

Human Resource Outsourcing as a Strategic Tool for Rightsizing Manpower in Government Undertakings in India

Sujit Kumar Acharya^{1,*}, Sri Surendra Kumar Sahoo², Sulochana Dash³, Kartik Chandra Das⁴, Joseph Evans Agolla⁵

^{1,3}Department of Business Studies, Directorate of Distance and Continuing Education (DDCE), Utkal University, Khordha, Odisha, India.

²PG Department of Business Administration, Utkal University, Khordha, Odisha, India.

⁴Department of Personnel Management and Industrial Relations, Utkal University, Khordha, Odisha, India.

⁵School of Business and Management Studies, Botswana Open University, Gaborone, Botswana.

sujitkacharya@gmail.com¹, surendrasahoobbsr2016@gmail.com², sulochanadash303@gmail.com³, kartikdas8@gmail.com⁴, nyagonya2009@gmail.com⁵

Abstract: Human assets are the central resources that convert all of the resources into productive resources. Human resources add value, while all other resources add cost. After the COVID-19 pandemic, most organizations have reduced their workforce without compromising the quality or quantity of their output. Concepts such as work-from-home and Human Resource Outsourcing (HRO) were implemented by both the government and the private sectors. The introduction of an outsourced workforce requires effective workforce planning, motivation, organizational development, dynamic leadership, and changes in organizational policies and practices. The present paper analyzes the above parameters based on responses from 97 personnel working in the state government sectors of Odisha, India. The responses were collected through a questionnaire. The prime objectives of the research work are to identify the positive and negative aspects of HRO, its challenges, and the ROI. Various statistical tools, such as ANOVA and t-tests, were used for data analysis. The paper highlighted issues in acquiring external expertise, enhancing product and service quality, focusing on core business, and realizing cost-saving opportunities. The research concluded that departments should manage outsourced employees and increase their commitment to completing assigned tasks.

Keywords: Human Resource Outsourcing; Organizational Development; Manpower Adjustment; Data Analysis; Productive Resources; Government Sectors; Outsourced Employees.

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1. Introduction

The period after COVID-19 has been one of the most difficult and complex for businesses worldwide, forcing them to rethink how they manage their employees, plan their workforces, and hire new people. The Human Resources (HR) department has

*Corresponding author.

been under the most pressure of all the functional areas because it is at the center of the organization's survival, continuity, and change. The pandemic changed the way people worked, made the job market less stable, and altered what employees expected, forcing businesses to adjust to a level of uncertainty never seen before. In this situation, HR professionals had to ensure that the right people were available, that employees could do more than one thing at once, that people could work together in remote and hybrid settings, and that the workforce's skills aligned with the organization's goals. These problems weren't just short-term; they were long-term changes in how things were done that required systematic, strategic changes in HR policies, staffing structures, and how people were managed. One of the biggest problems since COVID has been how to maintain and improve employee performance while ensuring that performance directly affects the company's overall productivity. The sudden shift to remote and flexible work models disrupted traditional performance-tracking methods, forcing companies to develop new ways to measure productivity. Employees were no longer judged just by how many hours they worked or how many days they were at work.

Instead, they were judged by their results, adaptability, and ability to perform different jobs. This change required a workforce that was not only skilled but also adaptable, strong, and able to handle a wide range of tasks. Albert et al. [4] say that modern companies expect their workers to do many different things, take on responsibilities beyond their job descriptions, and go above and beyond what is expected. While these expectations have made employees more flexible, they have also made them think and feel more, making HR's role in performance management, training, and employee engagement even more important. Another big problem in the post-COVID world is that more and more people are accepting flexible time and non-traditional work arrangements. Companies have learned they can keep their operations running without strict time limits, which is why flexible working hours and remote work are so common. But this flexibility has meant employees have to be available at different times, which often makes it hard to distinguish between work and personal life. From an HR perspective, it has been a difficult balancing act to manage this kind of flexibility while avoiding burnout and disengagement. Also, ensuring that people work together, are responsible, and feel part of a team in remote work settings has made managing the workforce even harder.

