

MAY 22, 2020

EXECUTIVE SUMMARY

As providers of critical payroll, benefits administration, HR, and compliance assistance services to small and mid-sized businesses, professional employer organizations are on the front lines of the coronavirus outbreak and its impact on employers, employees, and the economy. Below is a snapshot of the PEO industry perspective on COVID-19, based on data from the third in NAPEO's series of surveys on the subject, conducted May 13-22, 2020.

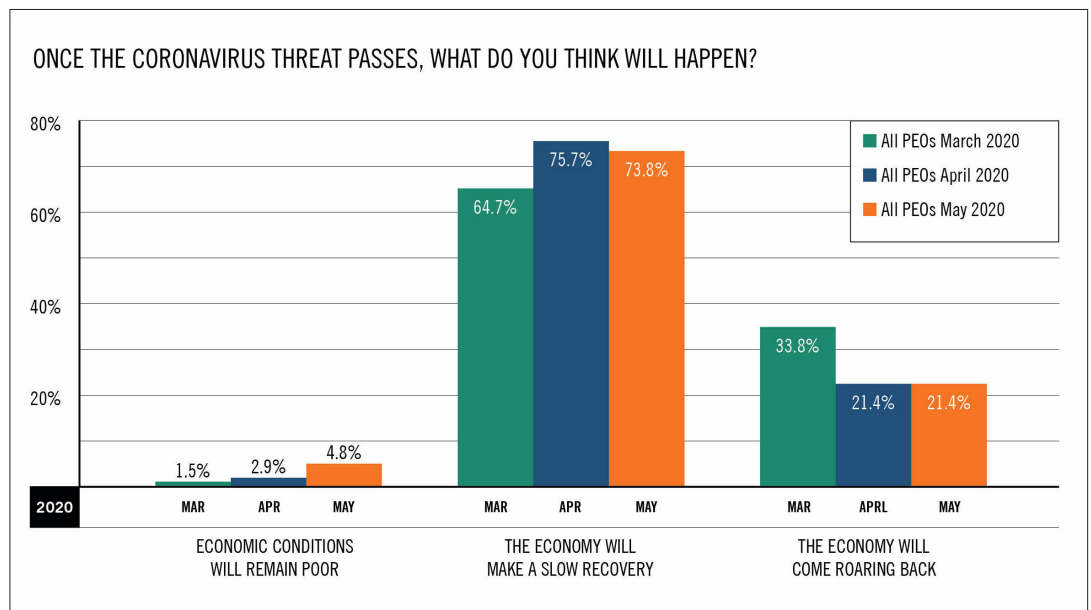
INCIDENCES OF COVID-19

The number of PEOs with one or more internal employees with confirmed cases of the COVID-19 virus has nearly doubled since last month, but still remains relatively low at just more than 10 percent. The number of PEOs that report worksite employees with the COVID-19 virus has remained largely static since April, at around 54 percent.

The majority of PEOs (54.2 percent) believe the medical implications of the COVID-19 pandemic are a mild issue. Less than 9 percent (8.4 percent) believe COVID-19 has major medical implications, down from more than 16 percent a month ago.

ECONOMIC IMPLICATIONS

PEOs remain convinced that while the U.S. economy will recover from the coronavirus crisis in time, that recovery will be slow (73.8 percent). Nearly 5 percent now believe economic conditions will remain poor, up from just 1.5 percent in late March. Just 21 percent now believe the economy will come roaring back.

