

# Outsourcing **HR Services**





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Dear Sir/Madam,

As CEO of TPG HR Services USA, a national HR service provider, I am dedicated to improving our services through continually analyzing trends and best practices in the realm of human resources. Recently, our research staff has delved into the concrete benefits of outsourcing some or all of an organization's HR functions. Outside of exploring and synthesizing the main advantages of a company contracting out its HR responsibilities, this eBook also recommends active steps to take in order to get the most out of an HR outsourcing arrangement.

I invite you to review our findings on the benefits of HR outsourcing and how an HR provider like TPG HR Services USA can help your business maintain a competitive edge. I hope you find our eBook informative and look forward to helping you with any of your future HR needs.

Thank you,

A handwritten signature in blue ink that reads 'Mary Pomerantz'.

Mary Pomerantz, MHRM, SPHR, SHRM-SCP  
*Chief Executive Officer*

# The Growing Trend of Outsourcing HR Services

The trend of outsourcing human resources has been growing for the last decade or so – and for good reason, too. Almost all organizations outsource some function or another, most often IT or maintenance services. But an increasing amount of businesses are looking to outsource their HR services.

According to a study conducted by Hewitt Associates (now known as Aon Hewitt) among 129

companies representing nearly two million employees, 94 percent of those surveyed said that they had outsourced one or more HR functions. What's more, 89 percent of surveyed participants were satisfied with their outsourcing arrangement, 85 percent “achieved hoped-for benefits, and an additional 20 percent realized some unexpected benefits.”<sup>[1]</sup>



## Outsourcing HR functions is a growing trend

- 94% of companies have outsourced 1 or more HR functions
- 89% were satisfied with their HR outsourcing arrangement
- 85% achieved hoped-for benefits from HR outsourcing
- 20% realized unexpected benefits from HR outsourcing

## Outsourcing Your HR Services: a Valid Business Strategy

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“When using a service provider whose focus is service, clients of HR see a marked improvement in flexibility, response, and performance.”

– *Human Resource Management Review*

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Why are so many companies deciding to join the trend of contracting out their human resource responsibilities to HR providers? What are the potential strategic advantages of outsourcing HR for your company?

There are many benefits to outsourcing HR, but we’ve boiled down these advantages into three main topics.

### **COST EFFECTIVENESS**

#### **Outsourcing Can Help Your Business Save Money**

All business owners want to ensure that their companies are working as efficiently and economically as possible to increase profits and maintain a steady pool of funds for growth-oriented business expenses. Running a full internal HR department can cost a significant amount of time and money for businesses. Thus, many companies outsource their HR department with the aim of **lowering business costs**.

- According to an article published by *The Journal of Management Research (JMR)*, **“outsourcing firms may frequently perform activities better, cheaper, and faster than a company can perform these activities in-house.”**<sup>[2]</sup>

- The authors of the article add that combining activities, such as payroll and administration, can also help reduce operation costs.
- In an article Monica Belcourt wrote for *Human Resource Management Review*, she cites studies of outsourcing arrangements of at least two years’ duration that showed **outsourcing ultimately saved costs by an average of 15 percent.** <sup>[3]</sup>
- Belcourt also notes how outsourcing HR services can **help businesses maintain control over their costs**. She discusses how “company users of a service may be more cautious when the contractor charges them for each service, as opposed to

the ‘free’ in-house service.” For example, “if in-house training is free and training provided by an external vendor costs \$1000 per day, then managers are more stringent about requiring employees to prove that the training is needed and that there would be measurable benefits.”

You can also rely on the expertise of an HR services provider to **help you analyze which benefit plans would be most cost-effective for your business and also meet your employees’ needs.**

## EFFICIENCY



**Allowing another company to handle HR responsibilities streamlines operations and gives businesses the time to focus on their core activities.**

- Many organizations report that, even above cutting costs, their main reason for outsourcing HR is the increased ability to focus on the core activities that are critical to smooth business operations and success.
- According to *JMR*, when businesses outsource their HR responsibilities, “management can then shift their time and efforts away from transactional HR tasks and **focus on the core competencies that distinguish the organization from its competitors.**”
- Forbes Magazine adds that “you can have someone else take responsibility for the **maze of changing HR regulatory issues** including ACA compliances,” as well as the hassles of many day-to-day HR administrative and legal responsibilities. [4]
- Belcourt also notes that, in general, companies that outsource report that they reduced the administrative tasks that they needed to take care of in-house by more than half and **increased their ability to work on their strategic focus by 40%.**

## EXPERTISE

HR Services providers offer a depth of expertise, experience and resources. This enables them to perform their HR responsibilities more effectively in the aim of keeping businesses competitive and compliant.

