



Human Resource Management System

Why to outsource HR

The face of Human Resource Management has completely changed from what it used to be five years ago. No longer is it defined by providing an organization with its workforce. Today, human resource management is about making employee and organizational information accessible to all levels of the workforce, from top managerial staff to trainees. The answer to a cost effective, yet high quality solution lies in what is perceived as the single biggest trend in the HR industry today- Outsourcing. In a perpetual quest for efficiency and cost cutting, companies are transferring traditional duties of the HR office to outside companies.

A report conducted by "The Conference Board", a non-profit research firm based in New York City, says that "For 21 st century companies, the corporate imperative to reduce costs while providing better service is never far from view. In their search for human resources solutions to this challenge, many find that outsourcing is becoming an integral and permanent part of their human resources strategy."

According to an estimate by market research firm AMI (Access Markets International), U.S. companies spend \$17.6 billion on HR outsourcing. As many as 400,000 small businesses outsourced HR functions last year, AMI estimates.

Most importantly, outsourcing HR functions leave HR managers with the time and energy to focus on more strategic functions and participate in business strategy. A recent Forrester Research study found that, on an average, HR managers spend nearly 80 percent of every day administering employee benefits and answering routine questions. In fact, IDC (International Data Corporation) reports that 60 percent of the standard HR process is administration. Customer service accounts for 30 percent and strategic planning only 10 percent. With outsourcing, most of the administrative, labor intensive paper work can be taken care of, leaving staff with more time to concentrate on the company's core competencies.

The outsourcing advantage can be explained in terms of effort and time. For example, a simple information processing task like copying an employee's form to numerous company databases can take a large part of the HR staff's time. Instead, using a software solution, the data can be automatically captured through the employee's systems, forms etc. This task can greatly increase efficiency, and correspondingly, decrease time and costs.

The immense power of converting crucial HR processes so that they can be accessed online is a key factor in extending information across channels within the organization. HR solutions that entail process re-engineering are also establishing itself as an important step. With outsourcing giving companies access to these quality services and solutions at highly cost effective rates, more and more companies are going the outsourcing way. With such processes, it becomes possible for managers to access information that is crucial to managing their staff, which they can use for promotion decisions, payroll considerations and succession planning.

The most common solutions that are outsourced are business processes, where the HR system is supported by the latest technologies, ASPs or Application Service Providers which host HR software on the internet, can manage payrolls, benefits and performance graphs. Payroll administration would include issuing cheques, handling taxes, and leave plans. Employee benefits like Health, Medical and Life, and HR management duties like recruiting, hiring, firing, background interviews, exit interviews, and wage reviews are also outsourced.

Web enabling these functions will not only allow employees and managers to view information but will even allow an employee to make changes to existing data.

The return on investment is also seen soon with web enabled applications, simply because of the reduced time and increased ease of transactions and other processes. Software for HR functions makes data collection easier and tasks get completed quicker.

The common complaint against using outsourced solutions for HR, is the difficulty in its implementation, especially through employee resistance. Your staff needs to get used to new methods and procedures, and this is the most difficult hurdle in the shift to a new system. Moreover, your people need to be taught to change their behavior, along with the change in functions and tools. Once these hurdles have been overcome, the transition to an easier management system takes place much more smoothly.

With the increased acceptance that Human Resource outsourcing is enjoying today, outsourced functions are fast moving beyond administrative and transactional duties. Online recruiting, with its emphasis on a more strategic decision making process is fast gaining ground as a popular outsourced function. Online Assessment tools and personality tests are gaining ground as accepted means of selecting the right human capital for organizations.

HR outsourcing is definitely widespread and will only continue to grow. The emphasis is now moving from mere transaction and labor intensive tasks, to value added tasks that can create long term benefits for your business goals.