



How PEOs Can **Boost** **Texas' Restaurant** **Ops Success**

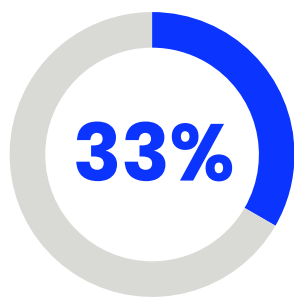
Leveraging HR and payroll partnerships to support operations in one of the USA's largest restaurant markets

State of the Industry

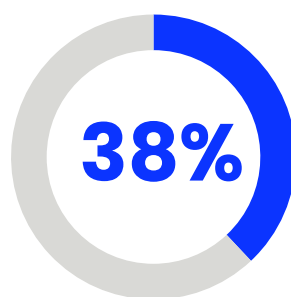
Texas' restaurant industry is booming. The Texas foodservice industry surpassed \$100 billion in sales for the first time ever in 2023. Moreover, it became the largest private sector employer in the state with over 1.2 million Texans working in restaurants.¹ Best of all, nearly 8 in 10 restaurants predict their sales will increase or hold steady in 2024.²

This level of growth, while exciting, brings its own problems. Running a small- to medium-sized restaurant business comes with countless daily challenges that can be overwhelming for operators. One significant struggle is managing the complexities of HR and payroll administration in an industry known for its high turnover rates.

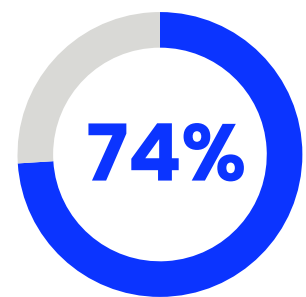
Recruiting, hiring, and training new staff is already a perpetual challenge, and keeping up with employee paperwork, payroll processing, compliance, and benefits administration adds an extra layer of complexity and can add significant overhead costs. Offering competitive benefits to attract and retain top talent is essential, but it can be challenging for smaller businesses to negotiate cost-effective health insurance and other employee benefits.



Employers who make regular errors when processing payroll according to the IRS³



Restaurant operators say managing labor compliance is becoming more complex⁴



Average restaurant industry turnover rate in 2023³

¹ Texas Restaurant Association, Texas Foodservice Industry Surpasses \$100 Billion in Sales. 2024

² Texas Restaurant Association, State of the Restaurant Industry Report Highlights Growth, Opportunities, and Costs for Texas Restaurants. 2024.

³ United States Bureau of Labor Statistics, Job Openings and Labor Turnover Survey 2023

⁴ SpotOn, Technomic: 2022 State of Restaurant Tech Report

State of the Industry

Moreover, the restaurant industry often contends with a dynamic regulatory landscape, including intricate labor laws, health and safety regulations, and compliance requirements. These complicated factors affect every state— Texas included.

In recent years, Texas' restaurant industry has faced changes to its state regulations related to increases in the minimum wage, workplace violence reporting, paid leave and more. Some of these updates (such as increased minimum wage) are predictable and planned years in advance. Others are much more complex.

Restaurant owners and operators have enough on their plates without closely monitoring uncertain developments in state regulations. The need for efficient HR management is evident, but many restaurants lack the resources and expertise to address these challenges adequately.

This is where Professional Employer Organizations (PEOs) become invaluable partners, providing comprehensive HR and payroll solutions crucial to the success of a growing restaurant.

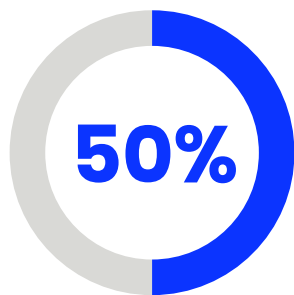


PEOs Explained

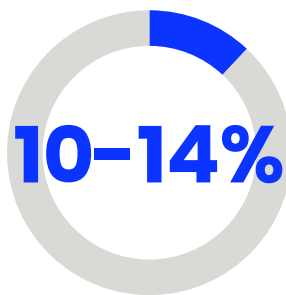
PEOs support the HR and payroll functions of your business, enabling you to focus on daily operations, growth-related goals, and the guest experience – not the complexities of administering HR or managing payroll or labor compliance. PEOs can range in services offered, including **payroll processing, benefits administration**, recruitment, training, **compliance** with labor laws, **garnishments**, and **workers' compensation**.

Professional Employer Organizations (PEOs) are companies that offer external HR services, managing tasks like payroll, benefits administration, and compliance. In a PEO arrangement, the PEO becomes a co-employer with the client company, sharing responsibilities and liabilities for the workforce, while the client maintains control over daily business operations.

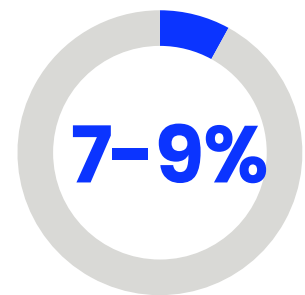
The co-employment model with PEOs is beneficial for operators because it provides access to HR expertise without the need for a fully-formed HR department. Businesses can benefit from **economies of scale**, allowing them to **offer competitive employee benefits** through the PEO's collective bargaining power. The shared responsibilities in the coemployment model also help **mitigate compliance risks**, ensuring that businesses adhere to **employment regulations**.



