



# HUMAN RESOURCE OUTSOURCING

MINIMIZING RISK & INCREASING PROFITS



# Minimize Risk & Increase Profits with Human Resources Outsourcing (HRO)

Do you remember when you first decided to start a small business? The vision was clear and the excitement drove us from imagination to plan to reality. But, before we knew it, we went from happily wading in the waters of our areas of expertise into the deep and sometimes turbulent waves of the unknown; Human Resources. Human Resource functions include: Payroll, Employment Tax, Recruitment, Hiring, Employee Relations, Termination, Regulatory Compliance and Training to name a few. Each of these functions demanded specific skill sets and experience. They also began to expend valuable time and resources.

The reality is that when reviewing a successful business plan there are two major areas to consider; revenue streams and cost centers. Well run companies maximize revenue streams and maintain or decrease financial output to cost centers. That's how small businesses grow and prosper. The [Human Resources](#) (HR) department has always been viewed as a cost center. At best, operating a well run HR function can be a costly venue. The flip side of that coin is that mistakes or missteps in Human Resources could cost a company millions or even worse, put them out of business.

When considering whether to outsource Human Resources, organizations should first analyze and prioritize what specific HR functions the company needs to focus on. Enlist an [HR outsourcing company](#) to perform a low cost Human Resources Audit. A reputable HR outsource company will usually not charge more than \$300-\$500 for this service. It is definitely money well spent. Be wary of firms that will provide you with free audits since you usually get what you pay for. The audit results should tell you exactly where you stand and specifically provide an HR roadmap to get and keep you on track. Next, ask the most important question: Do YOU have the expertise, time and interest to actually focus on those areas and do them well? Finally, consider the risks and rewards of alternative Human Resource solutions.

After twenty five years of providing human resource solutions to hundreds of companies from small start ups to fortune 100 companies, my advice to many of those firms, especially small and start up businesses is to maximize their resources by at least partially outsourcing Human Resources. By outsourcing HR, companies get to focus on what they do best and avoid the hassles and dangers of managing potentially high risk areas.

Remember, as an entrepreneur you want to maximize productivity, increase revenue and control costs. Outsourcing Human Resources and other administrative tasks allow management and

staff to focus on core business functions. Most importantly, companies receive high end HR services for less than the cost of an administrative staff position.

## MINIMIZING RISK

A critical component of any small business plan is minimizing risk. When reviewing potential Risk Management issues consider this; Regulatory Non-compliance and Discriminatory practices make up the majority of employment related claims in the state of California. In 2014, California employees filed 6,363 discriminatory practice claims. The Equal Employment Opportunities Commission awarded over \$35 million in Sexual Harassment settlements alone. In addition, the IRS and U.S. Department of Labor collected over 1.5 billion dollars in Retirement Program Non-compliance. Employment practices, Healthcare and Payroll issues are major high risk areas. Avoiding problems in those areas should be a major focus. Even for a large company, the cost of litigation or regulatory settlements in these areas could be devastating. However, for a small business a similar situation will most likely be fatal.

Over the last 10 years, the number of startups and small businesses outsourcing HR has increased dramatically. Businesses have realized that when seeking Human Resource solutions, HR outsourcing provides a viable and cost effective alternative to hiring and maintaining internal Human Resources staff.

Ensuring that the HR function focuses on managing risk and decreasing potential liability are extremely important to small businesses success. This is especially true in the state of California where the Regulatory climate is ever changing. Recently passed legislation and constant modifications to existing laws increases the risk of non-compliance.

In a 2013 Workforce Forecast conducted by The Society for Human Resource Management (SHRM) the issue of legal and regulatory compliance was addressed,

### **“SHRM report outlines a Growing concern over the complexity of legal compliance”**

“HR professionals have repeatedly identified the increasing complexity of legal compliance as a chief trend over the past decade, and it is likely to be a major focus for the profession in the years ahead. HR professionals must stay up-to-date on any and all legislation or regulations at the state, federal and, in some cases, international level that their organizations may need to comply with. This covers a wide range of issues from bills, related to possible changes, to procedures under which workers may choose whether to join a union to background and credit checks for job applicants. State immigration laws are also likely to be a pivotal issue in the coming years.”

What makes Human Resource Outsourcing so attractive is that it mitigates the risks to small businesses by providing a specialized organization as a liaison while decreasing the time and resources involved in managing these critical changes. In addition, HR outsourcing standardizes policies and procedures, keeps up with Federal, State and local regulatory compliance, as well as creates and maintains risk management processes. HR outsourcing oversees and coordinates the entire process, educates management and provides proper documentation to ensure compliance.

