



Human resource services in Europe

Europe accounts for about a third of the global human resource services outsourcing market. This makes it the world's main market for this sector. Cost reduction continues to be its main driver. However, added value like analytics and consultancy are becoming increasingly important. Outsourcing also gives European companies access to specialised knowledge and the latest technological developments.

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1 . Product description

What are human resource services?

Human resources are the people who make up the workforce of an organisation, the personnel. Human resource services consist of the administrative services for managing and administering human resource processes across all areas.

Examples of such services include the following:

Workforce administration

- Maintaining a full administration of staff
- Maintaining and processing timesheets
- Processing sick leave of employees
- Processing requests for absence and holiday

Staffing and recruitment processes

- Building and publishing job vacancies
- Matching responses and résumés against open positions and selecting candidates
- Setting up job interviews
- Creating job contracts and benefits packages

Performance management services

- Maintaining a database of performance criteria
- Consolidating performance data into performance database
- Managing performance review processes

Learning and development services

- Creating and maintaining an education framework/curriculum
- Creating (eLearning) content
- Managing and maintaining an eLearning platform
- Maintaining a personal learning progress database

Remuneration

- Processing remuneration systems
- Processing remuneration related changes (roles, salaries, bonuses, working hours)
- Creating (monthly) remuneration entitlement (salaries) and fulfilment (payment)
- Processing administrative work (tax and social benefit declarations and payments)

Retirement and financial services

- Managing and maintaining a retirement benefit programme and administration
- Fulfilling periodic pension payments
- Fulfilling other benefits

Advocacy services

- Legal or other expert support for personnel or human resource departments in clarifying or resolving benefit issues involving:
 - contracts
 - remuneration
 - health insurance
 - retirement benefits.

Why do European companies outsource human resource services?

Cost reduction

[Cost reduction continues to be the main reason](#) for European companies to outsource business processes. This includes the outsourcing of human resource services. [Outsourcing can considerably lower the total cost of human resource services](#), ranging from 15% to as much as 55% for small and medium-sized enterprises (SMEs).

Tips:

- Focus on competitive pricing while maintaining high-quality services.
- Be transparent in your pricing: avoid hidden costs.
- Emphasise the cost savings a company can gain from outsourcing their human resource services to you.
- Provide case studies that illustrate the achieved cost reduction for your customers.

Efficiency improvement

Another important reason for European companies to outsource human resource services is the

search for increased efficiency. Outsourcing human resources can improve efficiency through, for example, access to specialised expertise and improved human resource management systems and metrics.

Tip:

- Describe how outsourcing human resource services to your company can achieve efficiency improvements for your potential customers.

Added value

European buyers of human resource services look for providers that offer services with added value. They increasingly focus on higher-end value propositions and are willing to change providers in this light.

Services that generate added value include:

- providing industry specific expertise
- analytical services
- human resource consultancy services.

Added value occurs when your additional service, such as a thorough analysis of financial data, leads to new insights that allow your client to take actions that increase their revenue, lower their cost and increase the quality of their products and services.

Tips:

- Find your company's competitive edge and use it to define the added value you can offer your potential buyer.
- Emphasise the added value of your services in your marketing activities.
- Specialise in human resource services for a particular industry. Obtain references that prove your industry expertise.

Access to technology

Technology plays an important role in European human resource departments. The successful delivery, support and management of any human resources process increasingly depend on up-to-date technology. Human resource outsourcing gives companies access to the latest technologies, without the burden of high investments.

The human resource service provider is responsible for such matters as the necessary hardware, software, system integration, maintenance and system enhancement.

Tips:

- Stay up to date on emerging technology trends and developments.
- Explore how you can apply them in your human resource services/solutions.
- Some interesting sources for technological trends in Human Resource Management

include [Future HR Trends](#), [Workforce](#), [Human Resource Executive Online](#) and [Society for Human Resource Management](#).

What are the challenges when it comes to outsourcing human resource services?

