Emerging Trends and Their Impact on Human Resource Outsourcing

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Abstract:
The present paper focuses on different types of HR outsourcing and the elements which need to be considered before a company goes for outsourcing of Human Resources Functions.

Design/Mythology/Approach: A review of available literature was done in order to understand how present HR firms offer a wide variety of services to organizations that need to focus on their core business activities and still establish and maintain good HR polices and to explore the factors that influence the HR Outsourcing decision with special emphasis on a proper cost benefits analysis of HR outsourcing.

Findings: The finding of the paper intimately point out that the decision of HR Outsourcing is contingent upon factors like flexibility, availability of adequate resources, affordability and acceptability etc., the paper also suggests a systematic process and certain per-requisites to successfully execute HR Outsourcing.

Originality/Value: Based on Literature review, the paper makes specific recommendations with regard to the process of HR Outsourcing and its pre requisites; and is an attempt to highlight the facts that HR Outsourcing is a double edged sword; and should be viewed in totality in mind the pros and cons it has. Outsourcing itself is not a new concept as organizations have for years contracted with external suppliers to provide an array of services. A number of studies indicate outsourcing is growing with respect to both the number of companies outsourcing and the number of functions outsourced. Attracting, retaining, and developing workforce, and keeping abreast of the latest technology can prove difficult and costly for many organizations. Most of the organizations today outsource HR services to India, because they do not have the proficiency or expertise to deal with HR services in –house, moreover in order to save 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.

Keywords: Human Resource Outsourcing Organisation Employees

1. Introduction
Outsourcing has been defined as work done for a company by people other than the company’s full time employees. In the recent setting, outsourcing turns out to be highly complex and organization use outsourcing vendors for a variety of reasons. According to analysts, companies usually cite cost reduction as the most crucial reason for HR outsourcing. As companies were discussing how to cut costs in the face of an economic downturn, many look at outsourcing for some of their HR processes. As the Managing Director of Capita HR Solutions, Wayne Story, rightly puts it, “HR Outsourcing is on every HR Director’s list of things to do. It has to be driven by the business case through – the right partner at the right time, for
the right reasons.” However, some analysts argue the by outsourcing major HR feel that on the contrary by outsourcing these kinds of monotonous and administrative jobs, higher level HR professionals get the time they need to tackle strategic workforce challenges. With more and more companies looking to rationalize employees on their payroll, manpower outsourcing is slowly becoming the new buzz in India. And the trend seems to have hit not just big multinational companies but the public sector and government undertakings as well, through on a very low key yet in the concluding.

HR Services are among the key elements in the enlarging outsourcing game. Recognizing the fact that senior management needs to get out of routine day to day processing work and focus instead on strategic planning, core competencies, customer satisfaction and decision making, a number of large companies among the globe have begun opting for outsourcing of their HR Services. Some the functions most common handed over to outside provides include payroll, benefits administrations, background checks, drug testing, recruiting and training. Even small companies that might not get noticed much in big studies of outsourcing trends, turn to outside services to help with such responsibilities.

There are number of issues related to HR Outsourcing. Some of these issues includes:

- The future purpose and contribution of HR because of possibilities of functions being transformed, or partially outsourced, through HRO deals.
- The strategic and management complexities of HRO deals.
- Deciding what is “fundamental” and “non- fundamental” in HR.
- The difficulty that HR has in assuming more strategic or value adding roles after implementing HRO.
- The position of off shoring, including job losses and redevelopment.

The term human resources were first used in the early 1900s, and then more widely n the 1960s, to describe the people who work for the organization, in aggregate. People working in the organization are also the most important asset of an organization. Leading companies around the world are taking more strategic approach to managing their human resource. Human Resource Outsourcing helps in boosting organizational performance with many strategic benefits like eliminating the redundant non-core HR functions, increasing cost competitiveness, effectiveness and helps in maintaining strategic HR focus. The challenges of trying to manage HR process consequence on a global scale and across different cultures. Some organizations believe the HR Function is an integral business success factor, but others view HR as over – resourced, inefficient and thus vulnerable to the cost reduction possibilities of HRO.

