHY THE 2026 NACHA RULES HAVE EVERY PEO ASKING THE SAME QUESTION

BY JOE MIGNECO

I recently had the opportunity to attend the All Things Nacha educational session during NAPEO's Operations Workshop. The presentation provided an excellent overview of the 2026 Nacha operating rule changes and the evolving responsibilities of ACH participants across the payroll industry.

What surprised me wasn't the presentation itself; it was the conversations during and afterward.

Throughout the conference, I spoke with payroll professionals, operations leaders and executives from PEOs of all sizes. While many had heard about the new Nacha rules, a surprising number were not entirely sure how the changes applied to their organizations or who was ultimately responsible for compliance.

That lack of clarity is understandable. PEOs continue to navigate changing tax regulations, cybersecurity threats, labor law updates and increasing client expectations. Yet these Nacha rule amendments deserve particular attention because they reinforce something much larger than regulatory compliance: the need for stronger fraud prevention, documented operational controls and clearly defined accountability.

### WHO OWNS COMPLIANCE?

One of the most common assumptions I heard during the workshop was that ACH compliance automatically becomes the bank's responsibility simply because the bank transmits the ACH file.

In many situations, that isn't the case. Depending on how a PEO structures

its ACH processing relationship, significant responsibilities including fraud monitoring, annual ACH Rules reviews, documented policies, risk assessments, and maintaining supporting evidence may remain with the PEO.

Banks play a critical role in the ACH Network, but they may not assume responsibility for your organization's internal fraud-monitoring program or operational compliance.

That distinction matters.

The question every PEO executive should be asking is: If our bank, an auditor or one of our largest clients asked us tomorrow to demonstrate compliance with the 2026 Nacha Operating Rules, could we confidently produce the documentation?

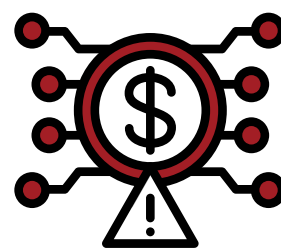
If the answer isn't an immediate "yes," now is the time to better understand where those responsibilities reside.

### FRAUD HAS CHANGED

The 2026 Nacha rules reflect an important reality: fraud has evolved. Today's payment fraud rarely begins with sophisticated malware or someone breaking through a firewall. Instead, it often starts with a convincing email.

A payroll administrator receives what appears to be an urgent request from a client to change payroll funding instructions. An HR professional receives an employee request to update direct deposit information hours before payroll is finalized. A controller receives instructions that appear to come from a company executive requesting a last-minute vendor payment change.

Each request appears legitimate. Each



### FIVE QUESTIONS EVERY PEO SHOULD ASK

As I reflected on the discussions at the NAPEO event, five questions stood out that every PEO leadership team should ask:

1. Who owns our ACH compliance responsibilities?
2. Are our fraud-monitoring processes documented, tested, and reviewed annually?
3. Can we identify unusual payroll or funding activity before transactions are released?
4. Have we reviewed our ACH procedures since the 2026 Nacha operating rule changes took effect?
5. Do our banking and payment partners clearly define which compliance responsibilities they support, and which remain ours?

The answers often reveal opportunities to strengthen governance before a problem occurs rather than after one has already impacted operations.

transaction may be authorized by a trusted employee.

Yet each could result in significant financial loss.

This is why Nacha expanded its focus

on fraud committed under false pretenses or payments initiated by authorized individuals who have unknowingly been deceived.

Organizations can no longer rely solely on traditional approval processes. Risk-based fraud monitoring has become an essential component of modern payroll operations.

### OPERATIONAL RISK IS BUSINESS RISK

For PEOs, payroll is built on trust. Clients trust you to pay employees accurately and on time. Employees trust that their wages will arrive exactly where and when expected. When that trust is interrupted, the consequences extend well beyond a single payroll cycle.

Fraudulent transactions or inadequate controls can lead to delayed payrolls, increased client inquiries, overwhelmed

support teams, additional administrative work and heightened scrutiny from banking partners or auditors.

The strongest organizations recognize that fraud prevention is no longer just an IT or compliance initiative. It is an operational discipline that requires coordination between payroll, finance, compliance, executive leadership and payment partners.

### LOOKING AHEAD

One of my biggest takeaways from NAPEO's Operations Workshop wasn't simply that new Nacha rules exist. It was recognizing that many organizations are still determining how these requirements fit into their existing payroll operations.

The 2026 Nacha operating rules should be viewed as more than a regulatory obligation. They present an opportunity for PEOs to evaluate internal controls,

improve fraud-monitoring practices, strengthen documentation and reinforce client confidence. Most importantly, they encourage every organization to answer one fundamental question: Who owns your ACH compliance?

Because understanding that answer today may prevent operational disruptions, compliance challenges, and difficult conversations tomorrow. ■

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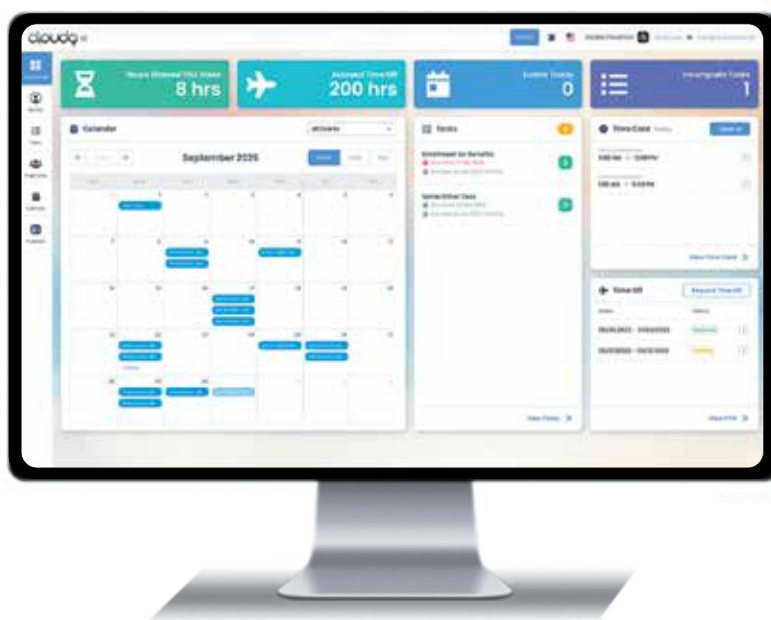
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# BEYOND THE MANDATE: WHAT PEOS SHOULD EVALUATE IN FERTILITY BENEFITS

BY DEBORAH HUTTON

**F**or many PEOs and their clients, fertility benefits are moving from a specialized offering to a more regular part of benefits discussions.

