

A Conceptual Study of Human Resource Outsourcing Practice in HCL Systems

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Abstract

In today scenario, Human resource outsourcing is a growing trend among leading organizations of IT & Software Services companies where HR outsourcing is practicing as other third party service providers. Key players in the IT & ITES industry offer wide range of services such as customer care, transcription, billing services, database marketing services to higher end jobs such as web development ,tax processing, legal services and HR services etc.The outsourcing industry is spread across the globe with major markets in the US,Canada,Latin America,Europe,Middle East and Africa(EMEA)and Asia. The business players from these geographical regions will continue to contribute their share toward s outsourcing market revenue.

Outsourcing in India is continually on the rise due to the cost competitiveness and high quality of work efficiency of employees in the service industry.HR outsourcing is gaining popularity among organizations today. However, organizations often face HR outsourcing issues while finalizing the deal with their outsourcing partner.

Human resource outsourcing (HRO) is growing popular in developing nations like India with passage of time. Human Resource Outsourcing is one such area which includes outsourcing of administrative tasks such as payroll management, training, staffing, benefits administration, travel and expenses management, retirement and benefits planning, risk management, compensation consulting, etc.

The present paper focuses on understanding an overview of HR outsourcing and its practices at HCL Systems.

Keywords: *Human resource outsourcing (HRO), Cost competitiveness and IT & ITES industry.*

Introduction:

In 21th century, Outsourcing of HR is growing all over the world, driven by the philosophy that if we do not have the ability to offer a world class service, and then the best option is to partner with someone who has the ability. After the advent growth of BPO (Business Process

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Outsourcing) and KPO (Knowledge Process Outsourcing), it is now the turn of HRO (Human Resource Outsourcing). The concept of HRO is growing at a faster pace in the industry.

HROs core business aim is finding the best ways to make their clients HR functions more efficiently and delivering them to the client organizations. Outsourcing is a company's decision to use external companies to provide products or services that it used to provide itself. It is an effective strategy as it leads to cost cutting to achieve strategic focus thereby enhancing competitive advantage. HR Outsourcing (HRO) is the purchase of ongoing HR services from a third party having competence to manage the HR functions for the organizations. Human Resource Outsourcing (HRO) organizations exist to support, extend, or replace the human resources (HR) functions for other companies.

Rapidly changing market dynamics and global competitiveness among organizations made to spend more time focusing on their core business. So organizations tend to decide outsource one or entire HR-related services to reduce costs and improve business productivity.

“HR outsourcing increases employee engagement at work and removes pressure from HR”.

Objectives of the study:

- To understand the overview concept of Human resource Outsourcing (HRO).
- To explore the reasons for adopting Human resource Outsourcing.
- To know the HRO practices and steps involved in it at HCL Systems.

Methodology:

The study is primarily of descriptive & empirical in nature as it makes use of latest available data on Human resource outsourcing concept & practices at HCL Systems based on the various secondary sources of data collected through journals, magazines, books, company reports and websites etc.

Review of literature:

The research analysts forecast the global HRO market to grow at a CAGR of 12.74% during the period 2016-2020. - "Global Human Resource Outsourcing Market 2016-2020".¹ In a survey of 129 large companies representing nearly 2 million employees it was observed that organizations are

satisfied with their HR outsourcing decisions and plan to outsource more HR services by 2008.(findarticles.com/p/articles/).²

“HR outsourcing in India has not seen the required momentum and is limited to a trickle effect, with companies outsourcing a few selected low-end HR processes,” says Anil Mahajan, executive director, Talent Hunt Pvt. Ltd, a leading HR firm in New Delhi.³ Elmuti, Grunewald, Abebe (2010) researched consequences of outsourcing strategies on employee quality of work life, attitudes and performance. The attitudinal results of this research indicated that outsourcing strategies had a negative impact on the perceived quality of work-life dimensions.⁴

Brain S. Klaas, who has written a long theoretical study on the impact of HR outsourcing, found that organizations should be well aware of the prospective risks before selecting an HR vendor. He further examined that there are the variables that can be affected by organizations and will vary from organizations to organizations, which are administration fees, staff time costs, HR outcomes and compensation costs. He suggested that if an organization is planning to outsource its HR functions, should fully research these variables to see which benefits can be obtained in contrast lowering the costs.⁵

While explaining about the concept of HR outsourcing, Kris Lakshmikanth, founder CEO & managing director of The Head Hunter, a recruiting firm in Bangalore, says, "It is a process of outsourcing involving particular tasks like recruitment, making payroll, training and development to a third party who have expertise in these respective fields."⁶

Theoretical background:

Human resource outsourcing (HRO) occurs when a business instructs an external supplier to take responsibility (and risk) for HR functions and perform these tasks for the business. Payroll outsourcing is commonly outsourced for two reasons: it's a time-consuming administrative task for employers, and there are many specialist companies with the technology and knowledge to run it efficiently and compliantly.