Data security

Data security is of the utmost importance to European companies. This is especially relevant to outsourcing human resource services, as these projects often contain sensitive material. European companies expect their service providers to be discrete and comply with full confidentiality.

However, European companies generally perceive offshore data security to be of inferior quality. National regulations vary considerably. For example, according to German law, certain types of data must be stored within the country.

[The European Union currently considers data appropriately protected in a select number of countries:](#)

- the 28 countries of the European Union
- the three countries inside the European Economic Area – Iceland, Liechtenstein and Norway
- countries with “adequate” data protection laws – Andorra, Argentina, Canada, Faroe Islands, Israel, New Zealand, Switzerland and Uruguay, as well as the British Islands.

This makes it even more important for you to show potential European buyers that your human resource services are secure.

Tips:

- Provide clear information about your company’s data security and privacy measures. This reflects awareness and experience and enhances trust in your company.
- Invest in a secure, reliable infrastructure.
- Apply for security standards like the [ISO 27000 series on information security](#) to support your commitment to data security.
- Offer a Non-Disclosure Agreement.
- Partner with onshore (cloud) service providers, especially if you work with companies in countries that require you to store data onshore.
- Make sure you comply with [European data protection frameworks](#). See the requirements section for more information.

Language skills

Providing human resource services for European companies requires good language skills, at least in English, but preferably also in the main language of your European target country. If the level of English in your company is not sufficient, your chances on the European market are limited.

Tips:

- Make sure that you have staff with good English skills in your company.
- Focus on countries whose language your staff is fluent in, or you could recruit staff for.

2 . Which European markets offer opportunities for human resource services?

Growing human resources outsourcing market

[Europe and the United States each account for about a third of the global human resource outsourcing market.](#) Within Europe, the main markets for human resource outsourcing include:

- the United Kingdom
- Germany
- France.

[The market for human resource process outsourcing is expected to continue growing between 2015 and 2017.](#) Some 35% of companies plan to begin or increase their outsourcing. A further 51% intend to keep their outsourcing of human resource services level. This makes [human resource services the second most promising outsourcing sector](#), after financial services.

Tips:

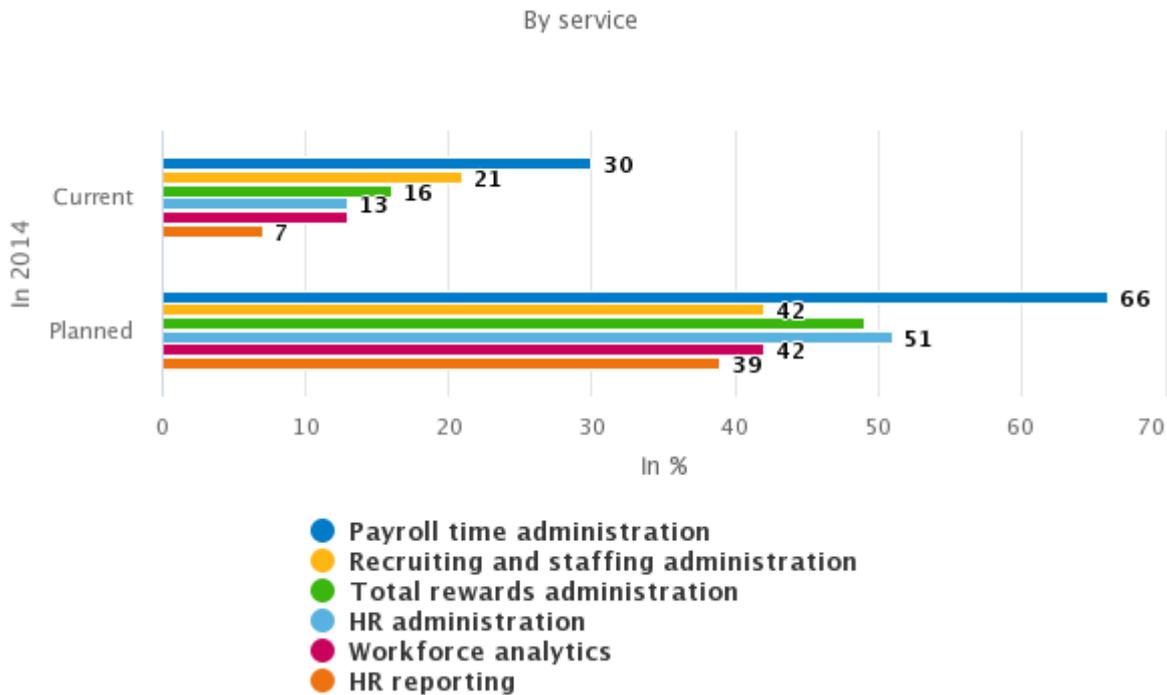
- Target western European countries, as human resource outsourcing is highest there.
- Focus on countries where you already have a network, or whose language you speak.

