Will Covid-19 Result in the Disappearance of the Onsite HR Department?

written by HR Banana

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You are probably as sick as I am of reading all of the predications regarding the lasting changes to the workforce as a result of the pandemic. Every business resource and blogger has informed us that there will be a *new normal* at work.

You can include me as I have guesses about the lasting effects of the pandemic on healthcare HR. One fact that we can all agree on is this: Remote work (work from home) is here to stay.

Years ago, we thought we were being progressive and pushing the limits by allowing our medical transcriptionists to work from home and paying them by the line! We couldn't imagine many other jobs that could be performed offsite.

The pandemic has opened our eyes. We have discovered that billing, scheduling, many finance and HR functions, etc. can all be accomplished offsite. In fact, any job that is primarily concerned with information/data is probably a candidate for remote work.

We know how valuable real estate is in any healthcare facility. Whether the organization is large or small, the physical space is better utilized in providing care. Our services are why we exist and what we get paid for. So, it is not really desirable to have that space occupied by non-revenue producing departments.

Most of us can see there will be tremendous pressure to move most or all of the HR functions offsite. I am not going to enter into a discussion of whether that is good or bad. That can be a separate post and discussion.

> *Once HR processes become digital, they can be done anywhere. Once they can be done anywhere, they can be done by anyone.*

I am concerned that our response to Covid-19 may hasten the elimination of the

HR department as it is currently structured – whether it is done onsite or remotely.

Many may think I am being extreme and the company will always need HR. It is true that the company may always need someone to do the functions that HR uses to define itself, (compensation, benefits, recruitment, employee relations/legal compliance, training), but who says that has to be done on the premises or even by "us"?

Here are some of the reasons why I think organizations may consider restructuring or outsourcing traditional HR functions.

Technology and digital records have eliminated the requirement to do work onsite.

From an HR perspective, think about how much effort, time and resources are spent in managing employee records. We managed (or still manage!) a huge amount of paperwork. Employee requisitions, applications, verifications, payroll, benefit enrollments, appraisals, performance management, training, compliance, etc. were all on paper.

In my case, there was always so much that an HR assistant could not keep up with it. Recruiters, comp, and benefits staff all assisted in managing and filing the flood of paper.

Now this can all go away. Many of us have moved to electronic employee records. Everything listed above can be done in a digitized format.

If we still accept walk-in applicants, we can direct them to a computer where the application is completed online.

If we have embraced almost any type of HR/Payroll system, they all have or are moving to all electronic employee records. Benefit enrollment, appraisals, performance management –all can be completed and stored electronically.

As we eliminate the need for paperwork to be completed by the employee and physically maintained, we eliminate the need for face-to-face interaction. Online

paperwork can be done remotely.

Since we are making it possible to complete most of the HR functions remotely, this leads to our next big factor:

Outside firms are focusing on the HR functions and becoming very good at them

I have written before on this subject. Rather than trying to be generalists, outside firms are focusing on one aspect of HR and becoming very good at it. We all know that there are many job search engines that are very good at what they do.

Health insurers or third party administrators are happy to manage FMLA or worker's compensation programs for you. Payroll providers are abundant and some offer compensation surveys, annual analysis and adjustment recommendations as well. It is not hard for an outside firm to lay out a comp program with hiring and annual increase programs for the year.

Let's use recruiting as an example. There are many job search engines available which do a great job. In fact, you are probably using some of them.

and are two of the largest. claims you can reach 250 million job seekers. guarantees you qualified candidates within a certain time frame. Both are pretty impressive.

If you tell me that those are only job boards and the organization still needs applicant screening and processing, both may be true, but do you need HR resources doing this?

In most healthcare organizations, HR has advisory not line authority. It is the line manager that makes the hiring decision. If an HR employee can screen, why can't the line managers be taught to do the same thing?

I know there are other steps in the hiring process – background checks, verification, etc. If the job boards aren't doing these functions, other firms are. My guess the job boards will continue to add optional services to increase revenue.

My point is simply that once HR processes become digital, they can be done

anywhere. Once they can be done anywhere, they can be done by anyone.

And it is happening in every industry at every level. Online sites are successful focusing on one tiny segment of the market. Who would have thought a site would be dedicated to replacing furnace filters? It is a tiny niche but profitable when you have a worldwide market.

Not only retail, but it is happening to every facet of the service industry. HR is not exempt, and the HR functions are under the same pressure.

Even employee relations and performance management are not immune. Firms are available to provide employee/manager mediation, HR policies, and performance management programs. This becomes even more possible since we have been handling employee interactions via Zoom or other teleconferencing technology.

