

6 Top Reasons for Outsourcing Human Resources Functions

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OUTSOURCING

Def-i-ni-tion

Out-source

[out-sawrs] –verb

1. To contract out certain business task, previously performed internally, to an independent outside organization.

If your company is considering outsourcing human resources – either one or many functions – you are part of a growing trend. In bygone years, HR was much less complex. There was hiring, firing, payroll and working out the occasional kerfuffle. But since the late 1970s, HR has grown increasingly more challenging. And in recent years, FMLA, ADA and now Obamacare have made [compliance a series of flaming hoops](#) to jump through!

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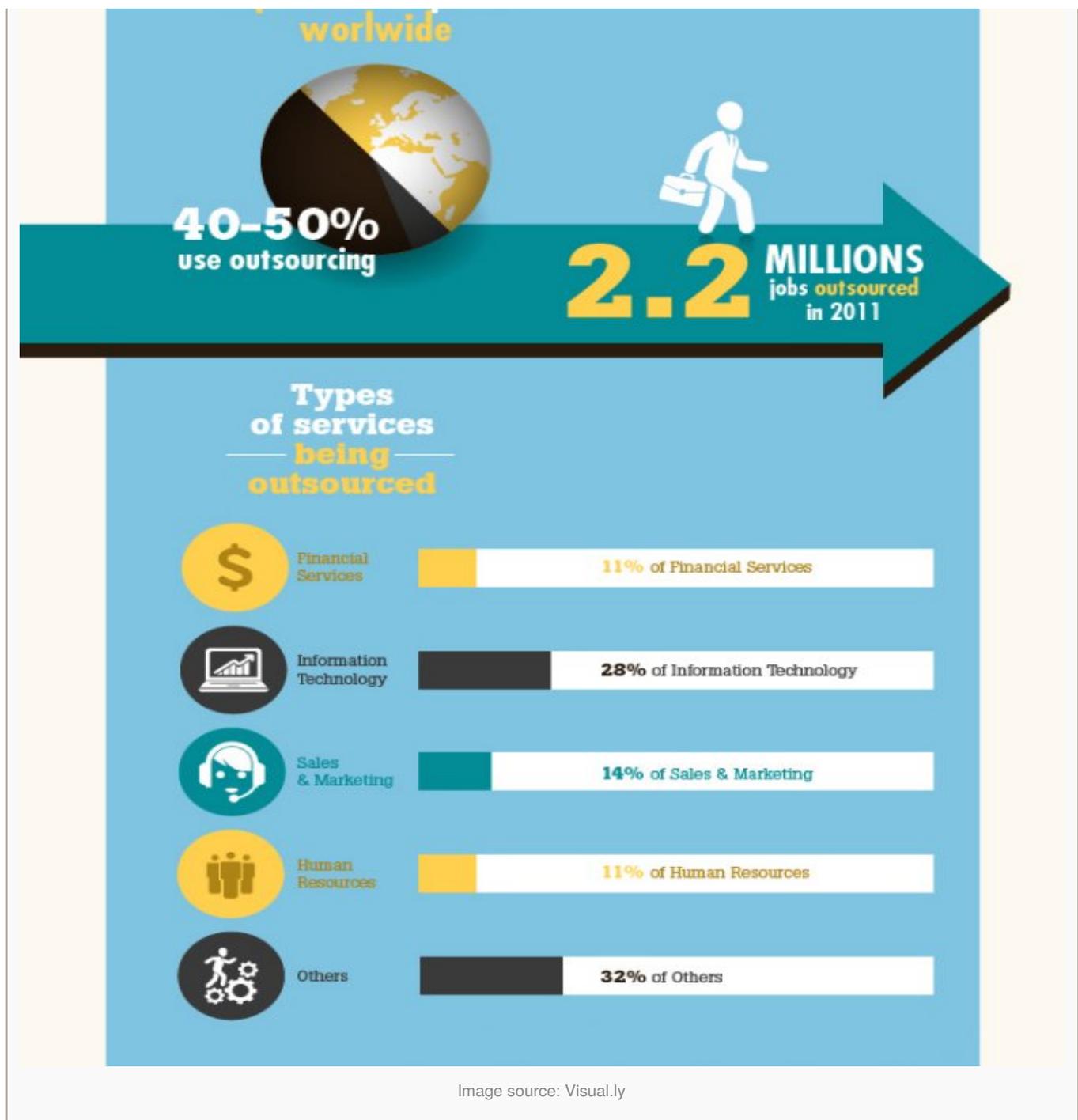
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Top 500 Companies



Forget spending time with employees or developing [engagement initiatives](#) – benefits administration and compliance issues will eat up all of your time. These are good reasons to consider outsourcing human resources. But if you wonder why other companies are outsourcing human resources, read on!