For small and mid-sized employers, the conversation often begins with a few basic questions:

- Does the medical plan cover in vitro fertilization (IVF) and other fertility services?
- Does a state mandate apply?
- What options are available when an employer is not subject to a mandate?
- Are fertility medications included?

Those questions matter, but they don't tell the full story.

The fertility policy landscape continues to evolve at both the state and federal levels. States are taking different approaches to infertility treatment, fertility preservation, eligibility, nondiscrimination, assisted reproductive

technology, and family building. Some legislative activity focuses on expanding insurance coverage, while other proposals address access to treatment, embryo policy, or gestational carrier arrangements.

For PEOs advising clients across markets, the focus should be on what fertility coverage means in practice: who can access it, how care is delivered, and whether the benefit supports quality and cost sustainability.

## **A MANDATE DOES NOT CREATE A UNIFORM BENEFIT**

There is no single model for state fertility requirements. Depending on the state and type of coverage involved, requirements may differ in who is eligible, what services are included, how infertility is defined, whether fertility preservation is covered, and whether treatment limits or other restrictions apply.

Recent state activity illustrates that

variation. Proposals have addressed fertility preservation, the number of egg retrievals or embryo transfers, fertility medications, tissue storage, nondiscrimination protections, and access to assisted reproductive technology.

Applicability can also depend on how coverage is funded and structured. Fully insured coverage may be subject to applicable state insurance requirements, while self-funded employer health plans are generally governed by federal law under ERISA rather than state insurance benefit mandates. PEO arrangements can add another layer of complexity, making it important to understand the specific plan structure and applicable requirements.

Even when a mandate does not apply, legislative activity can signal broader market direction. Expanding fertility coverage, nondiscrimination protections, and family building access are increasingly part of benefits discussions, giving

employers reason to evaluate their approach beyond minimum compliance.

Because requirements continue to change, qualified benefits and legal advisers remain important partners in evaluating the rules applicable to a particular client and plan.

## LOOK BEYOND THE PRICE OF TREATMENT

Affordability is another important part of the discussion. For PEOs and their clients, the financial question extends beyond the price of an individual IVF cycle or fertility medication. It also includes how coverage is funded, how risk is managed, and how predictable the employer's financial exposure will be.

A specialized fertility benefits partner can help bring together considerations such as provider quality, treatment patterns, pharmacy coordination, utilization, and benefit design. That expertise may help employers make more informed decisions about both care and total cost.

A fertility journey may involve diagnostic testing, medications, procedures, monitoring, multiple treatment attempts, and, ultimately, pregnancy and delivery. Benefit design can influence that journey.

When evaluating an approach, consider how providers are assessed, whether the design supports evidence-based treatment decisions, how fertility medications are coordinated with medical care, and what information is available about outcomes and utilization.

Treatment practices can also have downstream implications. Multiple gestation pregnancies, for example, can involve greater clinical complexity, making appropriate embryo-transfer practices relevant to both outcomes and total cost.

The goal is not to limit medically appropriate care. It is to evaluate whether the benefit supports high-quality decision-making and effective, efficient treatment for each individual journey.

## FIVE AREAS TO EXAMINE

**1. ELIGIBILITY AND ACCESS.** Start with who can use the benefit. Does eligibility depend on a particular definition of infertility or prior treatment history? How does the design address people who may need assisted reproduction to build a family but do not meet a traditional infertility definition?

These questions are particularly relevant as policymakers in some states consider expanded definitions of infertility and nondiscrimination protections.

**2. SCOPE OF SERVICES.** "Fertility coverage" can mean very different things from one plan to another. Examine what is actually included, which may encompass diagnostic services, fertility preservation, intrauterine insemination, IVF, medications, genetic testing, storage, or other family building services.

**3. PROVIDER QUALITY AND MEMBER GUIDANCE.** Coverage alone does not make fertility care easy to navigate. Consider whether members can identify appropriate providers, understand their benefits and authorization requirements, and get knowledgeable support when questions arise.

**4. MEDICAL AND PHARMACY COORDINATION.** Fertility medications are closely tied to treatment protocols, even when medical and pharmacy benefits are administered separately. Understanding how authorizations, medication quantities, delivery, and treatment plans are coordinated can reveal important gaps in the member experience.

**5. OUTCOMES, REPORTING, AND FINANCIAL FIT.** Employers need to understand whether a benefit is delivering value and how it may affect overall benefits spend. That means looking at available clinical and utilization information, how outcomes are measured, how financial risk is structured, and whether the approach provides an appropriate level of cost predictability.

For small and mid-sized employers,

understanding both expected cost and exposure to higher-cost cases can be an important part of the decision.

## HELPING CLIENTS CONNECT THE PIECES

PEOs do not need to become fertility clinicians or legislative experts. Their value is in helping clients connect decisions that can otherwise become fragmented across medical coverage, pharmacy, compliance, finance, and employee experience.

Benefit reviews, RFPs, and renewals provide an opportunity to look beyond a coverage checklist. Where does fertility treatment currently sit within the benefits package? How are medications handled? Are there gaps between having coverage and being able to access it? What information will the employer receive about utilization, outcomes, and cost?

Communication matters too. Employees may be trying to understand eligibility requirements, medical benefits, pharmacy coverage, and next steps while making significant personal healthcare decisions.

The fertility landscape will continue to change. Building a strategy around any single mandate or legislative moment is unlikely to be enough.

A more durable approach is to evaluate fertility benefits across five dimensions: access, quality, coordination, outcomes, and financial sustainability. That gives PEOs a consistent framework for helping clients make informed decisions, even as the regulatory environment evolves. ■

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# MENTAL HEALTH IS A STRATEGIC WORKFORCE PRIORITY FOR PEOs

BY PAUL KELLEY

**F**or PEOs, strategic HR means helping client employers turn people data into better business decisions. This October, as World Mental Health Day focuses attention on employee wellbeing, there is a workforce signal worth treating with the same rigor as compensation, turnover and leave trends: financial stress.

