

Administrative Service Organizations

For some companies, outsourcing various administrative and human resources tasks may be more efficient than handling them in-house, or may even be necessary due to a lack of time, resources or expertise. Consider the advantages of an administrative service organization (ASO) if you want to outsource employment-related tasks.

What Is an ASO?

An ASO is an organization that provides administrative and human resources services for its clients; this is a simple way to outsource tasks that can be more efficiently handled outside the company.

ASOs can provide a variety of services for your company, including the following:

- Payroll – direct deposit, W-2 processing, tax filing, reports, 401(k) administration and other tasks
- Human resources – employee newsletters, help desk, handbooks, file maintenance, employee surveys, background checks, recruiting and other service options
- Employee benefits – benefits enrollment, payment and premiums, COBRA administration and more

ASOs Versus PEOs

ASOs differ from professional employer organizations (PEOs), which provide a more comprehensive package of services and include a co-employment arrangement. The co-employment

arrangement in a PEO contract means that the PEO becomes the employer of record and the PEO assumes some or all of the risks and liabilities related to employment.

PEOs began as early as the 1940s and became more popular in the 1970s and '80s. ASOs emerged in the late 1990s as an alternative to PEOs that does not involve co-employment. The services offered by an ASO depend on the vendor, ranging from a few services such as payroll to many of the same services offered in a PEO model. ASOs typically offer more flexibility in what services are outsourced and allow the employer to retain all employment responsibility.

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Aside from the issue of co-employment, another major difference between ASOs and PEOs is the fee amounts and how they are calculated. For PEOs, fees are typically a single amount for a comprehensive set of services that are bundled together, and fees are usually 2 to 6 percent of employees' gross wages. With ASOs, fees are usually charged either per transaction or per employee, and you only pay for the services you want to use—no bundled services and accompanying fees.

ASOs can provide expertise and efficiency that can't be obtained in-house, while still giving you more flexibility than a PEO. ASOs can cost as much as 50 percent less than PEOs both because you can pick and choose the services you want and because your company retains all employment risks and liabilities.

Is an ASO Right for Your Company?

Whether or not an ASO is right for your company depends on several factors. First, you need to consider whether you want or need to outsource administrative and HR tasks. If so, do you need a full-service contract or just a few tasks handled for you? If you're looking for a

complete package of services and are willing to enter a co-employment agreement, a PEO may be a better choice. ASOs might be the favored option if you want to keep more employment control and need to choose only a few services to outsource.



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