[The Society for Human Resources Management](#) (SHRM) conducted a survey of hundreds of companies about their outsourcing habits and here's what they found are the six most common reasons that companies outsource:

- 1) 26% of companies outsource to save money – this isn't terribly surprising – what company doesn't want to pinch pennies where they can?
- 2) 23% of companies outsource to [focus on strategy](#) – spreading yourself too thin with all of the administrative tasks doesn't leave a lot of time for planning, so this makes sense.
- 3) 22% of companies outsource to improve compliance – it is increasingly challenging to stay in compliance and increasingly risky to not meet requirements so outsourcing this risk is beyond smart



Image source: InfographicJournal.com

4) 18% of companies outsource to improve accuracy – if you’ve got too much on your plate (and who doesn’t?) accuracy may fall by the wayside, so this also makes sense.

5) 18% of companies outsource due to a lack of experience in-house – knowing your weaknesses is as important as knowing your strengths, so handing off a task you know you can’t handle properly to someone with expertise is a great business decision.

6) 18% of companies outsource to take advantage of technological advances – with big data worth tapping into, but costly technology needed to really delve into [strategic analytics](#), outsourcing can offer solutions without a significant investment.

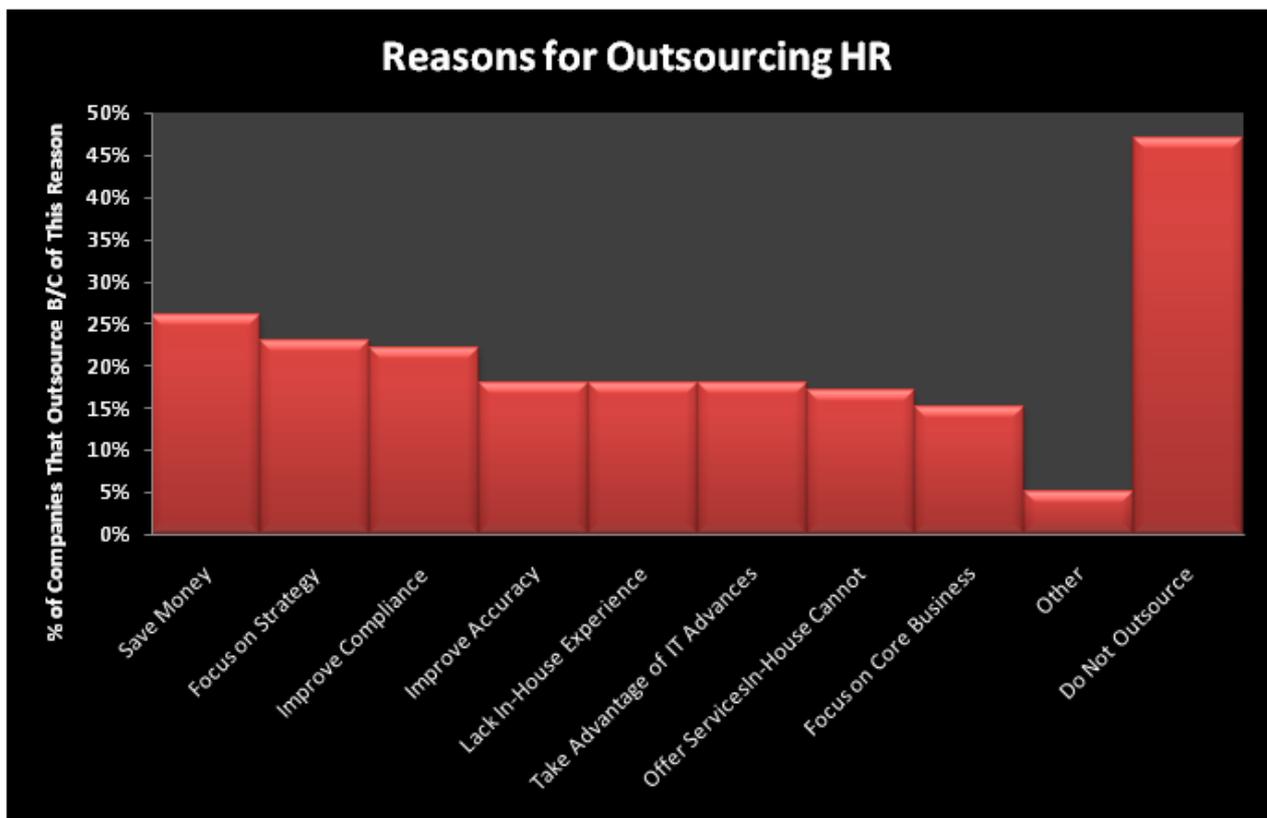


Image source: SHRM.org

These are the reasons why companies are choosing to outsource, but SHRM followed up with another question – what HR functions are companies most often choosing to outsource? Of those who outsource, here’s a quick rundown of the 10 tasks most commonly outsourced:

