



CBI Product Factsheet: Human resource services in the UK

'Practical market insights into your product'

Human Resource (HR) departments in the UK are becoming smaller. This is predominantly the result of the search for cost savings due to the economic crisis and continuing economic uncertainty. Cost management is the top priority of UK HR departments in 2013 and the upcoming years. Outsourcing HR services can reduce the cost of HR significantly, especially when they are offshored. In 2012, over half of the HR professionals in the UK stated that they were outsourcing certain HR activities. Moreover, an increasing percentage of UK companies are planning to offshore HR services. The UK market therefore provides interesting opportunities for HR service providers from developing countries (DCs).

Product Definition

HR services comprise administrative services for managing and administering HR processes across all HR areas. Examples of HR processes can be found in Table 1.

Table 1: Overview of HR processes and examples of services related to these processes

Process	Examples of services
Workforce Administration	<ul style="list-style-type: none"> - Maintaining a full administration of staff - Maintaining and processing timesheets - Processing sick leave of employees - Processing requests for absence and holiday and matching them against registered hours
Staffing and Recruitment Processes	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - Maintaining a database of performance criteria - Consolidating performance data into performance database - Manage performance review processes
Learning and Development Services	<ul style="list-style-type: none"> - Creating and maintaining education framework/curriculum - Creating (eLearning) content - Managing and maintaining eLearning platform - Maintaining personal learning progress database
Remuneration	<ul style="list-style-type: none"> - Processing remuneration system - Processing remuneration-related changes (roles, salaries, bonuses, working hours, fringe benefits allowance) - Creating (monthly) remuneration entitlement (salaries) and fulfilment (payment) - Processing related administrative work (tax and social benefit declarations and payments)
Retirement and Financial Services	<ul style="list-style-type: none"> - Managing and maintaining retirement benefit program and administration (pension, early retirement benefits) - Fulfilment of periodic pension payments - Fulfilment of other benefits
Advocacy Services	<ul style="list-style-type: none"> - Legal or other expert support for personnel or HR department in clarifying or resolving benefit issues around for example contracts, remuneration, health insurance, and retirement benefits

Source: Interviews with industry experts

HR outsourcing

HR processes can be kept within the company (in-house) or outsourced, which means that the processes are delegated to external service providers. Outsourcing can take place:

- Onshore: to providers within the same country (onshoring).
- Nearshore: to foreign providers within the region (nearshoring). For example: Central and Eastern European countries and North African countries for Western Europe, and Canada and Mexico for the United States.
- Offshore: to foreign providers outside the region, typically overseas (offshoring). For example: Asian and Latin American countries for Western Europe, and Africa and Asia for the United States.



Product Specifications

The most important product specifications of HR services as required by UK buyers are described below.

- **Increased efficiency.** One of the main reasons for companies in the UK to outsource HR services is the need for increased efficiency. Efficiency improvement can be achieved by access to improved HR information systems and HR expertise, improved HR metrics, and focus on their core business.
- **Cost saving.** HR outsourcing can lower the total cost of HR service delivery by 20% to 30% according to research of the Outsourcing Institute. Cost reduction is in fact cited as the most important reason to restructure HR by 44% of HR professionals in the UK public sector and by 18% in the UK private sector according to research of the UK Chartered Institute of Personnel and Development (CIPD). Furthermore, HR outsourcing also gives companies access to new technology that they could not have afforded themselves, for example employee self-service.
- **Industry knowledge.** UK buyers have become more demanding in their requirements of outsourcing providers regarding industry knowledge, which is why they prefer providers specialised in a specific industry.
- **English language skills.** Providing HR services for the UK market requires good English language skills. If the level of English in your company is not sufficient, your chances on the UK

Considerations for action

- Study websites of UK HR service providers to gain insights into buyer requirements on the UK market. Find out e.g. which HR services they offer and which benefits/unique value propositions. This information can help you to better adjust your service offering to the UK market.
- Describe how outsourcing HR services to your company can achieve efficiency improvements for your potential customers.
- Be transparent in cost benefits: avoid hidden costs.
- Provide case studies in which you describe the cost reduction achieved for your customers.
- Specialise in HR services for a particular industry. Obtain references in that industry to prove your industry expertise and experience.
- Make sure that you have good English-speaking staff in your company.

market are very limited.