II. Literature Review

There are a number of reasons, at both the intentional and functioning level, why firms want to outsource HR activities. Many share comparisons with the outsourcing of other organizational functions. In specific, demand for increased efficiency profitability, and growth have forced organizational to examine their internal HR processes, resulting in a move toward strategic outsourcing services and away from discrete services.

Today every company is looking forward to cost effective methods of operations and at the same time HRO has emerged as one of the strongest tools for the same. Many developed countries like the U.S.A and European countries have already adopted and executed HRO successfully. Now it is time for developing countries like India to adopt these thing, as companies are concentrating on their core business areas and many non-core HR activities are being outsourced. The human resource department that is critical to organization is opting for outsourcing since it offers significant cost and time advantages.
The study is an attempt to explore the competitive advantages of implementing such HR tool in an organization to create value and to analyze the effects on the business of the IT companies and the HR executive. Strategic and technological innovation in HRO will influence organization functions in future. As Greer, Youngblood and Gray (1999) observe, HR Outsourcing decisions are frequently a response to an overwhelming and demand for reduced costs for HR services. Downsizing and tougher competition mean that the HR function is under increasing pressure to demonstrate value, both in terms of efficiency and effectiveness (2001). Although some elements of the HR function may have always been performed by external service providers, Brewster observed that a new dimension “is this finance – driven idea connecting outsourcing to human resource management – the idea that you can save a lot of money by outsourcing”.

In addition, outsourcing is seen as a way of liberating HR professionals within the client organization to perform the more consultative and strategic role of manipulative and employing programs aimed at absorbent the workforce and enhancing its performances. This rationale is in line with Ulrich’s (1998) influential thesis of the four roles of HR, in which he proposed that HR should be a strategic partner, an organizational expert, an employee supporter, and a change agent. In a similar vein, Greer et al. (1999) argue that HR outsourcing is consistent with the business partner role that the in-house HR department is attempting to assume. These roles arguably are where HR can add the greatest value to the organizational HR is also seen as an effective way to bypass organizational political and improve efficiency. The growing choice to outsource, especially HR services, means that you may soon be in the positions of choosing a vendor, or helping to do so. This choice requires great care, as the vendor must be held accountable. If you outsource HR correctly, it can improve service quality, save money and time, and free HR time for core functions, noted Geoffrey Dubiski, director of operations at Yoh HR Solutions, an HR outsource vendor. Poor outsourcing, however, could bring lower quality and the employee complaints that lower quality can spawn. “Most HR outsourcers provide satisfactory levels of service, but none of them provide exceptional services, “claims Michael Cornetto, a senior consultant at Watson Wyatt Worldwide.

Service quality is also something you must consider and explore, notes Patrick Wright, Professor of HR studies at Corneel University. “The expectation is that the quality of services gets better, but there’s no quantitative data out there to support the actual decision saying that outsourcing is always cheaper and better.” While a lack of clarity in expectations is partly to blame, HR professionals who are setting up the transfer of services to an outsourcer may also be at fault, Wright says. How? They may not have the skills in vendor management to make sure the process – from contract to implementation to monitoring results – is properly handled.

Outsourcing is never a fix for poor internal systems, Wright Stressed. “You have to fix your own processes within the company first, before outsourcing, or you will have a bigger headache on your hands than when you started.”

One reason for the results, according to Ken Landis, a senior strategy principal at Deloitte, may be that vendors and the companies that hire them have “contradictory objectives.” Another observation: “The structural advantages envisioned do not always translate into cheaper, better, or faster services.” As a results of the findings, he observed, “outsourcing will become less appealing for large companies because it is not delivering the value as promised.”

As with the outsourcing of other organizational functions, one major issue in outsourcing HR is to decide what type of HR activities should be outsourced. In making this decision, organizational need to consider
the likely impact of outsourcing these activities on the organization’s performance. To do so, they may need to extricate between “fundamental” and “non – fundamental” activities.

