

HUMAN RESOURCE OUTSOURCING: A BOON OR BANE

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ABSTRACT

If your organization lacks the skills and the expertise to tackle human resources, consider outsourcing HR services. Most organizations today outsource HR services to India, because they do not have the proficiency or the expertise to deal with HR services in-house. Moreover, organizations choose to outsource HR services in order to save on time and effort. HRO is growing popular with passage of time. HR is turned out to be golden career options for millions of people; It reduces the fixed cost of managing employees. Human resource outsourcing reduces costs by pooling thousands of businesses. This lowers the price of health benefit plans, retirement plans, workers' compensation insurance, and legal expertise. Human resource outsourcing firms are more efficient as the talent and infrastructure is already in place. When a small business hires the human resource outsourcing firm, it gives them access to programs at reduced rates and a minimal time investment. This paper put lights on positive aspects of HRO and how it is turning out to be saving the investment of company on recruitment. Like how the processes getting outsourced the employees are also getting outsourced so that time and investment behind the recruitment process can be curbed. This papers focuses on how HRO is a live blood for many small businesses where much number of people are not required if work gets increased outsourcing to other people is an option so that assigning work to others and getting it done. The paper also put glimpses on HRO has become a roadmap to transformation and change. Which is very much in need for success of any unit? HR can deliver right mix of core and noncore HR Services efficiently and effectively

INTRODUCTION

After the advent of BPO (Business Process Outsourcing) and KPO (Knowledge Process Outsourcing), it is now the turn of HRO (Human Resource Outsourcing). The concept of HRO is growing at a faster pace as days are passing by. Human Resource is a very important department in an organization. It is rather an intense pillar of an organization. Companies are realizing the importance of hiring, training and retaining their employees, therefore tremendous importance is needed to be given to HR Portfolio. HR outsourcing is the outsourcing of peripheral but necessary administrative tasks such as payroll, benefits,

education/training, recruiting personnel, administration, to realize economies of scale and achieve standardization of services. Rapidly changing market dynamics and global competitive pressures have caused organizations to spend more time focusing on their core business. The reasons for doing so vary widely when comparing the practices of higher-performance organizations to their less successful counterparts. The most common tasks which companies outsource including things like payroll processing, attendance and time record keeping, and the filing of and paying of business taxes. However, while these duties used to comprise the majority of the tasks of an HR department, this is no longer true. Today, HR departments have many more duties to handle, and as these duties grew, so has the size of the standard HR department grown. This means, of course, that the cost of human resources has grown over the years as the departments have been given more and more tasks. The concept of human resource outsourcing is growing popular with each passing day. However, there are disadvantages to this concept too along with the numerous advantages, say experts.

Human Resource is now the golden career option. Companies are realizing the importance of hiring, training and retaining their employees, therefore giving tremendous importance to the HR Portfolio. HR outsourcing has been picking up in a big way too. Teams of highly experienced professionals provide clients with customized HR solutions which range from short-term based solutions, to an on-going HR relationship with the client. However there are advantages and disadvantages to HR consultancy. the advantages of HR Outsourcing are of different types - because different types of HR work can be outsourced. "Payroll Outsourcing helps freeing up HR and Finance people from doing operational work and to instead focus on high end work. C&B Survey outsourcing is the norm because competitors are comfortable sharing information with a third party and not with organizations directly. Third party recruiters and Executive Search Consultants have huge databases that internal recruiters rarely possess. Training outsourcing, specially for high end training means using the high cost resources only when needed and not spending a salary or management time for trainers on the time. Coaching outsourcing is critical because often employees need to share information that they would not be comfortable sharing with an internal employ

Why Do Companies Outsource Their HR Functions?

Human Resource Outsourcing (HROs) organizations exist to support, extend, or replace the human resources (HR) functions for other companies. HROs core business is finding the ways to make their clients HR functions more efficient and delivering them to the client organizations. For that reason many of these organizations strive to stay on top of the best HR practices, emerging workforce technologies, as well as relevant laws, and regulations. This allows client companies to focus on what is core to their business and re-allocate internal resources for initiatives focused on increasing revenue and profitability.

HRO provides a unique outside perspective and can result in a true strategic partnership that may be much harder to achieve within the client organization. The internal HR organization is expected to be a partner helping attract, groom, and support the key asset of the company the people.

The Most Common Outsourced Functions

Outsourced HR functions are not limited to the easily recognizable recruiting. In fact, a wide range of services are offered.

