Outsource HR services

Overview

The HR function in any organisation is broad and complex, and the bigger an organisation, the greater the specialisation amongst HR staff. In general an organisation's HR division will be just big enough to handle regular daily organisational requirements. However, even the largest organisations use external specialists for certain HR functions. Some examples may include large recruitment drives, mass retrenchment, training or employee counselling.

This resource will help you to understand the roles that external HR providers can play in meeting an organisation's needs.

Key terms

Benchmarking
A management and evaluation approach that allows you compare the state of your own HR processes against those of other organisations. Often used to identify the improvement expected and/or gained from changing or outsourcing a process.

Outsourcing
The transfer of HR management and/or activities from inside the organisation to an external provider.

Service level agreement
SLA: a formal agreement between two parties which documents the type of HR service one party will provide to the other in the workplace environment. An SLA will also include performance standards or measures as well as how this agreement will be monitored and evaluated for its effectiveness.
Seeking assistance

An HR professional can’t be expert in all that he or she does. There will be certain strengths as well as some weaknesses. Even in a large HR department, there will be some skills and tasks that will benefit from calling in outside experts.

There are two choices – you can call for help from within the organisation or seek external assistance. Internally, you might ask the marketing department for help in designing communications with staff, or the IT department for help in producing an HR intranet site for the computer network. If you go outside the company, you could hire consultants or technicians for their short term support in projects. This is known as outsourcing.

Think

Look at the sample proposal for outsourcing that goes with this resource – you may download it from the same place where you got this worksheet.

What services is this supplier offering? What aspects of the service might you want to clarify before proceeding?

HR functions that are outsourced

HR functions, which are often outsourced, include:

- the review of legal or commercial requirements
- HR benchmarking (eg to identify current HR practices in your industry sector)
- production of model contracts or employee handbooks
- recruitment and selection
- psychometric testing
- reference checking
- executive development
- management training
• change management
• work/life programs
• rehabilitation and return-to-work programs
• HRMIS
• remuneration and benefits management
• help-line services, for dealing with queries during large scale events such as restructures, relocations, downsizing or redundancies
• intranet site design and management, to provide ready access to HR information
• design and development of HR communication programs
• outplacement services.

Outsourcing HR services may be a useful strategy:
• for existing HR services, where internal resources are inadequate or too expensive
• for existing HR services, where internal resources are better used for higher value activities that require corporate knowledge
• where new HR services are being planned, where it is an area where there is inadequate internal expertise and experience.

Think

Could any HR services in your organisation be outsourced? Which ones? How would you justify it to management?

Arguments against outsourcing

Opponents of outsourcing use three common arguments:

1. Bringing in outsiders reduces the security and confidentiality so important to HR practice. (To this argument, those in favour of outsourcing would say that sometimes a neutral party is useful.)

2. Efficient management, especially in a large organisation, means that existing staff can do the job quicker and cheaper than those who have to be brought in, briefed and supported to do a part of your work.
3. Current staff may be reluctant to support the views of individuals who are not part of the organisation and unaware of how it functions.

If you choose to outsource, you will need to decide on the best approach. For example, the use of an outside counsellor to break the news to an employee that he or she is to be dismissed could have a negative impact. Although this practice may shelter managers from the emotional stress connected with the termination, staff often see it as the employer coppping out. So a better strategy may be a joint approach—with departmental management delivering the news and an outplacement agency providing positive steps to help the employee find new work.

Think

How would you counter these arguments if they came up when you are outsourcing HR services?

Read

What are the key things to consider when outsourcing HR activities? A useful checklist is in:


How do you find and evaluate appropriate providers? Refer to:


Service level agreements (SLA)

We've provided a sample service level agreement with this resource – you may download it from the 'Worksheet' section.
You should ask the service provider to define the service to be delivered in a service level agreement. Whilst there are no hard and fast rules about SLAs, it is generally accepted that they should contain some essential components to ensure they are effective:

- scope of service to be delivered
- tasks to be completed associated with the scope of service
- measures or standards - both qualitative and quantitative
- monitoring processes
- evaluation processes.

But the SLA may be just one part of your written agreement with the service provider. Other things that may be in a contract are a confidentiality clause, insurance arrangements, payment terms and provisions for termination of the contract.

Read

**What else may be in a contract with a service provider?** Refer to:


**Measuring success**

An outsourcing agreement must be measured for its success. Measures can be both qualitative and quantitative, and should allow for ongoing monitoring and feedback during the outsourcing activity, and review and evaluation at the conclusion of the outsourcing activity.

**Benchmarking**

In the context of outsourcing, benchmarking allows you compare the state of your own HR processes against those of other organisations. This is an activity that is often done prior to outsourcing in order to identify:

- what level of service do we have now, and
- what level of service do we aim to have as a result of outsourcing?
How has benchmarking developed in the HR field, and how can it be used?


Parts of this worksheet are adapted from Open Training & Education Network (2003) *Learner's Guide BSBHR507A* TAFE NSW; used with permission