

## **BPO doesn't have to mean job losses as the wake of Covid continues**



Once a company has established a use case for Business Process Outsourcing (BPO) and the advantages that this model delivers, many are uncertain as to what happens next. How do they hand over this part of operations to a separate entity and most importantly, what happens to existing staff in the transition? Will they be replaced and retrenched? Unlocking the full benefits of outsourcing without significant negative impact on current employees is achievable through employment transfers made in terms of section 197 of the Labour Relations Act. This is where the right choice in BPO provider can make all the difference in avoiding retrenchments and ensuring that existing employees come out the other side with job security and employee benefits intact or enhanced. For example, over a five-year period, from 2016 to 2020, we saw an e-commerce organisation's production units per hour increase from 204 to 2050 units. This was a significant improvement, but these benefits were especially during peak times, further highlighting the power of BPO.

### **What is Business Process Outsourcing?**

Companies all over South Africa are struggling to recover from Covid-19 lockdown restrictions. According to a survey conducted by the Department of Small Business Development, 42.7% of all small to medium enterprises in South Africa closed their doors in the past year. Those that are still operating are desperate to reduce costs, either by downsizing or outsourcing their business processes. BPO refers to the process of contracting standard business functions to a party outside of the company. This may be facilitated by a section 197 transfer if the "service" is being transferred.

Section 197 of the Labour Relations Act is intended to facilitate commercial transactions like business process outsourcing and subsequent transfer of service while protecting job security and employee benefits. In fact, if the requirements for section 197 are met, the employment contract passes from the

company to the BPO provider and all the rights and obligations of the employee that existed prior to the transfer, regardless of whether they were included contractually or orally, will continue with the new employer. This provision of the Act ensures that the rights and obligations cannot be less favourable after transfer, and in cases where the transfer is less beneficial the matter may be referred to the CCMA for further adjudication.

Common business processes that are outsourced include warehousing, production, accounting, customer support, IT, marketing, payroll to name a few. Contractually, the BPO provider becomes responsible for carrying out all operations related to the business function and while each business case will be different, BPO providers are also responsible for the transition to the outsourced model. This involves examining what will happen to existing staff, both permanent and contract, as well as the impact on operations. The right BPO provider will have the ideal industrial relations, labour law and human resources expertise to minimise the disruption to staff and operations while balancing any union requirements.

### **Contractual clarity based on transparency**

Business process outsourcing requires transparency from both the BPO provider and their client in order to shorten the takeover period and avoid any nasty surprises. This relationship is framed contractually, and the BPO provider delivers guidance throughout the transition once the scope of work, timeframes and project plans have been established, referencing standard operating procedures. In this way, BPO is more than simply providing a skilled workforce as it encompasses the management of the workforce and defines outputs that are aligned to business KPIs, as well as the management of systems, processes and machinery required for the outsourced business function.

All concerns regarding the transition are addressed legally through policies, procedures and the contract documentation that clarifies what is expected of all parties to the BPO arrangement. Once agreement has been reached, the BPO provider commences with a roll out plan that will facilitate the contractual takeover and this is where resource allocation comes under consideration. Should employees be transferred under section 197, the BPO provider has the opportunity to offer improved or more cost-effective benefits for staff, including medical aid facilities and retirement savings to ensure they're in a better position than they were previously.

### **Do what you do best, outsource the rest**

Partnering with a reputable, stable BPO provider that can offer the necessary employee benefits and expertise to support the business is critical to success that results in enhanced customer and employee satisfaction, improved efficiency and reduced operational costs. Once a company knows that their people have been provided for through the transition, they can renew their focus on their core business, knowing that all outsourced business processes have been contractually handed over to their BPO partner. This means that they can focus on new innovative products and new sales opportunities where they didn't have the time before. This is only possible where there is a climate of trust based on

continuous, reliable information and communication on both sides.