

# How a PEO can help your administrative office on HR tasks

By Layne Davlin

When a new church is founded, there's little need for a human resources department — you and your congregational volunteers are your HR department. But as soon as the church grows, more employees are needed. There's soon a realization that hiring takes more time and effort than imagined.

As employees are added, the workload mounts: orientation and training; keeping track of hours worked, vacations and sick days; procuring and managing health insurance programs and other benefits such as flexible spending and 401(k) programs; terminating employees; and keeping up with general employment law as well as the rules and regulations that apply to the nonprofit arena.

Depending on how fast you're growing, human resources can get out of control quickly. Most church leaders want to focus on growing their churches, not on employment issues. But neglecting HR can cost you, and not only in unhappy or unproductive employees.

Over the last 20 years regulation of business has exploded. Among the laws that may affect your church is the Americans with Disabilities Act (which kicks in at 15 employees), Title VII (15 employees), Age Discrimination in Employment Act (20 employees), and the Family Leave and Medical Leave Act (50 employees). Of course, regulators have better things to do than checking to make sure you're following the exact letter of all law, but all it takes is one disgruntled former employee to stir things up, and you can have a legal nightmare on your hands.

## What to look for

So how does a church relieve its HR burdens? The professional employer organization (PEO) is a one-stop-HR-shop to which church staffs are increasingly turning. We'll explain the PEO option and advise you on how to understand and shop for good PEO outsourced employee services.

A professional employer organization (PEO) provides administration services as they relate to an employer's responsibilities regarding its employees. Outsourcing to a PEO provides a variety of benefits, from cost savings to access to specialized expertise on taxes, payroll, workers' compensation and more. Outsourcing can enable you to focus on your church and free up your time and resources through a process called co-employment.

## SIX THINGS TO CONSIDER IN A PEO COMMITMENT

As in all industries, there is an upside and a downside to professional employer organizations. Ideally a PEO will relieve its client companies of the time-consuming and money-draining burdens associated with HR. In order for this scenario to take place, there must be an understanding on both sides of the goals and needs of the business and of the purposes of the arrangement.

To effectuate this understanding, companies that are contemplating entering a PEO commitment should consider the following factors to find the best possible PEO arrangement to meet their needs:

- Conduct a basic needs analysis of your church. Determine what type of human resource and risk management concerns you have.
- Ensure that your PEO can meet all of these needs and will do so in a manner that meets — if not exceeds — your expectations. Ask for references from current clients and check them thoroughly.
- Check out the company's staff. Does it have the expertise to deliver on its promises, and does the staff communicate well with clients? Celia Rogers of Heritage Church of Christ in Ft. Worth TX, says lack of communication has been a source of frustration for her. Sometimes her PEO "would not communicate with us to let us know what to expect" in a timely fashion.
- What kind of consultation does the PEO provide on strategic HR issues like recruiting, HR procedures and processes?
- Ask for some demonstration that payroll taxes and insurance premiums are being paid properly, and that any past clients' legal issues have been correctly and efficiently handled.
- Commit one person on staff to manage the PEO relationship.

Have her communicate with the PEO on a monthly basis and hold the PEO accountable for any issues that may arise. Set expectations of how you want to be communicated with by your PEO. An open line of communication ensures that you will get the service you deserve.

Co-employment is a relationship between a PEO and a church in which the PEO is responsible for handling the requirements of the IRS, Social Security, unemployment and more. For a fee typically ranging from 1.5 percent to 8 percent of your payroll, the PEO "co-employs" your workers. PEOs handle the whole gamut of HR responsibilities, including benefits, payroll, taxes, workers'

compensation, and regulatory compliance. The PEO becomes the “employer of record” as it relates to W-2s, issuing payroll checks and working with compliance and regulatory matters. According to Celia Rogers of Heritage Church of Christ in Ft. Worth, TX, “Having a PEO, I am not responsible for payroll taxes and filing with the IRS. This is all the PEO’s responsibility which takes the weight off my shoulders. I don’t have to be an expert to run an effective HR program for our church.”

### Avoiding the headaches

Through the co-employment relationship, the PEO takes over all of the risk-associated tasks helping your church staff concentrate their jobs and not on HR headaches.

Whether you need HR help depends on several factors. If your church is growing, employs a nonprofit staff, or has high turnover, you’ll likely need help. The church that comes to a PEO wants an expert organization to take care of the business of employment so they can focus on core tasks. Most churches cannot put together a big-company HR program without the services and benefits offered by a PEO. Heritage Church, says Celia Rogers, would never be able to offer the kind of benefits that their staff enjoys without the services that their PEO provides.

Furthermore, most churches cannot effectively manage employment risk. Even larger churches, including those that employ a staff of 100 or more and can afford an in-house HR professional, want to outsource the day-to-day administrative tasks that would otherwise require additional staff. Because a church staff is initially made up of a group of volunteers, lots of people pitch in to help “manage” the church business. However, having several people involved in your HR processes can mean confusion. How do you make sure that interviewees are all given the same — and correct — information about the job, your church and its policies? For that matter, do your own employees even know what those policies are? Do you have an employee handbook that spells them out? And do you have a standard process by which employee performance and compensation are reviewed? If the answer to any of the questions is “No,” then it’s time to formalize your HR.

### Remove church politics

Another reason to work with a PEO is the ability to remove the politics from your church HR practices. The PEO will not tell a church who it can hire or fire but will be there to make sure that everything is done legally and in compliance with the relevant rules and regulations. It also alleviates some of their more contentious administrative issues. HR outsourcing using a PEO can take the politics out of running the church business. A third party



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is taking care of all aspects of government reporting and allows the church to devote time to working with their members instead of dealing with the business of HR.

Taking these items into account when searching for the best PEO for your church will certainly help you. If your staff is strapped for time, there are services that take care of these steps for you and allow you to make a final decision instead of sitting through dozens of sales presentations. A PEO brokerage firm can cut through the complex decision and make it easy by finding the best PEO to fit the needs of your church.

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