The point is not that every employee's financial concerns have a single cause or a simple fix. It is that financial stress can affect mental health across income levels, and it can surface in the workforce outcomes PEOs and their clients are already trying to improve. That makes it a strategic concern, not a side conversation.

## WHAT THE DATA SAYS

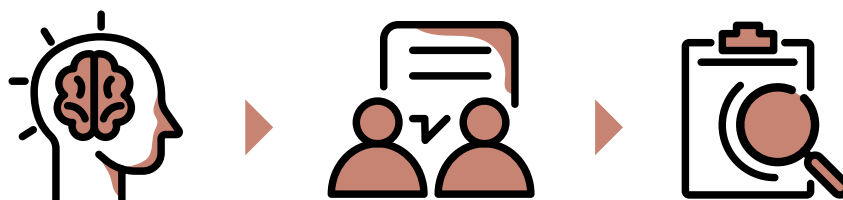
Spring Health's 2026 Workplace Mental Health Annual Report found that 74% of full-time employees say financial stress has affected their mental health, while 59% say that stress has increased over the past five years. The research surveyed more than 500 HR and benefits professionals and more than 1,500 full-time employees across five countries.

Financial stress is not confined to one employee segment. The report found that employees earning under \$50,000 and those earning \$150,000 or more reported it at nearly identical rates. For leaders, that is an important reminder: a compensation strategy and a

workforce wellbeing strategy must inform one another, but they are not interchangeable.

The report also highlights why this deserves a closer look. Sleep issues were the leading mental health challenge employees reported, at 36%, yet only 21% of HR leaders identified sleep as a top challenge. And among

employees who had experienced burnout, 40% said they felt physically present but mentally checked out, a form of presenteeism. These are not diagnoses or proof of a single cause. They are signals that can precede harder-to-manage issues, including disengagement, absence and turnover.



## THREE PRACTICAL MOVES FOR CLIENT EMPLOYERS

- 1. Treat financial stress as a workforce indicator.** Add relevant questions to listening channels, and examine them alongside burnout, leave, absence and retention trends. Look for patterns, not assumptions about individual employees.
- 2. Close the awareness gap.** The report found that more than one-third of employees say they are not offered mental health benefits or are unsure whether they are. Clear, repeated communication is a strategic intervention: people cannot use support they do not know exists.
- 3. Equip managers with a clear referral path.** Managers should not be asked to provide care. They should know how to recognize a change in behavior, start a respectful conversation and connect employees with available support.

This is how mental health becomes part of strategic HR. Not as a separate initiative competing with compensation or business priorities, but as a lens that helps leaders see workforce risk earlier and respond more thoughtfully. For PEOs, that can strengthen the client conversation from "What benefits do we offer?" to "What workforce outcomes are we trying to improve, and what signals tell us where to act?"

## A PEO'S ROLE: TURN SIGNALS INTO ACTION

PEOs sit at the intersection of benefits strategy, workforce operations and client service. That position creates an opportunity to help client employers ask better questions before a concern becomes a crisis. Instead of treating financial stress as a private issue outside the scope of HR, PEOs can help clients understand where it may be appearing in their workforce data and employee feedback.

The most useful starting point is not a generic wellness campaign. It is a practical review of what the organization already knows. Are employees raising concerns about sleep, workload or caregiving in engagement surveys?

Are exit interviews revealing strain that is not reflected in compensation data? Are managers equipped to respond appropriately when an employee is struggling, without being expected to diagnose or solve a personal problem?

From there, PEOs can help clients connect the dots across functions. Compensation teams can continue to focus on fair, competitive pay. Benefits teams can make sure employees know what support is available. HR leaders can assess whether policies, manager education and communications make that support easier to find and use. Each function has a distinct role, but employees experience them as one employer.

## WHY NOW

World Mental Health Day, on October 10th, is a meaningful moment to move beyond awareness. For PEOs and their clients, it is an opportune time to ask if their workforce strategy makes it easier to identify strain early, connect people with appropriate support and protect the conditions that help people do their best work. That is not just a wellbeing objective. It is strategic HR. ■



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# BEYOND THE PAYCHECK: WHY THE REAL BATTLE FOR HR STRATEGY IS MOVING TO THE BOARDROOM

BY ALYSSA SCHNEIDER

**E**very Friday morning across America, thousands of small-business leaders take a collective sigh of relief. Payroll has cleared. Health benefits are active. Tax filings are submitted without a hitch.

For decades, this flawless execution has been the bedrock of the PEO industry. It is the absolute baseline of trust. After all, no relationship survives a botched payroll run or a major compliance oversight.

But if you talk to small business executives today, you'll quickly find that getting the basics right is no longer enough. In a mature marketplace, operational compliance is taken for granted. The real competitive battleground has quietly shifted—from how fast an HR partner processes routine paperwork to how deeply their guidance impacts a company's bottom line.

The central question facing HR leaders and account teams today is no longer *"Can we process transactions efficiently?"* It is *"Can we help executives make smarter, data-backed decisions about their people?"*

## THE EXECUTIVE PARADOX

The hunger for strategic human capital advice among growing mid-sized businesses is staggering.

According to research from the Deloitte Global Human Capital Trends Report, 88% of executives recognize that effectively orchestrating their workforce is vital to survival. Yet, a mere 7% feel their

organizations have made real progress. That leaves an astonishing 81-point execution gap between ambition and reality. To make matters worse, 82% of C-suite leaders report that internal operational silos are actively stifling business performance.

Most growing companies just don't have the budget or runway to build an internal HR strategy team. Instead, CEOs, CFOs, and Managing Directors are left wrestling with three fundamental questions:

- How do we identify and keep our top 10% of performers in a hyper-competitive market?
- Where are our biggest operational blind spots as we scale?
- How do we build real leadership pipelines so vital institutional knowledge doesn't just walk out the door?

Data from NAPEO, based on research conducted by McBassi & Company, shows that PEO-backed small businesses grow faster, see 12% lower turnover, and are 50% less likely to fail than non-PEO businesses. But to maintain that edge, PEO service providers must help clients navigate growth without losing their key talent along the way.

## ELEVATE THE TALENT CONVERSATION

To move from an HR vendor to an indispensable business partner, HR leads need actionable frameworks that connect workforce signals directly to operating margins.

There are three main high-impact areas that advisory teams should focus on if they want to deliver immediate value.

