



Employers One Source Group

A Professional Employer Organization

Staff Leasing Works

“Staff Leasing Works”, Today’s CPA, May/June 1994, p. 18

Rent to Work. Staff leasing, also known as employee leasing, is an arrangement in which a business contracts for some or all of its employees through a staff leasing company. The business has use of the workers, but the staff leasing company is the employer of record. Instead of making periodic payments to various entities—insurance companies, local, state and federal governments, and investment funds for employee benefits and employer taxes – the business makes a single payment to the staff leasing company. The staff leasing company also handles the paperwork for health benefits, workers’ compensation insurance and unemployment taxes. In effect, the leasing company becomes an off-site personnel department, delivering not only the regular payroll but also corporate-level human resources expertise and employee benefits that otherwise would be unavailable or unaffordable.

Paper Trails. Under a staff leasing arrangement, businesses are no longer responsible for recurring paperwork, such as payroll, quarterly Form 941 and state unemployment tax reporting, annual W-2 and W-3 reporting, annual Federal Unemployment Tax Act and workers’ compensation reports, and administration of group medical insurance and pension plans. The staff leasing company handles all this. It maintains personnel files – employment applications, W-4, I-9 and workers’ compensation disclosure forms. Audit request from the Department of Labor (DOL), the Immigration and Naturalization Service, the Equal Employment Opportunity Commission or other government agency related to a client business’ leased employees are also processed by the staff leasing company.

Employee leasing means, too, that small business owners no longer have to spend time shopping for workers’ compensation health insurance plans; this is handled by the workers’ employer – the staff leasing company. Many of those plans offer more generous benefits than small business

owners could afford to provide. They often include substantial health, dental and vision coverage, in addition to short-and long-term disability and life insurance. Employees and their families can also take advantage of prepaid professional counseling for stress, financial pressures, alcohol or drug abuse, or other personal problems. Many small business owners say being able to offer this level of benefits boosts morale, reduces turnover, and improves their ability to attract, hire and retain key employees.

Perhaps the greatest advantage of staff leasing is that it transfers many employee-related liabilities away from the business. The staff leasing company, not the business, is responsible for all payroll taxes on leased employees. Defending workers’ compensation claims falls to the staff leasing company, as does complying with all Consolidated Omnibus Budget Reconciliation Act (COBRA) rules regarding departing employees. By offering a 401(k) retirement plan to its employees the leasing company takes on responsibility for the plan’s Internal Revenue Service and DOL reporting as well as for the plan’s compliance with the Employee Retirement Security Act of 1974 (ERISA).

Those are not the only advantages. Like any large organization, a staff leasing company can provide a comprehensive personnel manual, monthly newsletters and lawful payroll/personnel forms. Staff leasing companies can also design and implement employee drug testing programs.

The Edge. In today’s increasingly competitive markets, companies need to focus on profit making activities, reduce administrative burdens and liability exposure, and attract and retain talented workers. Staff leasing could be the edge some companies need to stay ahead of the competition.

For more information on how staff leasing can work for you please call Employers One Source Group.