

VACO Reference Material

# HR OUTSOURCING DEMYSTIFIED: YOUR ULTIMATE RESOURCE

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## INTRODUCTION

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Outsourcing human resources have become ever-popular in the modern age. Gone are the days when staff members were required to come into the office every day — and, believe it or not, this includes the human resources (HR) team.

In fact, according to Clutch, 24% of small businesses outsource HR functions. And it stands to reason why. Besides boosting efficiency, outsourcing some of your HR functions can save your company a substantial amount of money.

But, you may ask yourself exactly, “what is outsourcing in HR?” and how is it possible to fulfill a role that hinges on human interaction?

Here is everything you need to know about HR outsourcing, the benefits of outsourcing HR, and how it can help streamline your internal processes.

## WHAT IS OUTSOURCING IN HR?

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Human resource outsourcing includes **outsourcing HR functions to a third party or external company**. Whether you outsource all HR-related functions or simply a few come down to what your business needs are.

You may only require day-to-day functions or decide to focus on acquiring strategic HR services. Whatever your needs, it's important to remember that both positive and negative attributes are linked to outsourcing human resources. It's essential to consider both before deciding what's best for your business.

Here are a few HR functions that are commonly outsourced:

- **Talent Acquisition** — creating job descriptions, advertising job vacancies on job boards, screening applications by doing background checks, interviewing candidates, and onboarding new hires.
- **Employer Branding** — writing career pages, creating content for employer branding pages on social media, writing onboarding guides and brand books.
- **Performance management** — appraisals, dismissals, promotions/demotions and salary increases/bonuses.

- **Payroll management** — determine allowances (eg., Travel, housing etc.), salary components, compiling and verifying employee expenses, as well as accounting and payment processes.
- **Compensation and benefits administration** — determining employee benefits and incentives equivalent to or higher than industry standards (makes for better employee retention).

## WHY OUTSOURCE HR?

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Although HR is an essential part of any organisation, it no longer has to be an in-house solution to daily challenges faced in the office.

Outsourcing human resources or HR responsibilities can be a tremendous benefit to any company — big or small. So let's take a look at some of the advantages and disadvantages of outsourcing HR solutions.

## BENEFITS OF OUTSOURCING HR

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### 1. Save Money

First and foremost, outsourcing HR functions **will save on costs**. By outsourcing your HR tasks, you'd reduce costs by eliminating hiring, training, overhead costs, salaries and incentives.

### 2. Improve Efficiency

By outsourcing HR functions, you'll be able to **tap into the expertise of superior global talent** with valuable experience in their fields. This means you won't have to resort to hiring inexperienced candidates from limited talent pools. Simple mistakes could result in lawsuits or hiring unsuitable employees, which could easily add up to thousands of dollars in lost revenue or penalties.

### 3. Ensure Compliance

It's essential that all business policies and benefits relating to employment meet industry standards. However, although essential, this can become increasingly cumbersome. Non compliance could lead to heavy penalties and lawsuits, which is the last thing you want for your business. Moreover, it could cause irreparable brand damage because, let's face it, once trust is lost, it takes a lot to win your client's trust back.

#### 4. Focus Resources on Core Tasks

Maximise profits, reach and business strategies by allocating key tasks to your key team members. Outsource non-core HR tasks like administration or employee relations to **reduce the workload of your internal staff**. This will free up time for them to focus their expertise in areas that matter.

#### 5. Access to Greater Talent

Human resources outsourcing opens the doors to acquiring the most skilled HR professionals, often at a more reasonable cost to the company. This means that you'll not only have a wider selection of expertise to choose from. You'll also be able to potentially offer better rates than your HR professional's local rates, which could lead to a better retention rate.

It is, however, important to ensure that your HR professional is well versed in certain laws, such as:

- Anti-discrimination
- Minimum wage and work hours
- Family and Medical leave
- Immigration
- Employee benefits
- Safety
- Union

## DISADVANTAGES OF OUTSOURCING HR

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### 1. Security Risks

When outsourcing any task, there will be some risk involved. Instances like data breaches, leaking of sensitive/personal information, and errors made that don't apply to local laws and regulations — these are some of the risks that are sometimes unavoidable when it comes to human resources outsourcing.