**Ditching the Annual Review for Continuous Coaching.** The traditional annual review is notorious for creating administrative headaches without actually improving performance. Forward-thinking partners are helping clients replace outdated yearly reviews with continuous feedback loops. By integrating 360-degree feedback and real-time goal tracking, executives get a clear view of team productivity and managerial health months before traditional review cycles even roll around.

**Mapping the Workforce Pipeline.** One of the most powerful visual tools an advisory lead can bring to the C-suite is grid-based 9-box talent mapping. By plotting employees across two core axes—current performance versus future leadership potential—leaders can instantly spotlight hidden operational risks. It reveals single points of failure, like key roles held by star performers with no designated successors, and pinpoints underutilized rising stars who might be flight risks if they aren't given room to grow.

**Looking Inward with AI-Assisted Skill Mapping.** When talent shortages strike, hiring externally is often slow, expensive, and risky. According to research from the Wharton School of Business, external hires cost 18% to 20% more than internal promotions while performing significantly worse in their first two years. Strategic partners help organizations look inward first. By using talent analytics and diagnostic

competency audits, companies can spot internal skill gaps across departments. Pairing these insights with role-based training and automated, AI-assisted learning paths allows businesses to upskill current employees efficiently from within.

### SHIFTING HABITS IN ACCOUNT MANAGEMENT

A common trap in account management is spending 90% of your time interacting exclusively with client office managers or HR coordinators. While essential for day-to-day operations, functional contacts rarely drive corporate strategy or approve broader platform investments.

Elevating your presence to the C-suite requires shifting three key habits:

**Quantify Financial Impact:** Move beyond reporting headcounts and completed forms. Quantify the financial drag of open job vacancies—noting SHRM data showing that replacing an employee costs 50% to 200% of their annual salary—the true cost of manager turnover, and the bottom-line ROI of faster time-to-productivity for new hires.

**Leverage Market Intelligence:** Bring regional and industry-specific workforce benchmarks to the table. Executive leaders care deeply about how their retention metrics stack up against their direct competitors.

**Transform Communication:** Shift routine administrative check-ins into executive briefings focused on organizational health, flight-risk mitigation, and

long-term business continuity.

Adopting a consultative talent posture doesn't mean abandoning operational excellence. Flawless compliance and payroll earn the client relationship, but strategic guidance is what keeps it.

By helping business leaders interpret workforce signals, head off succession crises, and align talent with long-term revenue goals, HR partners build an advisory bond that low-cost administrative competitors simply cannot break. ■



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**Most PEOs already offer poster compliance.**

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# FROM ADMINISTRATIVE HR TO STRATEGIC PARTNER: THE PEO EVOLUTION

BY KRISTEN FRADIANI

**T**he PEO industry has spent decades making the case that it can handle HR better than the businesses it serves. That case has largely been won. The ROI data is compelling, the survival rate research is well-documented, and awareness of the PEO model has grown 44 percent since 2018 according to NAPEO. The harder question facing the industry now is not whether PEOs can administer HR more efficiently than an SMB can do it alone. It's whether PEOs can think about HR more strategically than their clients expect them to.

## THE IDENTITY PROBLEM HIDING IN PLAIN SIGHT

PEOs built their value proposition on operational relief. Payroll accuracy. Benefits access. Compliance infrastructure. Workers' compensation management. The opportunity now is to build the next story on top of it.

When a business owner says their PEO "handles HR," they typically mean payroll runs on time and compliance questions get answered. Imagine if they meant their PEO helped them think through their talent strategy for the next 18 months, stress-tested their compensation structure against the labor market they compete in or caught that their voluntary turnover rate reflected a management problem, not a pay problem.

That is not a distant aspiration. For the PEOs already operating this way, it is the current reality. The question is how many more are ready to get there.

## WHAT THE DATA SAYS ABOUT THE HR CAPABILITY GAP IN SMALL BUSINESSES

The structural reality of HR in small and mid-size businesses makes the PEO's strategic opportunity concrete. Small organizations average an HR-to-employee ratio of 3.4 HR staff per 100 employees, but that figure is misleading. In practice,

many companies in the 20-to-75 employee range have a single HR generalist, or no dedicated HR staff at all, handling everything from onboarding to performance management to benefits enrollment.

The 2025 SHRM State of the Workplace Research Report found that 43 percent of HR professionals identified recruiting as their top priority, while 31 percent focused on employee experience and 27 percent on leadership development. These are strategic functions requiring data, market knowledge, and organizational bandwidth. A one-person HR operation at a 50-person company does not have that bandwidth. A PEO operating across hundreds of client companies with aggregated workforce data does.

The math here is straightforward: one internal hire cannot replicate what a PEO brings to that table, at any price point a growth-stage company can afford.

## THE SHIFT FROM SERVICE DELIVERY TO STRATEGIC COUNSEL

Most PEOs have the tools to make this shift. What they do not always have is the habit of walking into a client meeting and leading with the future instead of the last 30 days.

A service delivery conversation starts with what happened: payroll ran, a new hire was onboarded, an employee filed a leave request. A strategic conversation starts with what is coming: the client is opening a second location, headcount is growing faster than their management infrastructure can support, or their benefits renewal is 90 days out and their current plan is not competitive for the talent they are trying to attract.

Gallup's 2024 *State of the Global Workplace* report found that U.S. employee engagement dropped to 31 percent, an 11-year low. For a PEO client, that is a leading indicator of turnover, and turnover is a cost center. SHRM estimates the cost of replacing an employee at 50 to 200 percent of annual salary depending on role complexity. A PEO that surfaces engagement signals before they become attrition events is delivering strategic value that transforms the client relationship and requires client-facing staff who can translate workforce data into business language, not HR language.

## WHY THIS EVOLUTION IS NOT OPTIONAL

The industry is not adjusting. It is changing. HR technology platforms have raised the administrative floor for SMBs, automating onboarding, benefits enrollment, and basic compliance tracking at scale. That is good news for PEOs willing to move up the value chain: the space



*Most PEOs have the tools to make this shift. What they do not always have is the habit of walking into a client meeting and leading with the future instead of the last 30 days.*

above that floor is less crowded, and the clients who occupy it are more sophisticated, more engaged, and more likely to stay.

BLS data shows that small businesses contributed 55 percent of total net job creation from 2013 to 2023. These are organizations navigating hiring, retention, and workforce planning in real time, often without the internal expertise to do it well. The PEO that helps them make better people decisions, not just cleaner payroll runs, earns a fundamentally different kind of relationship. One that is harder to commoditize and harder to walk away from.