HR outsourcing companies like BOSS, utilize their expertise to focus on and protect small businesses from non-compliance issues and decrease the risk of legal and regulatory liability. HR outsourcing provides experienced Human Resource professionals who specialize in all aspects of Human Resources. In addition, HR outsourcing dramatically reduces the risk of Discriminatory practices, prevents Sexual Harassment and mitigates other potential liability by creating and maintaining policies and procedures, educating staff and maintaining a safe and proper work environment.

The fact that increasing numbers of small businesses are turning to HR outsourcing is not by chance. Organizations prefer to reduce risk and liability by simply contracting the expertise, saving time and money, and focusing on what they do best.

## INCREASING PROFITABILITY

As was mentioned in the beginning of this article, Human Resources has always been viewed as a cost center. However, that perception is very misleading. When considering methods of increasing profitability, smart business owners look to increasing revenues without increasing operational cost. A well organized and professional outsourced HR function can result in significant operational cost savings and maximize revenues for companies. This savings goes directly to the bottom line, providing a dramatic return on investment.

There are many aspects of a well-functioning Human Resources department which impact company profitability. HR outsourcing can stabilize and even drastically decrease operating cost contributing directly to company profitability. It also saves time and valuable internal resources. Although a major HR concern is decreasing potential liability, startups and small businesses must also focus on finding and hiring the right people, offer the right compensation and benefits, as well as creating and maintain a progressive environment for success. This means that Recruitment, Staffing, Benefits, Employee Relations and Managing turnover must also be giving serious consideration.

Over the years I've been told by a number of HR outsourcing skeptics that HR doesn't sell anything and therefore doesn't increase revenue. My response is usually rapid and to the point. I simply ask this question: "Have you ever tried selling a great product with underpaid, unhappy, untrained and unmotivated employees? Truth be told, most products don't sell themselves.

Your Human Resource is the most valuable resource a company has.” In other words, although decreasing HR cost doesn't actually increase revenue, properly managing your staff and the HR function effectively adds directly to the bottom line through risk reduction, cost-savings and motivated staff.

The facts speak for themselves. Managing your Human Resource is critical to your company's success. Outsourcing HR can effectively manage the function while saving small businesses considerable amounts of time and money. In addition to controlling cost outsourcing Human Resources gains access to a higher level of HR expertise.

### BENCH MARKING HUMAN RESOURCE PRACTICES

When a start up, small business or growing company reflects on benchmarking best Human Resources business practices, there are four critical areas to consider:

- Implementing and enforcing policies and procedures that fairly and safely recruit, hire and maintain the right staff to grow your business
- Provide a work environment that encourages employees to stay, decreases turnover and refers good recruits to apply there (good pay, good benefits, opportunity to grow with the company)
- Creating and maintaining an environment that maintains Regulatory Compliance and eliminates legal liability issues (keeping up with latest laws and regulations)
- Creating and maintaining a Human Resources function that is user friendly and responsive to management and employee concerns

Human Resource outsourcing can consistently provide these four functions while avoiding operating cost spiraling out of control.

Reflecting on several specific areas drives home the point of Human Resources outsourcing contributing directly to a more profitable bottom line.

### **Forty-three percent of HR professionals see managing human capital as the biggest Investment challenge. The Top Workplace Trends According to HR Professionals (2013 SHRM survey of Human Resource professionals)**

- 1) Many small businesses believe they cannot afford a full time Human Resources professional. According to Indeed.com, a leading professional recruitment service, the average salary in California for an HR professional (HR coordinator -\$38k, HR manager - \$65k, HR Director- \$98k) can be cost prohibitive. These salaries do not include Health care, 401k, and other employee benefits. Even if startups and small businesses could afford an HR coordinator or manager positions, they should strongly consider outsourcing HR and redirecting the savings into revenue generating functions. The

general cost of Outsourcing Human Resource services averages between \$500 to \$2,000 per employee per year after initial setup (depending on services provided).

- 2) Outsourcing Human Resources free managers and administrative staff to focus on the primary functions of the business. Do what you do best.
- 3) Stabilize or reduce HR process and operating cost (payroll, health benefits, HRIS, documentation, turnover). Outsourcing HR provides a professional HR presence at a fraction of traditional cost, employee and management friendly systems, answers to complex Human Resource related issues and in many cases more employee engagement and lower turnover. Employee turnover traditionally represents 120-150% of current employee salary.

In summary, Human Resource Outsourcing provides an efficient, cost effective method of creating and maintaining a professionally managed Human Resource function at a fraction of the cost of traditional HR staffing.

Contact us today for a free, no-obligation consultation on all your [human resources](#), [accounting](#) & [bookkeeping](#), [tax prep](#), and back office needs. We provide highly skilled HR professionals who focus on providing the right products and services to help you grow and succeed. Back Office Support Solutions (BOSS) is a leading Human Resource Outsourcing company. "Let us do the work... so you don't have to."

Call BOSS at 619-363-3009 or visit us at: [www.backofficesupportsolutions.com](http://www.backofficesupportsolutions.com)

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