Reinventing HR Strategy and Reducing Labor Costs

ANALYSIS & RECOMMENDATIONS FOR

HEALTH CO.

INTRODUCTION

Objective
- Recommend Strategies to reduce labor costs by offshoring to BRIC countries.

Key Analysis
- US unemployment trends and their impact on compensation.
- Occupations with rapid salary growth.
- Onshoring opportunities based on compensation trends.
- Countries favorable for outsourcing.

Expected Outcomes
- Identify high-cost jobs for offshoring.
- Highlight onshoring opportunities.
- Provide insights to reinvent Health Co's HR strategy.

US UNEMPLOYMENT TRENDS

US Unemployment Trends
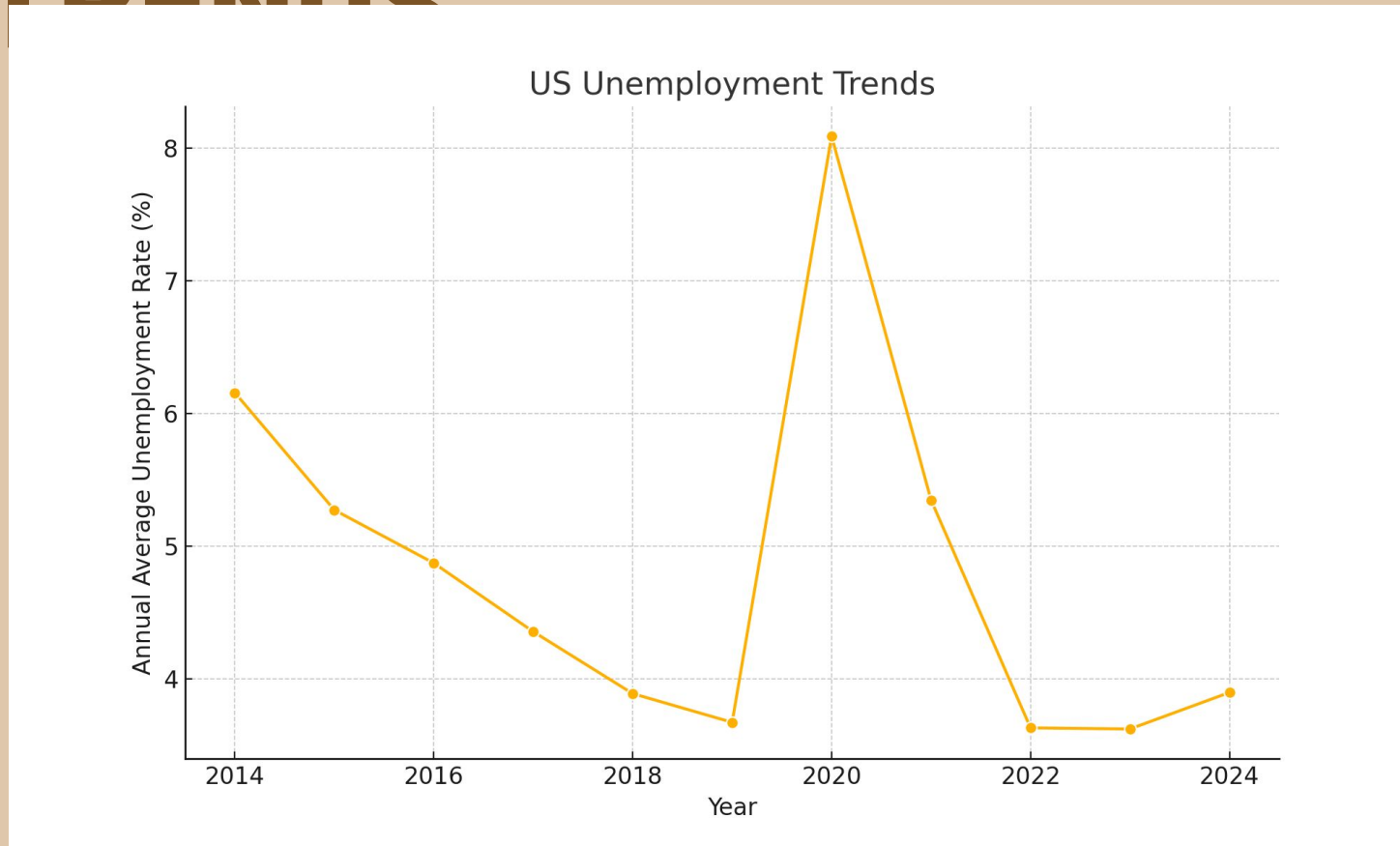
- 2014 to 2019: US unemployment rate declines from 6.2% to 3.5%
- 2019 to 2020: Spike in unemployment potentially due to COVID-19
- 2020 to 2022: drastic decrease in unemployment rate.
- 2022 to 2024: slow increase

