

Understanding Human Resource Outsourcing in Indian Context

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Abstract

The Human Resource Outsourcing have emerged as a new trend in HR activities. Outsourcing has gained value in recent years in India as well as globally in providing the HR services. Most of the managers nowadays think that their employees are their most valuable asset and managing human resources is important and has also become a most critical role in organisations, uptill now all the Hr services were looked after by Hr departments making it very tiring , time consuming and costly for the organisations so they look Hr outsourcing as solution to all the problems and with the outsourcing it has relieved the burden of Hr professionals and also helped in retaining and developing of employees.. Hr professionals are now taking care of core activities and rest are outsourced and have also retained the employees by providing good services of payroll recruitment etc . In this paper we are discussing about HR outsourcing , the functions of HR outsourcing and the companies helping in Outsourcing the HR activities. The main aim of the paper is to focus on how Hr outsourcing activities or services are affecting Indian market and till what extent they have captured Indian market and which companies are functioning in India as Hr outsourcing companies.

Keywords : Outsourcing, Human Resource.

Classification-JEL : E 24, J 24, O 15.

1. HUMAN RESOURCE OUTSOURCING

Human Resource outsourcing can be defined as the allotment of specific hr activities to a more specialised third party or service provider. It is the work done for a company by the people other than the company's full time employers. In other words it can be said that, outsourcing is a process where an organizations concentrate on those aspects of their business processes, which gives them a competitive advantage and shell out the noncore aspects of their business processes. With the increase in

competition organisation in India are looking towards it as a competitive advantage. Outsourcing help any organisation to look on the important activities and divert it energy from non core activities. Some business outsource their full activities and some will outsource only time consuming activities so that their internal staff can focus on the strategic activities. HR is seen as having a vital role in shaping company culture and developing employee talent. The economic reason is the need of firms to cut costs, such as operational cost and labour cost

in order to improve profitability and add value and save cost with the aim to gain efficiency and improve revenues.

According to 2017 survey it was seen Hr is now playing prominent role in the companies . It plays a role of shaping the company culture and development of employees rather that just focusing on the administrative tasks.

Some of the services provided by the HR outsourcing firms are recruitment, training and development, overseeing organisational structure and staffing requirements , tracking department objectives, goals and strategies and employee oriented programme etc.

Some of the HR outsourcing companies are Viteb ,peoplestrong, Trinet

2. HR OUTSOURCING FUNCTIONS

Basic Screening

Some functions such as drug testing and background checks –simply aim to find out whether an employee has violated a policy, broken the law , or provided dishonest information. They 're like questions with a “yes “ or “no” answer – there's no need for in – depth analysis,. Such tasks can easily be entrusted to outsiders, a choice that many companies are making.

Recruitment

Many businesses are outsourcing elements of their recruitment program, are:

- **Reading resumes.** Instead of sifting through endless resumes, many companies contract this task to a firm with powerful software that can quickly target the most promising candidates.
- **Advertising job openings.** A firm with expertise in this area can reach target candidates more cost-effectively than an overtaxed HR department. Such a firm might develop and implement the advertising plan and the company's branding as an employer.
- **Developing interviewing methodologies.** Regardless of who conducts the actual

interview, an outside firm with expertise on behavioural analysis might create the process for vetting prospective hires.

- **Deciding on compensation and benefits.** An outside firm that studies average compensation and benefits for a given position might help determine the compensation package offered to recruits.
- **Interviewing candidates.** An outside firm might hold initial interviews, conducting psychological profiling and making recommendations. Much less commonly, the outside firm might make actual hires.

Because a full half of an HR department's budget usually goes toward recruitment costs, outsourcing at least some elements of recruitment makes good financial sense.

Additionally, outsourcing helps streamline the recruitment process, making it less frustrating for everyone involved – including potential new hires.

Administrative Tasks

Many companies are opting to outsource administrative tasks so they can focus on core competencies like talent management.

Such task may include

- **Payroll processing.** Management of employees' compensation can often be streamlined by an outside firm that specializes in such matters.
- **Administration of benefits.** Managing and administering benefits can be a time-consuming process, particularly when employees have different benefits packages. Furthermore, ensuring legal compliance requires specialized knowledge that internal staff may not have.
- **Relocation planning.** Similarly, decisions about relocation assistance might best be handled by an outside firm that knows the standard practices in this area.

Teaching or Coaching

Tasks that involve imparting specialized

skills or experience to employees, it often makes sense to bring in an outside expert. Commonly outsourced developmental activities include

- **Health and safety training.** Outside expertise can be crucial when it comes to safety and health issues.
- **Sensitivity training.** For topics such as addressing implicit bias, avoiding sexual harassment, and developing cultural sensitivity, training experience and expertise are vital.
- **Job-specific training.** Hiring an instructor with excellent teaching skills to lead workshops will get the most from your people without taking expert staff away from their own jobs.
- **Content development.** An outside firm can provide content for a training plan that organizational staff can use on an ongoing basis.
- **Executive Coaching.** No one in the firm might have the expertise that top leaders need in order to continue growing.

Internal HR staff usually determine who need training and what type of training is required although an outside expert might guide them through such decisions.

Organisational Development

Consultant can also provide a valuable outside perspective about how a company could improve its operations or culture. They might design process and system such as the following:

- Performance evaluation system
- Workflow processes
- Executive compensation plans
- Structural changes

An outside firm might also have access to technologies that could improve the organisation's systems processes. The organisation then has access to the new tools without having to tasks such as surveying employees about salary satisfaction can also be easily outsourced.