Common services that Outsourcing HR provides include

- Background Screening
- Risk Management
- Temporary Staffing
- Employee Assistance/Counseling
- Health Care Benefits
- Retirement Planning
- Performance Management
- Drug Screening

Many more other services related to Payroll processing, Employee Data Administration, Leave Management, Benefits and Rewards, Recognition Awards, etc. are outsourced to make companies more strategic and empowered towards the achievement of goals.

Who Outsources Human Resources?

The three types of HR Outsourcing companies are Human Resources Organizations, Professional Employer Organizations, and Administrative Services Organizations. Each offers different individual options in Outsourced HR.

1. Human Resources Organization

Human Resources Organizations (HROs) provide either some or all tasks in HR. The majority of HROs allow large businesses (1000+ employees) to choose which HR services they would like outsourced. When only some functions are dealt with by the HRO, a co-management relationship or shared HR relationship is made between it and the business (this is typically the conservative approach to those first Outsourcing HR.) When all functions of HR are outsourced, the HR Outsourcing organization takes full responsibility. In large organizations, the Strategic HR role remains an internal position; however, most administrative and tactical roles are outsourced. This can also be achieved in smaller organizations (typically under 200 employees) using a PEO or Professional Employer Organization.

2. Professional Employer Organization (PEO)

A Professional Employer Organization (PEO) handles all HR tasks and is usually more beneficial for small- and mid-sized businesses (under 200 employees). When a business outsources HR to a Professional Employer Organization, they enter a co-employment relationship, in which the PEO becomes the employer of record. This practice is also known in the past as Employee Leasing or Staff Leasing. From a government and legal standpoint, this type of HR outsourcing involves the PEO sharing responsibility for the employees.

Using a PEO for your HR Outsourcing has a number of added bonuses. First, because a Professional Employer Organization is an umbrella for a much larger group of employees than a small- or mid-sized business, they may receive tax rates at a much lower rate than an individual business. Also, because the PEO is the employer of record, financial liability for the organization decreases due to the shared burden. Outside of Outsourcing HR, PEOs also will often provide worker's compensation insurance, outsourced payroll, performance management, recruiting and background screening and other various employment administrative tasks depending on the needs of the business that hires them.

3. Administrative Services Organization (ASO)

The third HR Outsourcing Scenario is an ASO, or Administrative Services Organization. ASOs outsource HR differently than the first two types of organizations because they focus mostly on the administrative side of HR and there exists no co-employment relationship between an ASO and the business that hires the ASO. This flavor of outsourcing is typically viewed as in between the 200-1000 employee range of PEO and HRO. Not surprisingly the various functions that ASOs provide include:

- Safety Management
- Compliance
- Payroll Services
- Pension Administration
- Worker's Compensation

Choosing a Human Resources Outsourcing Company

As stated above, there are three main types of HR Outsourcing scenarios, so the first decision when choosing an individual HR Outsourcing vendor is to choose which type of organization best fits the needs of the business (whether it is a small business or a very large company). The most pervasive organization for small companies that use HR Outsourcing is the Professional Employer Organization, mostly because of the added bonuses of completely outsourcing HR and sharing the burden of risk. While this is important for some businesses, others might find it more advantageous (simply due to the # of employees) to outsource only certain HR functions (when an ASO or HRO is a better fit), and some might find it better to outsource administrative HR (when an ASO is the best fit).

Significant factors to consider when outsourcing HR to an individual vendor (according to the SHRM study) include the following: a proven track record of the organization, the cost of services, the guarantee of service levels, and flexible contracting options. These all need to be taken into consideration, and each vendor is happy to answer questions on these individual topics.

Human Resources Outsourcing: A Path to Transformation

Nearly 50 HRO contracts will terminate this year alone, and buyers might be tempted to take the easy option and renew their existing contracts. But the advantages of reassessing those contracts and reevaluating market capabilities are too big to ignore. Today's HRO providers

have improved capabilities and new technologies that could bring cost savings of 35 percent or more. And they are hungry for deals.

Resistance to change is understandable when it comes to outsourcing contracts. After spending years getting accustomed to processes, the costs of switching suppliers and the hassle of a comprehensive sourcing exercise can seem like needless trouble. So it's little surprise that in the market for HRO

Organizations that Outsource HR Services to India

Large organizations mostly outsource their HR services to India in order to concentrate on their core processes. Such large organizations can increase the profitability of their business by outsourcing. Large organizations also stand to gain from better HR services for their employees. Small and mid-size organizations also outsource if they do not have enough of HR staff to manage their HR functions. Mid-size and small organizations can also benefit from cost-effective services when they outsource to India. Outsource HR services to India to enhance your productivity and return on investments and also to achieve the economies of scale.

