

The New Mantra Is HR outsourcing

With more and more companies looking to rationalize employees on their payroll, manpower outsourcing is slowly becoming the new buzz in India.

And the trend seems to have hit not just big multinational companies but the public sector and government undertakings as well, though on a very low key yet in the latter.

Estimates show that the latent size of HR outsourcing in India is about \$2 billion with a current market of \$27 million and it is growing at a rate of about 50 per cent.

Experts, however, say though foreign companies are outsourcing jobs to India, putting the country in the middle of outsourcing boom, the Indian companies do not seem to be enamored by the opportunity till now and are not adopting HR outsourcing practices in a big way.

"HR outsourcing in India has not seen the required momentum and is limited to a trickle effect, with companies outsourcing a few selected low-end HR processes," says Anil Mahajan, executive director, Talent Hunt Pvt Ltd, a leading HR firm in New Delhi.

A recent survey 'Outsourcing in the Asia-Pacific', conducted by Hewitt Associates, a global HR outsourcing and consulting firm, confirms the situation.

The survey showed that many companies in the region are either unfamiliar with the process and procedures of HR outsourcing, or are unaware of the players operating in the area.

"Even though across the globe companies are realizing that headcount is directly related to the revenue and are outsourcing most of their transaction and administration related work, the general opinion among the Indian companies is that it is still economical to manage all their HR process internally," Mahajan says, adding: "Here people are also not very clear about what exactly is manpower outsourcing all about."

Explaining about the concept of HR outsourcing, Kris Lakshmikanth, founder CEO & managing director of The Head Hunter, a recruiting firm in Bangalore, says, "It is a process of outsourcing involving particular tasks like recruitment, making payroll, training and development to a third party who have expertise in these respective fields."

"HR outsourcing can happen in areas such as payroll, employee benefits administration, fixed assets administration, network, receivable and logistics management, hardware maintenance, telemarketing, call centers and database management. In India, the most common processes outsourced are related to training, payroll processing, surveys, benchmark studies and statutory compliance," Mahajan adds.

Elaborating about the benefits of manpower outsourcing, Lakshmikanth says, "Today, every organization is aiming at achieving productivity by enhancing return on investments and achieving the economies of scale. In this context, it makes sense to focus only on the organization's core competencies and outsource non-critical business activities. Therefore, routine administrative work, although important, can be outsourced to third party vendors."

Experts say the basic reasons hampering the growth of HR outsourcing in India are confidentiality and cost factors. Besides the fear of losing jobs, losing control over confidential data, ethics and quality of outsourcing vendors, security breaches and overall confidence in the vendors deters many organizations.

Quality at times forms another roadblock. According to Mahajan, most companies are not sure about the end result, which they will receive from the vendor.

"Also currently there are no standard benchmarks available so pricing varies a lot from vendor to vendor for similar services. This gives the customer the feeling that they are not getting best value for their money," he adds.

But as the Hewitt survey puts it that with economic slump showing signs of improvement, many HR outsourcing vendors are optimistic that things will look up in the near future.

Experts also believe that in present times HR outsourcing is undergoing a transition phase. "There has also been a transition on its user acceptance, where it is moving from a corporate domain to public sector undertakings and the government sector. All this reflects on the growth of this sector. However, it would still be sometime before we see increased levels of HR activities being outsourced," they say.

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