



The Executive's Guide to HR Outsourcing

Table of Contents

Introduction	3
Why Businesses Choose HR Outsourcing	4
5 Questions to Ask if HR Outsourcing Is Right for Your Business	5
Types of HR Outsourcing Providers	12
Choosing an HR Outsourcing Provider	14
Ready To Transform Your HR Operations?	15

Introduction

As your business grows, so do your HR responsibilities. Managing payroll, benefits, compliance, and day-to-day HR tasks can quickly become overwhelming, pulling your focus away from what really matters: growing your business.

If you're feeling the weight of those demands, you're not alone. When you reach this point, you have two choices:

- ▶ **Hire additional staff to manage these expanding responsibilities, or**
- ▶ **Outsource HR functions to specialists who can handle them more efficiently.**

Business leaders are increasingly using outsourcing as a strategic tool for managing front- and back-office tasks, a trend seen across organizations ranging from Fortune 100 companies to small local businesses. According to the [2024 Global Outsourcing Survey](#) by Deloitte, 80% of executives plan to maintain or grow their outsourcing investments. Doing so gives you access to specialized expertise without the costs associated with full-time employees.

One of the most popular business processes companies choose to outsource? Human resources.

> What is HR Outsourcing?

[HR outsourcing](#) means partnering with an external provider to handle some or all of your human resources functions. Rather than staffing a full or partial in-house HR function, you can tap into specialized HR expertise for scaling HR support without adding full-time employees — reducing the administrative burden on your team and providing sophisticated risk mitigation. Whether you're a five-person startup or a 1,000-employee organization, this approach can be tailored to your needs, growth stage, and budget.

When you partner with the right HR provider, you can streamline your operations, lower your overhead costs, and devote your energy to your core business priorities.

Organizations that have adopted HR outsourcing report a [93% satisfaction rate](#) with the experience. In this guide, you will learn why businesses outsource HR, how to evaluate providers, and how to choose the best fit for your organization.

Why Businesses Choose HR Outsourcing

Human resources has evolved from a purely administrative function into a strategic driver of business success. Today's HR outsourcing landscape covers functions including recruitment, payroll, employee benefits, labor law compliance, development of employee policies and procedures, workplace safety, and more. While every company's needs are different, the decision to outsource HR typically stems from four primary drivers:

