

Why does HRO make business sense?



Companies today pay more attention to the question of cost cutting than ever before. Many times top management must impose hiring freezes and use employee downsizing to manage costs. However, a company's volume of work often increases over the time and the reduced staff is not able to deal with the greater workload. Many foreign HR Managers have opted for Human Resources Outsourcing in such a situation. Slovak companies, in contrast, often do not even consider this option.

Human Resources Outsourcing (HRO) is defined by CIPD as HR services purchased from an outside party. Companies can outsource recruitment, payroll administration, executive search, outplacement, learning or development. Companies decide to use HRO for many different reasons. Not matter why HRO is used, however, it often brings many benefits.

Why does HRO make sense for business?

Here are the most significant advantages of HRO:

1. Reduced costs – pay only the relevant HR costs, rather than a fixed cost. Save the costs connected to HW, SW, rent, etc. for an in-house HR team. Save the cost connected to the HR selection process (such as advertising and language testing).
2. Access to skills and knowledge – agencies offer deeper knowledge of the market, current trends, and specialized skills.
3. Quality of services – services can often be delivered more professionally with better overall quality and satisfaction.
4. Increased efficiency – receive professional documentation such as reports of all HR initiatives. Focus more on core business activities and strategic HR.
5. Access to improved HR IT sys-

tems – many agencies have their own sophisticated HR IT systems.

6. Prolongation of the probation period –service “Try and Hire”: an employee from the HR agency that you select will work at your company for a three-month trial period. If you are satisfied with his work, the employee will sign an employment contract with your company with a new probation period.
7. Improved management information – an agency can prepare analysis of employee benefits, propose HR processes optimization, etc.
8. Increased flexibility – an agency does not have limits to sign a contract with the same employee several times for a determined period. An agency is able to react flexibly in case of increase or decrease of workforce.
9. Reduced risk – connected to possible downsizing. A company is able to operate HR resources more strategically.

Of course, there are possible drawbacks of HRO, for instance:

- Talent management is more demanding.
- Longer adaptation of temporary employees.
- Unexpected costs may occur.

All HRO disadvantages should be limited when the right supplier is

chosen.

How to choose an HRO supplier

A supplier should fulfill several conditions: understand requirements (ideally with previous experience from your industry), offer a wide range of HR services, have professional conduct, and should possess valid agency permission to conduct temporary placement services (“Povolenie na vykonávanie činnosti agentúry dočasného zamestnávania”).

The supplier selection process can be very time consuming. It is very similar to selecting a new employee. A well-prepared job description is a crucial part of the process. The first phase is to define the technical, professional, legal, material and other requirements for a partner.

The next step is to search for potential suppliers. Each supplier or agency is then asked to prepare an offer for HRO services. The process can be sped up by listing the information that you will require from the supplier. An agency proposal should contain at least: An agency introduction, Business Overview and Background, Detailed specification of offered services, Terms and Condition, and Price calculation.

Check references on both sides Do not forget to ask for a refer-

ence list not only for clients of the agency, but also for placed employees. Satisfaction from both sides is a good sign for future cooperation. If a temporarily-placed employee feels like an internal employee, you have the right HRO partner. After you receive the initial agency proposals, you should evaluate them based on a grading system prepared in advance. Each company should weight the criteria according to their needs.

This phase is followed by the selection of the supplier and negotiation of contract conditions (SLA). Legal conditions related to HRO are defined in the Labor Code (“Zakonník práce”) and the Act on Employment (“Zákon o zamestnanosti”). The Frame Agreement should be supplemented by Temporary Assignments Agreements. Temporary Assignments are often the subject of audits by the Center of Labor, Social Affairs and Family. Therefore, pay attention to the documentation as well.

The final phase is signing the contract and starting mutual cooperation.

Conclusion

There has been significant growth in the number of companies using HRO services in Slovakia in recent years. HRO offers many potential benefits to a business. Well selected supplier criteria and the right set of contract conditions can lead to long-term cooperation based on partnership. HRO provided by an experienced, professional and empathic agency will be beneficial to your business.



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