- **(Data) security.** Security of sensitive data is very important for UK buyers of HR service as outsourcing HR services makes information more vulnerable for attacks. This is even more of a threat when offshoring HR services, since the security of offshored HR services is perceived as being of an inferior quality compared to onshore or even nearshore.
 - **Effective communication.** UK companies that currently outsource HR services indicate that effective communication is required to keep the quality of the outsourced work high. This is an area where there is room for improvement.
- Proactively address major concerns of UK companies regarding HR services to reflect awareness and experience while enhancing trust in your company.
 - Provide clear information about your company's security measures.
 - Apply for security standards to support your commitment on data security.
 - Emphasise in your sales pitch that clear, effective communication is important to you.
 - Plan regular contacts and communicate clearly with your customers to ensure quality and avoid misunderstandings.

Legal requirements

- **Personal data protection in electronic communications.** Privacy is a highly protected good in the EU. The EU regulates the protection of individuals with regard to the processing of personal data and on the free movement of such data. Providers of technical services regarding electronic communications to EU companies have to take into account the EU legislation on personal data protection (Directive 2002/58/EC and Directive 95/46/EC). The requirements relate to the protection of the privacy of EU users of technical services, which also include HR services. The EU legislation on personal data protection is very important for social media service providers, also in developing countries (DCs).
 - **National tax and labour laws.** Each country has its own tax and labour laws. HR service providers that want to target the UK market have to know and understand these in order to be able to provide good services and ensure quality. If you provide for example HR services related to retirement, you have to know that the retirement age in the UK is planned to move from 65 to 66 and 67. Keep in mind that tax and labour laws change frequently.
- **Considerations for action**
 - Providers outside the EU can be held responsible for violations of EU data protection requirements. It is therefore important that you comply with the EU legislation on personal data protection. Refer to [EU legislation: Personal data protection in electronic communications](#) for more information.
 - Have a company security policy for personal data protection.
 - Study the Employment law and Health & Safety law in the UK. The website of <https://www.gov.uk/browse/working> is a good starting point since it provides information on the UK laws for employment and health and safety. For general information about tax laws in the UK, visit the website of [UK's Tax Authority](#).

Non-legal requirements

There are some additional standards/certifications that could be relevant when you want to target the UK HR market. Please note that the standards/certifications mentioned are in general of less importance for smaller companies.

Quality requirements

- **ISO 9001.** The ISO 9001 standard represents requirements for the
- ISO 9001 is one of the best known quality standards among UK companies. Applying

development and implementation of a quality management system in an organisation.

- **Sourcing Capability Model for Service Providers (eSCMSP).** This model helps sourcing organisations manage and reduce their risks while improving their capabilities across the entire sourcing life cycle. The Model's Practices can be considered to be the best practices associated with successful sourcing relationships. Where most quality models only focus on delivery capabilities, eSCMSP also addresses critical issues associated with the initiation and completion of a contract.

Security requirements

- **ISO 27002.** ISO 27002 is the standard governing information security and management. It provides the industry-approved model for an Information Security Management System (ISMS) and addresses the confidentiality, integrity, and availability of information within an organisation. ISO 27002 (and its ISO 27001 counterpart) has rapidly become the worldwide standard for information security, helping organisations achieve compliance with the Data Protection Act and Computer Misuse Act.

for ISO 9001 is therefore recommended. Refer to the website of [ISO](#) for more information.

- eSCMSP is less known than ISO 9001. However, it might help in gaining trust and proving your capabilities. Refer to the website of [ITSQC](#) for more information about the model and its certification process.
- Adopting the ISO 27002 standard is a must for service providers that deal with sensitive information of their customers. For more information on ISO 27001/27002 standards, go to <http://www.27000.org>.