Business that use a PEO are 50% less likely to go out of business



Businesses in a PEO partnership experience 10-14% lower turnover



Small businesses who use PEO services grow 7%-9% faster than small businesses overall

Source: NAPEO, The ROI of Using a PEO, Laurie Bassi and Dan McMurrer McBassi & Company 2019

Benefits of a PEO Partnership

The benefits offered by PEOs may vary depending on the selected service provider. But a few common and key benefits can be found below.



Cost savings

Operators can leverage a PEO's collective purchasing power for employee benefits, insurance, and other HR-related services.



HR expertise

PEOs bring specialized HR expertise to the table, offering guidance on compliance with labor laws and regulations.



Time savings

PEOs help save time and resources thereby allowing restaurant operators to focus on their core competencies.



Scalability

As a restaurant grows, PEOs can adjust their services accordingly, ensuring that processes remain aligned with business objectives.



Risk mitigation

Shared liabilities mean PEOs can help mitigate risks for restaurant operators in terms of compliance, workers' compensation, and other workforce-related matters.



Talent attraction & retention

PEOs can offer cost-effective comprehensive benefits and professional development opportunities, creating a positive work environment.

"I am not a payroll specialist of any sort or fashion... **I'm operations.** Any issues that I have, I have a specialist I can go to, who even when the problem doesn't fall under his umbrella, he says "OK" and next thing I know I'm tied into the person who can take care of it. He realizes where my weaknesses are, and for lack of a better term, **he speaks restaurant.**"

- Senior District Supervisor, Early Girl Eatery

How the Process Works

As mentioned earlier, PEOs function through a collaborative model known as **co-employment**, which effectively splits employer responsibilities between the PEO and the client. This partnership is formalized through a **Client Service Agreement (CSA)**, which clearly outlines the respective duties of the PEO and the restaurant.

Under this arrangement, the PEO assumes the role of the administrative employer. It takes on the handling of tasks like:

- Managing payroll
- Managing workers' compensation claims
- Processing payroll taxes
- Administering employee benefits
- Ensuring compliance with employment laws and regulations

These tasks which are typically challenging for smaller restaurant operations are efficiently managed by the PEO, ensuring compliance and operational efficiency.

Meanwhile, the restaurant, as the worksite employer, continues to oversee day-to-day operations, including critical decisions like hiring, firing, employee promotions, and scheduling. This division of labor does more than simplify HR management for restaurants: it helps foster a more focused and growth-oriented business environment.

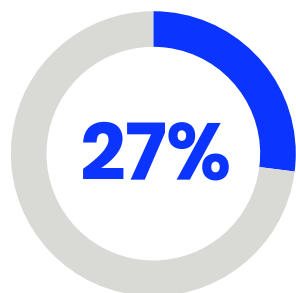
Did you know? PEO partnerships don't just benefit the employer.

With a PEO, employers can offer employees access to benefits that would traditionally only be available at larger organizations. Some such benefits include 401k plans, health, dental, life, and other insurances, dependent care, and more. In fact, benefits most frequently added by new PEO clients include **life insurance (44%)**, **retirement plans (26%)**, and **health benefits (26%)**.

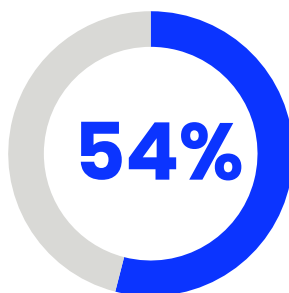
Source: NAPEO, The ROI of Using a PEO, Laurie Bassi and Dan McMurrer McBassi & Company 2019

Conclusion

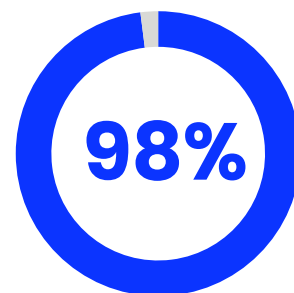
Texas is a national leader in the restaurant industry, and the market is growing at a remarkable rate. This growth comes with both fierce competition and many unknowns. Consider PEO providers as strategic allies in your restaurant's journey towards excellence. By offloading HR & payroll complexities, restaurants can focus on what truly matters – crafting exceptional culinary experiences, nurturing a vibrant culture, and ensuring business success.



The ROI of using a PEO in cost savings alone is 27.2%



Average annual savings on internal HR/benefits salaries (per FTE)



PEO clients would recommend a PEO to a small business colleague

Source: NAPEO, The ROI of Using a PEO, Laurie Bassi and Dan McMurrer McBassi & Company 2019

Thank you for reading, we hope you learned a few things!

Interested in learning more? Don't hesitate to contact us to learn how Fourth's PEO and HR & Payroll managed services can benefit your business.

[Get a free consultation](#)

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