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Outsourcing Is Well Worth the Cost for Many Small Businesses

Joyce Rosenberg, SMALL TALK (AP)

Lori Booker says her public relations firm's profits rose 25 percent after she hired a company to handle the business's human resources needs. The reason: She had been devoting so much of her time to employee issues before she turned elsewhere for help.

When small companies outsource parts of their operations, owners and top executives find they can focus more on what really matters—building the business and serving clients and customers better. And with a growing number of companies available to do virtually any kind of work for another business, an owner can outsource as much as he or she can afford.

Booker handled her HR issues herself for the first decade that her Maitland, Fla.-based company, Carlman Booker Reis PR, was in existence. But about 10 years ago, after spending an entire day interviewing workers' compensation insurance providers, Booker said she'd had enough. She signed up with a professional employer organization that is now her HR operation.

Besides saving her time and energy, Booker said of the PEO, "they keep me from making mistakes that could hurt the agency," by keeping track of changes in employment-related laws and regulations.

PEOs and other HR providers are a popular resource for small businesses. Accounting and billing, marketing and sales are other company operations that business owners cheerfully offload onto someone else who's an expert.

Outsourcing of course is not a new concept, having been around for decades—manufacturers, for example, may have turned out their own products, but most bought components and packaging from other companies. But outsourcing continues to expand as a necessary part of doing business for a growing number of small businesses.

Not everyone automatically embraces outsourcing—many new entrepreneurs tend to be a little resistant to the idea. First, many believe they should do everything themselves. Second, it does cost

Andrew J. McDevitt, manager of government relations at the American Payroll Association, a trade association based in San Antonio, says the choice is really up to what each business owner feels comfortable with. What's most important, he says, is that a payroll company will step up and take responsibility for its clients, know how to dispute any fines and then pay any penalties that are owed. "Any surprise bill that comes in, any penalty can really set back a company for a month or two, even a year."

By the Numbers

Some measures of what's involved in handling payroll:

Estimated number of annual employer tax updates...	400
Average annual penalty on employment-tax returns...	\$670
Estimated time to fill out a quarterly IRS payroll report...	13 hours (manual)
Estimated annual cost for a one-person payroll department...	\$29,000
Approximate cost of using a payroll company...	\$50 per pay period