HR Outsourcing (HRO) is “the process of purchase of ongoing HR services from a third party having competence to manage the HR functions for the organizations.” HR outsourcing is the process of sub-contracting human resources functions to an external supplier.

HR Outsourcing is simply defined as “as vendor providing HR services for an employer.”

HR outsourcing can be mainly classified into two categories.

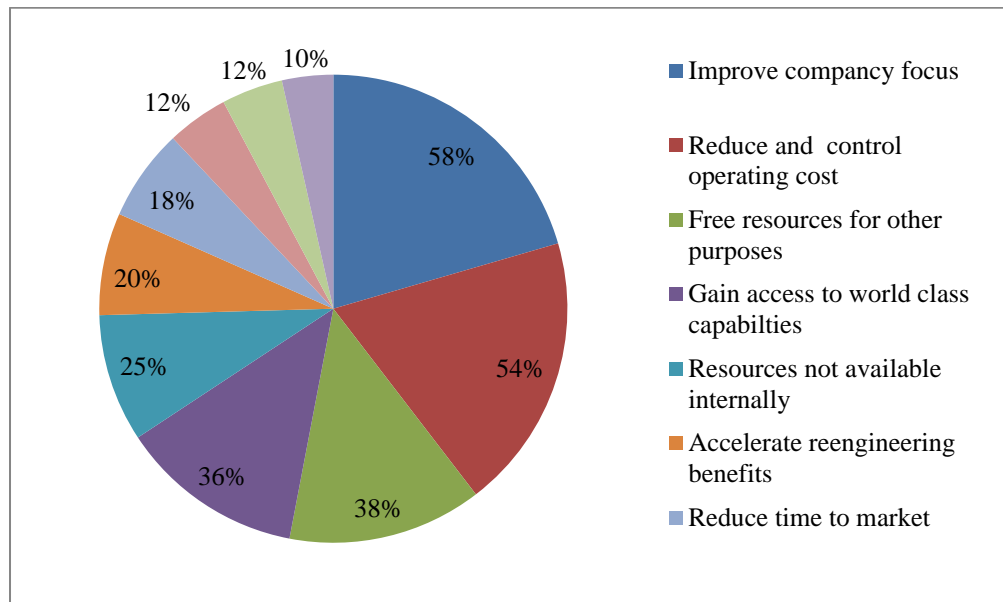
- a) **Transaction and administration outsourcing services**
- b) **Consultancy outsourcing services.**

HR transaction outsourcing services include monthly requirements such as, payroll processing. HR consultancy services are some of the other services that can be outsourced to India. Though organizations outsource transaction management and HR consultancy services to India, many organizations still take care of strategic and policy functions within their organization.

❖ **Aspects of Human Resource Outsourcing (HRO):**

- ✓ Manpower planning & Strategic services
- ✓ Recruiting & On boarding services/Recruitment Process Outsourcing(RPO)
- ✓ Performance management
- ✓ Compensation/ Payroll processing
- ✓ Benefits
- ✓ Employee relations
- ✓ Communications/ HRIS/HRIT
- ✓ Training & development
- ✓ Organizational development
- ✓ Compliance

❖ **Reasons for Human resource outsourcing:**



Source: <http://www.sosrecruit.co.ke/hr-outsourcing.php>

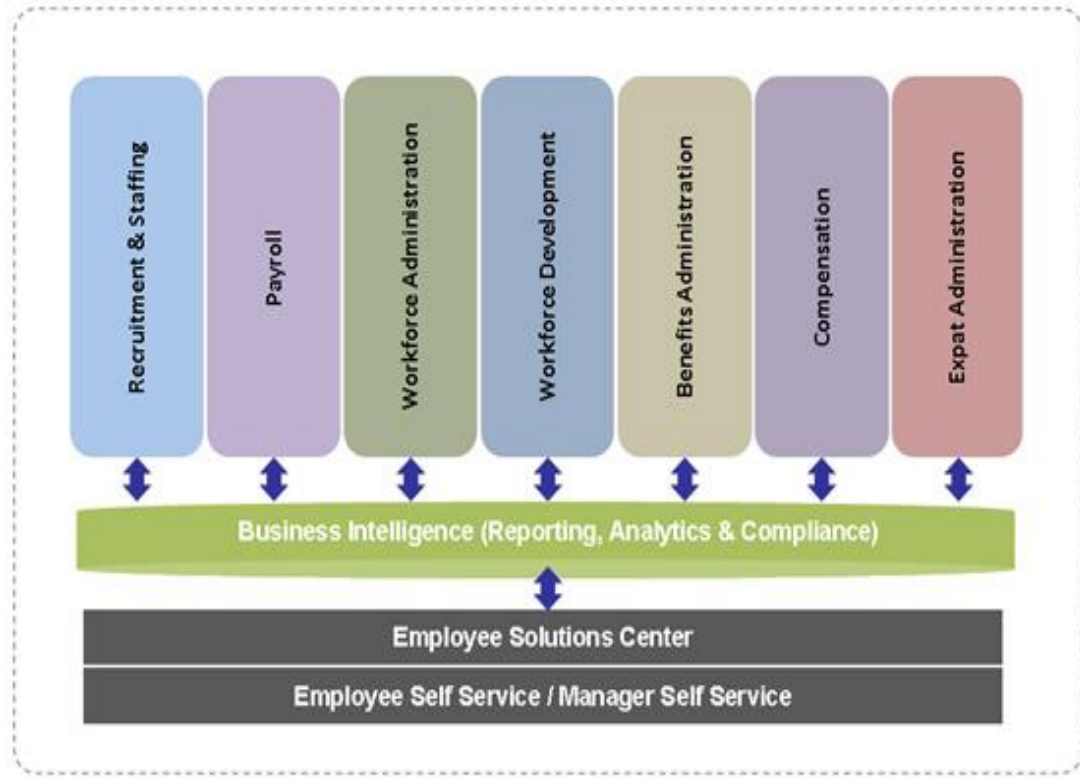
HR Outsourcing Practice at HCL Systems:

