

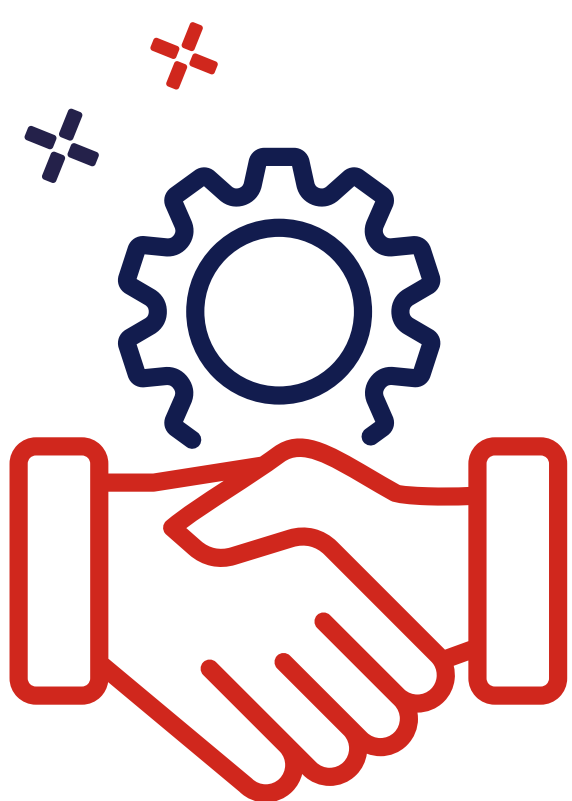


HOW CO-EMPLOYMENT CAN REDUCE SMALL BUSINESS RISK



Every business aims to manage costs and take care of employees while generating profit. But employment law liabilities threaten to reduce margins and create operational challenges — especially for small businesses.

Employment laws change regularly



34+

new state employment laws went into effect on 1/1/2025, ranging from caregiver protections to pay transparency.¹



One popular solution to mitigate risk is entering into a co-employment relationship with a PEO. A PEO can help you reduce your liability, keep costs in check and empower your people and your business to tackle whatever comes next.

Instead of struggling to stay on top of constant regulatory changes, reduce risk and avoid hefty non-compliance fees, small and medium-sized business owners can choose to partner with a PEO and shift the responsibility (and some of their liability) to the co-employer.



Here's where a full-service HR partner really shines. You gain a team whose full-time job is to monitor and interpret changing rules. A PEO like ADP TotalSource® has dedicated HR, payroll and risk experts who communicate compliance changes and provide guidance where needed.

Keep more money invested in your business

In 2024, the average U.S. business spent between **1.3% and 3.3%** of its total wages on regulatory compliance.²



Over the past 10 years, the average cost for non-compliance has risen more than **45%**³

These penalties could affect the financial health and future of a small business. Co-employment means a PEO focuses on HR-related tasks such as payroll, benefits administration and regulatory compliance. This relationship reduces liability when it comes to navigating tax responsibility and enforcing mandates from legislation like the ACA, FLSA, OSHA and EEOC.



PEO advantages add up

Small businesses working with a PEO can save thousands in non-compliance penalties and costs. Plus:

The employee turnover rate is

12% lower



They're **50%** less likely to go out of business

They have a growth rate more than

2x higher

⁴

With a co-employment relationship, businesses can reduce liability and effectively stay in compliance without needing to devote as many resources.



Partnering with a PEO saves employers time and energy, allowing you to focus on serving customers and growing the business — instead of worrying about risks and penalties.

PEO & small business: Better together

Enlisting the help of a PEO like ADP TotalSource reduces the risk of OSHA violations, ACA non-compliance and worker classification errors, in addition to lowering tax liability. The relationship provides a ton of value helping you keep up with the high volume of new employment laws every year.

Learn how to dream bigger at adptotalsource.com.

Sources:

1. <https://ogletree.com/insights-resources/blog-posts/key-state-laws-set-to-take-effect-on-january-1-2025/>
2. The Cost of Regulatory Compliance, CATO Research, 2024
3. The Cost of Non-compliance, Cornerstone, 2024
4. PEO Clients: Faster Growing, More Resilient Businesses with Lower Turnover Rates, The National Association of Professional Employer Organizations (NAPEO), 2024