However, there are ways to reduce risk, one of which is a risk management strategy. It's also advised to do some research before choosing your HR consultant and look for both positive and negative reviews or testimonials from previous clients. Most businesses should also ensure that their HR service providers are HIPAA-compliant.



## **2. Less Contact**

Human resources is a role that involves human interaction and support, which can be a little tricky to navigate when outsourcing. This can create distance between human resources and employees, which could eventually affect employee satisfaction.

However, regular chats, video calls/meetings and correspondence can help to close this distance. Alternatively, another way to get around this is to outsource non-core HR tasks like payroll, recruitment etc., and have an employee program that offers additional support in the form of mental health and well-being, increased team-building efforts, and so on.

## **3. Reduced Flexibility**

Getting personalised services from outsourced HR professionals can be challenging, but it's not impossible. Sure, tailored solutions are a lot easier when you have an internal HR department. But, this can be significantly reduced by providing your outsourced HR professional with your guidelines on company ethos and culture. Alternatively, as mentioned previously, you could opt to offer additional employee development and well-being programs, as well as support.

# **WHEN TO CONSIDER HUMAN RESOURCES OUTSOURCING**

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## **1. When Inhouse HR Becomes Too Expensive**

Outsourcing HR is the ideal solution for small businesses as the budget will be limited at first. Down the line, as your company expands, you may be required to establish an internal HR department. But to start with, why not reduce costs by outsourcing non-core HR solutions, especially if your staff comprises less than 500 employees?

## **2. If you don't intend to recruit continuously**

It's unlikely that you will be hiring employees all the time, especially as you're still small-scale. It makes sense, therefore, to outsource certain HR responsibilities. This will help keep expenses down and allow you to focus on other areas like employee training and business development.

## **3. If you are serious about employer branding**

Often times, HR Departments have great ideas, but no-one to execute them and turn them into decent, on-brand content. Outsourcing some of these tasks can give them the tools they need to take your business and culture to the next level.

## WHAT TO CONSIDER WHEN OUTSOURCING HR

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Outsourcing HR is a big decision and not one that should be taken lightly. Here are six things to consider before choosing to outsource HR:

Will outsourcing HR disrupt the current operation of your business?

Does your HR department/staff member have the ability and capacity to work with external HR employees?

Is your internal HR department providing good service, managing current processes, and meeting the business's needs?

Is it financially viable to use human resources outsourcing services?

Has your brand/business clearly defined its vision, mission, and company values?

What human resources outsourcing services would be best for your business?

## HOW TO FIND THE BEST HR OUTSOURCING SERVICES

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Choosing or finding the best HR outsourcing services for your business is not the easiest task, especially because there are so many HR outsourcing companies and platforms with so-called professionals offering skilled services.

The problem is that it's difficult to discern which candidates or platforms are reputable. Here are some tips on how to find the best HR outsourcing services that meet your brand and company needs.

**Step 1:** Determine which HR tasks you want to outsource.

**Step 2:** Clearly outline each HR role's job description and responsibilities.

**Step 3:** Define a budget allocated to HR outsourcing services.

**Step 4:** Use reputable outsourcing platforms that not only offer services but vet the freelance professionals offering HR outsourcing services for you.

**Step 5:** Draft and shape a detailed agreement between you and your chosen outsource partner – you may want to include a termination date/terms in case your standard requirements aren't met.

# Need More?

## VACO Has You Covered

VACO Middle East is a leading consulting firm that provides innovative and customized solutions to help businesses thrive in the dynamic global market. We specialize in a range of services, including strategic planning, human resource development, accreditations, and marketing strategy development, tailored to meet the unique needs of start-ups and established companies alike. With our expertise and collaborative approach, we can help you take your business to the next level and achieve your goals. Reach out to our team today and find out how you can grow your business.



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