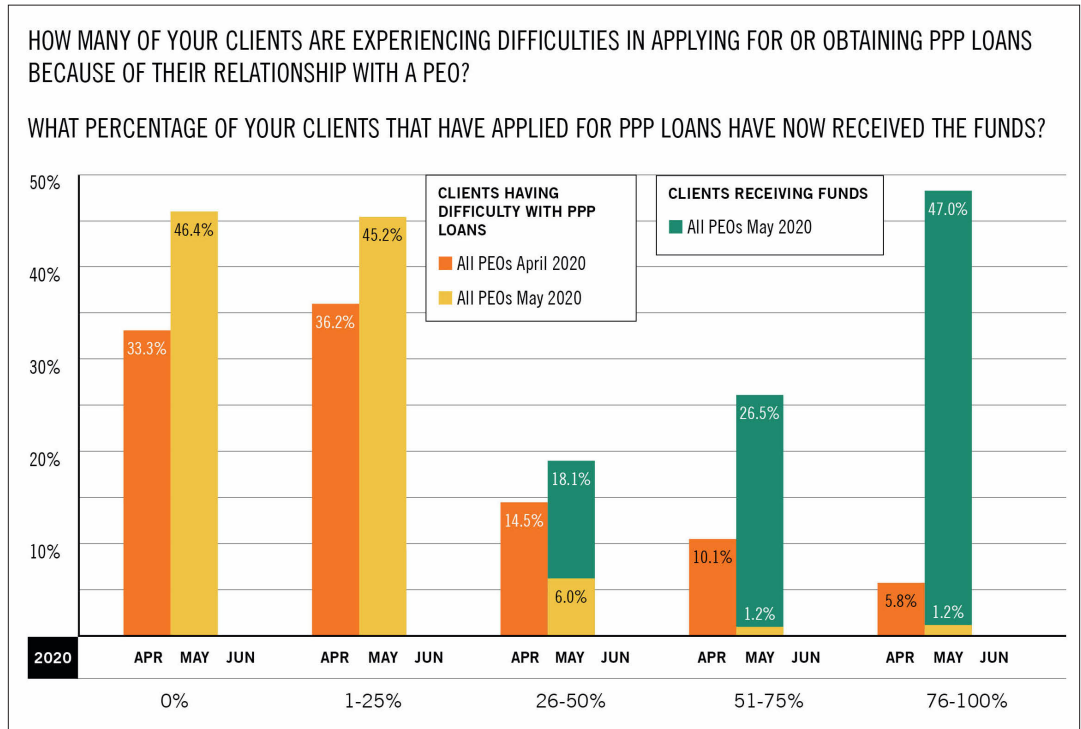




COVID-19 SURVEY

PPP LOANS

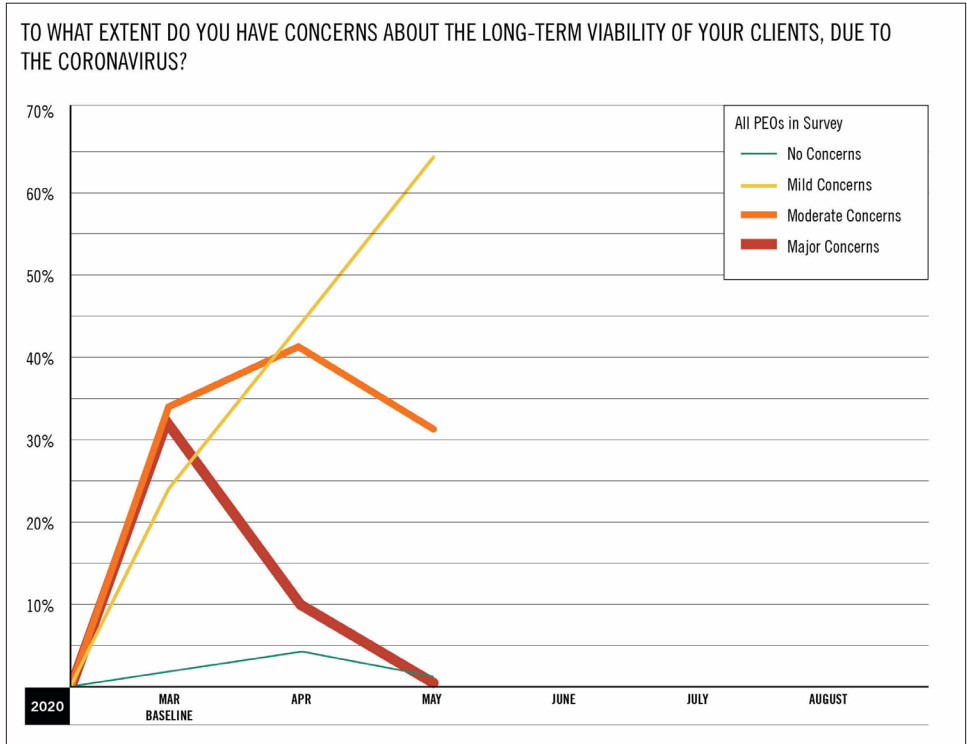
Forty-four percent of PEOs surveyed report that between 75 and 100 percent of their clients that applied for Paycheck Protection Program (PPP) loans have already received their funds. Forty-six percent of the PEOs reported that none of their clients experienced any problems in applying for PPP loans. Nearly 75 percent (74.2 percent) of PEOs said at least 50 percent of their clients have applied for PPP loans.



IMPACT ON SMALL AND MID-SIZED BUSINESSES

PEOs continue to have an optimistic view of their clients' ability to bounce back from the coronavirus crisis. Only one-third (33.3 percent) have "moderate to major" concerns about the long-term viability of their clients in the wake of the pandemic, down from 51.4 percent in April and more than 70 percent in March.

The number of PEOs reporting that clients will soon lay off more workers is down by 5 percentage points since April, now at 90.5 percent. The highest percentage of layoffs are in the hospitality (57.9 percent) and retail (47.4 percent) sectors, down from 62.7 percent and 64.2 percent, respectively.



More than 85 percent of PEOs report that less than 25 percent of their worksite employees (WSEs) have been laid off or let go during the crisis



The number of PEOs reporting that clients are reducing pay is down to 63.9 percent, from 77.9 percent in the April survey. The number of clients reducing benefits is largely unchanged, at 33 percent.

IMPACT ON PEOS

Only 13 percent of the PEOs surveyed believe the pandemic will have a “very negative” impact on the company, down from more than 22 percent in April. More than 75 percent (76.2 percent) believe the impact will be somewhat negative. Fifty-six percent of the PEOs surveyed have no concerns about their long-term viability, an increase of more than 25 percentage points since late April.

ABOUT THE SURVEY

Eighty-three PEO owners and CEOs participated in the third NAPEO COVID-19 Impact Survey, which was conducted from May 13 to 22, 2020. It is a follow-up to the second NAPEO COVID-19 Impact Survey, which was conducted from April 14 to 21, 2020. The first survey was conducted from March 18 to 24. Participants were fairly evenly distributed in terms of company size and geographic location. The survey was administered and tabulated by Industry Insights Inc. (www.industryinsights.com), an independent research firm based in Columbus, Ohio.

Full results are available [here](#).



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