## BUILDING THE CONSULTATIVE MUSCLE

Consultative capacity does not develop automatically from operational expertise. A PEO that is excellent at compliance management has not automatically developed the workforce analytics capability or client advisory skills to function as a strategic partner. Those

require intentional investment.

The most effective starting point is the data PEOs already hold. Turnover patterns by role and tenure, benefits utilization trends, compensation benchmarks across industry segments, hiring cycle metrics—most individual clients could never generate this analysis on their own. Translating it into forward-looking recommendations rather than backward-looking reports is the core of the strategic partner role.

It also requires restructuring how client relationships are managed. Quarterly business reviews organized around workforce trends and upcoming inflection points, rather than service tickets and billing, signal a fundamentally different kind of partnership. So does proactive outreach when the data suggests a problem is developing, before the client calls to report it.

## THE STRATEGIC IMPERATIVE

HR spent two decades proving it was more than a back-office function. PEOs are at the same crossroads now. The question is no longer whether HR belongs at the strategic table. It's whether the PEO is the one sitting there.

Everything the industry needs to make this shift is already in place. The data, the relationships, the trust. What separates the PEOs that lead the next chapter from the ones that watch it happen is simply the willingness to show up differently. ■



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# THE CRITICAL IMPORTANCE OF TRANSITIONING HUMAN RESOURCES FROM A COMPANY COST TO A REVENUE GENERATING ENABLER

BY JAY MINCKS

**W**hether a company's human resources functions are staffed by a person a team or a PEO partnership, the department plays a critical role in making certain that the organization is "right sized" to serve its customers and clients. But that's not all. HR professionals ensure employees are paid accurately and on time. They hire, onboard, and train new staff members. They manage benefits and stay up to date on federal and state employment policies. And that's just the tip of the iceberg. In short, without a competent and detail-oriented human resources unit, countless businesses would simply cease to exist. While HR has been rightly viewed as a critical, central company function for several decades, it was long considered a necessary fixed cost for doing business, supporting staff and avoiding risk. However, that's simply not the case anymore. Not by a long shot.

## THE ONGOING EVOLUTION OF HR

In reality, the role of the human resources department has been evolving for quite some time. Even the term "human resources" is in flux with the appointment of chief people officers instead of HR executives at major companies across the U.S. and abroad. So, what's behind all this transformation? In many cases, companies are becoming acutely aware that their employee-focused functions play an increasingly important role in ensuring

business growth and profitability. Conversely, when these same services do not receive the attention they require, the impacts—including frequent turnover, losses in client and customer trust and costly regulatory fines—can quickly transform a highly functioning organization into a business that's fighting for survival. This recognition, that human resources plays a pivotal and irreplaceable role in ensuring a healthy company future, led me to create BestFit PEO Solutions, where we serve as a general agency that employs our deep industry knowledge to identify the best PEO solutions for small or medium-sized businesses, based on their individual needs.

And while many companies are in the midst of updating and upgrading their human-focused functions, some see the need, but don't know where to start. Here's how any organization—large or small—can ensure their HR leaders and PEO partners make certain that employee-centered operations make good business sense and help place the company on the path for a healthy future.

## GETTING A HANDLE ON RISING BENEFITS COSTS

Most Americans are acutely aware of the increasing costs of healthcare and that trend is expected to continue in 2027. Recently the insurance broker Aon projected a 9.5 percent increase in health insurance costs in the months ahead to average a price tag of more than \$19,000



*While HR has been rightly viewed as a critical, necessary fixed cost for doing business, that's simply not the case anymore.*

per employee. With predictions such as this, the buying power of professional employer organizations is more important than ever, giving small and medium sized businesses access to plans and rates they would never be able to consider on their own.

## EMPLOYING ADVANCED AI TECHNOLOGIES IN HR

In addition to unparalleled benefits access, professional employer organizations can also arm SMBs with technology that helps maintain profitability in several crucial areas including employee recruitment engagement and retention. For example, artificial intelligence can be used to handle time-consuming and challenging tasks, such as identifying employees with hard-to-find talents by rapidly analyzing regional, national or even global LinkedIn entries and other

social media networks, saving precious time and money while locating individuals that will help advance the organization's mission. Once, hired, virtual orientation assistance can help ensure staff are familiar with company policies and receive the training they require to excel. Artificial intelligence can even be deployed to improve the employee experience and help guarantee critical staff remain in place. Engagement algorithms can be used to identify and address workplace frictions that generate stress and anxiety while AI can reduce time spent on frustrating tasks that feel overly burdensome and add to the problem of reduced morale.

### SHIFTING THE MINDSET

In many cases, companies not only need to adjust their HR practices, they also need to shift their thinking. That means making sure human resources professionals are "plugged in" and have a seat at the table when financial decisions are discussed and made. A company's people data—including the expected internal impacts of any major company shift—should be discussed and considered when navigating the organization's future. That means companies with PEO partners need to make sure this data is being gathered and analyzed regularly. At the same time, human resources leaders must regularly consider the financial side of the house and when needed, think in terms of costs and benefits to the overall company when providing input and ideas.

### IDENTIFYING AND ADDRESSING RISKS BEFORE THEY BECOME COSTLY ISSUES

One way that human resources can protect profits is by avoiding costly errors. Professional employer organizations help do this by ensuring compliance with all applicable national and state employment regulations and navigating complex situations, such as remotely based employee populations that cross state

lines. PEOs also have the resources and know-how to track upcoming regulation changes and ensure proactive or immediate compliance once these federal or state-based requirements are in place.

### ASSESSING PROGRAM VALUE ON A REGULAR BASIS

Most workplaces have a wide variety of programs and benefits aimed at increasing engagement, building a sense

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of community and retaining top performers. But these programs need to evolve with the organization, along with the changing values of the employees they are intended to serve. This is why companies should regularly assess the cost vs. the return of each individual HR program and whether they support the overall needs of the organization and its employees. If doing less in one underutilized or undervalued area allows a company to launch new initiatives that will better support employee satisfaction and engagement, don't be afraid to make these data-based changes.

