

Outsourcing in Human Resource

Abstract

The research paper aimed to contribute to the literature of Human Resource Management Planning and employment through the widely used function of the outsourcing human resource. The research paper is based on the description of the process of outsourcing with the reference to the theories of outsourcing management activities. It also explained the effects of this function through measuring the benefits and drawbacks of the outsourcing human resource while planning the employment strategies. The secondary source of data is included while conducting this study. The evidence of the study suggests that outsourcing human resource is a commonly used function in the organizations operating globally. The organizations use the outsourced human resource in order to save the cost of developing a permanent human resource and to reduce the risk of lawsuits that can be filed by employees against the organization when they are laid off.

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Outsourcing in Human Resource

Introduction

In today's competitive market, many organizations are outsourcing different functions. Specifically organizations are looking for outside in other markets to hire staff from an external pool of candidates and made the contract with them to use the certain set of their skills. The purpose of the study is to analyze the effectiveness of outsourcing in Human Resource and its effects on outsourced employees. Organizations outsource in order to accomplish specialized tasks by specific service providers to gain the expert services offered by outsourced experts or labors to perform a specific set of operations.

Literature Review

In this literature review, the development and drawbacks of the function of outsourcing the human resource in the organization have been examined. The review of the studies demonstrates that the effort made by the human resource professionals to improve the outsourcing human resource by strategically aligning them with the planning and recruitment of employees in organization to meet the strategic goals of an organization. The past studies also examine the influences on the companies that made them outsource the employees and also include the new focus of the company in order to sustain their market position. The companies outsource the employees to align their talent pipeline development with the strategic framework of the company's objectives that they are expecting to achieve in future. Outsourcing employees provides access to both the skilled labor and intellectual capital while infusing money into different regions of the world in need of financial hope (Gospel, 2010).

The importance of outsourcing is overlooked by the companies. Outsourcing reduces the cost of the services purchased by the employees additionally outsourcing also increases the

overall value that is received for in return of a set of payroll. Jampala in the research concluded in a study “outsourcing is the part of an economic evolution” where disruption is offset by the opportunities. The commonly used models for outsourcing the human resource are represented through the short-term employment contract and leasing employees. These two alternative methods are formed to represent the optimum use the options of human resource management through outsourcing to gain the stability and flexibility in operations (Stredwick, 2013).

Methodology

While conducting this study, the qualitative method of data generation has been used in order to analyze the available secondary data, and results have been concluded after the comparison of different studies. The secondary source of data includes all the past research that has been conducted in relevance to the topic selected for the research paper.

Discussion

Outsourcing of Human Resource

Outsourcing is usually promoted as an asset for the companies and foreign economies, but it is perceived detriment to the working population. Although outsourcing is a way for a company or simplifies its internal operations by focusing on core competencies offered by the outsourced employees and take their services to achieve the company's strategic goals (Contractor, 2010). The studies of Goby also describe that every day someone is losing their long-term jobs, employees, who are close to an end of their employment contracts. These employees can get affiliated with the outsourcing agencies by offering them their services and can get the limited contract with those companies who are outsourcing employees for a certain period of time for achieving certain tasks (Li, 2010).

The companies were operating under low budget when decide to expand their production units, take the help of outsourcing employees from the same region where the company's production unit is located. Moving the labor force from one station to another is a challenge for companies that can be resolved through an outsourcing employee. Companies often outsource employees in the production season of their commodities in order to save the cost of permanent employment expense (Koochaki, 2013)

Advantages of Outsourcing Human Resource

Reduce Recruitment Cost.

Where there are many corporate cost-cutting functions that can be considered to save the cost, labor cost is one of the major operating expense that can be reduced by outsourcing human resource from the external market. Outsourcing agencies helps the multinational companies to reduce the cost of maintaining those operations that are nonrevenue for organizations which generate back office expenses. The permanent employees in every organization require an additional maintenance of employee retention with experienced and highly trained HR staff to operate for those extra hired employees (Neto, 2013). For small businesses, it is important to maintain the cost effective operations in order to plan future expansion. These small businesses cannot afford to expand and hire an extra number of labors on the permanent basis and spend on their training and maintenance cost. Furthermore, the outsourcing of employees is a variable cost, and it can be reduced when the business requires cost saving.

Improved Human Resource Service Efficiencies.

The outsourcing human resource enables organizations to avail the greater efficiency in human resource systems that are critical for an organization to maintain a productive, efficient and well-trained labor. The planning and employment of HR department require hiring a specific

number of employees on the contract basis. These outsourced employees are experts in their field and have updated knowledge of their fields. The advanced technological software utilized by outsourced experts helps the streamline importance of the operations and functions performed by them. These consultants offer planning of compensation and benefits services, compliance & administration management, and recruitment on the basis of employment legislation (STEFAN, 2012). These outsourcing employees improve the effectiveness and efficiency of workflow which later improves the productivity and revenues.

Minimization of Employment Risks.

The organizations outsource the services of offered by the outsourced employee in order to reduce the risk of default. Studies demonstrate that there is a direct correlation between the changing working trends and patterns that can enable employees to file lawsuits against organizations if they are permanent and not well trained. The companies who offers the lending of trained employees helps organizations to hire them for a specific period and through this they can reduce the cost of employee retention (Anamali, 2014).

Drawbacks of Outsourcing in Human Resource

Job Security.

New employees hired by the company as a result of outsourcing work to them reported a lack of job security because the contract for outsourcing never exceeded three years. The limited time frame of most outsourcing agreements also resulted in limited training opportunities. For all these reasons, although outsourcing results in some initial cost savings, it also compromises long-term productivity throughout the company and such lower productivity can result in an already unacceptable performance level and inspire additional outsourcing (Caruth, 2013).

Trust Issues.

Creating, in effect, a vicious cycle in which as outsourcing continues, employees feel less and less significant or respected on the job, resulting in a wholesale loss of morale, and a great deal of worker stress (OPREAN, 2014). It has been found in the research that so-called survivor syndrome, which entails decreased motivation, engagement, and productivity among employees remaining in a company after downsizing, and results in anxiety, insecurity, and depression, is likely among in-house employees of companies that begin an aggressive outscoring initiative. This is likely to occur because employees view outsourcing as a violation of the psychological contract they made with the company in which their loyalty and commitment were exchanged for job security (Sparrow, 2010).

Conclusion

Today outsourcing human resource is one of the fast growing trends in the business world today. The majority of the outsourcing research work focuses on the benefits of the cost reduction and improved productivity through the outsourcing human resource. Organizations do not only outsource employees in order to achieve cost effectiveness (Feeny, 2012). The major reason behind outsourcing employees is availing the expert services offered by the employees in order to attain the competitive edge over the market. Outsourcing can help small businesses to take the help from expert advice even if they don't have any permanent expert employed in their organizations (Kuruvilla, 2010).

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