



MANAGING RISKS AND COMPLIANCE IN HR OUTSOURCING

Abstract

HR is the heart and soul of any business, with the right people at the right places being the difference between success and failure in today's global workplaces. But HR functions are not without risks, with factors like workforce issues, employee data management, and compliance potentially threatening the HR functions and the business. No matter what HR risk management technique you use – avoidance, retention, reduction, or sharing – identifying, prioritising, managing, and monitoring HR risks and compliance needs specialised skillsets and tools you may not have access to. Relying on HR outsourcing services gives you a much better shot at automating your processes for more efficiency and effective management of HR risk and compliance.



Introduction

No business can succeed without the right people at the right places, making human resources the heart, soul, and conscience of any company. But with the growing hybrid and remote workforce, modern workplaces have come a long way from the

traditional in-office setup. With offices set up across the globe and employees joining in remotely, it has become difficult for employers to establish company culture, ensure the safety and well-being of their employees, and ensure effective HR risk management

and compliance. And human resource outsourcing services have made it easier for companies, big and small, to effectively navigate the limitations and challenges of modern workplaces and facilitate risk management and compliance.

What are HR risk management and compliance?

Risk management and compliance are integral aspects of any business, as no business can avoid every single risk or circumvent compliance regulations. HR risk management involves assessing, dealing with, and managing risks associated with hiring, retaining, and managing the workforce, along with employee behaviour and company culture. It also involves anticipating potential issues or problem scenarios and their likely outcomes to either having a mitigation plan in place

or preventing the problem from occurring in the first place.

HR compliance, on the other hand, focuses on a specific area of risk management, ensuring the safety of the employees while adhering to a set of standards. The three key types of HR compliance, irrespective of location or industry, are:

- **Statutory**

The country's governing body is responsible for setting and enforcing statutory compliance standards and laws,

such as minimum working age, minimum wage, or equal opportunity practices. Additionally, you also need to consider international labour law when relevant and be up-to-date on statutory compliance to avoid hefty fines, criminal prosecution, and reputational risk.

- **Regulatory**

Regional or specific regulatory bodies (like labour unions) are responsible for setting regulatory compliance standards, such as workplace safety mandates, mandatory training, or data safety and privacy.

• Contractual

Contractual compliance standards are usually company-specific – as long as they comply with statutory and regulatory compliance standards – and employees must adhere to them.

In modern workplaces, because of the internationally distributed workplace, HR risk and compliance management can become tricky because of the cultural differences and different regulatory and statutory standards in different locations.

But HR outsourcing services can help you navigate this globally diverse HR risk management and compliance landscape efficiently and cost-effectively without having to build in-house expertise or invest in specialised technology solutions.



Key issues in HR risk management and compliance

It is necessary to understand the key issues in HR risk and compliance management to effectively manage HR risk and compliance with the help of HR outsourcing services. Some of the most common issues when it comes to HR risk and compliance include:

• **Workforce Risks:** Employee turnover, burnout, workplace conflicts and harassment, employee relations, and lack of employee engagement can prevent people from thriving and negatively affect the company culture. These issues can become more prevalent in remote or hybrid workplaces as HR teams can grapple with building a positive company culture, resolve conflicts or ensure judiciary compliance for employees in different physical locations.

• **Employee data management:** Cybersecurity and data protection are among the top priorities for modern businesses. This is also true regarding employee data, as security breaches

or misuse of personal (and potentially sensitive) employee information can have severe consequences.

• **Compliance:** Statutory and regulatory compliance for a globally distributed workforce can be challenging as the standards for workplace safety, workers' rights, pay equity, and equal employment opportunities can differ significantly from one location to another.

• **Ethical treatment and equal opportunities:** This refers to everything from equal opportunity hiring, equal access to learning and development resources, and equal benefits to a non-discriminatory work environment and impartial review and termination processes.

Effectively managing these risk management and compliance issues can help you ensure the safety and well-being of the employees while also ensuring that they thrive and

contribute towards company growth. A proactive approach to these issues can help you strategise for effective employee engagement and avoid the stress of workplace conflicts while also building a productive workforce. Additionally, ensuring compliance can help you avoid hefty fines and criminal prosecution while also preserving your employer's brand and reputation in the international market.

Effectively handling these issues, however, need HR management expertise, an understanding of the different compliance standards, and access to tools that can help simplify HR risk management. This may not be possible for every company, especially for a small business. Still, leading [HR outsourcing service providers](#) can help you effectively navigate the HR functions for a global workforce and ensure effective HR risk management and compliance.



