

A Guide for Employers in Hawaii

HUMAN RESOURCES OUTSOURCING

Is It Right for My Business?



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Why It Matters

Running a business in Hawaii can be very rewarding.

As a business leader, you get to:

- Sell products or services that add value to your local community
- Offer wages and benefits that enable people to live and work in paradise
- Engage a work ohana that supports your mission and each other

At the same time, there are a lot of responsibilities to manage. Things like paying employees, administering benefits, managing employee onboarding and offboarding, providing a safe workplace and staying compliant with ever-changing rules and regulations (to just name a few things).

These tasks are essential to your success, but can be difficult, costly and time consuming to manage the *right way*.

Whether you have 1 employee or 1,000, exploring HR outsourcing and the benefits it can offer is important as you think about your business goals – everything from growth and expense management, to employee productivity and retention.

In this guide, our goal is to help you strategically think through HR outsourcing. We know every business is unique and there's no one-size-fits-all solution, but we hope to shine light on key benefits and considerations to help you determine if outsourcing is right for your business.



What is HR Outsourcing?

Employer responsibilities can burden any company, but for Hawaii businesses, in particular, managing human resources can be especially taxing. Labor costs are growing and there are so many rules to follow! When you run an organization with limited time and resources, the last thing you want to do is lose focus on the revenue-generating activities you do best.

This is where outsourcing comes in. Outsourcing human resources functions can reduce your administrative workload and free up your time so you can focus on your business objectives.

HR Outsourcing

[ˈout, sɔːrs] *verb*

HR outsourcing is when a company partners with a third-party organization to handle some (or all) of its human resources tasks and functions.

Many businesses tend to outsource supporting services like Human Resources, Technology, and Legal functions to outside providers so that they can focus on activities that directly grow revenue or add value to their products or services.

Which HR Tasks Can Be Outsourced?

The range of tasks that can be outsourced might surprise you! You can offload a whole range of human resources functions – everything from payroll processing and benefits management to hiring/onboarding functions. The specifics of what you outsource ultimately depend on both the needs of your organization and the capabilities of the HR outsourcing company you work with.

Here are five common HR functions that are popular for outsourcing:

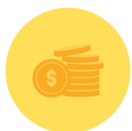


1. Hiring & Onboarding Administration

There's a lot of critical administration and paperwork that needs to be filed, tracked, and properly set up when you hire a new employee. When you outsource this work, you can be confident that you're expanding your team the *right way* by handing this work to HR experts.

With HR outsourcing, you **won't** have to worry about:

- Intaking/completing new hire paperwork
- Properly classify employees in payroll/HR systems
- Reporting new hires to state/federal agencies



2. Payroll & Taxes

Paying employees accurately and on time is one of the most important tasks for employers. When you choose to outsource this work, you can sit back and relax while your outsourcing partner does all the heavy lifting tax and legal work that's part of the payroll function.

With HR outsourcing, you **won't** have to worry about:

- Paying full-time/part-time/in-state/out-of-state workers
- Cutting checks and managing direct deposits
- Manually calculating withholdings, deductions, overtime pay etc.
- Filing your payroll and unemployment taxes (Form 940/941)



3. Employee Benefits

In Hawaii, employers are required to offer health insurance to employees once they meet certain eligibility criteria based on how many hours they work, over a consecutive period of time. When you outsource employee benefits, you no longer have to worry about the administration of offering coverage. Your partner will do it for you.

With HR outsourcing, you **won't** have to worry about:

- Shopping around for group coverage
- Tracking employee healthcare eligibility
- Annually enrolling employees in coverage during renewal season
- Managing COBRA when they exit



4. HR Management

Managing HR can be a very manual process unless you have the right tools and technology in place. When you work with an HR outsourcing company, you get access to HR fundamentals at your fingertips.

With HR outsourcing, you **won't** have to worry about:

- Building employee handbooks from scratch
- Manual tracking/approving of sick leave, paid-time-off, hours, etc.
- Generating workforce reports manually
- Keeping up with compliance requirements

What's great about HR outsourcing is that you can offload all these tasks and functions to a *single* provider, instead of multiple providers. In fact, partner and vendor consolidation is a great way to keep your expenses under control. With one provider to take responsibility for a variety of your HR functions, you'll spend less time on administration and less time managing partner relationships as well.