These problems have hurt both government and private groups, as they have had a hard time finding, hiring, and keeping the right kind of workers in a job market that is becoming more competitive and uncertain. The time after the pandemic has also shown that traditional workforce models have structural problems. At a time when strategic decision-making and employee development needed more attention, many organizations found themselves overwhelmed with administrative HR tasks. Every day, HR tasks such as processing payroll, managing benefits, hiring new employees, and reporting on compliance took up significant time and resources, making it harder for in-house HR teams to focus on strategic projects. Because of this, businesses began looking for other ways to reduce operational stress and run things more smoothly. The Human Resource Shared Services (HRSS) model is one of these solutions that has become more popular. HRSS is when companies hire outside agencies or service providers to handle routine and transactional HR tasks. This lets them streamline their operations and focus on HR functions that add value. Sahoo and Goute [11] and Gospel and Sako [7] have both noted that HRSS is becoming increasingly popular as a means to lower costs, improve service quality, and reduce workload, especially during times of crisis. Outsourcing became more important during the COVID-19 period, but it is not a new idea in business.

Outsourcing began at the same time as globalization. Companies wanted to use outside experts, cut costs, and speed up operations by getting workers, raw materials, and services from specialized suppliers. Outsourcing has evolved from simple business-to-business deals to strategic partnerships, in which external providers are integral to organizations' value chains. In the past, businesses were careful about outsourcing core competencies and strategic decision-making functions. They wanted to keep control over areas that directly affected their competitive edge. Before COVID-19, research showed that companies rarely outsourced key management and strategic roles. Instead, they focused on technical services, support functions, and material supplies [1]. But the way people see things has changed a lot since COVID. Organizations have been changing the way they plan their work and hire people more and more due to financial constraints, a shortage of skilled workers, and rapidly changing markets. Organizations are now focusing on cutting costs, including those related to human resources. To do this, they are using flexible staffing models, hiring people on a contract basis, and outsourcing expertise. Work-from-home and flexible hours, which were once seen as short-term fixes, are now important parts of HR strategy. Outsourcing and these practices go hand in hand. External human resources agencies supply skilled workers who can be called on as needed, reducing long-term employment commitments and costs [2].

The outsourcing landscape has changed significantly, and one of the biggest shifts is that outsourced roles now include more than just lower-level or support roles. In today's business world, outsourced workers are increasingly involved at higher levels, including consultants, advisors, project specialists, and strategic planners. This shows that more and more people are realizing that bringing in outside experts can help organizations be more flexible, creative, and make better decisions. Companies can gain specialized knowledge and experience without incurring the long-term costs of hiring full-time employees by hiring consultants and strategic partners. This trend has made it even harder to distinguish between internal and external human resources. Now, hybrid workforce models combine in-house employees with outsourced professionals to achieve company goals. HR policies and practices will have to change significantly as more companies rely on outsourcing and HR shared

services. HR departments are no longer just responsible for administrative tasks; they are now expected to be strategic partners in changing the way the organization works. This necessitates a transition from conventional personnel management to strategic workforce planning, talent development, and change management. HR professionals need to establish rules that ensure everyone is treated fairly, that employees are held accountable for their work, and that outsourced employees feel they belong to the company's culture. They also need to address concerns about job security, employee morale, and organizational commitment among permanent staff, who may see outsourcing as a threat to their positions.

The need for collaboration and teamwork across organizational boundaries has also grown stronger since COVID. Employees have to work with outsourced professionals, consultants, and remote teams, which can be hard because they are often in different time zones and cultures. This has shown how important it is for organizations to have strong communication, trust, and shared values to be effective. HR departments are crucial to making this kind of collaboration happen. They do this by encouraging inclusive practices, teaching people how to work together online, and fostering a culture of adaptability and continuous learning. In short, the role of HR has shifted from a support function to a key driver of organizational resilience and sustainability in the post-COVID-19 era.