Growing demand for value-added human resource services

[Basic, standardised administrative processes are traditionally the most outsourced human resource services.](#) This type of service doesn't require thorough expertise, making it relatively easy to train service providers' staff.

However, European companies are increasingly outsourcing more value-added and judgement-based human resource services. This includes workforce analytics and HR reporting, but also consultancy, talent management and recruitment.

Figure 1: Most outsourced human resource services



Source: Deloitte

Tips:

- Start with offering more standard human resource services, like payroll and benefits administration. When you have established a solid relationship with you European partner, you can include more judgement-based services.
- Offer human resource analytical services, as this is a growing segment. However, you should have long-term outsourcing deals and/or expertise in industry-focused data analysis, knowledge services and risk and compliance.
- Specialise in human resource services for a specific industry to strengthen your value proposition. European companies prefer service providers with expertise in a specific service or industry.

3 . Which trends offer opportunities on the European market for human resource services?

Technological developments

Technological developments are behind some key trends in human resource services outsourcing.

Cloud computing

An important development is the rising use of cloud computing in human resource services. Providers are increasingly delivering their services via cloud-based solutions. This gives clients easy and secure access to their human resource information. Companies themselves are also increasingly switching from licensed software on premise (-8% in 2015) to software in the cloud, via Software as a Service (SaaS) subscriptions (+5% in 2015) or hybrid solutions (+9% in 2015).

Robotic Process Automation (RPA)

Robotic Process Automation continues to be a main trend in business process services. However, human resource services often require human decision-making. This means a combination of outsourcing and automation may offer the most cost savings for your client.

When it comes to implementing new technologies, [data security is a “must have”](#). Predictive analytics, mobile access and social features are also among companies’ main requirements.

Therefore, other key human resource technology trends include:

- analytics - workforce analytics and big data tools to analyse the job market and recruitment advertising
- mobile applications - mobile learning, recruiting, collaboration and employee management
- tools to enable social learning, knowledge management and training administration
- social media - recruitment services.

Tips:

- Invest in new technologies that add value to your services.
- For more information, see our studies about [cloud computing](#), [big data](#), [mobile applications](#) and [social media](#).
- See [The Ultimate Guide to HR Automation](#) by Laserfiche for more information on automating human resource services.

Selective outsourcing

Selective outsourcing is a continuing trend in human resource services outsourcing. It refers to companies only outsourcing specific activities, while performing other human resource tasks in-house. This is especially suitable for tasks that are not core business functions but that do require specialised knowledge. Outsourcing these activities saves companies time and costs. It gives them access to the required expertise and allows in-house employees to focus on core business.

Tips:

- Offer selective outsourcing services.
- Clearly communicate the human resource services your company specialises in.
- Assist potential buyers in identifying which tasks they can outsource to you.

See our study about [trends on the European outsourcing market](#) for more information on general trends.

4 . With which requirements must human resource services comply to be allowed on the European market?

With which legal and non-legal requirements should you comply?

Although European legislation does not directly apply to you, it does apply to your European buyers. This means the services you provide for them should comply with these regulations.

European legislation on rights at work

The European Union's labour law consists of a set of Directives that define European workers' rights which includes the following.

