

# Alternative to Managing Human Capital Needs



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As many countries continue to struggle with persistently high unemployment rates, Malaysia is fortunate to have a relatively low unemployment rate, hovering in the 3% range. While this is generally viewed very positively from a macroeconomic perspective, employers in Malaysia know too well the consequence of low unemployment is high employee mobility.

Due to the tight labour market in Malaysia, many employers do sometimes find themselves dealing with some level of unanticipated staff turnover on a frequent basis. In addition to staff attrition, employers may need temporary additional resources for maternity leave cover or to deal with higher seasonal workloads and special projects. Depending on the urgency of the position that needs to be filled, employers oftentimes find themselves making a quick decision to hire a replacement out of necessity rather than investing the time and effort to identify the most qualified and suitable candidate.

One way to deal with temporary staffing needs is to consider a short-term secondment from a reputable professional services firm. These firms can provide highly trained, versatile professionals with a wide range of capabilities and industry exposure, whom are highly adaptable to complex work environments. These individuals will be accustomed to working under time pressures and managing projects deadlines, as well as being quite comfortable interacting with both local and expatriate co-workers.

One of the pitfalls many companies fall into when considering entering into a short-term professional secondment arrangement is solely looking at the professional service fees, which oftentimes will be a multiple of the monthly salary that would be paid to an employee for the given position.

While costs should never be overlooked, it is important to recognise all human resource related costs for the secondee, such as salaries, bonuses, training, professional certifications, medical and other benefits, will be borne by the professional services firm. Companies will also be gaining access to the entire professional service firm's expertise and resources. In addition these types of arrangements generally will provide companies with greater level of flexibility as the services can be structured to suit the needs of the organisation and can be renewed or terminated with relatively little effort. This can allow employers to invest the time that is needed to identify the best person to hire as a permanent replacement. These are all additional benefits that should be factored in when considering a short-term professional secondment.

Another longer term model to consider is to completely outsource some or all back office functions. Outsourcing is a highly efficient way to deal with non-core activities, particularly when the skilled resources needed are in short supply.

Outsourcing can serve as a 'one stop shop' for business support needs, helping to relieve common burdens and saving companies time and money. Effective support in handling functions such as financial accounting, statutory and management reporting, tax compliance, payroll processing and other advisory requirements, can allow companies to focus energy on their core operations to improve business results.

As outsourcing vendors have deep experience in their areas of operations, they should be able to use this experience to implement measurable improvements and business process acceleration. Entering into larger, more comprehensive relationships with an outsourcing vendor, rather than outsourcing only part of a complete business process, oftentimes will be more cost effective as it allows the vendor to use its complete portfolio of skills and knowledge efficiently.

While some level of employee turnover is unavoidable, these alternative models may be considered the next time your company is faced with human capital needs.

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