- 1 HR costs are cutting into your profits**

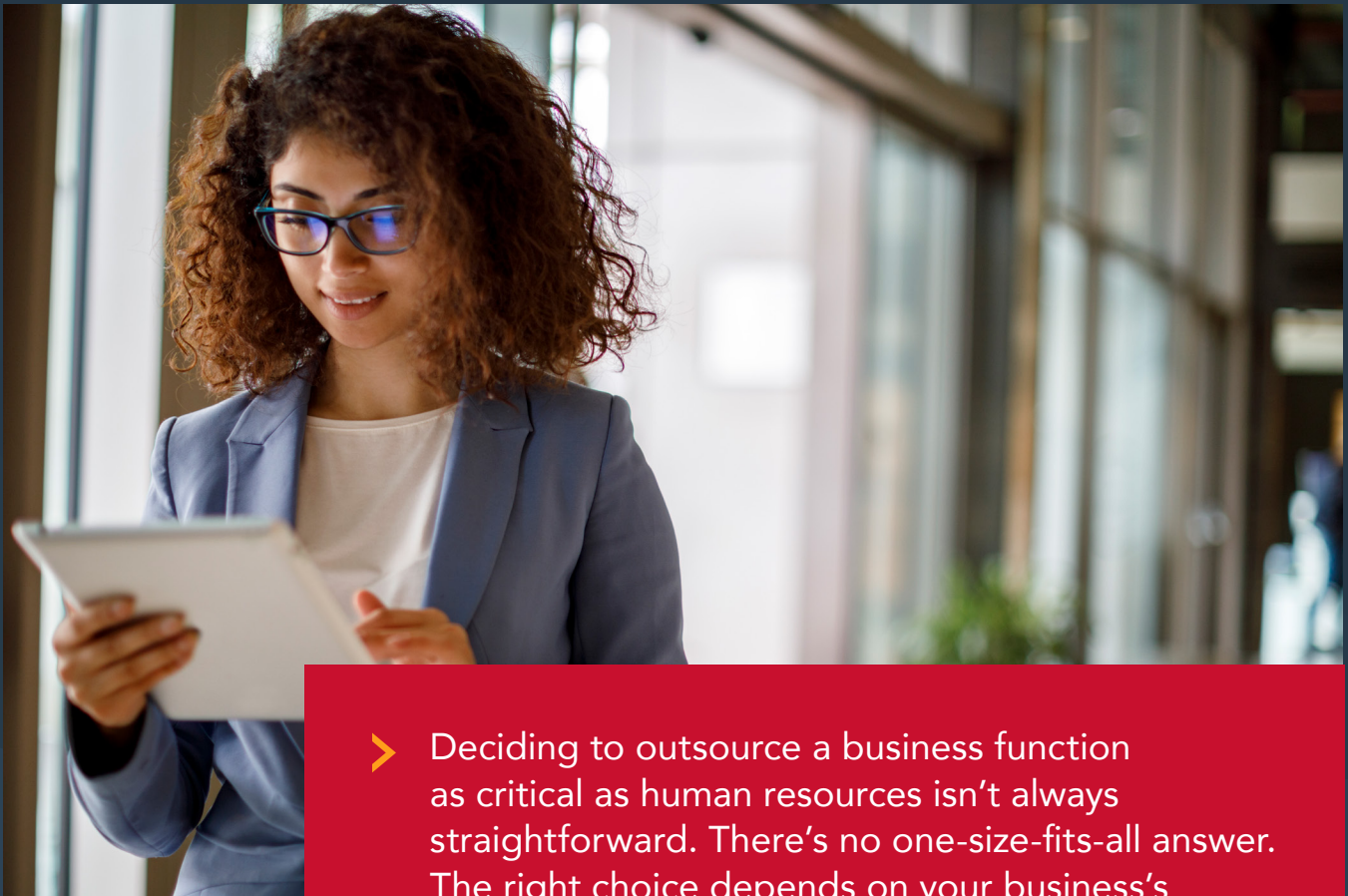
While providing top-tier HR support is a priority for most small and mid-sized businesses, maintaining a full in-house HR team is often cost-prohibitive. Research from the [National Association of Professional Employer Organizations \(NAPEO\)](#) shows companies that outsource HR through a professional employer organization (PEO) achieve an average return on investment of 27.2% — **that's \$1,272 in savings for every \$1,000 spent.**
- 2 Administrative tasks are swallowing valuable time**

You didn't start your business to manage HR. Spending hours processing payroll, administering benefits, or updating employee handbooks takes you and your team away from core business functions. HR outsourcing alleviates these burdens and complexities, allowing you to dedicate your time, energy, and expertise to what truly drives your business forward.
- 3 Your business lacks in-house HR expertise**

Outsourcing human resources connects you with HR specialists who bring proven processes, sophisticated systems, and deep expertise across all HR functions. This expert support streamlines your operations and helps you manage your workforce far more efficiently than you could with limited in-house resources.
- 4 Compliance is overwhelming your business — and costing you**

Your business must comply with hundreds of federal, state, and local employment laws and regulations that are constantly changing, and [the cost of noncompliance](#) can be severe. Consider a small business owner who pays hourly, nonexempt employees for 40 hours a week while they regularly work closer to 50. This common compliance oversight carries hefty penalties. Depending on the duration, businesses can be held liable for double the unpaid wages plus attorney fees. HR outsourcing providers help identify potential issues, actively monitor regulatory changes, alert you to new requirements, and provide guidance on how to stay compliant across all jurisdictions.

5 Questions to Ask if HR Outsourcing Is Right for Your Business



- Deciding to outsource a business function as critical as human resources isn't always straightforward. There's no one-size-fits-all answer. The right choice depends on your business's unique needs, resources, and growth stage.

To determine if HR outsourcing is a good fit for your business, consider these five key questions and discover how outsourcing can benefit you.

1

Is your current HR approach helping you retain top talent?

High employee turnover often indicates deeper HR challenges, particularly inconsistent processes or benefits that don't meet employees' needs. The impact on morale, productivity, and team stability is considerable.

HR outsourcing can help your organization improve retention by delivering more than HR administration and payroll services. HR experts can help identify the causes of turnover and provide guidance on strategic initiatives that boost retention, such as employee development and recruitment.