What Are The Biggest Advantages of HR Outsourcing?

HR outsourcing can help you:

- Save and stabilize costs through economies of scale
- Find more time to focus on your business
- Get the HR support you need, when you need it

Save & Stabilize Labor Costs

A lot of employers worry that outsourcing is *expensive*. However, the cost savings (raw dollar savings) and cost-containment benefits (maintaining stable expense levels over time) are one of the surprising advantages of outsourcing HR.

For example, when you work with an HR outsourcing company, you can leverage its buying power to get access to lower healthcare rates not found on the open group market. As a result, you could save thousands on healthcare alone.

Here's another example: Did you know? More than 33% of small businesses get fined every year for payroll mistakes, according to a recent study. When you work with an HR outsourcing company, you can avoid these expensive fines, lawsuits, and back payments. How? Since the HR outsourcing company knows all the rules and regulations, they can ensure your employees are properly classified and set up to comply with federal/state laws.

Find More Time to Focus on Your Business

Managing HR means you have the unofficial title of lawyer, psychologist, event planner, peacemaker, detective, career planner, and teacher...all on top of your day job. You're a full-time, multi-tasking unicorn! One of the greatest advantages of outsourcing HR is getting rid of all these extra job titles. It can often mean getting multiple hours back every day or every week to invest in your *real* work.

And if your real work is within the HR function, without tedious administrative tasks on your plate, you can invest more time in strategic initiatives that focus on hiring top talent, building your company culture, improving employee retention, and contributing toward your business objectives.

Get the Support You Need, When You Need It

As you know, HR outsourcing providers are experts in employment-related compliance. This includes standard things like labor laws and employer taxes, but it also includes new COVID-19 legislation that impacts everything from the business loans you're eligible for and the tax credits you can receive, to the safe workplace policies you need to implement to stay compliant. When you outsource your HR, you can get expert advice on all the latest HR trends, regulations, or employee challenges you're facing.

Businesses that outsource their HR:



GROW

7-9% faster



LOWER

employee turnover by 14%



REDUCE

chance of failure by 50%

Data provided by the National Association of Professional Employer Organizations (NAPEO).



What Types of Businesses Should Outsource HR?

Businesses of all sizes should give serious thought to HR outsourcing. It can be an important strategy for reaching your business goals, whether you're a new start-up or a large, established company. HR outsourcing can help you tackle everything from company growth and expense management to employee productivity and retention.

Small Businesses: 1-10 Employees

Your focus should be on growing and managing your team, not whether they are getting their paycheck on time.

You're a lean, mean, small business machine. Juggling multiple job titles and growing your business with limited resources is just the name of the game right now. Good news: HR outsourcing is a great solution for the little guys.

At this stage, HR outsourcing can help you:

- Offload payroll and tax administration
- Get better healthcare rates
- Get workers' comp and TDI coverage

Growing Businesses: 11-50 Employees

Your focus should be on attracting (and retaining) top talent, not getting buried by labor compliance details that come with business growth.

It feels like your business is growing a little more every day. New opportunities, new people! With more workers needing to be paid, and lots of hiring to do, staying compliant with employer rules suddenly becomes more top-of-mind.

At this stage, HR outsourcing can also help you:

- Access recruiting tools & technology
- Get rid of hiring/onboarding administration
- Secure diverse benefits to retain your team
- Stay compliant as you grow

Mid-Size Businesses:
51-100 Employees

Your focus should be on strategic HR initiatives and internal capacity building that help you scale, not whether paperwork was completed and records were filed.

You're an established business and things are humming along! Good news: HR outsourcing is still a great solution to consider, even if you have dedicated staff and resources for HR in-house. After all, with growth and more employees comes more risks in the workplace. HR outsourcing can be a great part of your strategy to protect your business and people.

At this stage, HR outsourcing can also help you:

- Protect your business and mitigate risk as it grows
- Streamline recruiting, hiring, and onboarding
- Offer 401(k) and diverse modern benefits to retain your team
- Manages workers' comp, TDI and UI claims
- Build a safe workplace through OSHA compliant training and policies
- Develop your team with access to leadership and management courses

Large Companies:
101-1,000 Employees

Keep your HR department focused on finding quality workers, tackling strategic projects, and listening to the needs of your organization.