### OUTSIDE HR EXPERTISE

- Streamlines administrative responsibilities
- Grants quick & reliable access to new technology
- Improves the service quality of your business

- Belcourt discusses how HR services companies can provide cutting-edge technologies that **streamline the administrative responsibilities of a business.** Many companies outsource when they want to improve their technical services or when they need **access to new technologies on a quick and reliable basis.** Since HR services traditionally involve answering employees' questions about benefits or their personal files, Belcourt suggests that "these kinds of

tasks can be handled easily by interactive voice responses and managed by companies that specialize in this service."

- *JMR* adds that outsourcing some (or all) HR functions can **improve the service quality of businesses.** Again, the ability to capitalize on the outside expertise of HR professionals allows companies to focus on their core activities, which in turn enables the business to run more smoothly and competitively.

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– *The Journal of Management Research (JMR)*

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- According to Belcourt, the improved service may also be due to “how **performance standards can be written into the contract more tightly** than may be possible with current and long-tenured employees.” She adds that “when using a service provider whose focus is service, clients of HR see a marked **improvement in flexibility, response, and performance.**”
- Steve Miranda – the managing director of Cornell University’s Center for Advanced Human Resource Studies and a former HR executive at Lucent Technologies, now part of Alcatel-Lucent – says that “managers often lack specialized knowledge that is crucial for keeping a company competitive and on the right side of the law.”<sup>[5]</sup>
- On the other hand, a team of qualified HR industry specialists can ensure that **your business stays on track with the latest rules under the Family and Medical Leave Act**, for example, and can protect your company from being liable to lawsuits.

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“You’ll need to do some heavy lifting to get the most out of the deal.”

– Wall Street Journal

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## How to Get the Most out of an HR Outsourcing Arrangement

It’s clear that there are many potential benefits to using an HR services provider for one’s business stability and growth.

However, as in all your business endeavors, **you’ll need to do some work on your end in order to ensure that you know what you’re getting into** – or, as the Wall Street Journal puts it, “you’ll need to do some heavy lifting to get the most out of the deal.”<sup>[6]</sup>

## In order to experience the benefits of outsourcing your HR functions, you need to:

### **Understand your company's specific needs**



You should gauge your business' current strengths and weaknesses. Does your internal team have ideas on how to reduce costs or improve services? Before you proceed with your outsourcing plans, you should be certain that your in-house team requires outside services.<sup>[7]</sup>

### **Research which HR providers can best serve these needs and fit with your organization**



After all, as the Wall Street Journal points out, an HR company that primarily works with technology start-ups may not be the best fit for a restaurant owner, for example. You also want to know where the HR provider has worked in the past and ensure that it is **familiar with the culture and local law in the areas that you do business.**

In coming to your decision, it's also important to consider the reputation and certifications of an HR services administrative company in order to gauge the quality of its services.



### **Set goals for these providers**

### **Remain involved and measure their performance**



It's still your business. You want to establish an involved relationship with your HR provider so as to better guarantee that it continues to understand your needs and meet your set objectives.

### **Communicate with your employees about how the business dynamic will work between you and the HR provider.**



Whatever you decide, you should make sure to keep your employees informed about these significant changes in your business – and how, really, you're doing your best to meet their needs by using an HR provider.



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Our specialists can be at your facility, working with your team to help create a cohesive HR department for the future.

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## The TPG Difference

At TPG HR Services USA, we understand the importance of hitting the ground running and bringing your company's internal HR team up to speed as quickly as possible. That's why, unlike a typical outsourcing option, we pride ourselves on offering onsite HR consultation. Our specialists can be at your facility, working with your team to help create a cohesive HR department for the future.

Invest in expertise and HR industry specialists. Our senior staff possesses over 30 years of HR experience. We are comprised of a group of credentialed and experienced professionals, the majority of whom possess Bachelor's or Master's Degrees in Human Resources. **Contact TPG HR Services USA today to learn more about how we can help your business.**

## 732-917-6000

[1] <http://www.insurancejournal.com/magazines/features/2005/05/23/56097.htm>

[2] *Journal of Management Research*. "Critical Factors in Human Resource Outsourcing." Vol. 13, No. 4,

[3] <http://parsproje.com/tarjome/modiriyat/33.pdf>

[4] <http://www.forbes.com/sites/allbusiness/2014/09/30/want-to-reduce-business-costs-here-are-10-areas-to-start-with/>

[5] <http://www.wsj.com/articles/SB10001424052702304819004579489603299910562>

[6] <http://www.wsj.com/articles/SB10001424052748703377504575650422039996324>

[7] <http://parsproje.com/tarjome/modiriyat/33.pdf>