Compliance issues

Some functions require an in-depth knowledge of the legal code, which human resources staff doesn't necessarily have. Even if they're well versed in it, you need someone who's an expert on ever –evolving laws and legal precedents. An outside professional is often best equipped to create the following :

- Affirmative action policies
- Sexual harassment policies
- Health and safety compliance procedures
- Procedures for addressing behavioural issues
- An employee handbook

Outsourcing such tasks an ensure your company is on-point when it comes to matters of legal compliance and best practices in employee relations.

HR Outsourcing Companies

The three types of HR outsourcing companies are Human Resource Organisation ,Professional Employer Organisation and Administrative Service Organisation.

Human Resources Organisation (HRO)

Human resources organisation(HRO)The HRO allow business enterprises to choose which HR services they want to outsource if only some services they outsource then their is a shared relationship between company and HRO but if they outsource all the activities the HRO takes full responsibility. In large organisations strategic roles remain with internal organisation and only administrative roles are outsourced.

Professional Employer Organisation(PEO)

PEO handles all the tasks of the organisations as a service provider. This includes everything from payroll to benefits administration, compliance and general human resources management. PEO also assume certain liabilities and legal responsibilities related to Hr services, instead of organisation being responsible. It is beneficial for small or mid sized organisations here the organisation

partners with PEO where PEO becomes the co-employer of the organisation and the administrative employer of record and the organisation is the worksite employer and handles day to day operation of business.

Administrative Service Organization (ASO)

Its is the third outsourcing company it provides administrative services to the organisation and help to meet the HR needs of the organisation by retaining all employment related risks and liabilities. It provides the administrative services to the company lie payroll, performing direct deposits and filing payroll taxes. It is different from PEO and HRO as their exist no co employment relationship between ASO and the hiring firm and the business which hiring it is sole sponsor i.e ASO handles the payroll and tax filing activities but under the client's ID Unlike PEO focus on small business HRO focus on large business but ASO is concerned with the midsized business.

Benefits of HR Outsourcing

- It saves time and minimizes paper work
- Refocuses on revenue generating tasks
- Reduces the workforce turnover and attract more qualified employees
- Minimizes employer liabilities
- Provide reliable ,professional compliance in areas like payroll land labour laws
- It provide comprehensive benefits to employees like medical ,insurance etc
- Provide on time and accurate payroll to staff
- It provides personal assistance on employee related problems
- Outsourcing provide helpful and informative orientations and trainings.

3. HR OUTSOURCING IN INDIAN CONTEXT

India has been emerging as a major role in HR outsourcing. India is also emerging as a leader in HRO. Indian companies are taking up HRO as an opportunity to reduce costs , get

access to new and latest technology and equipment, achieve better quality and align human resources with business. Many HRO service providers from all over the world have captured the market of India and see India as a investment destination where they can set up and capture to the rest of international markets. Indian companies are also coming up and extending their services globally in this field. HR outsourcing is not a new concept for Indian companies . It means managing human resources for the companies who face problems of expertise and time when related to HRM. Researchers have indicated that HR departments are spending 80%of their time in managing tactical and transactional operations .If they outsource these activities then they will get good results and their HR professional can concentrate on core process which will increase the efficiency of these professionals and will add value to the organisations. HR service providers are moving towards BPO i.e inspite of handling all the tactical and transactional operation of payroll and benefits they are making hr managers free from routine jobs and help them to look after the higher level work. India with the help of these outsourcing companies are now able to get a large pool of talented manpower, with less cost. HR outsourcing is large and India has become a major part of it.

India has entered the outsourcing business in 2003 this first step was taken by a Chennai based company named Secova. With low cost of operation a large pool of English speaking human capital made it attractive and also the geographical position of India make it flexible to easily coordinate with the other companies of the globe and meet the requirement globally.

Companies are offering lot of HR services to the clients not only in India but globally they have achieved success to capture both the markets. The various services offered by these companies are payroll, processing staffing, recruitment, training, resume management

,compensation, pension plans etc. These companies have high calibre Hr professional who play a consultative role to managers.

HRO industry is still evolving in India. With the ability to provide services globally and in Indian market they have attracted many organisations though they have got success in few activities like payroll , administration and recruitment but still HRO is achieving great success and emerging as a major player in outsourcing services in India. The future of HRO seems to be very bright.. It's set to become a \$ 51 billion market worldwide representing 39 percent of the total business process outsourcing revenue. Estimates show that the latent size of HR outsourcing in India s about \$2 billion with a current market of 27 million and it is growing at alarming rate of about 50 percent. India has immense potential as more than 80 percent of fortune of 1000 companies are discussing HR outsourcing as a way to cut costs and increase productivity.

Some major HR outsourcing companies in India are Accenture HR Services, Adecco, ACS, ADP, Xeam Ventures Ltd, and Convergys.

4. CONCLUSION

HR outsourcing is now considered as an

important tool in the hands of organisations to achieve cost effective solutions that provide technology and knowledge to transform the business of HRM.. In today's competitive business world HR outsourcing has been accepted as a big opportunity for human resource management practices which are able to fulfil all the requirement of the organisation . With proper research and analysis it is a tool which can be applied strategically to reap value for the organisations. Human resource outsourcing are not only providing valuable services to organisations but are also providing safety at work and various benefits to the employees working in different organisations. Outsourcing is capturing the Indian markets at an alarming rate some companies outsource some of their HR activities and some Outsource all the activities. These firms are providing professionals in this field to solve the problems these executives shape the hr functions according to the demands . HRO in these areas are gaining more importance and can be seen as a solution to all problem of Human resources in large organisations. So to conclude we can say that HR outsourcing growing as an eminent part of Human Resource Management.

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