

DEVELOPMENT PERSPECTIVES OF OUTSTAFFING OF UKRAINIAN SERVICE ENTERPRISES IN THE CONDITIONS OF FOREIGN ECONOMIC ACTIVITY

Odesa National Polytechnic University

Abstract: *The article examines the current state of the outstaffing sphere of Ukraine and estimates the possible development of the outstaffing for service enterprises in Ukraine. During the investigation, we considered the prospects for the work of Ukrainian outstaffing companies in foreign markets, showed the benefits of such cooperation for domestic enterprises. On the other hand, we analyzed the benefits from Ukrainian outstaffing service for foreign companies, which allowed us to conclude that the perspectives of outstaffing business, which can later be developed into an outsourcing one, are limitless in Ukraine.*

Key words: *outstaffing; remote hiring; recruiting client; contractor.*

Modern business is extremely dynamic and requires enough flexibility. Consequently, not only do modern businesses upgrade their production and marketing strategies, but also spend a lot of resources on their personnel policies. In the latest years, a bigger part of the organizations in Ukraine and all over the world opts for outsourcing and outstaffing tools. Although the concept of outstaffing has been well-known in the Ukrainian market, the demand for it has grown drastically within the latest years. The regulation has not yet been set on the legislative level; a relative novelty was holding back the Ukrainian market.

Outstaffing is a type of remote hiring when a team of any human resource is provided by a third-party contractor and they work on the projects of the recruiting client for the period of their contract. The fundamental concept of it is that the team is hired based on customers' needs and requirements.

Outsourcing firms, on the contrary, provide a fully established team, including both the representatives and the management, to the recruiting client [1].

It should be noted that the Ukrainian legislation does not contain an interpretation of the term 'outstaffing'. However, Ukrainian Law allows the activities of the companies that provide staffing services in order to further transfer this staff to other companies to perform work that is an outsourcing (staff rental). Such activities can be carried out only with the appropriate permission, which must be issued by the Employment Center [2].

Most of the times clients hire the specialists within the outstaffing companies that are required for a large-scale, but short-term project. The services that the companies can provide are IT-specialists, analysts, accountants, entrepreneurs, call-center specialists, designers and seasonal workers.

The profit of using outstaffing is perceptible for three parties: the contractor, the recruiting client and the employee.

The main benefits of outstaffing for the contractor include the ability to service not only the local market, but also evolve to the international level. Additionally, the outstaffing businesses are estimated to be very profitable. As per experts, the cost-effectiveness of this type of business is 30-40%. Apart from that, the primary stage of establishing the outstaffing company does not require a lot of investments. However, if we compare providing the representatives to providing the full team including the project managers etc., we can conclude that the contractor, although reducing the risk in delivering the final product, gains less profit than he would do if had provided the outsourcing team [3]. Otherwise, to create a demanded outstaffing product, it is necessary to work in advance on human resources potential.

Human resources potential forms from the acquired information, professionalism, competences and skills of specialists, who work for the development of competitiveness in terms of foreign economic activity expanding – in order to achieve the desired social effect or to increase profits [4]. For outstaffing companies, the formation of human resources potential is identical to the formation of the production potential of the organization.

The recruiting client, on the other hand, does not spend time to fill the vacancy, because of the fact the contractor looks for the suitable candidate himself. It is also possible to simplify the personnel management, such as time off, medical emergencies, payoff – all the bureaucracy stays out of the client's field of responsibilities. Moreover, there is a potential to financially benefit by hiring a smaller amount of the official employees, which leads to reducing the tax costs and other maintenance expenditures. Costs are also reduced due to the fact that the average official salaries in the countries that usually provide outstaffing services (e.g., Ukraine, Belarus, Russia, India, Philippines) are much lower. In addition to this, the client is released from labor arguments and financial side of the question. Since most of the outstaffing employees are working remotely, there is no need to spend costs on relocating the professional.

At the same time, the employee is able to find the project that best fits his preferences and avoid having to work on one product for a long time. Lastly, after completing the contract terms, the employee is able to be hired by the customer directly, if his achievements on the project are highly estimated, or be a part of the team that is experienced in servicing the product, which can result in creating an outsourcing team.

At the moment, Ukrainian market, although having limited possibilities and resources to have the interpreters establish their own business, does not have enough competition. Considering this fact and vast resources of the Ukrainian people intellectual potential, we come to the conclusion that the perspectives of opening the outstaffing business, which can later be developed into an outsourcing one, are limitless in Ukraine.

New forms of cooperation can move legal relations beyond the framework of legal regulation in those countries that cannot timely adapt their legislation for rapidly developing new business strategies, in which the concept of territorial boundaries is often absent, and talents are mainly in demand to effectively solve the assigned tasks.

REFERENCES

1. Leonova E. Outstaffing: what kind of a service this is and how it is different from outsourcing. URL: <https://hurma.work/ru/blog/autstaffing-cto-eto-za-usluga-i-chem-otlichaetsya-ot-outsorsinga/>
2. The Law of Ukraine «On Employment of the Population»: Law No. 5067-VI of 5 July 2012. URL: <https://zakon.rada.gov.ua/laws/show/5067-17?lang=en#Text>
3. Korsunov H. Why we do IT-outstaffing and are not ashamed of it. URL: <https://habr.com/ru/post/523710/>
4. Scripnic N.A., Antonyuk N.A. Personnel potential as a basis for strategic development of enterprises under extension foreign activities. Economics. Finances. Law. 2017. № 5/3. P. 53-57.

Kravchenko Oksana M. – Doctor of Philosophy of Economic Sciences, Associate Professor of Department of International Management and Innovation, Odesa National Polytechnic University, Odesa, e-mail: o.m.kravchenko@opu.ua

Havrylova Kateryna I. – student of Department of International Management and Innovations, Odesa National Polytechnic University, Odesa, e-mail: k.havrylova@mzeid.in