More likely in the short term is an effort to renegotiate the outsourcing contract now that companies are considerate the boundaries of their early efforts and have a clearer sense of what to “fix” in the vendor relationship. For example, there is a trend toward outsourcing contract renegotiation in Western European Companies, according to research by Gartner. Pressure from clients is imposing vendors into more bendable outsourcing connections.

The five most commonly outsourced HR activities, according to this study are:
1. Employee Counseling
2. Retirements Plans
3. Other Employee Benefits (Health, Medical, Life Insurance, Cafeteria etc)
4. Training and
5. Payroll

**Meaning:** Human resource is the set of people who make up the workforce of an organization, business sector, industry or economy. Outsourcing is a business practice in which a company hires a third party to perform tasks, handle operations or provide services for the company.

“Human resource outsourcing is a process in which a company utilizes the services of the third party to take care of its functions”. A company may outsource a few or all it’s HR related activities to a single or combination of service providers located in offshore destination like India, china, Philippines etc..

Human resource outsourcing has a big privilege for huge multinational companies, even medium, small companies.

**III. Human Resource Outsourcing trends in India**

HRO is an progressing industry in India. With more and more companies looking to rationalize Employees on their payroll, manpower outsourcing is slowly becoming the new call in India. And the trend seems to have hit not just big multinational companies but the public sector and government undertaking as well, though on a very low key yet in the concluding. It has turned out, furthermore, that HR departments especially rely considerably on outsourcing, even though they might not, at first, realize that only a few average practice are, in fact, out – sourced.

**IV. HR Outsourcing Basics**

While deciding whether HR Outsourcing is right for the company three questions should be answered.

- Is the company comfortable letting someone else handle its HR functions?
- Do the company have dedicated HR representatives or adequate resources to manage its HR needs?
- Can the business afford an HR outsourcing firm?

If the company is not comfortable with an outsider handling their HR functions, outsourcing probably isn’t the best option.

**V. Process**

Whether your organization is anticipating its first outsourcing, or if you already have outsourcing arrangements that your organization would like to improve, preparation is a key – as with all HR
initiatives. “You should choose functions that are definable, with measurable goals, because you will need accountability once you’ve chosen a vendor,” Dubiski stated. His recommendations followed as:

Examine all functions being considered for outsourcing and creating a business case along seek a vendor that will work very closely with the company to make sure the contract with the vendor includes penalty clauses and incentives accountability by considering at the outset how to measure vendor performance and learn about security protections by the vendor provides.

Based on the recommendations of Dubisky, the following seven steps have been identified in order to achieve success in HR Outsourcing:

- Planning Initiatives
- Exploring Strategic Implications
- Analyzing Costs and Performance
- Selecting Providers
- Negotiating Terms
- Transitioning Resources
- Managing Relationships

VI. Choosing an HR Firm

A successful HR Outsourcing arrangement starts with a careful examination of following aspect:

- Taking stock of the HR department’s internal processes and setting realistic goals and seeking a vendor that fits the culture.

For some businesses, cost is the deciding factor in vendor selection. Other companies look for a cultural fit or a commitment to quality. Some of the considerations when evaluating a firm include:

- The range of outsourcing services it offers,
- The expertise it has in the industry,
- Its general HR experience,
- Its understanding of the priorities,
- Its available resource and
- The flexibility of its contracts.

VII. Categories of HR Outsourcing Services

HR functions includes Payroll Administration (producing, checks, handling taxes, dealing with sick time and vacations), employee benefits (Health, Medical, Life Insurance, Cafeteria, etc), human resource management (hiring and firing, background interviews, exit interviews and wage reviews), risk management (worker’s compensation, dispute resolution, safety inspection, office policies and handbooks) and other.