Human Resource Outsourcing (HRO) is a sustainable and competitive method to manage costs and allow a company's core resources to focus on strategic initiatives rather than managing transactional activities in HR operations. This has enabled HR professionals in being more strategic people managers by outsourcing some of the administrative and operational tasks. Comprehensive Human Resource Outsourcing is achieved by offloading multiple processes and technologies such as benefits and payroll.

Key Business Challenges:

Organizations today are striving to initiate outsourced HR services, and manage the larger resources portfolio ensuring robust efficiency and effectiveness. HCL's Human Resource Outsourcing (HRO) services help organizations address core HR outsourcing needs while synergizing business goals with resource utilization HCL systems human resources Business Process Outsourcing (BPO) unit provides critical front & back-office process management, driving service excellence and an integrated HR solutions framework. HCL deliver services through a 24x7, follow-the-sun global delivery model utilizing a combination of offshore, near shore and onsite delivery centers with multi lingual capability covering the major languages of the global marketplace.

HCL's globally optimized HR operations centers are serving 340,000+ employees, and continuously creating business results for our clients using the most effective mix of, technology, process transformation, operational best practices, acute process improvements, and cost reduction benefits. HCL systems provide HR services which encompass the entire employee lifecycle from Recruiting and On-boarding to Employee Separation. They leverage the following HR functions with vast experience and domain expertise to provide specialized HR solutions as shown in below:



Human Resource Outsourcing process comprises of the following steps at HCL systems:

1. Need gap analysis in the existing HR process.
2. Market survey for existing Human Resource outsourcing partners.
3. Understanding the capabilities of the prospective partners and matching them with the needs of the organizations.
4. Analyzing the financial advantages of the outsourcing activity.
5. Partnering with the external partner for the Human Resource Outsourcing process.

HCL systems HR domain expertise:

HCL Systems believe that the key to deliver successful human resource management services lies in expertise. The team of Human resource includes HR solutions consultants, program managers, and operations managers having years of HR and payroll specific design and delivery experience pertaining to many different geographic regions. Many are also equipped with appropriate certifications in SHRM, CPP and other HR industry knowledge programs.

Other unique benefits of our Services are described below:

- Integrated human resources outsourcing - Addresses both HR and business needs
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- Cloud-based multi-country payroll outsourcing - Drives cost reduction
- Deep expertise on diverse platforms such as Oracle, PeopleSoft and SAP
- ‘aHRcus’ – A cloud-based, multi-process global HR solution, developed in partnership with Success Factors
- Flexible Pricing Models
- Technology- Lead Transformational solution - domain expertise for efficient services
- Innovation, process reengineering and service improvement
- Organizational Change management - minimal disruption of services
- Collaborative and partnership-based approach
- Cultural alignment and integration
- Scalable and Flexible Service Delivery Model - Service models scalable in terms of process scope, geography and technology. Fit for Purpose and responsive models to enhance efficiency.

Findings:

- It was found that Human Resource Outsourcing (HRO) is an acceptable management practice to reduce cost and improve efficiency of operations through the third party vendors in a best way to gain world class competitive edge.
- HRO has negative impact on the perceived quality of work life dimensions.
- Study found that variables like administration fee, staff time cost, HR outcomes and compensation cost are going to affect HR outsourcing decisions apart from lowering cost.
- It was found that 58% of companies adopt HRO to improve company focus and 54% are to reduce & control operating cost.
- HCL Systems provides HRO services for the entire employee lifecycle from recruiting to employee separation with vast experience and domain expertise.

- HCL Systems executes HRO through a series of activities such as need analysis, market survey & capabilities review of partners apart from financial advantages of outsourcing activity before beginning the HRO process.

Conclusion: However a careful analysis should be done before opting for Human Resource Outsourcing (HRO) as there exist some potential risks during deal of negotiation, vendor selection, relationship and contract management etc which are critical to the organization and with all pros & cons global HRO market is to grow at 12.47% by 2020.

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