Companies of this size are not too dissimilar to medium-sized businesses. You probably have a dedicated HR team in-house. But why weigh them down with administrative work? HR outsourcing can further maximize your organization's effectiveness and productivity.

At this stage, HR outsourcing can also help you:

- Streamline workforce operations
- Optimize organizational effectiveness
- Improve employee productivity
- Mitigate and de-risk your business



What Should Businesses Look for in an Outsourcing Partner?

Selecting the right HR outsourcing company can seem daunting, but it doesn't have to be. There are a few ways to tackle the decision-making process to determine which option will be the best fit for your business.

Here are 7 things to consider as you look into HR outsourcing:

- 1. Local vs. Mainland**
- 2. Oahu-based vs. All Islands**
- 3. Quality Partnerships**
- 4. HR software vs. HR Service**
- 5. Engagement Model**
- 6. Employee Self-Service**
- 7. Manager Reports & Insights**

Customer Care:

It's not always smooth sailing in the world of HR. When you have a tough question or when things go awry, you'll want an outsourcing partner that can deliver the level of expert advice and customer service you and your team need, when you need it. Here are some factors to consider.

- 1. Local vs. Mainland**

Hawaii is an extremely regulated state. Your provider *should* be knowledgeable about federal laws, as well as state-specific nuances. Unfortunately, that's not always the case with mainland providers. We hear this all the time from customers that switched from mainland outsourcing companies to local ones. Tip: If you end up with a mainland provider, know-how their customer service hours translate to Hawaii time zones.
- 2. Oahu-Based vs. All Islands**

Sometimes it's easier to swing by a physical office or talk to someone in person. If you decide to go local, here's another factor to consider: How accessible is your HR partner across Oahu, Maui, Kauai, and Hawaii Island? We know most providers support Oahu-based businesses but what about everyone else? As you explore your options, think about how important this factor is for you and your team.
- 3. Quality Partnerships**

Healthcare is one of the factors that can attract a new hire to your company – or push an existing worker to look elsewhere. As you review what health insurance carriers (e.g. HMSA, Kaiser, UHA, HMAA, etc) each HR outsourcing firm offers, consider employee accessibility. You'll want to ensure the HR firm you pick works with an insurance carrier that has a big enough network to deliver quality, accessible care across all the islands where your team works.

Service & Engagement Model:

Understanding the differences between HR service models can go a long way in setting correct expectations and eliminating future headaches. These details are important so bear with us as we get more granular.

4.

HR Software vs. HR Service

Today HR software is usually cloud-based and puts a lot of the control/responsibility into the hands of owners and managers (e.g. Ceridian, ADP, etc). It's a good option for those who are tech-savvy, have a general familiarity with HR operations, and can input and manage their own data. Think of it like Turbo Tax for HR. On the other hand, having an HR Service is like having a CPA. You give them your info/data and they manage the rest. Similar to CPAs, HR service providers can also consult with you on strategies to help grow your people and organization, or mitigate certain risks. Plus you're more likely to be on a first-name basis.

5.

Engagement Model

When outsourcing, there are generally two types of engagement models: PEOs and HROs. The model you choose determines how your outsourcing firm engages with you and vice-versa.

Professional Employer Organizations (PEO) - A PEO engagement model offers businesses a *full suite* of HR services. The suite of HR services most likely includes a bundle of functions like payroll, employee benefits, workers' compensation, etc. Choosing a PEO model allows businesses to offload most of their tedious tasks, share employment liability through co-employment, and gain economies of scale to offer better benefits packages to employees.

HR Outsourcing (HRO) - A HRO engagement model means businesses can *select* which HR function/services they outsource. Think of this as the à-la-carte model. For example, a business may be satisfied with healthcare coverage and are only interested in outsourcing payroll. In this example, the business would be better served by an HRO model (vs. a PEO model which is a full-service offering).

Technology:

Businesses that work with an outsourcing firm get access to HR tools and an HR technology platform. These tools help make HR information accessible for both owners and managers, and employees too. There's a number of cool functionality but we think these next two are pretty crucial to have:

6.

Employee Self-Service

Giving employees the freedom to access their information to take care of important tasks themselves removes a lot of the busy work from HR. Things like being able to review their pay stubs, find and download their W-2, request time-off, or check their PTO balance. As you explore your options, ask HR outsourcing candidates about their employee self-service functionality. *Can employees easily access their accounts online? Is their HR app supported by a mobile app?*

7.