An HR firm is an extension of the company culture, so the companies should try to find one that fits its image. Depending on the types of things the company need to outsource, it will choose a professional employer organization (PEO) or a hybrid – outsourcing firm etc. HR outsourcing services could fall into one of the five categories:

- Professional Employer Organization (PEO)
- Business Process Outsourcing (BPO)
- Application Service Provider (ASP)
• E – Services are those HR Services that are web – based
• Hybrid Outsourcing Firms

VIII. When to Outsource and when not to outsource
The outsourcing of HR functions has several potential benefits:
• It frees the internal HR staff to focus on strategic activities that add more values than transactional, administrative tasks.
• It enables decentralized structures that support higher rates of innovations and flexibilities.
• It alleviates the bureaucratic burden of centralized HR administration.
• It enables the HR department to play its part in overall corporate downsizing efforts.
• It facilitates access to new ideas and approaches outside the organisations.
But there are risks and hurdles like that of higher cost and low quality and fear of losing control. Other most common problems of HR outsourcing were poor services, costs higher than promised, contractors with inefficient knowledge about the client and unanticipated resources required to manage the relationship. These pros and cons play out differently for firms of various sizes with respect to different HR processes. In general, large corporations are the main customers for integrated HR services, whereas smaller firms tend to outsource only the payroll functions.

IX. HR Outsourcing reasons and benefits
Organizationally Driven Reasons
• Enhance effectiveness by focusing on what you do best
• Increase flexibility to meet changing business conditions, demand for products and services and technologies.
• Transform the organization
• Increase product and services value, customer satisfactions and shareholder value.
Improvement driven reasons
• Improve operating performance
• Obtain expertise, skills and technologies that would not otherwise be available.
• Improve management and control.
• Improve risk management.
• Acquire innovative ideas.
• Improve credibility and image by associating with superior providers.
Financially driven reasons
• Reduce investments in assets and fee up these resources for other purpose.
• Generate cash by transferring assets to the provider.
Revenue driven reasons
• Gain market access and business opportunities through the provider’s network.
• Accelerate expansion by tapping into the providers developing capacity, process and system.
• Expand sales and production capacity during periods when such expansion could not be financed
• Commercially exploit the existing skills.
Cost driven reasons
• Reduce costs through superior provider performance and the providers lower cost structure.
• Turn fixed costs into variable costs.

**Employee driven reasons**
• Give employees a stronger career path
• Increase commitment and energy in non – fundamental areas.

**Along, there are few drawbacks in HR Outsourcing, they are:**
• Reduce corporate robustness by changing support functions
• Require considerable care in coordinating information flow with the agency
• Reduce the organization’s learning capacity by depleting its skills base
• Impair the organization’s ability to integrate processes
• Compromise the organization’s control over the functions that are outsourced.
• Damage morale and motivations as jobs appear to be lost
• Increase employee’s insecurity whether staff remain in the organization or are hired by the agency.

**REASONS FOR HRO:**
➢ To hire expertise, they don’t have in-house and won’t get in a single hire.
➢ For access to cost effective, comprehensive benefits.
➢ To access better HR technology
➢ To improve employee relations
➢ To stay compliant
➢ Because they’re becoming a multi-state or multi-site employer.
➢ To help them grow faster.
➢ To manage all your insurance partners and insurance administration

**X. Problems with HR Outsourcing**
Despite the rising popularity of outsourcing organizational activities, the practice is not without pitfalls. One of the most serious is maintaining the continuity of skills supply and the retention of in house knowledge and expertise. In many cases, firms seek outsourcing to save training costs, assuming that someone else will carry out the training to ensure the delivery of skills. Skill loss can have damaging effects on competitiveness. Another major concern with outsourcing, particularly for those firms that operates in the upper end of the products market, is the loss of quality. Employees often judge services quality by comparing their expectation of the resulting services under the proposed change with their view of what the services should be or with the services that they used to have. Switching the HR services from in-house to an external provider inevitable causes disruption to the continuity of the services, often for a prolonged period of time and with unpredicted problems. Indeed, there have been reports in the media and in practitioner journals on the failures of outsourcing resulting from unfulfilled promises and expectations. These perceived benefits and disadvantages must be considered when firms make strategic decisions on whether or not to outsource functional HR activities.