Figure 1) US Unemployment trend (Annual Average Unemployment Rate throughout the years)
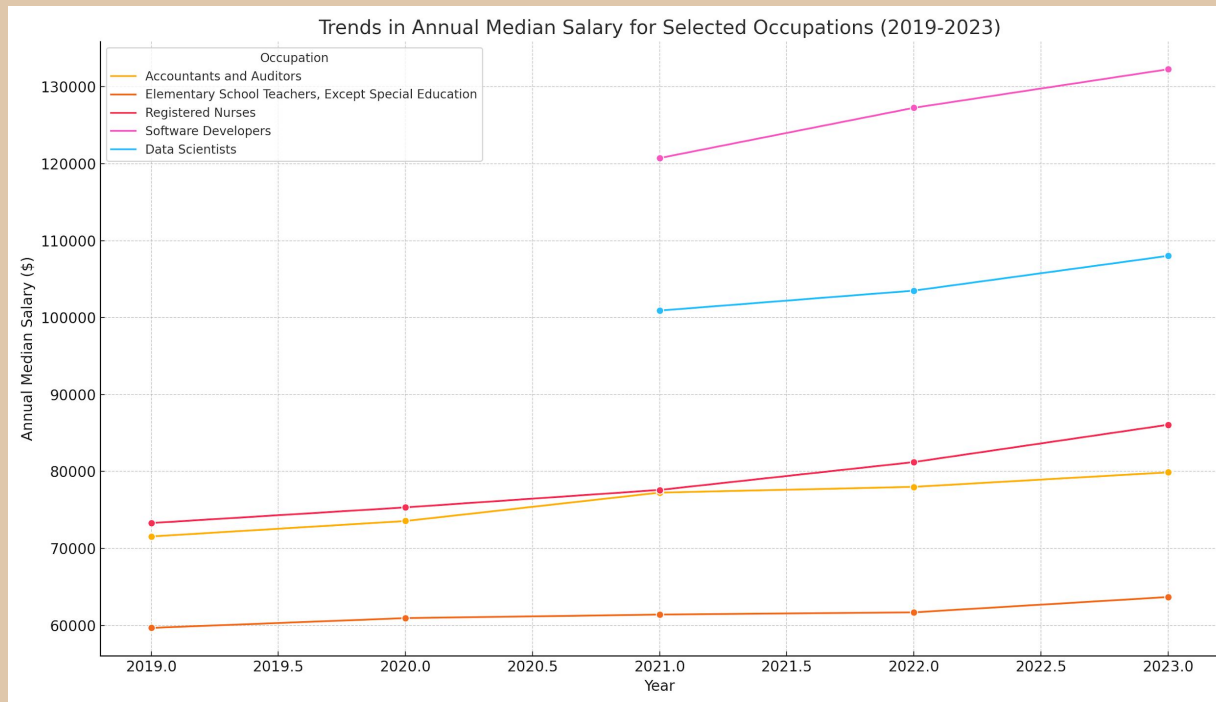
US COMPENSATION