Manager Reports & Insights

As you explore your options, ask prospective HR firms about their range of pre-built reports. These reports leverage payroll and HR data to give busy managers instant access to workforce and labor cost insights to make sense of people data faster. These reports can be useful for building project budgets or for supporting documentation needed to go after lucrative government work.



Is It Time to Outsource HR?

You can learn a lot from a do-it-yourself approach. But no matter how entrepreneurial you are, there comes a point where it's not possible to do it all *and* still stay focused on your growth goals.

You can delegate the work to an internal employee, but that's risky. In the HR world, there are many interconnected details that require a certain level of legal and tax fluency. Your other option is to consider HR outsourcing. How do you know when it's time to get help and to outsource HR?

Here are 7 of the most common signs.

- 1. Your staff is overworked**
- 2. Your business is growing (or you anticipate growth in the near future)**
- 3. Your need to contain labor costs**
- 4. You're Googling employment laws**
- 5. Mistakes and fines are becoming more common**
- 6. Keeping employees and attracting top talent is an issue**
- 7. You spend more time on HR-related tasks and less time on your business**

How ProService Hawaii Helps Local Business

"ProService is way more than payroll. They're like the everything partner Hawaii businesses need."

- Pacific Mirror and Glass | Kauai



Running a business can be overwhelming and complicated, especially during the ups and downs of a global pandemic. That's where we come in. We've been providing Hawaii employers with comprehensive human resources services for over 25 years.

When you choose a partner like ProService Hawaii, you don't just get a "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 who...

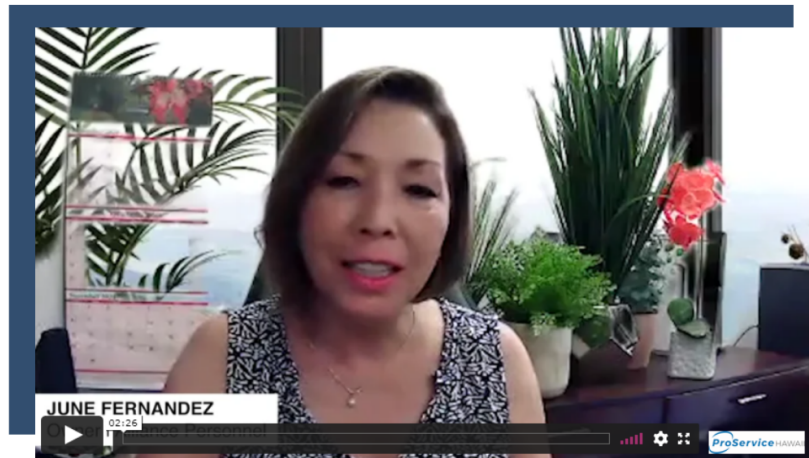
- **Knows Hawaii** business inside and out to help you navigate uncertainty
- **Helps save you thousands** on rich benefits packages that attract top talent
- **Ensures you're compliant** with all local, federal, and COVID-19 related laws
- **Provides free training** to keep your employees and customers safe
- **Takes care of everything HR-related** so you can free up internal resources

As Hawaii ramps up to recover from the pandemic...we're exactly the kind of **affordable, service-oriented, all-in-one partner** you'll want on your side.

Everything you need from one partner

Payroll	Business Insurance	Worksite Safety
Pay your team easily. We'll take care of certified payroll, benefits deductions, and tax withholdings for you.	Protect your bottom line with affordable healthcare, workers' comp, and TDI coverage, only at ProService.	Keep your team safe and accident-free with live or on-demand employee training at no extra costs.
Risk Management	Labor Reporting	Human Resources
Stay out of trouble with a team of experts that advocate for your needs and shield your business from the unexpected.	Easily manage labor costs with instant reporting that help manage teams and projects on time and under budget.	Check off tedious HR and employee tasks from your to-do list. From hire to retire, we do the heavy lifting for you.

Don't take our word. Hear what our clients are saying.



Watch the video: proservice.com/why-clients-love-us



Talk to our experts to see how we can help your business succeed.

Book a free business consult

Or call us at (808) 564-5550

proservice.com/outsourcing-consult