Think training is immune from outsourcing? One provider with 500 employees eliminated their internal nonclinical training function. Instead, they contracted with an outside management consultant. For a flat fee of $35,000/yr, they obtained one management training course each month. For additional staff training, they negotiated a per event cost.

You can see this is much cheaper than having an onsite training function. There is no employment relationship with its complications and increased cost.

My point is that most of HR is on the table for alternative delivery options.

If it can be outsourced, senior management will consider it

Since technology has made it possible to do the work elsewhere and since firms focused on one specific area can provide better results why should senior management settle for less?

Senior leadership would be remiss not to consider all options. If they can get a better product elsewhere they will looking to make changes.

One of the benefits of outsourcing, is that the HR function is provided by a vendor not employees. The vendor relationship is easier to manage than the employee

relationship.

Replacing an employee with a vendor eliminates many employment issues: no WC concerns, unemployment, payroll taxes, paid time off, no DEI issues. Not happy with the vendor's service? It is easier to replace vendors than employees.

I think there will be tremendous pressure to "farm out" some or most of the HR functions. Don't count on DEI (diversity, equity, and inclusion) as being the reason for HR. Senior leadership will soon tire of a department that seems to be focused on uncovering an ever increasing list of unknown offences creating new grievances. If this is big with you, then there are many outside firms focused on this.

I am not saying that there will be no HR–but it may come down to one or very few individuals acting as interface with outside providers.

Keeping the HR department essential

I am pessimistic about the future of HR in healthcare when I see HR departments continuing to do what they have always done. If we keep repeating our past performance, HR will continue to get negative reviews from senior leadership–which I addressed early on.

Here is my prescription for creating the essential HR department:

Embrace the technology and use the best outside vendors.

This seems counter-intuitive since I have suggested that their expertise may lead to HR's downsizing. It is better for HR to use these resources if they are better than what can be produced inhouse.

First, you get providers that have a narrow focus and do it extremely well. If Ziprecruiter can source candidates better than you, then take advantage. If your healthcare provider manages FMLA better than you, use them. Using the best outside vendors allows HR to be the gatekeeper and seamlessly integrate them into your processes.

Secondly, it reinforces that HR is on top of their game and knows what resources are available. Outside HR service providers should be suggested by HR not some other department. Your judgment will be better trusted when you are not being territorial.

Thirdly, using outside vendors for basic functions allows HR to focus on more productive work.

Develop an HR department that focuses on the bottom line.

Too often, HR is viewed by senior leadership as not only being unconcerned about the bottom line, but throwing up roadblocks with any new business initiative. HR hears a new proposal from senior leadership, we love to express our concerns about potential legal or morale problems.

If asked, could you respond with how much savings your department has contributed to the bottom line? What has your HR department done to contribute to increased productivity?

I ask this, because the World Economic Forum states that improving productivity will be the critical business issue of the next decade. It is even more important to healthcare providers as they require large number of employees.

The critical point of this blog has been to make the point that HR needs to embrace an expanded definition of HR that includes *HR being the experts in the management and **utilization** of human resources.* This definition gets HR involved in what the employee is doing and how it is getting done.

This definition includes HR owning or at least being deeply involved with productivity monitoring and improvement. It means strong position control, job redesign, and work process improvement.

At one mid-sized hospital, senior leadership acknowledged that our HR department of 7 people was responsible for $12 million in payroll savings for the year. When you get bottom line results, senior leadership will view HR as a valuable asset.

Make HR a leader in cost control.

What I mean be that is reduce HR costs to the lowest possible level. Be an organizational leader in cost control. Provide more with less.

Your goal is not to create an HR empire. It is to demonstrate how much can be provided at the least cost. Remember, HR is all overhead costs. We do not provide revenue.

Reduce specialization. Generalists have a broader reach. If you do have specialists (recruiter, benefits, comp. etc.) consider rotating them periodically or cross-training.

Do you have an HR employee dedicated to special events, or handbook? One hospital did. What a waste. We assigned special events to different people in HR. They loved it. It enriched their jobs and expanded their experience and knowledge.

Ignore the suggested HR/staff ratios. I know SHRM and others suggest certain HR staff to org. employee ratios. One suggests that it should be 1/100-125. My experiences was more in the range of 1/300 and our departments were involved in productivity initiatives and still rated highly on engagement surveys.

I know there is no call today to abandon internal HR but we already see the potential for our basic functions to be "sliced off". Eventually, HR will undergo radical transformation. My suggestion is to start the revolution now and become high performance HR departments that help drive high performance organizations.