**Do’s for HR Outsourcing**
• Have a clear vision of what outsourcing should achieve.
• Understand the scope of the services to be outsourced.
• Outsource the performance of a function, not the responsibility for it.
Don’ts for HR Outsourcing

- Don’t outsource strategic, customer or financial management.
- Don’t let the goal of cost savings dominate everything else.
- Don’t think that outsourcing is the answer to every problem.

XI. Implications and Conclusion

Outsourcing for HR functions must be viewed as a business imperative, not a luxury. The approaches and applications must be tailored to fit perfectly. The partnership must be monitored and closely monitored. Also, there is a critical HR issue of potential loss of expertise in certain areas, which may be difficult to recover a danger of hollowing out of organization. Outsourcing is not a complete bed of roses. The stakes are high but so are the payoffs. Then but you win some, you lose some.

However, Human Resource Outsourcing should be done because:

- Large organizational size is no longer a competitive standard.
- Small, agile niche competitors can now change industries and cost structures overnight.
- Competitive pressure is more severe in a global economy.
- Product and service cycle times have reduced dramatically and time based competition demands quicker response.
- Investors and analysts demand a focused management that delivers.
- Bottom line performance, growth and size are no longer predictors of future profits.
- Significant operating and financial performance improvements are critical to success and long term survival.
- Supplies of technical specialist are reasonably plentiful, thus employing them internally is unnecessary to their availability.
- Cutting edge technology and knowledge are now recognized as competitive weapons but are expensive to acquire and successful results are often elusive when implemented internally.

HRO Companies in India:

Following are some HR outsourcing companies:

1. **ABC Consultants Pvt.Ltd** : The company was started in 1969 and it is located at New Delhi. ABC consultants is a recruitment services company in India. They have started this organization with the vision of “Building Careers, Building Organization.”

2. **Focus Management Consultants Pvt. Ltd:** Focus management consultants Pvt. Ltd. Was founded in 1994. It is located in Mumbai. It’s one of the leading recruitment solutions companies in India. They provide a wide range of recruitment solutions like recruitment, staffing, executive search, and RPO.

3. **Manpower India**: it was founded in 2000 and located at New Delhi. Manpower India offers complete Human Resource solutions. They provide the right candidates to their clients.

4. **Shella Consultants Recruitment Excellence**: It was founded in 2003 and located at Mumbai, Maharashtra. They have carved a niche in the placement industry and proved that they could make a difference to the quality of staffing by increasing the overall productivity and the talent pool of the company. Shella Consultants have and efficient staff for testing, interviewing and assessment processes.
5. **Kelly Service India:** The company was founded in 2001 and located at Gurgaon. Kelly services has created happy customer in India for a decade now. They worked on creating strategic staffing services, which include full time placement, outsourcing, and consultation. They have visualized their recruitment division by including Kelly financial resources, Kelly Scientific Resources and Kelly Engineering Resources, Kelly Information Technology Resources and Kelly Consumer.

6. **Vivotex India Pvt. Ltd.** Vivotex India Private Limited was founded in 1999 and located at Hyderabad. It offers personalized professional HR consulting with a wide range of skill sets. It’s experts and HR consultant’s team has HR consulting expertise to track, screen, and coordinate employed human resources according to the specific human resource demands.

7. **Headsup corporation:** It was started in 2017 at new Delhi. Headsup Corporation offers strategic HRM solutions to align your brand right from the start. They aim at increasing effectiveness of your organization by addressing critical HR related challenges. It is expertise in Performance Management, Individual Development Plans, Talent Management, Employee Onboarding.

8. **Randstad India:** It was started in Chennai at 2008. Randstad is a well-established HR services provider in India for over 27 years now. It has over 500k permanents placement to date with 1000+cleints in diverse industries across India. Expertise in Analytic and Data sciences, Operation Logistics and Supply Chain, BPO recruitment.

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