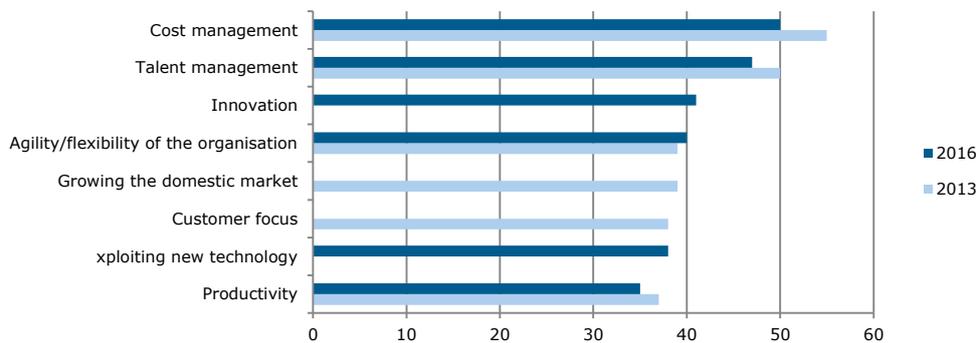
Trade and Macro-Economic Statistics

- **HR departments in the UK are getting smaller.** Almost half of UK HR departments remained the same size in 2012 compared to a year before, according to a survey of CIPD. 26% of UK HR departments decreased in size while 22% increased in size. These figures show that HR departments in the UK are becoming smaller. This is predominantly the result of the search for cost savings due to the economic crisis and continuing economic uncertainty. Cost management is in fact the top priority for UK HR departments in 2013 and the upcoming three years (Figure 1). The main reasons for the reduction in size of HR departments include employees leaving and not being replaced (54%), redundancies (47%), and redesign of job roles (mostly because of outsourcing) in HR (37%).

Considerations for action

- Benefit from the search for cost savings by UK companies. As HR outsourcing can lower the total cost of HR service delivery by 20% to 30%, this can be an interesting way for UK HR departments to reduce costs. You should therefore emphasise this in your marketing.

Figure 1: Top priorities of UK HR departments, in %, in 2013



Source: CIPD

- Managing performance the strongest focus area of UK HR departments.** Managing performance was in 2012 the main focus area for the majority of UK HR departments, followed by leadership development and employee engagement (Figure 2). HR service providers could respond to that by offering services that correspond to these focus areas.
- Consider focussing on HR services related to performance management, leadership development and employee engagement since these are very important areas for UK HR departments.

Figure 2: Areas of focus of UK HR functions by UK HR departments, in %, in 2012



Source: CIPD

- Single HR team most popular HR model.** A single HR team with a mixture of expertise is the most adopted HR model in the UK. The use of the three-legged model showed the highest increase, from 22% in 2010 to 28% in 2012. The three-legged model is a model that consists of a HR service centre carrying out routine, transactional HR work, centres of expertise providing specialist advice to all parts of the business, and HR teams embedded in business units providing their leadership teams with support on people issues. Percentages can vary greatly by segment (Table 2). HR
- Scan the popular forms of HR models in the segment that you want to target. You can ask your potential partner what HR model he works with and adapt your services to that model.
- Consider becoming an HR specialist in order to distinguish yourself from the majority as most HR professionals in the UK are generalists.

specialists are more likely to be working in the public sector (25%) than in the private sector (18%). Also, larger organisations employ more specialists (25%) than SMEs (7%). The first 'leg' (carrying out routine, transactional HR work), is currently the most promising for DC HR services providers, according to industry experts.

Table 2 Different types of HR model adoption, by segment and size of organisation, 2012, in %

	All	Private	Public	SME	Large
The three-legged model	28	24	40	4	39
A single HR team with generalists, specialists, and administration together	41	44	28	64	32
A corporate HR strategy team with operational teams providing all HR services, aligned to business units	12	10	17	5	14
A corporate HR strategy team with operational teams providing all HR services, aligned by location	5	6	3	2	6
A set of specialist services provided centrally, with business unit HR teams providing the rest of HR services	5	4	7	1	6
A small, central HR function with largely outsourced HR activity	2	3	1	7	1
Other	6	7	2	14	2