Organizations have had to make strategic and systematic changes to their HR policies and workforce structures to address challenges in finding enough workers, managing costs, and ensuring employees perform their jobs effectively. The increasing use of HR shared services and outsourcing is a practical way to deal with these problems. It helps companies lighten their operational load while keeping their strategic focus. As outsourcing changes from transactional support to strategic partnership, companies need to find the right balance between efficiency and employee engagement, control and flexibility, and cutting costs and building long-term capabilities. How well organizations adapt to the post-pandemic world and maintain their competitive edge as it changes quickly will depend on how well HR departments handle these challenges.

1.1. Scope of the Study

In today's world, the right-sized workforce is mostly achieved through outsourcing. In India, particularly in the government sector, the workforce gap is created by voluntary retirement schemes. Many employees in both the government and private sectors have changed jobs or left their organisations due to the COVID-19 pandemic. Organizations need to continue their processes and practices. In such cases, the skill or human resources gap is managed with the help of consultants and human resources agencies. The present research identified the reasons for outsourcing employees and how such outsourcing will help the organization to function efficiently, economically, and effectively. The study will focus only on the outsourcing practices adopted by government undertakings operating primarily in the state of Odisha, India.

2. Review of Literature

Various research papers have been reviewed to identify the research gap and the objectives of the research work, which are stated. Their research found that outsourcing is a strategic management practice that enhances an organization's economic viability [5]. Outsourcing is a unique strategy that offers many advantages to enhance the firm's efficiency. A successful outsourcing experience enhances dynamism, potential, innovation, sustainable growth, and advancement [13]. Outsourcing also includes an enterprise having a contractual relationship with an employee who belongs to a different organization but works for another organization. In the case of outsourcing specialized skills, a full-time person will work flexibly for the organization. Such skilled employees are paid for a specific period during which they have rendered their services. COVID-19 has shown a new path for engaging people through outsourcing and remote work. In such cases, neither do the employees belong to the organization, nor are they required to come to the office regularly to perform their assignments. Such practices are widely acceptable, mostly in the software industry [10].

Outsourcing strengthens the financial status during crises. It helps the organisation to work without exceeding the financial budget. Outsourcing creates a pull on additional funds by reducing the expenditure on permanent employees [8]. Outsourcing is the key to meeting human resources demand, reducing or downsizing the number of regular employees in an organization. It is only possible with a systematic approach and the implementation of an outsourcing scheme [6]. Outsourcing helps streamline the HR function and delivers HR services effectively. The organizations are not intended to offer regular services but also to pay retirement benefits [12].

The practice of outsourcing is the work of senior-level management to select an agency to supply the workforce. Outsourcing reduces legal complications and contractual disputes. Outsourcing also reduces the costs associated with benefits such as medical expenses, insurance, periodic retirement assistance, and re-engagement of family members in the event of death [9]. Outsourcing also has its limitations, which can affect the morale and commitment of the outsourced employee. A clear distinction in behavior is evident between regular and outsourced employees. The level of commitment usually declines more quickly than that of regular employees due to the lack of secure jobs [3].

2.1. Research Gap

The above reviews identified research gaps by analyzing the literature, revealing that very few studies have been conducted on government outsourcing. Further, no prominent work was conducted on outsourcing employees, based on perceptions collected from regular employees of the government undertaking in Odisha.

2.2. Objective of the Study

The objectives of the study include:

- To identify the different parameters that contribute to the success of outsourcing in the government undertaking.
- To find out the prominent reasons for the outsourcing of manpower in the government undertaking.
- To analyse the major adverse impact on the government undertaking due to workforce outsourcing.

2.3. Research Methods

The study of employee outsourcing at the state government of Odisha is based on the opinions of employees working at the Odisha Secretariat. The employees were categorised into three levels, i.e., Group A, Group B, and Group C. Various mechanisms, including self-administered questionnaires, informal interactions, interviews, and self-observations, were used to collect employees' opinions. The Research Work is also based on data collected from secondary sources. These data include State Government websites, Government records and notifications, and research papers published in related areas of outsourcing.

