

# HR Examiner

*Examining practical HR issues business owners  
and managers encounter every day*

## Outsourcing vs. Insourcing Your HR Function

Arlene Vernon

In February, I was quoted in an article on the Finance & Commerce website, “When To Outsource HR Duties and When to Hire.” I’ve include portions of the article here or you can [Click Here for the Full Article](#).

I know that many of my smaller clients struggle with this issue. Companies start off by assigning HR as a “DIY task” to the CEO, Controller, an administrative person or whoever volunteers — not realizing that this responsibility continually morphs into a larger and larger responsibility. The next step is typically supplementing the internal work by contracting with an HR consultant or other provider (benefits administrator, recruiter, etc.) depending on the organization's needs. The third step would be hiring an HR person on a part-time or full-time basis, much depending on the workload and skill set needed. Of course, if the company continues to grow, so does the HR team and their contributions to the organization.

I hope that the excerpts below help you assess where you are in the spectrum of HR needs:

"For small businesses, one of the major challenges of rapid growth is properly managing and serving the needs of a growing workforce.

Depending on their stage of growth and other factors, small companies have several options

for human resources management expertise, ranging from an “a la carte” approach and outsourcing key HR functions to recruiting and hiring one or more experienced HR pros.

The types of HR skills most needed by small, growing companies also varies, depending on the nature of the organization, according to [Arlene Vernon](#), a Minneapolis-based HR consultant. A company that often hires entry-level employees and has high turnover is more likely to need an in-house HR specialist to handle matters such as job descriptions, employee orientation, managing benefits and maintaining personnel files, Vernon said.

A company with less frequent turnover would be more likely to meet its HR management needs through outsourcing.

When a startup begins adding employees, one of the first tasks is developing an employee handbook to spell out HR policies and procedures; that task is often outsourced to a human resources consultancy, Vernon said. Developing some employee-related documents such as non-compete or confidentiality agreements requires the assistance of an attorney specializing in employment law.

Even early-stage startups with only a handful of employees need some type of written document spelling out employee rights and responsibilities, said Alissa Raddatz, an employment law attorney at Faegre Baker Daniels in Minneapolis. A firm with only a handful of employees can sometimes use individual employment agreements — basic letters spelling out entitlements and expectations, she said.

One of the thorniest areas for companies is termination. Firing an employee without the written policies and documentation to support the decision can render an employer liable for paying unemployment benefits and potentially trigger legal liability. So it’s essential to have an HR specialist who understands the various nuances involved in hiring, managing employees and firing, Vernon said, whether on-staff or outsourced.

Having an HR consultant on a retainer arrangement can be a cost-effective way to obtain necessary services and expertise, she said.

When companies reach the 50-employee level, they often outsource duties to a contract HR manager. Usually, a workforce of 100 employees or more requires a full-time, in-house HR manager, Viggers [RSM McGladrey Cedar Rapids, Iowa] said, citing a standard industry benchmark of one HR professional for every 100 employees. Those jobs are usually filled by HR generalists."

Again, if you're interested in reading the complete Finance & Commerce article, [click here](#).

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## About Arlene Vernon

Arlene has provided HR consulting and management training services to over 300 organizations since starting HRx, Inc. in 1992.

If you're seeking a hands-on, practical HRxpert to assist your organization with employee relations, policy development, strategic HR activities or fun/doable management training, call on Arlene – Your HRxpert.

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