- 1) 84% outsource 401(k) administration
- 2) 84% [outsource employee assistance/counseling](#)
- 3) 74% outsource retirement planning
- 4) 73% outsource pension administration
- 5) 72% outsource temporary staffing

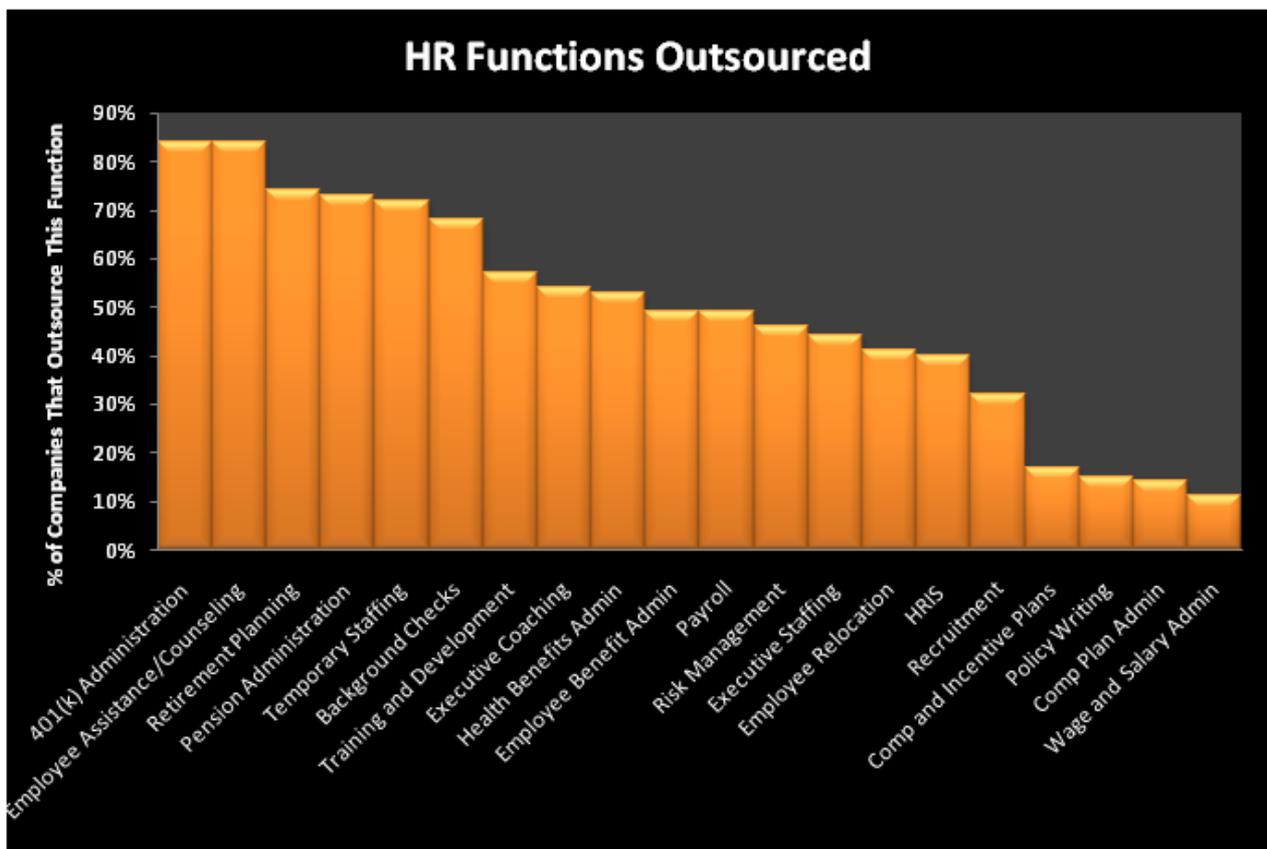


Image source: SHRM.org

- 6) 68% [outsource background checks](#)
- 7) 57% outsource training/management development programs
- 8) 54% outsource executive development/coaching
- 9) 53% outsource employee benefit administration
- 10) 49% [outsource payroll](#)

Human resources outsourcing makes sense as a way for smaller companies to [transform and get expertise](#) without hiring in additional personnel at high salaries and keep in-house modest and focused on employees. For larger companies, compliance can be a huge risk as can legal liability, so outsourcing grants extra layers of protection. And if you do business with the government, [compliance issues can turn into lawsuits](#), fines and penalties in a heartbeat – and no one wants that!