### MAKE HR MATURITY A GOAL

The Society for Human Resources Management encourages businesses to maximize their organization's human

potential by operating with a high level of HR maturity, meaning they provide much more than basic employee-support functions. A professional employer organization can help a company increase HR maturity by optimizing talent, increasing engagement and driving the business forward by ensuring that daily team efforts fully align with the company's core values, mission and goals. Furthermore, human resources information and insights are factored in when decisions are made and new strategies for gathering additional employee-focused data are routinely considered and employed.

For those who remain skeptical about the need to evolve the role of human resources, consider this: An organization's investment in people can vary widely. In service heavy sectors, labor costs can

reach as high as 70 percent. Even in retail sales—where part-time staffing can help reduce costs—maintaining a high performing employee population requires a major share of revenue costs—around 20 percent or more. When it comes to the many factors that can impact a businesses' likelihood of success or failure, people always play a critically important role. As a result, modern, forward-thinking companies treat human resources as a highly valued revenue enabler, not simply a calculated monthly cost. ■



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# GET AI-SEARCH-READY BEFORE SWITCHING SEASON

BY AMANDA MOORE ORTEGA

**F**or PEOs, switching season has always created a familiar year-end push. It's the time of year employers evaluate options and work toward a clean January 1 transition.

The way that evaluation takes place is changing. AI systems deliver options and recommendations at lightning speed to match the nuances of the employer's intent in a conversational format.

For most PEOs, this shift in buyer behavior remains largely invisible because they are not yet tracking AI visibility as part of their marketing strategy. Some leaders still believe their customers are not using AI. But Google, which receives between 8.5 billion and 16.4 billion searches every day, has already incorporated AI-generated summaries and recommendations into the top-of-page search experience. (Google calls this the biggest change in search in 25 years.) So, even if your target audience is not opening Claude or Perplexity during their work day, they are no doubt engaging AI as they evaluate providers this year.

AI search changes everything: the role of your website and, more broadly, your entire digital presence. Historically, the goal was to get a buyer to click a blue link

on the SERP (Search Engine Results Page), visit your site directly, and then move toward a conversation. Now, your buyer receives summaries and guidance from AI without having to visit your site at all. Whether you are tracking AI visibility or not, it has become the gatekeeper between your brand and your buyers.

So as you're dusting off last year's switch campaign, AI search readiness is an issue you should also be thinking about.

## A COMPETITIVE OPPORTUNITY FOR REGIONALS AND BOUTIQUES

There is another reason this shift matters, especially for boutique and regional PEOs. AI search may create a new way to compete with the large national platforms that have historically held an enormous advantage in brand awareness and digital reach.

The big platforms still benefit from scale, and that is not going away. But employers are asking AI systems increasingly specific questions to get at fit. One may ask which provider is best suited for a construction company with employees in several states. Another may dig into which PEO offers a more hands-on service experience for a growing business that has become frustrated with a large platform.

Specificity creates a competitive opportunity. A boutique PEO does not need to match a national platform's overall volume of content or brand recognition to become relevant in a specific answer. It does need to build enough credible evidence around answers and expertise in niche and nuanced spaces.

For smaller PEOs, this new competitive landscape rewards companies that understand their niche deeply and make that expertise visible in the right places.

## YOUR AI-SEARCH READINESS CHECKLIST FOR SWITCHING SEASON

If your switching-season campaign is already planned, you do not need to throw it out and start over. You do need to look at the campaign through the lens of this new evaluation environment and make sure your PEO is ready to compete there.

**1. Know the questions buyers are asking before they call.** Start with sales. Ask which questions come up when an employer is seriously considering a switch, particularly the ones tied to fit or frustration with a current provider. These are the questions that should drive your AI-search testing because they reflect actual buyer intent, not the keywords your marketing

team hopes people are using.

Then ask those questions in the AI environments your buyers may use. Look at whether your PEO appears and how it is described. More importantly, pay attention to who does appear when you do not.

**2. Test non-branded searches.** Asking an AI system about your own company can tell you whether it understands your brand accurately, but that is not the same as knowing whether you are competitive in discovery.

Ask the questions your prospects would use when they do not yet know who they want to talk to. If you specialize in a particular industry, test that expertise.

If buyers often come to you because they want more personal service than they received from a large provider, test the questions that reflect that need.

The goal is to understand whether AI connects your brand to the reasons employers actually choose you.

**3. Look for places where smaller PEOs are already showing up.** When you test those questions, do not focus only on ADP, Paychex, and the other large platforms. Watch for regional and boutique providers that make it into specific answers.

That is useful competitive intelligence. Look at what those companies seem to be known for and what sources support

that position. Their visibility may reveal a niche where specificity is already overcoming the broader brand advantage of the national players.

**4. Review your switching content against buyer intent.** Pull out the content you plan to use this switching season and look at it from the buyer's point of view. Does it answer what someone actually needs to understand before changing PEOs, or is it primarily built to generate a form fill?

A buyer may want to know what happens during implementation or how a January 1 transition affects benefits. They may be comparing service models or



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trying to understand what will be different if they leave a national platform. Those questions create opportunities for useful content that can support both the buyer and the AI system interpreting your expertise.

The more your content reflects the actual evaluation conversation, the more useful it becomes in AI search.

**5. Follow the citations.** When an AI answer provides sources, look at them. They show you part of the information environment shaping the recommendation.

You may find that a competitor's article is being cited repeatedly, or that an industry publication is carrying more authority than you realized. You may also discover directories or review sites influencing answers in ways that would never show up in a traditional website analytics report.

That information can point you toward gaps in your own digital presence.

**6. Audit how your company appears beyond your own site.** Your website may be current while the rest of the internet is still carrying an old description of your company. Check the places where information about your PEO lives outside your own domain and make sure those sources accurately reflect how you want to be understood now.

This matters because AI systems are not forming an opinion about your company from one page. They are pulling information from a broader network of sources. When that information reinforces the same picture of your PEO, the connection between your brand and the right buyer intent becomes stronger.

**7. Turn sales knowledge into searchable knowledge.** Your sales team already knows the questions prospects ask when they are deciding whether to switch. They also know where your PEO has a better answer than the competition.



*For most PEOs, this shift in buyer behavior remains largely invisible because they are not yet tracking AI visibility as part of their marketing strategy.*

Look at what is being explained repeatedly in sales conversations and ask whether that expertise exists online. If one of your producers gives a great answer every time a prospect asks about a complicated transition issue, that answer should not live only in individual conversations.

Make it searchable.

That might mean expanding an FAQ or building a more substantive switching resource. The format matters less than making the expertise available in a way that can be found and understood before the sales conversation begins.

