

ETHICAL DELIMNAS IN MANPOWER OUTSOURCING IN INDIA : CHALLENGES AHEAD

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ABSTRACT :

Business ethics is the moral ,evaluation of goals ,policies and practices and decision taken within business organisation as they impact on human well being,fairness, justice ,humanity and in decency. Often business ethics is presented in terms of the decision facing individuals as broad members managers or employees or temptation facing them . An ethical delimna or ethical paradox is a decision making problem between two possible model imperations,neither of which is unambiguously acceptable or preferable. The major ethical issues : accountability ,performance reward management ,potential appraisal ,privacy ,inclusivity of colour and ability ,occupational health ,business reorganisation.Conclusions: Ethical issues, conflicting values, and ambiguity in decision making, are recurrently emerging from literature review on ethical research . Because of lack of clarity in ethical standards, human must develop an awareness of these issues and an effective framework to deal with problems involving human outsourcing .The present paper focuses on different types of HR outsourcing and the factors which need to be considered before a company goes for outsourcing of Human Resource functions. Originality :Based on literature review, the paper makes specific recommendations with regard to the process of HR outsourcing and its pre-requisites; and is an attempt to highlight the fact that HR outsourcing is a double-edged sword; and should be viewed in totality keeping in mind the pros and cons it has.

INTRODUCTION :

Out sourcing is a business practice in which certain functions required by the business are performed by outside parties on a contract basis rather than the business's employees. Outsourcing is often perceived as referring to contract work being done overseas, but it refers to all contract work. Many companies outsource important functions, including IT work, as a way to control costs.The benefits of outsourcing may be many and varied depending on the company, the economy, the type of business and the services involved. Generally, however, outsourcing reduces the cost of services, supplies and labour. A company may also experience increased efficiency by outsourcing operational expertise that would be too difficult or time-consuming to conduct in-house.

Some examples of outsourcing are human resource management, facilities management, supply chain management, management, customer support and service, marketing, computer aided design, research, design, content writing, engineering, diagnostic services, and legal documentation.

There are many benefits of manpower outsourcing which helps in real world are:

- Cost advantages. The most obvious and visible benefit relates to the cost savings that out sourcing .
- Increased efficiency.
- Focus on core areas.
- Save on infrastructure and technology.
- Access to skilled resources.
- Time zone advantage.
- Faster and better services.

Some of the functions most commonly handed over to outside providers include payroll, benefits administration, background checks, drug testing, recruiting and training.

Some of the issues related to HR outsourcing :

Service costs: Understanding the costs for processes that are to be transferred to the outsourcing partner and agreeing upon an appropriate costing model for the same.

Vendor performance: Identification of metrics that'll help capture key business drivers and performance as well as user satisfaction.

Transition of responsibilities: Identifying the key risk factors for the organization and transferring them over to the vendor; developing a plan that highlights the responsibilities and dependencies; ensuring that the outsourcing vendor provides the organization with sufficient training and change management.

Data and information rights: Having inspection rights and obtaining audits on the vendor's systems, premises, personnel and information; ensuring that the vendor's data protection and privacy laws are in compliance with the existing laws; ensuring that the vendor's systems are protected against internal or external misuse and attacks.

LITERATURE REVIEW:

According to **international association of outsourcing professionals** :Outsourcing has been on the mind of many business people but what one associates with the term outsourcing, might be conceived as something completely different by somebody else. The only common ground is the understanding to give a task or process that used to be performed internally to a third-party service provider for fulfilment .

Conceptually, this process of taking services from others is called "outsourcing" and the firm/firms from whom services are received called "outsourcing firm". So, outsourcing is using another source (out + source). **According to IDS (2000, p.vi)**, "HR outsourcing involves suppliers taking on a wide range of administrative and/or transactional tasks across the HR function with the aim of providing these more cost effectively through investment in technology to automate and standardize process.

Different human resource tasks, such as payroll, employee recruitment, benefit administration, employee management are now outsourced by external companies. As Greer, Youngblood, and Gray (1999) observe, HR outsourcing decisions are frequently a response to an overwhelming demand for reduced costs for HR services.

