

The Executive's Guide To HR Outsourcing





There comes a time in the journey of every successful business owner or executive when they realize their company can no longer manage all the needs of their growing business.

When a business reaches this point, its leadership has two choices: continue to take on additional staff, or **outsource** some of its business processes to outside companies that specialize in those functions.

Over the years, “outsourcing” has picked up a bit of a negative connotation. But outsourcing doesn’t mean cutting jobs or sending them overseas; **outsourcing is simply obtaining goods or services from an external source**, instead of internally. Outsourcing allows businesses to avoid the cost of additional overhead, while still enjoying the benefits of high-quality service.

Today virtually every organization, from Fortune 100 companies to local small businesses and everything in between, outsources at least some aspect of its business. The most popular business processes companies choose to outsource? **Human resources.**

Why do businesses outsource HR?

In the past, human resources was mainly seen as an administrative function of the business, and its sole purpose was to ensure employees got hired and paid. Now, however, as business owners have realized the value of strategic human resources, they've come to expect more from their HR departments and professionals. And if they can't find a cost-efficient way to manage those functions internally, they're more willing than ever to look outside their organization for additional HR support and expertise.

There are a number of human resource functions that companies can engage an HR outsourcing company to provide: recruitment, payroll, employee benefits, labor law compliance, development of employee policies and procedures, workplace safety - the list goes on and on. While every company might give a slightly different answer if asked why they chose to outsource some or all of their HR functions, most of these explanations boil down to four main reasons:

1. To help boost their bottom line.

The potential for cost savings is often the most compelling benefit of outsourcing HR. Immediate savings often stem from reallocating personnel and resources, consolidating systems and software, and the ability of the HR outsourcing provider to procure health insurance and other employee benefit plans at much lower rates than small and medium-sized businesses could secure on their own.

2. To realize greater operating efficiencies

Outsourcing human resources functions gives businesses access to a team of HR experts, proven processes and sophisticated systems, all of which help streamline human resources management and help companies manage their workforces more efficiently.

3. Access to expert HR guidance on complying with labor laws and regulations.

Business owners are expected to comply with dozens (and sometimes hundreds) of complex federal, state and local laws, and failing to maintain compliance with just one of these can expose the business to thousands of dollars in penalties and litigation costs. HR outsourcing companies provide the added layer of security and protection businesses need.

4. Freeing up time to focus on your core business.

Human resources management is an essential component of any business' success, but HR isn't typically a company's core business. Instead, companies are involved in manufacturing goods, marketing products or delivering services. Human resource outsourcing companies alleviate the burdens and complexities that surround workers and their issues, like payroll, employee benefits and workplace safety, allowing business owners to focus their time, talent and energy on their core business.

Making the decision to outsource HR

Deciding to outsource a business function to a third-party can sometimes be difficult, especially for something as integral to a business' success as human resources. The truth is there is no one-size-fits-all solution or easy answer when it comes to deciding whether to outsource a business function or keep it "in-house."

Below are four questions to ask yourself when considering outsourcing HR, or any business function:

+ Is there a real, tangible benefit to performing this function in-house?

If your core product or service offering doesn't involve HR, why spend large amounts of time or money managing it? After all, having a robust in-house HR department is unlikely to help you sell more of your product or garner a bigger market share.

What will help you increase sales and market presence is shedding the administrative liabilities and tasks associated with human resources management and refocusing those resources on revenue-generating activities.

+ Could an outside vendor manage this function more effectively or efficiently?

An estimated 75% of an in-house HR professional's time is spent on transactional tasks like payroll processing and benefits enrollment. HR outsourcing providers have the tools and proven processes in place to streamline your human resources and administrative functions to help free up your (most likely) overworked HR staff to design and implement more strategic workforce initiatives.

+ Are your employees struggling to keep pace with the current and expected demands of this function?

In addition to cost savings, one of the main reasons companies begin looking into HR outsourcing is that they want more from their human resources staff. With the ever-changing state and federal regulations and the rising costs of health care coverage, companies are finding they don't have the resources to keep up with the growing demands of their workforce.

+ Is your organization expending valuable resources on HR that could be better spent elsewhere?

To put things into perspective, the average mid-sized business spends \$2,000 per employee, per year on HR and related administrative functions when they manage them in-house. Depending on the level of service provided and the number of employees a business has, the price range for outsourcing those same HR functions typically ranges between 3 to 8 percent of a company's total payroll. The cost for PEO services, specifically, is usually anywhere between \$100 and \$150 per employee, per month.



