

HARMONY

Connecting the human element with business..



HR OUTSOURCING: A COMPLETE GUIDE

HR outsourcing (also known as HRO) is the process of sub-contracting human resources functions to an external supplier.

Upon reviewing various business processes, many organisations have started to decide that it makes business sense to sub-contract some or all non-core activities to specialist providers.

HR, as a non-profit centre, is an obvious candidate for outsourcing.

There are many ways in which outsourcing human resources can be done:

- Business process HR outsourcing (also known as BPO), where an external supplier manages HR activities, such as payroll administration or recruitment or the entire HR Department
- Shared service HR outsourcing, where only the transaction or administrative elements of HR's activities are handled by an external supplier.

- Application service HR outsourcing, where external providers look after the overall infrastructure to support human resources activities.

Outsourcing HR in some way or the other to an external provider is a huge business decision. No doubt it is cost effective, but it comes with its own risks which include -

- Leads to a loss of control on HR
- Can have detrimental impacts on the employer-employee relationship
- Flexibility is reduced
- Cost benefits might not get delivered
- Legal or regulatory requirements might prove to be an issue
- Industrial relations issues

**BENEFITS AND
PITFALLS OF HR
OUTSOURCING?**

P2

Any HR Outsourcing operation should be governed by a service level agreement which pre defines the required standards of performance that both parties are expected to meet and in case of any non-compliance, the provision of penalties to be paid. This agreement is the cornerstone document, and should be drafted and negotiated with great care, not missing on any detail.

Managing people is also extremely important in executing high performance from individuals. In today's modern, knowledge economy this is more true than ever before. The decision to outsource human resources is therefore not to be taken lightly.

There are many circumstances in which outsourcing HR services can deliver tangible benefits to the organisation, for example by freeing HR professionals to devote more time to a strategic role supporting organisational performance.

What are some potential benefits and pitfalls of HR Outsourcing?

Benefits:

- Reduced cost
- Increased efficiency
- Access to improved HR IT systems
- Improved management information
- Access to HR expertise not available internally
- Increased flexibility and speed of response
- Philosophical reasons (for example the organisation is outsourcing a number of its support functions, of which HR is just one part)
- Reduced risk
- To free HR resources to operate more strategically

Pitfalls:

- Outsource only what you fully understand. The HR outsource provider will only have to subsequently solve the problem and the provider's solution might not be most suitable from your organisation's perspective.
- HR outsourcing does not absolve the organisation of good people management practices nor of overall responsibility for the provision of HR services.

- Increasingly, HR outsourcing arrangements are often long term. An understanding of the organisation's current and future business strategy and potential of change in profile is important before entering into any long contractual arrangement. This helps to avoid being tied into unfavourable contractual arrangements.
- Loss of local knowledge and processes which instead reside with the outsource provider.
- Standardisation of processes in line with outsource providers not organisational preferences.

In spite of all the risks involved, HR Outsourcing is getting more and more prevalent owing to the countless benefits as well. The HR business process outsourcing industry is worth over £50 bn now.

SYMPHONY SAMACHAR

- "Quess Corp launches QJobs, a platform for blue collar recruiting" - **Economic Times**
- "ANSR acquires AI driven recruitment firm FastNext" - **Economic Times**
- "Pandemic could cause a rise in recruitment frauds in the e-commerce sector" - **KPMG Report**
- "Covid proof FMCG companies are recruiting even more students than last year" - **Economic Times**
- "In tough times recruiters look for future-ready leaders who can deal with uncertainty" - **Economic Times**
- "Hiring in IT sector least impacted by COVID 19 disruptions" - **Naukri.com**
- "Manufacturers to step up hiring at IIMs, IITs as business recovers" - **Economic Times**
- "Bengaluru, Hyderabad lead in contract job opportunities" - **Techfynder**
- "India technology units of MNCs on a hiring spree" - **Economic Times**
- "Global in-house centres in India revive pre Covid-19 hiring plans, grow headcount" - **Economic Times**