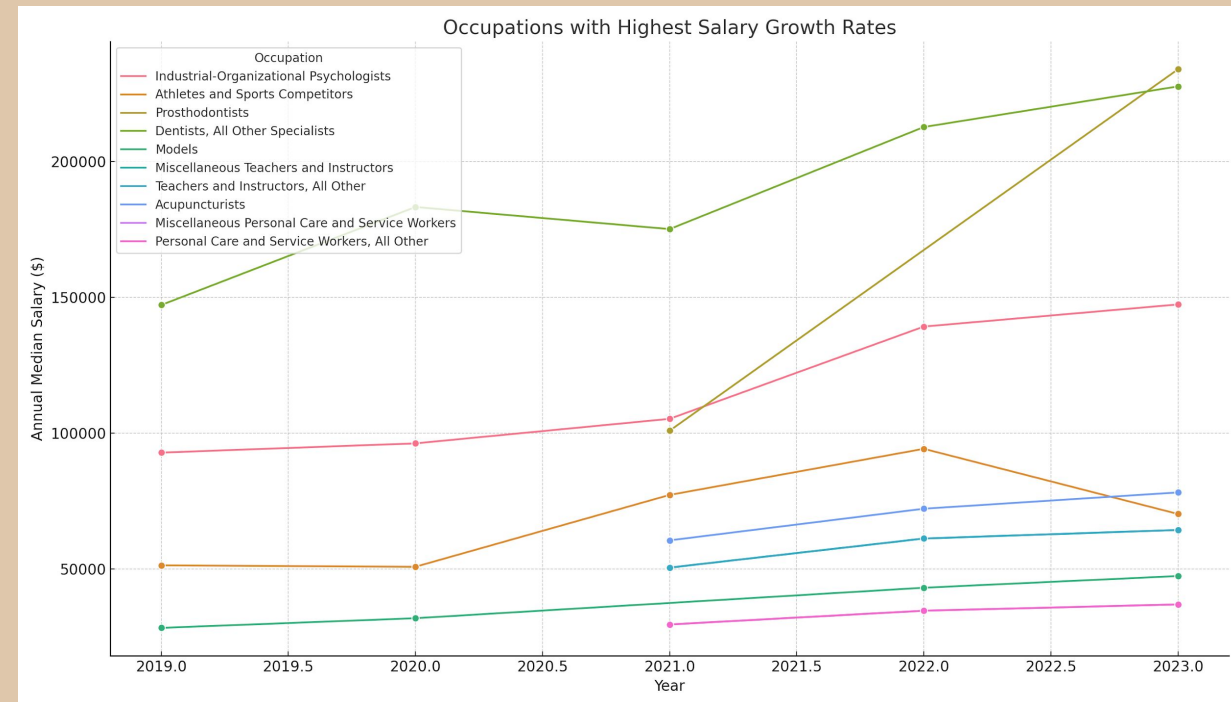*Figure 2) Trends in Annual Median Salary for Selected Occupations (2019-2023)*

Figure 3) Occupations with Highest Salary Growth Rates

- There doesn't seem to be a drastic change in median salaries and occupations with highest salary growth rates
  - slow increase in salaries different occupation from 2019 to 2023
- Software developers and data scientists (consistent, significant growth) → new advancements in technology, increased demand
- Fast salary growth: Prosthodontists (care for aging population), I-O Psychologists (need for mental health care during and after COVID), Athletes and Sports Competitors (desire for more entertainment)