If you started adding up the costs of handling your company's human resources functions internally, you'd likely get overwhelmed fairly quickly.

That's why many companies find outsourcing various administrative and human resources tasks is more efficient than handling them in-house.

Did you know?

The average cost of managing HR and administrative functions "in house" is **\$2,000 per employee, per year**.¹

Organizations that outsource multiple functions to a single vendor **save an average of 32%**¹ on administering these functions than those using multiple vendors.

75% of an in-house HR professional's work hours are spent on transactional tasks² (like payroll and benefits administration), rather than on strategic tasks that can help grow the organization.

Half of large organizations outsource all or some of their HR needs³.

¹ "The Hidden Reality of Payroll & HR Administration Costs." PwC. 2011

² "HR Outsourcing 2.0." PwC. 2011

³ "Top 5 Reasons HR Is On the Move." Forbes.com. 2013

Types of HR outsourcing providers

Businesses looking to outsource HR can choose to partner with one of four types of HR providers:

1. HR Consulting Firms

This arrangement works best for businesses that need limited assistance or assistance with a specific project. Similar to other business consultants, HR consulting companies help businesses identify problem areas or weaknesses they may have in regards to human capital management, and then work with the company to develop a plan to address those issues. Once the project or issue is resolved, the partnership ends.

2. HR Technology Vendors

Some companies have the infrastructure and resources to manage their HR functions internally, but just lack the tools or technology to do so efficiently. In these cases, the businesses often engage a third-party vendor to provide access to a program or online platform. The HR function most often outsourced in this arrangement is payroll processing. Businesses that use HR technology vendors are still required to do most of the heavy lifting when it comes to whatever they're outsourcing, however.

3. HR Outsourcing (HRO) / Administrative Services Organizations (ASO)

Companies that decide they need more expertise or ongoing service may choose to outsource all or some of their HR functions to a human resources outsourcing (HRO) firm or administrative services organization (ASO). Under these kinds of arrangements, the outside provider actually takes over one or more of tasks associated with human resources, including but not limited to: payroll processing, benefits administration, regulatory compliance, etc.

4. Professional Employer Organizations (PEO)

Companies looking for a turnkey HR department often choose to partner with a professional employer organization (PEO). In a PEO arrangement, businesses enter into a co-employment relationship with an HR outsourcing company, naming the PEO as the "employer of record" for the organization's employees. This designation allows the PEO to perform employment-related tasks for the employees on the company's behalf, like procuring and administering health insurance and other employee benefits, filing payroll taxes, managing unemployment insurance claims, and more.

Choosing an HR outsourcing provider

Selecting an HR outsourcing provider should be a process conducted by engaged decision makers who understand your company's business goals and know what the business needs from an HR provider.

Steady, slow-growth businesses, for example, may simply be looking for a solution to help alleviate some of its administrative burdens. In that case, an à la carte model such as HRO or ASO arrangement that allows the company to outsource a few select functions, like payroll and benefits administration, but retain others, like recruitment and unemployment claims administration, may be appropriate.

Dynamic, faster-growth businesses, on the other hand, are usually looking for more strategic, turnkey HR services to support its growth objectives. For these businesses, it often makes more sense to engage a PEO to deliver the comprehensive services and solutions the company needs to accelerate its growth.

If your business or organization has made the decision to outsource some or all of its human resources functions, congratulations!

You're well on your way to enjoying **greater operating efficiencies, minimized liabilities, lower overhead costs** and the many other benefits companies that outsource their HR enjoy. But how do you start your search for the perfect HR outsourcing provider for your company?

A great place to start is right here, at **G&A Partners**. G&A Partners has been a leader in the HR outsourcing industry for more than 20 years. Unlike other providers that promise more than they can deliver, G&A Partners is a forward-looking HR partner with unrivaled human resources expertise, innovative technology and reliable service that helps business leaders focus more of their time on what matters most: **growing their business.**

Whether you need full-service HR support or help in a few key areas, G&A Partners provides the people, processes and technology you need to grow your business faster and take better care of your employees.

Visit us online or give us a call today to learn more about how G&A Partners' comprehensive HR solutions can help you achieve your business goals and spend less time dealing with human resources, benefits and payroll.

gnapartners.com 888.676.1127