Source: CIPD

- Over half of HR departments already outsource.** In 2012, 54% of UK HR departments outsourced (part of) their HR activities, according to CIPD research. 18% of HR professionals reported that the use of outsourcing in HR departments increased between 2011 and 2012 and only 7% reported that their use of outsourcing decreased. Larger organisations outsourced more HR activities than smaller organisations. The HR functions that are mostly outsourced by UK companies are legal, payroll, and pensions. Training, recruitment and selection, employee assistance, compensation and benefits, and outplacement follow closely.
- Increase in offshoring of HR services.** When it comes to offshoring, in 2012, 31% of UK companies said they were planning to offshore HR processes, which is an increase compared to other years and a larger increase than in any other segment (IT, finance or contact centres). In 2013, India continues to be the most popular destination for offshoring HR services for UK companies according to CIPD and a study conducted by the University of Portsmouth. Ireland and Eastern European countries are popular nearshore locations due to their proximity and English language skills. According to industry experts, workforce administration, staffing and recruitment processes, performance management services and payroll are the most promising segments for nearshoring/offshoring as these services are less complex, more standardised, and require limited language skills.
- Make sure you understand the UK HR services market before approaching potential customers so that you can better adjust your product, price, promotion, and distribution strategy to the UK market. Study for example which HR services are being offered. Also look at competitors that are active on the UK market as their service designs, pricing, choice of trade channels, and promotion strategies are based on market research done prior to yours.
- Consider focussing on HR departments of large UK companies as they tend to outsource HR activities more frequently than smaller companies.
- Explore the possibilities of partnering with UK HR service providers. They have insight into the requirements of UK end user companies of HR services and already have a network of existing customers.
- Offshore HR service providers should limit the possible disadvantages of being offshore by providing excellent means of communication, availability in the required time zone, and good security and privacy measures.
- Consider focussing on workforce administration, staffing and recruitment processes, performance management services, and payroll as these services have the highest potential for nearshoring/offshoring.

Labour costs

- **Labour costs lower in DCs.** Labour costs form a large share of the costs of a HR department. The average salary of a generalist HR employee in London area lies between €30,000 (assistant) and €125,000 (director) per year. Salary levels of HR employees in DCs can be significantly lower. Besides salaries, companies also have to pay for social contributions and for fringe benefits for their employees, which make employee costs even higher. Outsourcing HR services to DCs can therefore accomplish substantial cost savings for UK companies.

Considerations for action

- Calculate the cost savings in labour costs a UK company can achieve when they outsource their HR services to you and emphasise this in your marketing message. Compare for example salaries of HR employees in the UK with your employees' salary. Salaries in HR functions vary greatly between sectors and between regions in the UK. For detailed salary specifications by sector, region, and expertise, check out the [HR salary guide 2012](#) by Hudson.

For more information on statistics and macro-economic indicators in the EU+ EFTA BPO market in general, refer to CBI Trade watch for BPO.

Market Trends

Social market drivers

- **Shortage of employees.** Vacancies in HR were in the top 10 of most difficult vacancies to fulfil in the UK in 2012 according to the CIPD. This is because there is a shortage of qualified HR professionals, which offers opportunities for DC HR service providers.

Considerations for action

- Emphasise in your marketing message the availability of qualified HR employees.
- Ensure a high service level by developing an internal training policy for your employees to advance and keep their skills up-to-date. This also shows to potential customers that you find training and staff motivation important.

Technology market drivers

- **The rise of Software as a Service (SaaS).** Continuing advances in cloud computing, particularly SaaS, makes professional standard HR software available to UK SME's without major advance investment (pay per use) and without need for extensive maintenance. The use of HR software by UK companies is therefore expected to increase. HR service providers can take advantage of HR SaaS solutions by providing services around this software from data entry to analysis. Since this software is standardised across clients and provided online, there are very few technological and financial barriers to providing these services.
- **HR departments are increasingly using new technology.** HR departments in the UK are increasingly using new technology like mobile applications (mobile learning, recruiting, collaboration, and employee management), analytics (Big Data tools to analyse the job market and recruitment advertising), and new tools to enable social learning, knowledge management, and training

Considerations for action

- Identify the SaaS software applications that have sufficient market penetration and match your capabilities for providing HR services. Ensure that you have sufficient knowledge of this software and professional knowledge of the business application of that software.
- Invest in new technology that enhances the quality of your services, e.g. mobile HR applications or HR analytic tools.
- Work with technological applications that enable effective communication with your potential customers, such as Skype or Yammer.

administration. For DC HR providers, this means that they will have an advantage if they provide HR services that are based on the newest technology solutions.