[PEOs](#), a type of HR outsourcing provider, also provide access to affordable, quality [medical insurance](#) and ancillary benefits options — dental, vision, retirement, disability plans, and more — for a comprehensive benefits package that helps retain talent.



2

Do your policies reflect current labor laws and the way your team actually works today?

Without deep HR knowledge, it is easy to inadvertently create compliance risks. Inconsistent policies and procedures can lead to confusion, dissatisfied employees, and potential claims of unfair treatment or discrimination. An outdated handbook — or one that’s too rigid — becomes a liability when it doesn’t align with your actual workplace practices.

Employment and labor law missteps can lead to significant penalties, fines, and lawsuits. In fiscal year 2025, the [Department of Labor recovered \\$259 million](#) in back wages for nearly 177,000 employees.

The right HR outsourcing provider does more than flag problems after they arise. From handbook reviews to policy updates and alerts on new employment and labor requirements, HR compliance services help you build a foundation that protects your employees and your business while keeping you informed, prepared, and focused to foster a safe, compliant workplace.



3

Can your current HR setup scale as your business grows?

Growth is exciting, but it is also a stress test on your business. What worked when you had 10 employees usually starts to buckle when you hit 30 or 50 workers. Many SMBs rely on an office manager or the business owner to handle HR on the side — a setup that doesn't scale easily.

One of the most common growing pains is expanding across state lines. It seems simple to hire a great remote candidate, but even one out-of-state employee can completely change your compliance picture. Leave laws, for instance, vary wildly from state to state. A policy that feels generous in one state might constitute a compliance violation in another.

This is where the growth trap happens: assuming your current policies are good enough to handle a larger or more distributed team. Even if you plan to grow entirely within your current state, the sheer volume of new regulations, documentation, and reporting that comes with a larger headcount can quickly overwhelm a manual system. An HR outsourcing partner, such as with a PEO, provides that ready-made infrastructure, so your HR functions can evolve in step with your team and your goals.



4

Is your HR investment delivering real value?

Time is money, and HR can quietly consume both. When HR is working well, you see it in measurable results: stronger recruitment, better retention, higher employee engagement, improved productivity, and reduced compliance risk. If costs keep climbing without clear results, it may be worth reconsidering how effective those resources are.

As your business grows, handling routine HR work in-house can limit progress on higher-value goals. Shifting those responsibilities to an HR outsourcing provider like a PEO helps refocus internal energy on areas that drive performance and growth.

Research from NAPEO shows that companies partnering with a PEO are **50% less likely to close** than those managing HR on their own — evidence that strategic outsourcing can strengthen long-term stability. Reevaluating your HR investment ensures it continues to align with your business's evolving priorities.



5

Are you juggling multiple vendors for payroll, benefits, and other HR tasks?

The pattern is all too familiar. You begin outsourcing payroll to take one task off your plate. Months later, you add a time and attendance platform. The next year, it's benefits administration software. Before you know it, you're paying premiums to multiple vendors and spending hours each week juggling disconnected systems.

When these tools don't talk to each other, the burden falls on you to manually move data between systems, which is a recipe for bottlenecks and costly errors.

Moving to a consolidated HR outsourcing partner with an all-in-one technology platform replaces disconnected systems with a streamlined model that drives down overhead and makes scaling your business manageable.



At a Glance: Why Outsource HR

The true cost of managing HR in-house goes beyond salaries and software. It's the missed opportunities and compliance risks that pile up when your team is distracted by back-office bottlenecks and uncertain of how to grow efficiently and cost-effectively.

The businesses gaining the most ground treat HR as a strategic investment, and outsourcing is how they make it possible — without adding headcount or cost.



Did you know?



[84% of organizations](#) plan to adjust their HR sourcing approach within the next two years, with 54% specifically moving toward outsourcing.



Companies that engage a PEO experience a [12% lower employee turnover rate](#).



Businesses that partner with a PEO achieve [4.3% annual growth](#), compared to 1.9% for those that do not.

Types of HR Outsourcing Providers



- If you've decided to outsource some or all your HR responsibilities, the next step is to understand the different types of providers available. Most businesses partner with one or more of the following types of HR providers, depending on their size, goals, and internal resources.