The Advantages of Outsourcing HR Functions

An organization's human resources department is responsible for a variety of functions. Human resource departments oversee employee payroll and tax filing as well as employee benefit and health administration. Human resources also manage legal compliance, maintain files and records, and oversee training and development. For many businesses, the various functions of the HR department are too comprehensive and complex to maintain in-house. Businesses that outsource HR functions receive several advantages that support the company's bottom line.

Risk Management

Human resources outsourcing firms help businesses minimize risk. Employment and labor laws change regularly, and it can be difficult for employers to remain up-to-date on regulations that affect the workplace. Outsourcing firms employ HR professionals whose purpose is to stay abreast on a variety of federal and state employment laws. HR staff helps businesses comply with these laws to avoid costly lawsuits brought on by employees. HR firms also maintain and audit company policies and practices to ensure the organization and its employee's best interests remain protected.

Cost Savings

Outsourcing helps reduce the cost of maintaining nonrevenue-generating back-office expenses. A fully functional human resources department requires additional office space and highly trained and experienced HR staff. Many small businesses find it more cost-effective to outsource HR functions rather than expand to a larger location to meet the space needs of another department. Furthermore, outsourcing costs are variable and can be reduced when business needs warrant.

Efficiency

Maintaining an efficient and productive workplace is critical. Outsourcing HR functions create greater efficiency within human resources systems. Advanced human resources

technology utilized by outsourcing providers help streamline important HR functions, such as payroll, benefit administration and compliance management. Outsourcing helps employers and managers spend less time doing paperwork and more time dedicated to improving the efficiency and effectiveness of the workforce.

Employee Development

Outsourcing HR functions help businesses manage employee performance and development. Providers implement performance management plans to ensure employees comply with company policies and procedures and successfully meet business goals. Outsourcing firms periodically monitor employee performance and report findings to management. This reduces the workload of managers by minimizing the amount of administrative responsibilities they must focus on.

The Disadvantages of Outsourcing HR Functions

The human resources department is the heart of any company. Human resources handles many of the day-to-day complexities of the company, such as employee recruitment and training, company growth, employee benefits, legal compliance and payroll. While outsourcing human resources functions provides a cost-efficient alternative to staffing an onsite department, there are some disadvantages.

Poor Performance

Many companies outsource to limit costs; however, decreased costs often result in decreased quality of performance by the outsourced provider. The human resources department is responsible for the day-to-day operation of the company and any poor performance from the outsourced provider causes an overall negative impact on the company as a whole.

Distance

Outsourcing human resources functions to an offsite location often leads to a sense of distance between the employees and the company. When the human resources department is not instantly accessible, employees experience delays in communication, leading the employees to feel frustrated and unimportant to the company. This often results in reduced morale among employees. The fact that the company is willing to outsource a department may lead to speculation about the possibility of the outsourcing of other departments.

Recruitment Problems

In some cases, outsourced employees lack the understanding of the company culture that a regular employee has. As the human resource department recruits employees, this lack of understanding may transfer to new employees during the recruitment process. The outsourced provider may also recruit employees who do not fit with the overall culture of the company. The success of a business heavily relies on the performance of its employees, if the employees are not the right fit; the success of the company suffers

Information Leaks

Outsourcing human resources functions may lead to the release of sensitive company information. Often, for an outsourced company to provide adequate service, some sensitive information about the company's organizational structure, product information or other inner

workings is necessary for the vendor to perform unhindered. Whether deliberate or not, when providing an outside company with sensitive information, there is always a possibility for an information leak.

Dependency and Loss of Control

After outsourcing to a provider, executives may give up too much control over the company's human resource functions or the company may become too dependent on the outsourced provider. Dependency and loss of control create the risk of the business not being able to operate successfully if outsourcing is no longer an option for the company or if the provider changes the terms of the contract.

CONCLUSION

This has an important tool for company to reduce the burden of work and outsource the assignment to others when the work assignment is above the level and also the helps in cutting cost of unwanted employment process for a specialized people rather than hiring now days companies are coming up with this tool. Today almost all the organization are employed I doing it as part of fast execution of the work as soon after the process of recruitment company has to send employee for orientation programme and takes some time and have to wait so in order to kill it companies are practicing the HRO and passing/outsourcing on the assignment to others and getting it completed.

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