Economic market drivers

- **Cost reduction main reason to offshore HR activities.** Due to the economic recession and continuing economic uncertainty, cost reduction has regained importance among UK companies. The key driver for offshoring has come back to operational cost reduction. This offers opportunities for DC HR providers, as they generally can provide HR services at a lower cost than in the UK.
- **HR data and metrics are important when making HR decisions.** In 2012, two-thirds of UK HR professionals indicated that HR data highly influences business decisions according to the UK Chartered Institute of Personnel and Development (CIPD). There are opportunities for service providers that can offer improvement in the field of communicating and interpreting people measures (measures to maximise return on the skills and abilities of employees) in order to achieve competitive advantages. Less than half of the UK HR professionals say they do this effectively.

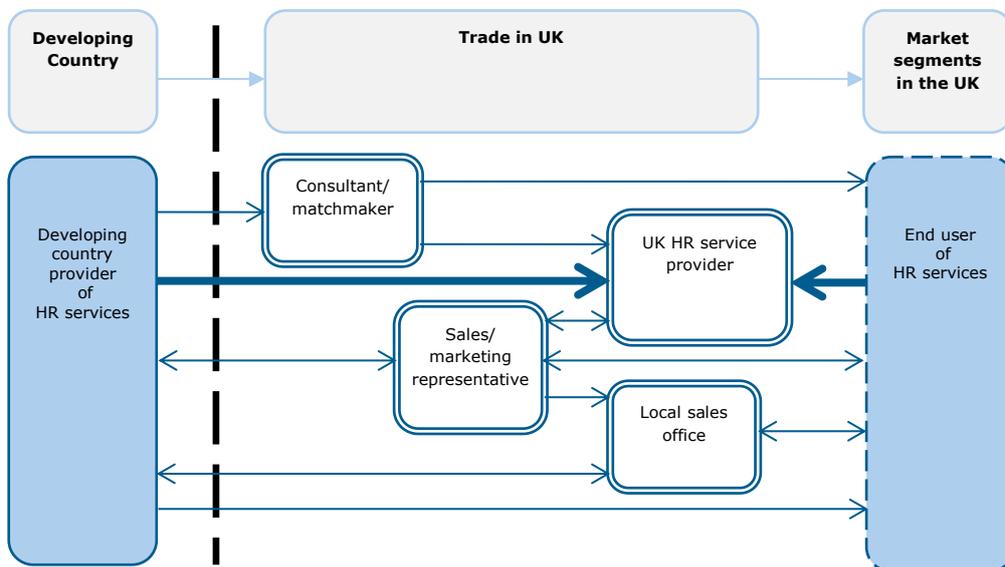
Considerations for action

- Emphasise the cost benefits that offshoring HR services can have over keeping HR processes in-house or outsourcing HR services to companies within the UK.
- Communicate how your service can improve the communication and interpretation of people measures. Give examples of projects in which your company’s HR solutions have contributed to an improvement in communication and interpretation of people measures.

For more information on market trends on the EU+EFTA BPO market in general, refer to CBI Trendmapping for BPO.

Market Channels and Segments

Figure 3: Trade structure for HR outsourcing in the UK market



Source: Peer group BPO and interviews with industry experts

The most relevant channels to enter the UK HR market are illustrated in Figure 3 and described below.

