

THE HUMAN RESOURCES DILEMMA:

In-house, Outsource or In-Between?

Pros and cons to help businesses get
the Human Resources support they
need to survive in the COVID-19 era.



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Thanks to COVID-19, human resources has become more complex than ever before. On top of tasks like payroll and time tracking, there are *new* safety measures to manage and endless employees questions to answer about COVID-19 testing and paid leave. Not to mention, all the difficult conversations about unemployment, furloughs, pay reductions, paid leave and more.

It has taken a *heavy toll* on business owners. Managers that have been delegated this work (and even small human resources departments), simply are not equipped with the capacity or expertise to navigate the volume and complexity of today's human resources crisis.

In a time when business is radically changing and budgets are tight, finding a human resources solution that's right for your business isn't easy. There's lots to consider. *Is it better to grow capacity in-house? Can HR tech alone meet my needs? Or, should I outsource tasks to a third-party team?*

We've put together this guide to help you consider your options.

Keep reading.



OPTION 1:

Outsourced Human Resources

In a recent study, 70% of business owners said their revenues and profitability increased with an HR solutions provider.

The **time, money, and energy** spent on human resources can feel unproductive, especially when it eats into time that could be spent on company growth (or survival). Enter human resources outsourcing. When businesses outsource their human resources, they assign a variety of human resource tasks to a third-party organization. It's one strategy that's helping *thousands* of Hawaii's employers tackle most (or all) of their HR to-do list, freeing them up to focus on the bigger picture.

What can you outsource?

Some examples of HR tasks that can be outsourced include: employee onboarding, payroll, time tracking, tax admin, benefits, workers' comp/TDI insurance, training and development, and more.

Why is it beneficial?

It's beneficial in many ways, but it's most useful for two things: **compliance** and **cost containment**.

Compliance: Employment laws are constantly evolving and it's easier than you think to violate them. Human resources outsourcing helps businesses stay ahead of

their legal administrative responsibilities and protects the resources they have from expensive lawsuits or fines.

Cost-containment: We know that the cost of employee healthcare rises each year. However, that doesn't mean that businesses have zero control over their costs. Human resources outsourcing can actually reduce healthcare spending and offer rate stability over time.

How? A human resources company can do this because of a) the unique way it is structured and b) its leverage (or buying power) to negotiate with

healthcare providers behind closed doors. As a result, it can offer businesses premiums well below market averages.

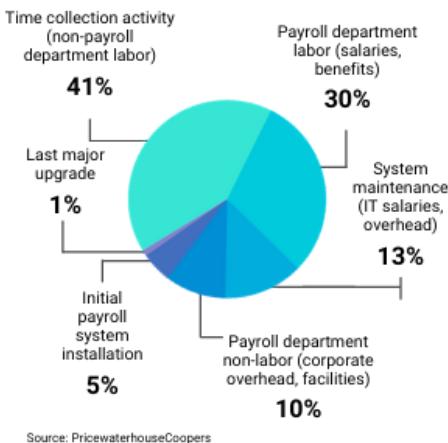
What ROI can I expect?

Recent research has shown that small businesses that outsourced human resources work to a partner realized:

- **\$1,775** in savings per employee per year
- **63%** lower healthcare cost
- **30%** lower workers' compensation costs to name a few

OPTION 2:

In-house Human Resources



With all the time and cost advantages of outsourcing, **why do some employers choose to handle human resources in-house?** Having an in-house human resources person (or team) is critical as a company grows in size, or speed. You'll want to have someone on staff to oversee recruiting, company culture, team initiatives, and handle important "face-to-face" conversations.

Of course, if you choose to handle human resources 100% in-house, your dedicated staff will also need to handle important but tedious administration tasks like running payroll, tracking time and enrolling employees in benefits.

Here are some quick pros and cons:

Pros of In-House HR:

- More face-to-face meetings
- In-sync with company culture/needs
- Ability to control/monitor staff productivity
- Intellectual property stays confidential

Cons of In-House HR:

- Cost of finding the right hire (recruiting, hiring, training etc.)
- Cost of technology to track time/run payroll
- Workload managed by fixed # of people (little flexibility)
- Limited expertise on employment laws

Our Take:

While you might feel an itch to bring everything in-house, it can be expensive. An HR manager in Honolulu earns an average of \$64,000 per year

Adding *additional* staff to grow your team's capacity is an investment. Alternatively, by outsourcing tedious human resources admin, you can free up your busy HR manager's time to focus on recruiting, team culture, and other strategic projects that make your company better.

