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## KNOWING WHEN TO OUTSOURCE

**Have you been wondering how to approach human resources?** Outsourcing can give you access to skills, knowledge and support, and save you costs in the long run.

Most small to medium sized business owners know the frustration of spending more time than they want on non-revenue generating activities. From payroll and human resource management to benefits and compensation, managers and directors can spend a significant proportion of their day engaged in these necessary but time-consuming tasks. The answer for many businesses may be to outsource part or all of their HR functions to third party providers so that they can focus on their core business.

Generally speaking, the top three reasons cited for outsourcing HR are:

- **Access to skills and knowledge;**
- **Gaining better quality support than the business is able to offer in-house; and**
- **The cost saving.**

This saving comes from the company either not requiring an HR person in-house or enabling the person who had taken on the HR function to focus on revenue generating work. We found the most commonly outsourced HR activities are legal services, payroll and pensions.

In assessing whether you should outsource or not, there are several questions to consider before you make a decision.

### **How big is your company?**

In our experience, businesses with fewer than 50 employees rarely have an HR team. Instead some companies have a manager or finance director who dabbles in HR because they have some relevant experience. Such a position may seemingly appear fit for purpose but fraught with litigation irrespective of their best intentions. As a rule of thumb, organisations with more than 50 employees will often find it easier to have an in-house HR department and therefore, though they may still require outsourced HR support, the nature of that service may differ greatly from that utilised by the smaller businesses.

### **What services do you need?**

The nature of the work undertaken by our outsourced HR consultant varies hugely dependent on the nature of the business and the talents of the employees within the organisation. With regard to our practice, we work for:

- **Organisations with no HR department ensuring the business meets all necessary legal requirements in terms of policies and contracts;**
- **We address and support the relevant people/business within the business who are dealing with – any employee relations issues;**
- **We address any claim(s) including but not limited to discrimination claims, redundancy, grievances and dismissals;**
- **We can provide regular newsletters/email update on topical and relevant issues to ensure our clients remain current and up to date;**
- **We also work for businesses which do employ an HR team; and**
- **We can be called in to support that team when issues arise that require legal advice among other things.**

## How much does an outsourced service costs?

It is important to establish up front the way in which the outsourced service is billed. Our cost for services varies depending on the level of outsourcing that is required.

We may be asked to assist on a specific well-defined project in which case we will estimate the cost involved, or at least offer a range of costs within which it will fall.

Alternatively, we may work alongside the business dealing with day-to-day issues on a retained basis, or, we may be called in to address an "emergency" for which we charge an hourly rate.

What type of provider do you want?

Do you want a "face" who gets to know your business, staff and culture, who can be flexible in the service you offer and who, by virtue of being a phone call away, can operate as if you have your very own HR department?

Alternatively, you may sign up to a HR support line – a less personal service but one that may suit the nature of your business and complement the expertise you already have within your organisation. The type of service offer falls into the former example but it is "horses for courses" and the latter may be suitable where there is an experienced HR team who just need reassurance from time to time.

We would say that as a general rule, when administrative processes begin slowing down the productivity of the firm is the time to consider outsourcing the management of your human resources. Good employee relations are not simply "nice to have" but important to get right as they can directly affect the future revenues of your business.

Prioritising employee engagement you will ensure you are not burdened by high employee turnover, low morale or ineffective teamwork. Instead you will have employees who are productive, enthusiastic and effective, enabling you to maintain an edge in a highly competitive environment.

The attraction and retention of talent is now such a business-critical operation that for many businesses outsourcing their HR function is the best way to ensure that what is arguably their most valuable asset is well managed, freeing them up to concentrate on their core business.



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A handwritten signature in black ink, appearing to read "Jerry Carbon".

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