- **Subcontracting by UK HR service providers.** Industry experts identify subcontracting by UK HR service providers as one of the most realistic market entry channels for DC HR service providers (Figure 3). UK HR service providers have a good knowledge of the UK market and already have their own network of customers. Furthermore, up-front capital investments are low in case of subcontracting.
- **Direct partnership with in-house HR departments.** A direct partnership with an in-house HR department can prove to be successful but is generally more complex. In-house employees are on payroll and often have a fixed contract, which means you have to take over employees as they cannot be easily laid off. Direct nearshoring/ offshoring of HR services is done more by large UK end users. However, UK companies are very open to international partnerships that can enhance the opportunity of direct sales, but you need to have profound end market knowledge.
- **Intermediary.** UK HR service providers and end users of HR services can either be approached directly or through an intermediary. A local contact person is always an advantage, especially for DC providers that are located in less known BPO destinations. Therefore, UK intermediaries such as consultants/matchmakers or sales/marketing representatives can be an interesting market entry channel, especially when you are new on the UK market. Intermediaries generally have a clear understanding of local markets, insights into buyer requirements, and a large network.

Considerations for action

- Make an analysis of your company and target market in order to choose the most suitable entry channel.
- Approach UK HR service providers that correspond to your company size and segment.
- Attend industry events to meet potential customers face-to-face. This will also give you the opportunity to learn more about the UK business culture.
- If you are specialised in HR services for a specific industry, you could try to approach UK in-house HR departments in the same industry directly.
- Research the end market segment that you want to focus on in order to know how to market yourself.
- Target end users of which the company size is in line with your company's capacity.
- If you choose to work with an intermediary, look at:
 - Expertise. The expertise of the intermediary. It should be in line with your services.
 - Network. Check the size and value of the intermediary's network.
 - References. Check the intermediary's references.

Trade associations, trade events, and databases can be good sources to help you find potential customers in the UK. Examples of such sources are:

- Approve Index - <http://www.approvedindex.co.uk> - Search the directory to find an overview of HR service providers in the UK. Check out their conferences and events. Also visit <http://www.cipd.co.uk/hrsuppliers/index.php> for their HR services directory.
- Chartered Institute of Personnel and Development (CIPD) - <http://www.cipd.co.uk> - The world's largest chartered HR and development professional body. You can become a member and access studies and industry news.
- Employee Engagement & Employer Branding conference (EEEE) - http://www.osneyhr.com/employee_engage - Pan-European business forum where HR leaders meet, network, learn, and share critical business ideas, held annually, in September, in London. For a list of companies, check out the 'Sponsors & Partners' section.
- HR Directors Business Summit - <http://hrevent.com> - Meeting place for the UK HR business community, held annually, in February, in Birmingham. Check out their 'Attendees' section for a list of attending companies.
- National Outsourcing Association (NOA) - <http://www.noa.co.uk> - UK outsourcing association. Go to 'Membership' and select 'Directory' for an overview of members.

- Various HR events - <http://www.symposium-events.co.uk> - Producer of conferences for HR and related professions. They organise various conferences for the HR industry. Check out their event news for relevant events of your interest.

Market Competitiveness

Refer to CBI Market Competitiveness for BPO as competitiveness in the UK HR industry does not differ significantly from the BPO market in general.

Useful Sources

Besides the sources mentioned in the section 'Market Channels and Segments', other sources that can provide interesting insights into the UK HR industry are:

- City HR - <http://www.city-hr.co.uk> - UK industry association that aims to support and provide best HR practice to organisations involved in or related to the financial services sector. Check out their 'Events', 'News', and 'About' sections.
- Doing Business - <http://www.kwintessential.co.uk/etiquette/doing-business-uk.html>.
- HR Magazine - <http://www.hrmagazine.co.uk> - HR magazine, their website provides many interesting HR articles.
- HR society - <http://www.hrsociety.co.uk> - Look at the knowledge centre and events section.
- Outsource Magazine - <http://outsourcemagazine.co.uk> - UK magazine dedicated to outsourcing (also HR).
- Personnel Today - <http://www.personneltoday.com> - Magazine with an online community.
- Sourcingfocus - <http://www.sourcingfocus.com> - Portal for the UK sourcing industry.
- UK Trade & Investment - <http://www.ukti.gov.uk> - Provides sector information. Go to 'Invest in the UK' to find practical information about different sectors in the UK.

This survey was compiled for CBI by Facts Figures Future in collaboration with CBI sector expert Harry van Geijn.

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