ONSHORING OPPORTUNITIES BASED ON COMPENSATION TRENDS

Salary Trends for Onshoring Candidates (2019-2023)
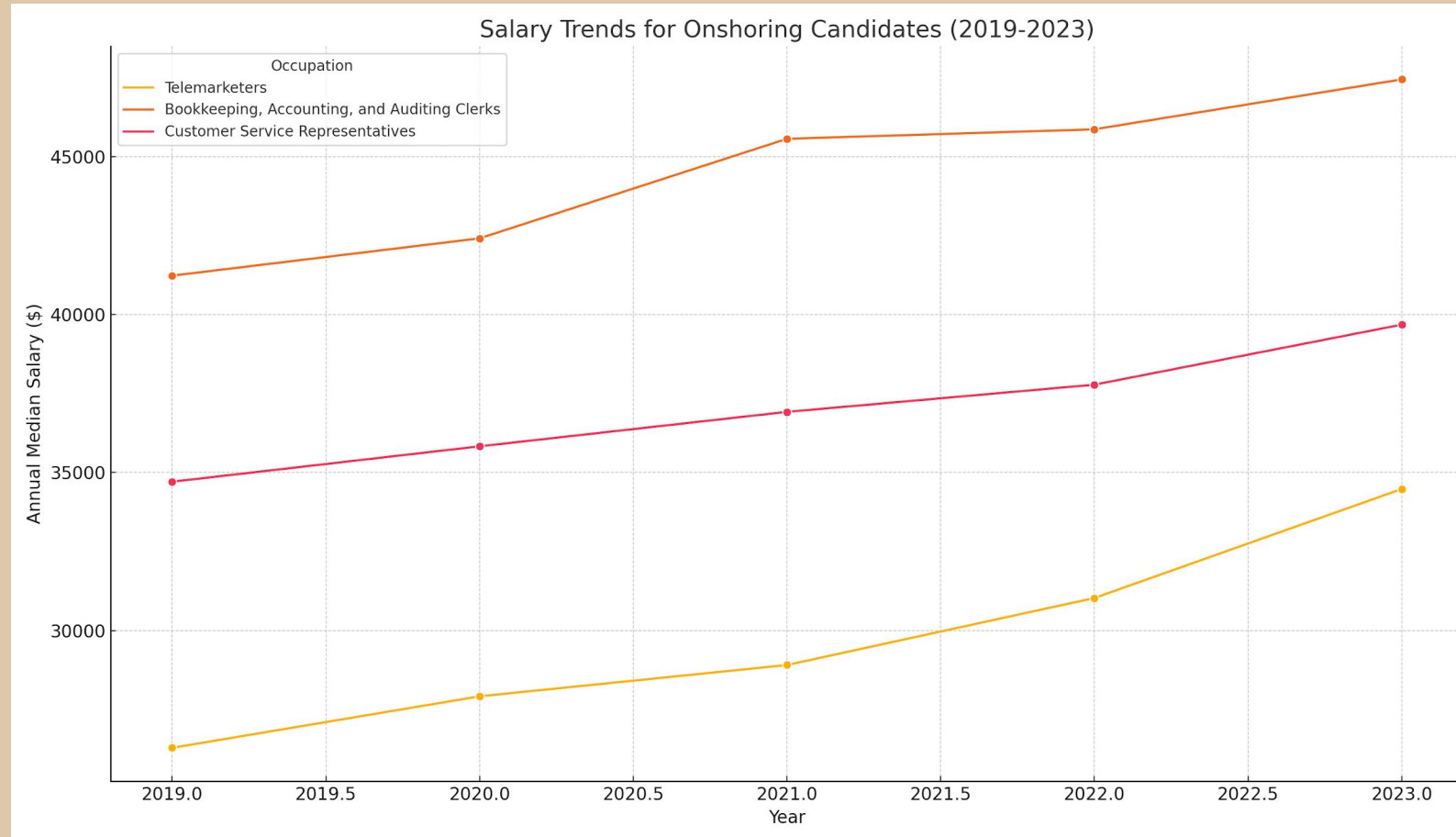
- Based on compensation trends, the Bookkeeping, Accounting, and Audit Clerks department should remain within the US.
- Outsourcing the Telemarketing department would be cost-effective.
- The Customer Service Representatives department should be divided, with part of the team offshore and part in the US, enabling 24/7 customer service coverage.
- Conclusion: Prioritize telemarketers (moderate salary increase → cost-effective)

Figure 4) Salary Trends for Onshoring Candidates between 2019 to 2023
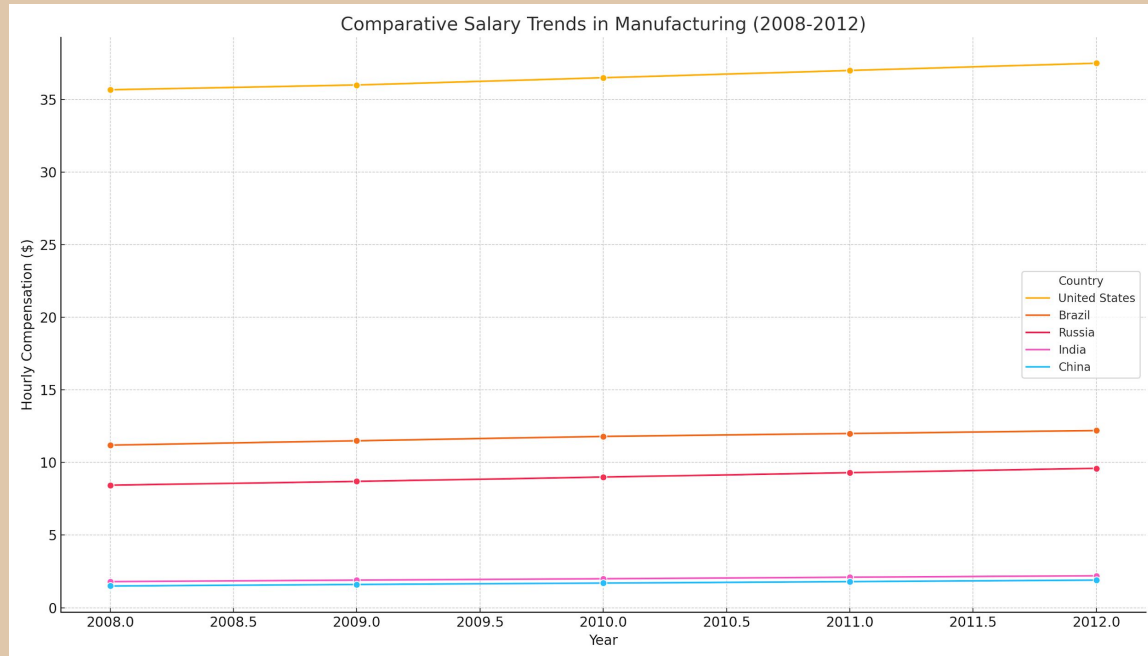
OUTSOURCING OPPORTUNITIES