Downsizing and tougher competition mean that the HR function is under increasing pressure to demonstrate value. Outsourcing HR is also seen as an effective way to bypass organizational politics and improve efficiency.

According to a study by **The Society Of Human Resource Management (SHRM)**, over half of all HR professionals have taken advantage of outsourced HR. The top two reasons for outsourcing are the benefits of cost and time efficiencies. That is, the time and money devoted to employee management is better spent by outsourcing HR so that businesses can be devoted to core business functions. Other reasons cited by SHRM include improved compliance, a wider range of offered services, and more experience in the HR field.

Significant factors to consider when outsourcing HR to an individual vendor (according to the SHRM study) include the following:

- A proven track record of the organization
- Cost of services
- Guarantee of service levels
- Flexible contracting options.

It then examines various HR functions suitable for outsourcing: compensation, workforce administration, external recruitment, relocation, employee rewards and recognition, and benefits administration. The special considerations for developing an outsourcing agreement and transitioning from in-house to third-party administration of select HR functions. It concludes with the discussion of successful vendor relationship management.

Explaining about the concept of HR outsourcing, **Kris Lakshmikanth**, founder CEO & managing director of TheHead 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.

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.

HR managers, who spend an estimated 25 percent to 30 percent of their time managing employee benefits, must protect their organization's bottom line while maintaining employee satisfaction. One way for HR to achieve those purposes can be to partner with a third-party benefits administration provider—a practice known as benefits administration outsourcing.

As Prahalad and Hamel says "outsourcing can provide a shortcut to a more competitive product, but it typically contributes little to building the people-embodied skills that are needed to sustain product leadership."

BUSINESS ETHICS :

Business ethics (also known as corporate ethics) is a form of applied ethics or professional ethics, that examines ethical principles and moral or ethical problems that can arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations. These ethics originate from individuals, organizational statements or from the legal system. These norms, values, ethical, and unethical practices are what is used to guide business. They help those businesses maintain a better connection with their stakeholders.

Business ethics refers to contemporary organizational standards, principles, sets of values and norms that govern the actions and behavior of an individual in the business organization. Business ethics have two dimensions, normative business ethics or descriptive business ethics.

Adam Smith said, "People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.

Ethics are the rules or standards that govern our decisions on a daily basis. Many consider "ethics" with conscience or a simplistic sense of "right" and "wrong.

Being the most important element of a business, stakeholders' main concern is to determine whether or not the business is behaving ethically or unethically. The business' actions and decisions should be primarily ethical before it happens to become an ethical or even legal issue.

Some unethical issues are:

1. **Fairness:**The three aspects that motivate people to be fair is; equality, optimization, and reciprocity. Fairness is the quality of being just, equitable, and impartial.

2. **Misuse of company's times &Resources :** This particular topic may not seem to be a very common one, but it is very important, as it costs a company billions of dollars on a yearly basis. This misuse is from late arrivals, leaving early, long lunch breaks, inappropriate sick days etc. This has been observed as a major form of misconduct in businesses today. One of the greatest ways employees participate in misuse of company's time and resources is by using the company computer for personal use.

3. **Consumer Fraud:**There are many different types of fraud, namely; friendly fraud, return fraud, wardrobing, price arbitrage, returning stolen goods. Fraud is a major unethical practice within businesses which should be paid special attention. Consumer fraud is when consumers attempt to deceive businesses for their very own benefit.[112]

4. **Abusive Behavior:**A common ethical issue among employees. Abusive behavior consists of inflicting intimidating acts on other employees. Such acts include harassing, using profanity, threatening someone physically and insulting them, and being annoying.

PROCESS OF HR OUTSOURCING:

HR, as a non-profit centre, is an obvious candidate for outsourcing.

There are many ways in which outsourcing human resources can be done:

- Business process HR outsourcing (also known as BPO), where an external supplier manages discrete HR activities, such as payroll administration or recruitment, or perhaps the whole human resources function.
- Shared service HR outsourcing, where only the transaction or administrative elements of HR's activities are subcontracted to an external supplier. This may include the personal interface with employees.
- Application (and facilities) service HR outsourcing, where external providers look after the technological (and physical) infrastructure to support human resources activities.