HR Consulting Firms

HR consulting firms are a good fit if you need short-term support or help with a specific initiative. These firms assess current HR practices within the scope of your agreement, identify gaps or risk areas, and recommend solutions related to various aspects such as compliance, compensation, or workforce strategy. Once the project is complete or the recommendation is delivered, the execution and daily management remain your responsibility.

While consulting firms offer targeted expertise, their hourly or project-based rates make them a costly option for ongoing HR support.



HR Technology Vendors

Some organizations prefer to manage HR internally but need tools to do so more efficiently. In these cases, businesses may turn to HR technology or [human capital management](#) (HCM) vendors that provide software or online platforms to support functions such as payroll, time tracking, or benefits enrollment. This technology can streamline tasks like payroll, benefits administration, reporting, time tracking, and onboarding. Your internal team remains responsible for day-to-day management, compliance, and employee support.



HR Outsourcing (HRO)/Administrative Services Organizations (ASO)

Businesses that need ongoing support but want to retain full employment responsibility often choose a human resources outsourcing (HRO) firm or an [administrative services organization](#) (ASO) model. In this traditional client/vendor relationship, you can outsource selected HR functions, such as payroll processing, benefits administration, or regulatory compliance. This model works best for large, established companies with an existing HR infrastructure or for companies that sponsor their own benefits plan.



Professional Employer Organizations (PEO)

Companies looking for a more comprehensive, full-service HR solution often choose to partner with a PEO. In this arrangement, you enter into a [co-employment relationship](#) that allows the PEO to manage a wide range of HR responsibilities on your behalf, including daily HR tasks, payroll processing, benefits administration, risk management, and compliance support.

One significant advantage of this model is purchasing power. Because a PEO pools thousands of employees across its client base, it can negotiate with carriers the same way a Fortune 500 company would. That translates to [top-tier benefits options](#), including medical, dental, vision, retirement, and more, at rates lower than most businesses can secure on the open market.



Employers of Record (EOR)

An employer of record (EOR), sometimes referred to as an international PEO, legally employs workers in other countries on your behalf. While both [PEOs and EORs](#) use the term “employer of record,” the structures are different. A PEO operates under a co-employment arrangement and shares certain employment-related responsibilities, whereas an EOR assumes full legal responsibility for hiring, employing, and managing workers in foreign jurisdictions.

Choosing an HR Outsourcing Provider

> When selecting an HR provider, start by considering your business goals and what support you need.

A flexible HR outsourcing model (like HRO or ASO) lets you outsource payroll, benefits administration, or other select functions while keeping control of the rest. If your business is growing quickly and needs more hands-on HR guidance, a PEO can deliver a full suite of services to help you scale efficiently.

Explore the different HR outsourcing options in the table below to see which model best aligns with your company’s needs and growth plans.

	HR Technology (HCM software, payroll service provider)	Administrative & Consultive Services (ASO, HRO, HR BPO)	Comprehensive HR Services (PEO, EOR)
Requires in-house HR team	X	X	
Typically includes access to HR technology	X	X	X
Includes guidance from HR experts		X	X
Includes guidance on regulatory compliance		X	X
Provides flexibility in choosing which HR services you want		X	X*
Includes HCM software in addition to HR support		X*	X
Shares HR responsibilities and employment-related liabilities with your company			X (PEO)
Provides access to affordable, high-quality benefits			X
Answers HR-related questions from your employees			X

*Note: These vary among HR outsourcing providers.

➤ Focusing on What Matters Most

Choosing to outsource HR isn't just about offloading paperwork — it's about reclaiming your time and receiving the strategic guidance you need to grow. The right HR outsourcing partner gives you the infrastructure of a much larger company, allowing you to hire, scale, and stay compliant with confidence. Building this foundation doesn't just solve today's headaches but clears the path for tomorrow's growth.

Ready To Transform Your HR Operations?

G&A Partners has been helping executives grow their businesses effectively for over 30 years. Backed by our best-in-class customer service, G&A's flexible solutions range from full-service PEO, ASO support to complement your existing HR function, or HCM software to manage HR in-house — all designed to meet the HR needs of businesses of every size.

[Schedule a consultation](#) to connect with our HR experts and explore how G&A can help your business succeed.

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