HR risk management techniques

The four common HR risk management techniques you can use are:

- **Avoidance:** Avoiding the activities and actions that can increase risk.
- **Retention:** Acknowledge that avoiding certain activities can increase risk (or costs) and continue with them.
- **Reduction:** Containing the risks that you cannot avoid and keeping the consequences to the minimum.
- **Sharing:** Share some risks with a third-party vendor or an outsourcing partner.

And building on these four techniques, you can develop an HR risk management plan with five intentional steps:

- **Identify the key risks for your company:** Conduct an HR audit of your company to identify the key risk areas that can affect your operations.

This can include anything from regulatory compliance and workplace safety to liabilities unique to your industry and your brand reputation.

- **Assess and prioritise risks:** Break down and rank each identified risk based on the probability and frequency of occurrence, the potential for avoidance (or prevention), and the severity of consequences, and then strategise to minimise the damage. Once you have this information, you can prioritise the risks to tackle first and work towards achieving your organisational goals.
- **Design and implement risk response strategies:** Research and determine the right risk management techniques and strategies for the high-priority risks you have identified. Then, you need a practical action plan to implement these strategies.

- **Set up continuous HR risk monitoring:** Similar to any risk management exercise, HR risk management is not a one-and-done thing. You will need to continually monitor potential risks, determine their potential impact and priority, and develop a proactive action plan to tackle those risks.
- **Strengthen your risk management skills:** Work with your team to develop and strengthen their HR risk management and compliance skills to ensure they can effectively handle any risk that may emerge in the future.

Smart technologies transforming HR risk and compliance

Next-gen technologies and smart tools have made it easier for HR professionals to manage the key issues in HR risk management and compliance. Automation tools are one of the biggest investments in engaging HR outsourcing services and managing HR risk and compliance. Automation has allowed businesses and their HR teams to enhance employee-centric operations, streamline workflows, empower team members for collaborative decision-making, and keep track of employee feedback to improve their business practices. These factors contribute to effectively managing the risks associated with the workforce, ethical treatment, and equal opportunities, allowing you to build a collaborative working environment for all to thrive.

Additionally, integrating smart technologies into your HR operations can help you automate the data processes, allowing you to integrate relevant data across business functions and giving the HR team access to necessary data without delays or blind spots. This can also facilitate compliance in real-time with notification and implementation of changing regulations in the global business landscape, a localisation framework for local regulations, and complete records of status and records of mandatory training for employees. Additionally, smart technologies and automated data processes can also help you protect employees' data and privacy while also giving them a consistent HR experience across the globe, allowing you to build a

transparent and collaborative working environment while also effectively managing risks associated with employee data management and compliance.

Every business, however, cannot build a specialist HR team or have the infrastructure, resources, and expertise necessary to automate HR and data processes for HR risk management and compliance. However, outsourcing HR risk management gives you access to skilled HR experts, helps manage your costs effectively, and gives you an independent purview for managing HR risk and compliance. And with these major things out of your mind, you can focus on your core business operations and grow.



Conclusion

A business cannot function without a properly functioning HR team capable of anticipating, identifying, managing, and mitigating HR risks or navigating the complex compliance requirements for the globally distributed workforce. Aspects like workforce issues, employee data management, compliance, ethical conduct, and equal opportunities can

pose significant risks for HR functions and, without appropriate risk management strategies, can significantly hamper business productivity. Relying on HR outsourcing services can help you effectively identify, prioritise, manage, and monitor HR risk and compliance management. Automation tools and smart technologies can help without building

a specialised team or investing in tech resources. [Leading BPM organisations](#) can help you effectively manage your HR functions for the global workforce, manage HR risks and compliance, and have future-proof risk mitigation strategies with the help of HR experts and next-gen technology

* For organizations on the digital transformation journey, agility is key in responding to a rapidly changing technology and business landscape. Now more than ever, it is crucial to deliver and exceed on organizational expectations with a robust digital mindset backed by innovation. Enabling businesses to sense, learn, respond, and evolve like a living organism, will be imperative for business excellence going forward. A comprehensive, yet modular suite of services is doing exactly that. Equipping **organizations with intuitive decision-making** automatically at scale, actionable insights based on real-time solutions, anytime/anywhere experience, and in-depth data visibility across functions leading to hyper-productivity, [Live Enterprise](#) is building connected organizations that are innovating collaboratively for the future.

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