[Health and safety at work](#)

Directive 89/391/EEC provides measures to improve safety and health at work. It defines the responsibilities and rights of both employers and employees.

[Tackling discrimination at work](#)

European workers have a right to equal opportunities. Directive 2000/78/EC ensures equal treatment in employment and occupation.

In Europe, it is illegal to discriminate against people based on their:

- gender
- racial and ethnic origin
- religion and belief
- disability
- sexual orientation
- age.

[Labour law](#)

The European Union's labour law covers two main areas:

- [working conditions](#) - working hours, part-time & fixed-term work, posting of workers
- [employee involvement](#) - informing & consulting workers about for example collective redundancies.

The Directive on the [Transfer of Undertakings for the Protection of Employees \(TUPE\)](#) is also relevant to the process of outsourcing. It protects employees' when a company or part of one, like a Human Resource department, transfers to a new employer. It allows staff to transfer to the new service provider on the terms of their existing contracts. In theory, this also applies to international outsourcing. In practice, European staff is unlikely to relocate to your country.

Tips:

- To provide good human resource services to European companies, you should be familiar with European law.
- For more information, see the European Commission's [rights at work](#).
- Study the TUPE Directive and discuss possible implications for outsourcing with your European customer.
- Research the national TUPE legislation in your target country, as the exact regulations may differ. See, for example, that of the [United Kingdom](#).

National tax and labour laws

European Union Member States are free to adopt national legislation that is stricter than the EU directives. Each European country has its own tax and labour laws. When targeting the European market, you should know and understand these laws to provide good service and ensure quality.

For example, if you provide human resource services related to retirement you should know the legal retirement age in your target market. In many European countries, this is gradually moving

from 65 to 67.

Tip:

- Study the employment laws and health & safety legislation in your European target country. Keep in mind that tax and labour laws change frequently.

European data protection legislation

The European Union protects the privacy of its citizens with the [Data Protection Directive](#) (95/46/EC), by regulating the:

- processing of personal data
- free movement of personal data.

For example:

- Personal data may only be processed with the consent of the subject.
- Personal data must be processed confidentially and securely.

The vast changes in technology since 1995 demand a stronger, more universal regulation. Therefore in May 2016, the new [General Data Protection Regulation](#) (GDPR, EU 2016/680) and [Directive \(EU\) 2016/680](#) on data protection came into force. This GDPR is set to replace the original Data Protection Directive. All Member States must implement it in national legislation by May 2018. As they are free to apply stricter rules; exact legislation varies per country.

The main change you have to prepare for is that the GDPR makes you responsible for data protection. Under the old directive, any data by which an individual can be identified was the sole responsibility of the data controller (owner). However, under the GDPR any company or individual that processes data is also responsible for its protection. This includes parties from outside the European Union, like you. This means your data protection systems need to be in order.

Tips:

- Read more about the [protection of personal data](#) on the website of the European Commission. It will also keep you updated on the reforms of the European data protection legislation.
- Study the national data protection legislation of your European target countries.

5 . Which additional requirements do buyers often have?

Voluntary data security ISO standards

Data security is one of the main challenges for service providers. This includes both data protection and recovery systems. Many European buyers expect you to have information security and management systems in place, especially in industries where security is essential, such as finance and banking or mobile applications. The [ISO 27000-series on information security](#) contains common standards.

Tips:

- Make sure you have effective security processes and systems in place, from business continuity and disaster recovery to virus protection.
- Ask your buyer to what extent they require you to implement a security management system like the [ISO 27002 code of practice for information security](#).

See our study about [buyer requirements on the European outsourcing market](#) for more information.

6 . What competition will you be facing on the European human resource services market?

Competition on the European human resource services market does not differ significantly from the outsourcing market in general. See our study about [competition on the European outsourcing market](#) for an overview. Also refer to our [top 10 tips for doing business with European buyers](#).