There are the following steps of HR manpower outsourcing as follows :

Human Resource Outsourcing (HRO) is a sustainable and competitive method to manage costs and allow a company's core resources to focus on strategic initiatives rather than managing transactional activities in HR operations.

Step 1:

Map out the current human resource management functions. List all the functions that the HR department provides, from employee recruitment to exit.

Ex. Recruitment & Selection, orientation, performance management, compensation and benefits, training, career development, succession planning, exits.

Step 2:

Identify areas of the human resource management operations that need to be implemented or improved.

Step 3:

Calculate the cost of the HR department. Also, keep the opportunity cost in mind.

Step 4:

Learn about the available service options for the company's needs.

Step 5:

Find an expert representative or broker for an HR outsourcing service

Step 6:

Purchase and Implement. The new human resource management provider will help implement the outsourcing service.

HR OUTSOURCING REASONS AND BENEFITS :

Reasons :

1. You will save money .
2. You can mitigate risk .
3. You can offer services you couldn't otherwise.
4. Your team can focus on core business processes.
5. You will have better access to technology.
6. Your regulation compliance can improve.

Benefits :

1. Cost effective services .
2. Easy risk management .
3. Increase efficiency .
4. Management of employee performance and organizational development .
5. Flexibility

According to the survey by **The Society for Human Resources Management (SHRM)** identified the most common reasons why companies choose to outsource:

- 26% of companies outsource to save money
- 23% of companies outsource to focus on strategy
- 22% of companies outsource to improve compliance
- 18% of companies outsource to improve accuracy
- 18% of companies outsource due to a lack of experience in-house
- 18% of companies outsource to take advantage of technological advances

PROBLEMS WITH OUTSOURCING:

1. **Expectations** :Many companies have certain expectations of how things will work in theory. Often, they do not work out as smoothly in practice.

2.**Organizational culture outsourcing problems**:Outsourcing will undoubtedly have an impact on your organizational culture.

3. **Process adjustments**:Once you agree to terms with a service provider, many companies are not prepared to actually start working together right away.

Do's for HR Outsourcing

- Have a clear vision of what outsourcing should achieve
- Understand the scope of the services to be outsourced
- Outsource the performance of a function, not the responsibility for it

Don'ts for HR Outsourcing

- Don't outsource strategic, customer, or financial management
- Don't let the goal of cost savings dominate everything else
- Don't think that outsourcing is the answer to every problem .

ETHICAL DELIMNA:

An ethical delimitation or ethical paradox is a decision making problem between two possible moral imperatives , neither of which is unambiguously acceptable or preferable.

An ethical delimitation is when a person has to choose between two options ,with morally correct but are in conflict.

- Universal Ethics
- Professional Ethics
- Social Ethics

CONCLUSION:

As what I said in this paper that the human resource outsourcing is the most important aspect in the current scenario. Many of the hr outsourcing companies HR functions include Payroll administration (producing checks, handling taxes, dealing with sick time and vacations),employee benefits (Health, Medical, Life insurance, cafeteria,etc), human resource management (hiring and firing,background interviews, exit interviews and wage reviews),risk management (workers' compensation, dispute resolution,safety inspection, office policies and handbooks) and others.

When ethically speaking you can't quickly be sure if one action is more or less wrong or right than another. When acting ethically is in direct conflict with self-serving interests of individual or group enterprise. HR firms provide all kinds of specialized services, and develop employee handbook, set up compensation program, or establish a performance management system to evaluate employees.

However Human Resources Outsourcing should be done because:

- Large organizational size is no longer a competitive standard.
- Small, agile niche competitors can now change industries and cost structures overnight.
- Competitive pressures are more severe in a global economy.
- Product and service cycle times have reduced dramatically, and time based competition demands quicker response.
- Investors and analysts demand a focused management that delivers.
- Bottom line performance, growth and size are no longer predictors of future profits.

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