**8. Build proof around the spaces you want to own.** If you want AI to associate your PEO with a particular industry or type of employer, your website copy alone is unlikely to carry the full weight of that claim.

Look at what evidence supports the position. A case study can show that the expertise is real. Reviews can reinforce the experience from the client's point of view. Earned content can connect your leadership to the topic beyond your own website.

This is especially important for boutique PEOs because you are not trying to match the national platforms on overall digital scale. You are building a deeper body of evidence around the places where your experience gives you a legitimate right to compete.

**9. Establish a baseline before the season gets underway.** Choose a set of questions that matter to your business and document what AI says today. Record whether your company appears, which competitors are being recommended, and what AI seems to understand about your brand.

Then keep using the same questions as you strengthen your content and digital presence.

Your existing analytics will still tell you what happens when someone reaches your website or enters your pipeline. AI visibility gives you another view: whether your company is showing up during the evaluation that happens before either of those things occurs.

## START NOW, AND FOCUS WHERE YOU CAN WIN

National platforms still have enormous brand authority and years of digital presence working in their favor. But in AI search, the opportunity is more specific than that. And the sooner you get started, the greater chance you have to reach buyers through this new strategic avenue.

As buyer intent becomes more nuanced, AI systems continue to deliver answers that reflect that nuance. The opportunity is to become relevant where a broad national brand may not be the strongest fit.

This changes how smaller PEOs should think about competition. If you know which questions you want to win, make sure your digital presence gives AI enough evidence to recognize why you should. As you prepare this year's evaluation season campaign, add AI-search readiness to the plan and focus your effort on the places where your PEO has a real competitive advantage. ■



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# HOURS, NOT HEADCOUNT: WHAT THE LABOR MARKET IS ACTUALLY TELLING US

BY JOHN SLAVIC AND CHARLES COUCH

**T**he U.S. labor market looks stable on the surface and is eroding underneath. Employment is still growing, but the growth is narrow, increasingly delivered through longer hours rather than more people, and disconnected from the parts of the economy generating output.

## THE NATIONAL PICTURE

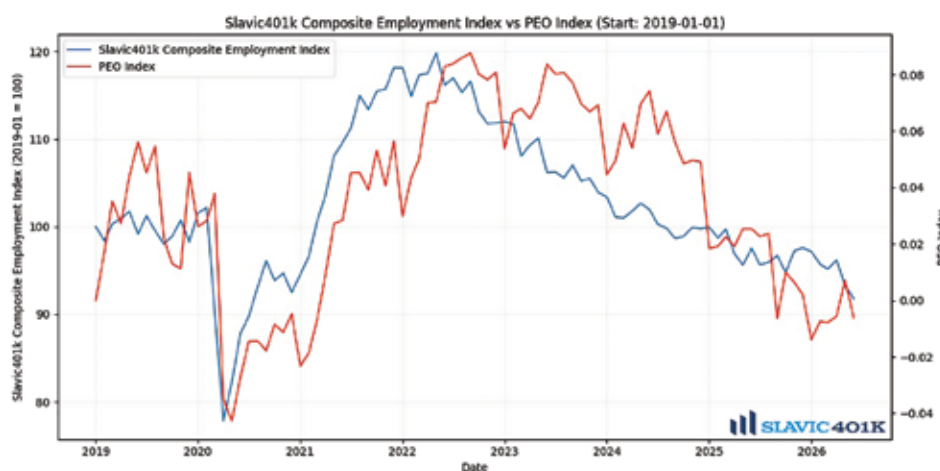
Payroll growth continues to decelerate, a trend that started back in 2022, when first pointed out by both of our proprietary labor market indicators (see to the right).

Recent payrolls weakness has likely been exacerbated by the estimated 100,000 jobs tied to World Cup activity. The giveback should be more visible in temporary help rather than leisure and hospitality payrolls and could be more pronounced in the August or September job reports.

Other recent labor market developments worth pointing out include:

**There is a quality problem.** Hiring narrowed after several months of improvement, with most private-sector gains coming from education and healthcare and little from anywhere else.

**The unemployment rate has improved, but for the wrong reason.** Participation fell alongside it. There are fewer people looking rather than more people hired.



**Manufacturing payrolls rose while manufacturing hours worked fell,** which means factories are spreading existing work rather than expanding production.

**Construction is split,** with data center and non-residential AI infrastructure work strong and residential homebuilding weak.

Altogether, the labor market can best be described as a “no hire, no fire” environment. Payroll growth is slowing, but initial jobless claims remain very low by historical standards, as outright layoffs continue to be limited.

Put simply, fewer businesses see a need to expand their staff, but managers are also reluctant to let go of existing talent.

This can be related to concerns about the growth trajectory of the economy, but other factors may also be at play, i.e., some companies may have learned to “do more with less.”

A slowdown in the labor market was to be expected after such a sharp post-COVID reacceleration in economic activity. It is also worth noting that the start of the labor market slowdown (according to our earlier-mentioned indicators) coincided loosely with the initial launch of ChatGPT, and in turn the current AI boom. If AI is delivering on all the productivity-boosting hype, then it would only be natural to see more companies require fewer workers to keep levels of output steady.

As for hard evidence of this, the productivity math is currently

unflattering. Hours worked has risen more than 1% against roughly 2% GDP growth, implying productivity growth near 1% or less. The labor market has absorbed more hours than the output data justifies, which undercuts the productivity boom narrative many are leaning on.

To be fair, the productivity gains may be real but are still a long way off in terms of economic data. For example, during the internet and computer boom of the late 1990s, significant productivity growth didn't show up in the economic data until the early 2000s.

Regardless, recent labor market dynamics still provide a lot of important and actionable takeaways for PEOs in the near-term.