2.4. Selection of Samples

The samples were drawn from employees in Groups A, B, and C. The employees working in Group D are not taken into consideration, as their views will carry less weight and may be biased. A random sampling technique is used to collect responses from respondents. A total of 138 responses were collected from the various departments of the Odisha State Government Secretariat, Bhubaneswar. Statistical tools such as the t-test, one-way ANOVA, Mean Test, and Duncan Test are used for the research.

3. Data Analysis

Non-significant t-values of scores towards willingness of authorities to outsource HR functions (1.359), benefits from HR outsourcing (1.768), negative outcomes of outsourcing HRM functions (1.068), critical effect on the success of HR outsourcing (1.373) and overall outsourcing (1.678) by male and female employees in Table 1 indicate their similarity at 5% level ($P < 0.05$).

Table 1: T-test on overall scores of male and female employees of the Government of Odisha on different aspects of HR outsourcing

Aspects of HR Outsourcing	Gender	N	Mean	Std. Dev.	t-value
Willingness of authorities to outsource HR functions	Male	82	4.18	0.32	1.359 ^{NS}
	Female	56	4.11	0.26	
Benefits of HR outsourcing	Male	82	3.98	0.33	1.768 ^{NS}
	Female	56	3.89	0.23	
Negative outcomes of outsourcing HRM functions	Male	82	3.74	0.37	1.068 ^{NS}
	Female	56	3.67	0.39	
Critical effect on the success of HR outsourcing	Male	82	3.16	0.37	1.373 ^{NS}
	Female	56	3.07	0.39	
Overall HR outsourcing	Male	82	3.84	0.37	1.678 ^{NS}
	Female	56	3.73	0.39	

N.B: NS – Not Significant at 5% Level ($P > 0.05$) for $DF = 136$.

Accordingly, the mean values shown in Table 1 and graphically in Figure 1 for both male and female employees agreed on the willingness of authorities to outsource HR functions, the benefits of HR outsourcing, the negative outcomes of outsourcing HRM functions, and overall outsourcing, whereas they remained neutral on the critical effect on the success of HR outsourcing.

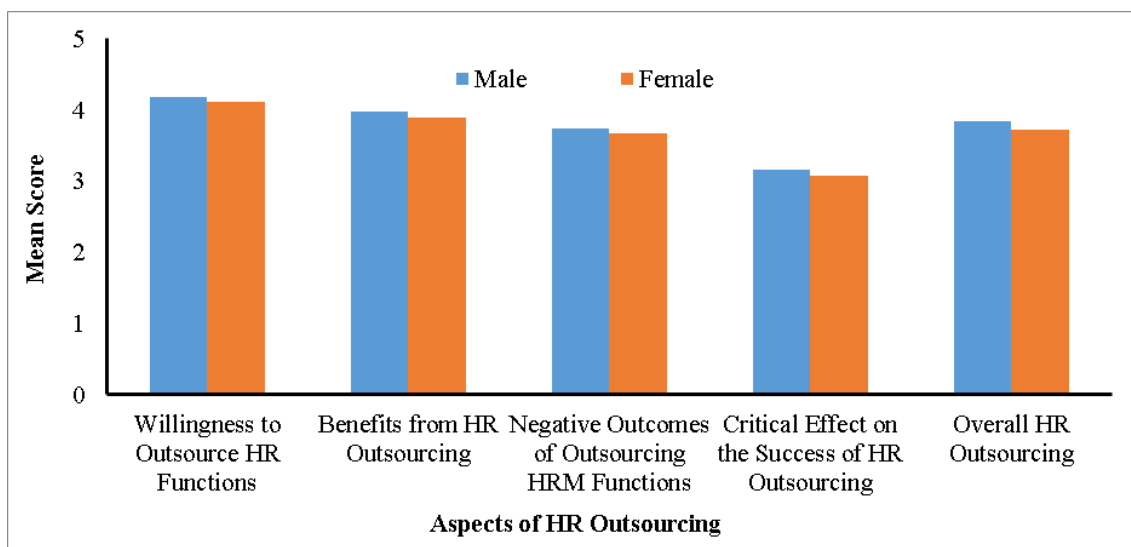


Figure 1: Mean overall scores of male and female employees of the Government of Odisha on different aspects of HR outsourcing

