



Dallas/Fort Worth

# CONSTRUCTION<sup>TM</sup>

## NEWS



The Industry's Newspaper

www.constructionnews.net

(210) 308-5800 ★ P.O. Box 791290 San Antonio TX 78279 ★ 11931 Warfield San Antonio TX 78216 ★ AUG 2010 ★ Vol.8 ★ No.8

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This Month

## Service Providers



### PEOs - Helping construction companies build a better future

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**P**EO history. It is likely that many construction company owners and office managers may not have heard of a PEO (Professional Employer Organization). Although the concept originated as early as the 1940's,

PEOs didn't become popular until the 1980's. PEOs were developed out of the need to help small to mid-sized business owners increase profitability, maximize employee productivity, reduce time spent on human resources, share liability, and ultimately reduce overall labor costs. PEOs currently operate in all 50 states and are regulated by both federal and state guidelines.

**Core principals.** Most construction companies partner with a PEO in order to streamline their operation. Owners who utilize PEO services spend less time "pushing paper" and more time focused on their bottom line. The PEO assumes many of the non-revenue generating tasks every company must perform to operate. This allows the company to do what they do best - focus on growing their business! Nonmoney making tasks such as weekly payroll administration, transactional HR, benefits administration, and government compliance are transferred to the PEO. Construction companies partner with the PEO to share employment liability of their W-2 employees. Owners no longer have to wear

the "boss' bulls-eye" on their back every day with total liability.

**Cash flow.** Cash flow is the primary concern for most of the construction owners with whom I consult. A key advantage of working with a PEO is that there are no longer large down payments or audits on workers' comp insurance. Owners aren't forced to hand over any down payment to start coverage. They simply "pay as they go" for workers' comp, which may keep tens of thousands of dollars in hand to grow their business. This can be extremely helpful in a down economy, especially for companies carrying expensive highrisk workers' comp.

**Expertise.** Most construction owners I advise openly admit they are unfamiliar with ERISA, FMLA, or ADA laws, or if they are in compliance with the most current labor laws. That's because they are pulled in so many different directions each day simply trying to run their companies. They just don't have enough time! Business owners are typically great at their given construction trade, whether it be pouring concrete, steel erection, roofing, etc., but they know they are not HR, Benefits, Payroll, or Tax experts. This is where they can lean on the PEO's professional team and expertise to know they are in compliance and that things are being handled properly.

**Additional benefits.** Especially in the recent difficult economic times, many owners have seen a dramatic difference in how a PEO can stabilize their overall labor costs. One piece of this equation is keeping the company's SUTA (State Unemployment Tax) rate as low as possible. Many construction companies experienced higher than usual lay offs in the past year. Those partnered with a PEO saw very small, if any, SUTA increases because of the PEO's ability to weather the unemployment storm. On the other hand, many stand-alone businesses saw large increases and some had their SUTA rate double in 2010. PEOs not only assist in dealing with unemployment claims, they also provide employee handbooks and safety manuals specific to their cli-

ents needs. These are two critical items that are sometimes overlooked in the blue-collar sector.

**PEOs and their future in construction.** The simple fact is that our current federal and state administrations are not making it any easier on business owners to run their companies. New laws are being passed every year, and the amount of red tape, government compliance, and time-consuming HR tasks are only going to increase. In a PEO partnership, owners get back their time and can sleep better at night knowing one team of professionals is there to help them navigate the ever changing landscape of being an employer. Most owners realize that they don't run their company exactly the same way they did five years ago or even two years ago. With new legislative changes impacting construction companies such as healthcare reform, new labor laws, and increased jobsite liability, it's no wonder why so many owners are looking to partner with a PEO to gain a competitive advantage. Could partnering with a PEO benefit your company's future?

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