Case Study: Transitioning from a PEO to In-House HR Services

Background

A mid-sized company relying on a Professional Employer Organization (PEO) to manage its HR functions sought greater control over its HR operations. While the PEO offered convenience, the organization faced challenges, including high costs, limited customization, and lack of transparency. To address these issues, the company decided to transition to in-house HR services, allowing for tailored solutions and long-term cost savings.

Objectives

1. **Implement a robust HRIS to centralize and streamline HR processes.**

2. **Procure cost-effective and competitive employee benefits.**

3. **Develop in-house HR services, including compliance, payroll, and employee relations.**

Project Streams

1. HRIS Selection and Implementation

Challenges: The existing PEO platform lacked flexibility and integration with the company's operational needs.

Approach:

- **Needs Assessment:** Conducted interviews with key stakeholders to determine requirements, such as payroll, benefits administration, reporting, and compliance tracking.

- **Vendor Evaluation:** Reviewed 10 potential HRIS vendors based on functionality, user experience, scalability, and cost. Finalists included ADP Workforce Now, UKG, and Paylocity.

- **Implementation Plan:**

    o Migrated employee data, payroll records, and benefits information.

    o Provided training for HR staff and managers.

    o Established automated workflows for onboarding, time tracking, and reporting.

Outcome:
The company selected **UKG**, which provided comprehensive functionality and scalability. This resulted in a 25% reduction in administrative workload and improved data accuracy by 30%.

2. Benefits Procurement

Challenges: The PEO's benefits packages were bundled and costly, with limited options for customization.

Approach:

- **Market Analysis:** Benchmarked benefits offerings against industry standards to ensure competitiveness.

- **Broker Partnerships:** Engaged brokers to secure quotes for medical, dental, vision, life insurance, and retirement plans.

- **Employee Input:** Conducted surveys to understand employees' preferences and priorities.

- **Plan Rollout:**
  - Selected a tiered benefits structure with options catering to diverse needs.
  - Held informational sessions to educate employees on new benefits.

Outcome:
Negotiated a benefits package that provided equivalent coverage at a 20% lower cost. Employee satisfaction with benefits increased by 15%, as reflected in post-implementation surveys.

3. Development of In-House HR Services

Challenges: Transitioning compliance, payroll, and employee relations management from the PEO required creating robust internal processes and policies.

Approach:

- **Compliance Infrastructure:** Developed policies and procedures to meet federal, state, and local labor laws, including FLSA, FMLA, and ACA compliance.

- **Payroll and Tax Management:**
  - Implemented payroll processing within the HRIS.
  - Managed state registrations and tax filings in multiple jurisdictions.

- **Employee Relations and Training:**
  - Created an employee handbook tailored to the company's culture and values.
  - Conducted supervisor training on compliance, performance management, and conflict resolution.

Outcome:
In-house HR operations reduced reliance on external vendors by 60%. The company experienced quicker response times for employee inquiries and a stronger alignment between HR policies and organizational goals.

Results

Objective	Outcome
HRIS Selection	Implemented ADP Workforce Now, reducing administrative workload by 25%.
Benefits Procurement	Secured cost-effective benefits, saving 20% annually.
In-House HR Services Development	Reduced reliance on vendors by 60% and improved compliance response times.

Key Takeaways

Transitioning from a PEO to in-house HR services can provide organizations with enhanced control, cost savings, and the ability to align HR practices with strategic goals. This initiative demonstrates the importance of a structured approach, focusing on technology, benefits, and robust HR processes to ensure a smooth transition and long-term success.