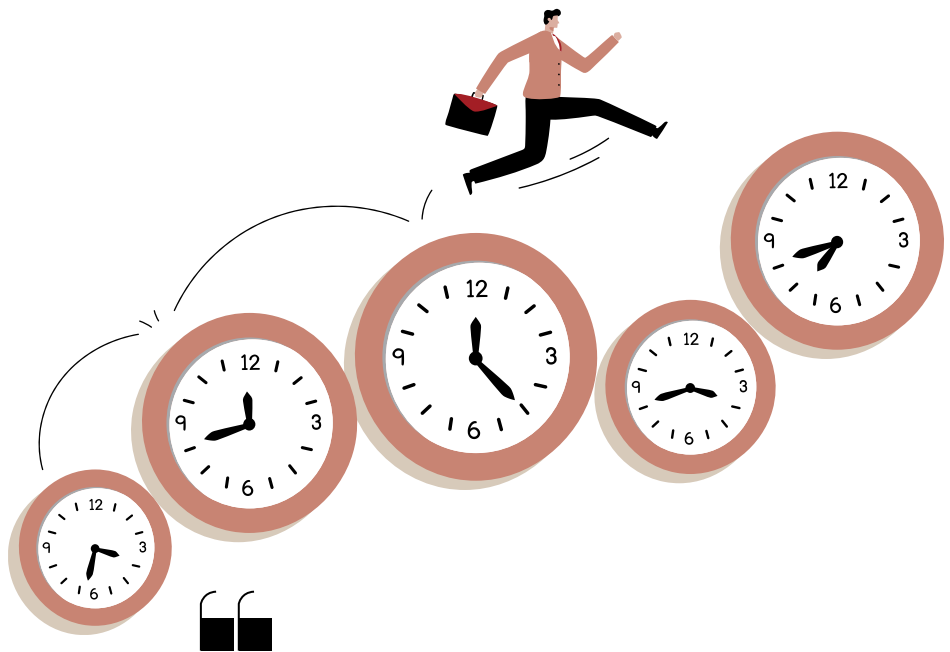
## WHAT LABOR TRENDS MEAN FOR PEOs

The hours-not-headcount substitution is the central issue, and it cuts both ways depending on how a book of business is priced.

Worksite employee (WSE) count is the primary revenue driver, and it is going nowhere. Same-store employment growth within existing clients has been the swing factor for Insperity and TriNet for two years, and a net -5% actual employment change among small firms is not a base that supports WSE expansion. Per-employee-per-month fee structures capture none of the upside from longer hours. Percent-of-payroll arrangements do better, since weekly earnings growth flows straight through, even with headcount flat. Anyone modeling PEO revenue off headline job growth alone will miss this.

Three things matter more than the headcount number:

**Benefits economics.** NFIB small business owner survey commentary is saturated with complaints about health insurance affordability, which is the single best PEO sales argument in



*Altogether, the labor market can best be described as a “no hire, no fire” environment.*

existence. It is also the largest margin risk. PEOs carrying insurance cost risk in bundled plans have been repeatedly hurt by medical loss ratio surprises, and a client base under earnings pressure will resist passing those costs through.

**The labor quality problem is a product opportunity.** When 27% of owners surveyed by NFIB cite finding talent as their top challenge—and 85% of those hiring report unqualified applicants—recruiting, screening, and retention services become key differentiators, surpassing basic payroll administration.

**Float income is a hedge.** If the Fed tightens rather than eases, interest earned on client payroll funds rises even as WSE growth stalls. For payroll processors and PEOs alike, a hawkish Fed partially offsets a soft employment backdrop. That is an underappreciated buffer heading into a possible September hike.

The risk to watch is client attrition. Small business earnings are negative, insurance and input costs are compressing margins, and PEO contracts are a discretionary line item for a firm in trouble. Weak hiring hurts revenue; client failures hurt it far more.

The signal to watch is whether July's jump in hiring plans holds into August and whether actual employment change moves from -5% toward zero. If it does, PEOs get organic WSE growth for the first time in a while. If it doesn't, the plans get quietly withdrawn and the hours story continues. ■



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| Chris Chaney, Editor, PEO Insider                                        | 09/02/2026                                                                                                                                                                            |                                                   |

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# THE ROLE FOR PEOs IN AN UNPREDICTABLE ECONOMY

BY CASEY M. CLARK

**A** few weeks ago, many of us (nearly 1,000!) gathered in Marco Island, Florida for NAPEO's Annual Conference & Marketplace for three days of networking and learning from one another. It's also an opportunity to take stock of where our industry is—and where we are headed.

There is a lot to consider. The PEO industry continues to evolve—shaped by changing workforce expectations, new technologies, economic pressures and an increasingly complex regulatory environment. But it was clear in Marco Island that our industry isn't simply responding to change; we're helping our clients navigate and respond to some challenging economic realities.

On one hand, our economy is strong. As I write this, the Dow has closed at a record high 24 times this year alone (the S&P 500 has reached that mark 27 times in 2026). NFIB's Small Business Optimism Index reports small business owner optimism exceeding its more than five-decade average. But at the same time, uncertainty for small business owners is more than 20 points higher than the historical average. Business owners don't know how to grow

in this unpredictable environment.

Adding to the dichotomy, 36% of small businesses reported openings they are struggling to fill—the highest in over a year. Our own small business research identified recruiting, retention and shortages as major issues for PEO clients, all while economic data indicate a cooling labor market. Taking care of employees is also getting more expensive. Healthcare costs are at historic highs—up 53% in the last decade, and 6% year-over-year.

How businesses are run is also changing. Cost uncertainties related to geopolitical issues complicate future planning, while customers are getting more price sensitive. AI is accelerating small business startups as American entrepreneurs continue to do what they do best: adapt.

These sometimes-contradicting realities require more sophisticated solutions. As small businesses continue to face big business problems (just with shallower pockets), the need for PEOs has never been greater.

We are giving entrepreneurs the scale to compete, the expertise and infrastructure to navigate these complexities, and the opportunity/freedom to focus on what

they do best—building their business.

The new research we released during the conference bears this out. 5.4 million American workers now rely on PEOs for payroll, health benefits, retirement savings plans and many other resources that impact their daily lives.

And, since 2008 worksite employment in the PEO industry is growing more than 10 times faster than total U.S. employment, highlighting the fact that businesses are increasingly choosing the PEO model.

The client data in the new research reinforces the point. Eighty-seven percent of PEO clients have fewer than 50 employees, and sixty-three percent have fewer than 20. These are precisely the businesses that are least likely to have deep internal HR, benefits and compliance infrastructure.

In my view, this makes NAPEO's job more important than ever. As you grow and the needs of your clients expand, your association can serve a similar role by curating business, regulatory, legislative and informational environments where you can thrive.

The 2026 Annual Conference & Marketplace was a powerful reminder of how far this industry has come. But I'm even more excited about where we're going. ■



**CASEY M. CLARK**

President & CEO  
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Alexandria, VA

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