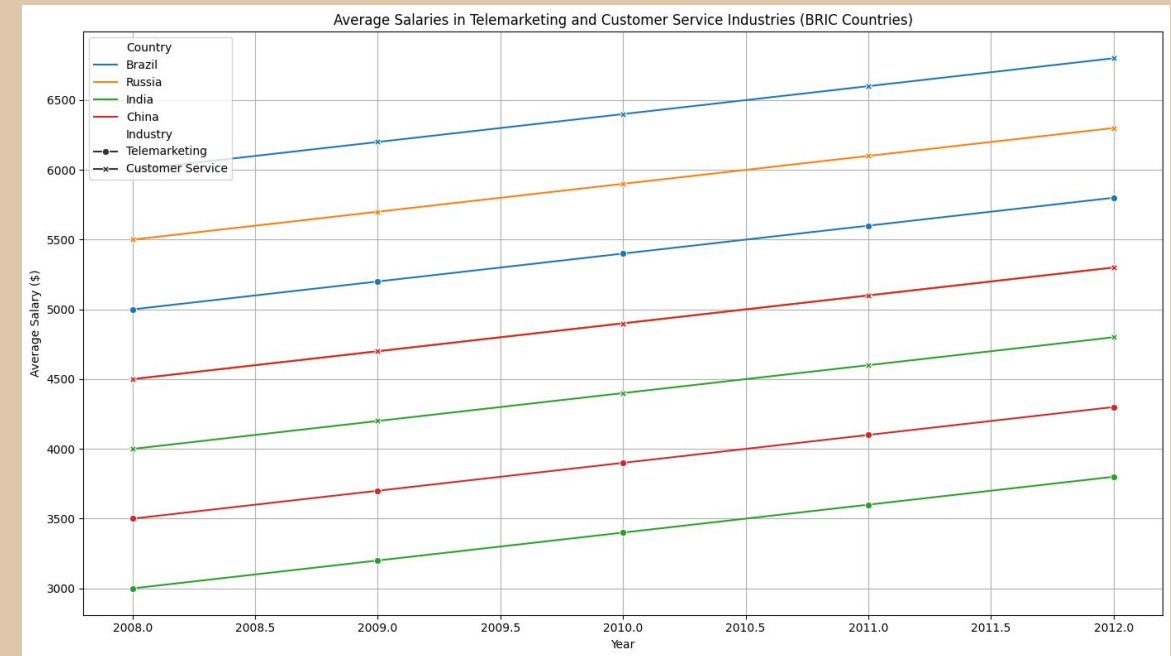Figure 5) Comparative Salary Trends in Manufacturing between 2008 to 2012

Figure 6) Average Salaries in Telemarketing and Customer Service Industries

- China (low salary and slow growth) & India (lower salaries for Manufacturing & Telemarketing and Customer Service Industries)
    - Outsourcing is more profitable and efficient
- Russia (higher salary and increase in salary) & Brazil (growth in salary not as drastic but still steady)
    - Not preferable for outsourcing as less profitable and efficient

Offshoring High-Cost Jobs

- Target roles with rapid salary growth for offshoring.
- Focus on admin, support, and technical positions.

Onshoring Opportunities

- Keep roles with stable or low salary growth in the US.
- Consider hybrid models for customer service to enable 24/7 coverage.

Implement HR Strategy

- Create a clear plan with timelines and milestones.
- Use KPIs to track cost savings, productivity, and satisfaction.
- Ensure legal compliance in both US and offshore locations.

RECOMMENDATION

Focus on offshoring high-cost, rapidly growing salary roles like administrative and technical positions to India and China, while keeping stable salary roles in the US, with a hybrid model for customer service. Implement a clear HR strategy with defined KPIs to track success and ensure compliance with legal requirements in both regions.

CONCLUSIONS

- Offshoring high-cost roles to India and China can significantly reduce labor costs.
- Retaining certain roles in the US ensures stability and leverages onshore advantages.
- A hybrid model for customer service can enhance coverage and efficiency.
- Implementing a clear HR strategy with KPIs will track success and ensure legal compliance.

THANK

YOU