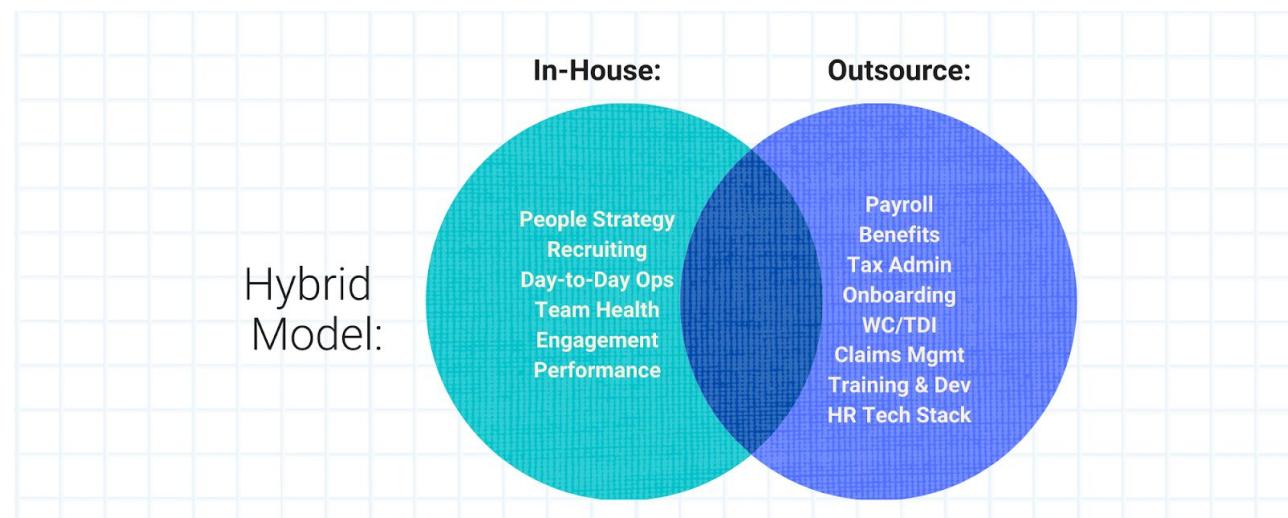
OPTION 3:

Hybrid of In-house & Outsourcing

Bonus: When you work with a human resources partner, you get the added benefit of leveraging their technology to streamline your human resources work.

Lastly, there's another way to handle human resources: **Keep some functions in-house and outsource others**. Consider this hybrid model if you want to hire a dedicated internal professional, but aren't sure if a single employee can handle all of your human resources needs.

To decide which functions to keep and which to outsource, assess your internal resources to see which ones you can do well and which ones you cannot. An internal human resources manager can help with cultural development, talent acquisition and team growth, while an outsourced human resources partner can tackle traditional tasks and activities like payroll processing, tax administration, employee recordkeeping and benefits admin.



Knowing when and how to delegate work is a critical part of running a business. We think human resources is perhaps one of the smartest delegation choices an employer can make. If you're still unsure, [**here are four warning signs**](#) that outsourcing human resources may be your best strategy.

1

You're spending too much time managing HR problems

The more time you spend trying to learn about employment law, the less you spend doing what your business does. When you outsource human resources, you pay someone else to deal with employment related tasks, freeing up your team to focus on actual revenue-generating work.

2

You're worried about your exposure to risk

You or your human resources manager must be aware of business liabilities that exist when it comes to hiring or terminating workers or overseeing employee pay. By outsourcing, businesses can hand off responsibility to someone who is specifically trained in the practical and legal aspects of human resources. The cost of just one tax reporting violation could pay for a year of outsourced human resources.

3

You need to save money

When you have an expert third-party partner handling your company's human resources responsibilities, you spend money, but you also gain time to devote to your core business functions. Plus as mentioned above, you reduce your exposure to legal risks. The overall effect is a healthier bottom line.

4

You can't respond to changes as quickly as you need to

In the era of COVID-19, businesses must act fast. Survival depends on speed. When you outsource your human resources, you have many more resources at your disposal for finding and hiring the individuals you need quickly (or reducing your workforce quickly and navigating unemployment).

Overwhelmed by HR?

We can help.

If you're like many businesses, it's complicated, time consuming and costly to take care of your people and focus on building your business. That's where we come in. ProService has provided Hawaii employers comprehensive human resources services for over 20 years.

When you choose a partner like ProService Hawaii, you don't just get "Human resources services" or some do-it-yourself software. You get an actual team of certified, local HR professionals at a fraction of the cost of a full-time hire.

And not just any team. A team that...

- Helps **save you thousands** on rich benefits packages that **attract top talent**
- Will **ensure you're compliant** with all LOCAL and federal rules
- Knows Hawaii business inside and out to help you **navigate uncertainty**
- Provides **free training** to keep your **employees and customers safe**
- Takes care of **everything HR-related** so you can free up internal resources

ProService helps you save time, save money and take great care of your people while you grow your business. We literally exist to come through for the Hawaii businesses like yours who put their trust in us.

Talk to an expert to see if HR partnership is right for you.
Schedule a 15-minute consult at proservice.com/consult.

"ProService provides the **highest level of expertise** across all of our areas of need, and at a **fraction of the cost** when compared to hiring additional full- time administrative professionals. We truly get the best of both worlds—big savings and the most skilled professionals at our service"

- Rob Lane, CEO, ARC of Maui