Nearshoring more popular than offshoring

European companies prefer to outsource services to providers within the same country (onshoring). When outsourcing abroad they prefer nearshore locations because of proximity, language, cultural similarities and the little or no time difference. These are usually Eastern European countries, due to their relatively low wages, such as Poland, Bulgaria and Romania.

However, prices in nearshore countries are rising. This development makes service providers in these countries less competitive for offshore service providers. It makes European companies more open towards outsourcing to destinations further away. You can choose to form subcontracting partnerships with these nearshoring providers, or compete with them.

[Offshoring destinations with the strongest potential](#) are:

- India
- China
- Malaysia
- Brazil
- Indonesia.

According to industry experts, the most promising segments for you as an offshore service provider are:

- workforce administration
- staffing and recruitment processes
- performance management services
- payroll services.

This is because these services are less complex, more standardised and require relatively limited language skills.

Tips:

- Limit the possible disadvantages of being offshore. Provide excellent communication, availability in the required time zone and good security and privacy measures.
- Focus on more standardised human resource services.
- Distinguish yourself from onshore and nearshore providers to remain competitive. Emphasise how you are different in your marketing message. Do not just compete on

price, but also analyse what other advantages you can offer, such as access to skills, specialised industry expertise or around-the-clock operations (24/7).

- Research what your competitors are doing right and wrong. This can help you distinguish yourself from them.
- Partner with nearshore service providers, as Eastern European companies are looking for cheaper destinations. Many service providers in developing countries have not yet recognised this opportunity.

7 . Which channels can you use to put your human resource services on the European market?

Subcontracting by European service providers

Subcontracting by European human resource service providers may be a good and realistic market entry channel for you. It entails European service providers subcontracting human resource assignments to you that end-user companies have contracted to them. These local service providers know the local market well and already have a buyer network. Another advantage of subcontracting are the low up-front capital investments.

Tips:

- Focus on service providers that offer the same type of services or serve the same industries as your company.
- Attend relevant industry events in your target country to meet potential partners. This also allows you to learn more about their business culture. These include [HR Director Summit](#) and [London HR Connection](#) in the United Kingdom and [HRO Today Forum EMEA](#) at different locations.
- Use industry associations to find potential customers in Europe, like the [Chartered Institute of Personnel and Development](#).
- National outsourcing associations can also be interesting sources to find potential buyers, such as the [Global Sourcing Association](#) in the United Kingdom, [Outsourcing Verband](#) in Germany and [Platform Outsourcing](#) in the Netherlands.

Direct partnerships with end users

A direct partnership with an in-house human resource department can be successful, but is generally complex. In-house employees often have a fixed contract, which means you have to take over employees, as they cannot easily be laid off.

Direct nearshoring/offshoring of human resource services is more common among large European end users. Many smaller European companies are still hesitant towards it. They generally prefer to outsource their human resource services to service providers within their country.

Tips:

- Develop good promotional tools, such as a professional company website and a company

leaflet. Also invest in Search Engine Marketing, so potential buyers can easily find your company online.

- If you specialise in human resource services for a specific industry, approach in-house human resource departments in the same industry directly.

Intermediary

You can approach European service providers and end users of human resource services directly or through an intermediary. A local contact person is an advantage, especially if you are located in a lesser-known outsourcing destination. Intermediaries, such as a consultant/matchmaker or sales/marketing representative, can therefore be an important channel to establish contact with potential buyers.

See our study about [market channels and segments on the European outsourcing market](#) for more general information. Also refer to our study on [finding buyers in the European market](#).

8 . What are the end-market prices for human resource services?

Price is an important reason for European companies to outsource human resource services to developing countries. Salaries make up a large share of the costs of a human resource department. This means outsourcing to countries with lower wages can lead to considerable savings.

For example, the average salary of a general human resources employee in London is between €30,000 (assistant) and €125,000 (director) per year. Salary levels of human resource employees in developing countries are often significantly lower.

Tips:

- Research the average salaries for social media service providers in your European target country, for example via [Payscale](#), a global database for salary profiles.
- Emphasise the potential salary savings in your marketing activities.

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