Significant F-values of scores towards willingness of authorities to outsource HR functions (10.082), benefits from HR outsourcing (13.011), negative outcomes of outsourcing HRM functions (11.857), critical effect on the success of HR outsourcing (12.576) and overall outsourcing (10.920) by different groups of employees in Table 2 indicate their variations in opinions at 5% level ($P < 0.05$).

Table 2: Analysis of variance on overall scores of different groups of employees of the Government of Odisha on various aspects of HR outsourcing

Aspects of HR Outsourcing	Sources of Variations	Sum of Squares	df	Mean Square	F
Willingness of Authorities to Outsource HR Functions	Between Groups	1.581	2	0.790	10.082*
	Within Groups	10.583	135	0.078	
	Total	12.163	137		
Benefits of HR Outsourcing	Between Groups	1.750	2	0.875	13.011*
	Within Groups	9.081	135	0.067	
	Total	10.832	137		
Negative Outcomes of Outsourcing HRM Functions	Between Groups	1.859	2	0.930	11.857*
	Within Groups	10.583	135	0.078	
	Total	12.442	137	0.091	
Critical Effect on the Success of HR Outsourcing	Between Groups	1.592	2	0.796	12.576*
	Within Groups	8.545	135	0.063	
	Total	10.137	137	0.074	
Overall HR Outsourcing	Between Groups	1.452	2	0.726	10.920*
	Within Groups	8.975	135	0.066	
	Total	10.427	137	0.076	

N.B: * –Significant at 5% Level ($P < 0.05$).

The mean values along with their inter-group comparison by Duncan’s Multiple Range Test shown in Table 2 and graphically in Figure 2 of Group A, Group-B, and Group-C employees have agreed on the willingness of authorities for outsourcing HR functions, benefits from HR outsourcing, negative outcomes of outsourcing HRM functions, and overall outsourcing whereas remained neutral on critical effect on the success of HR outsourcing (Table 3).

Table 3: Mean scores of different groups of employees of the Government of Odisha on various aspects of HR outsourcing

Aspects of HR Outsourcing	Group	N	Mean	Std. Dev.
Willingness of Authorities for Outsourcing HR Functions	Group-A	33	4.26 ^A	0.26
	Group-B	46	4.17 ^A	0.29

	Group-C	59	4.03 ^B	0.27
	Total	138	4.13	0.27
Benefits Gained from HR Outsourcing	Group-A	33	4.03 ^C	0.24
	Group-B	46	3.93 ^C	0.28
	Group-C	59	3.69 ^D	0.25
	Total	138	3.85	0.26
Negative Outcomes of Outsourcing HRM Functions	Group-A	33	3.82 ^E	0.66
	Group-B	46	3.69 ^E	0.76
	Group-C	59	3.41 ^H	0.66
	Total	138	3.61	0.69
Critical Effect on the Success of HR Outsourcing	Group-A	33	2.98 ^J	0.36
	Group-B	46	3.11 ^J	0.37
	Group-C	59	3.26 ^K	0.33
	Total	138	3.14	0.35
Overall HR Outsourcing	Group-A	33	4.06 ^L	0.28
	Group-B	46	3.94 ^L	0.32
	Group-C	59	3.61 ^M	0.28
	Total	138	3.82	0.29

N.B: Similar superscripts over the means along the aspects indicate their similarity, and different superscripts indicate their difference at 5% Level ($P < 0.05$).

More specifically, the superscripts over the means for Group-A and Group-B, along the aspects and overall HR outsourcing, indicate their similarities and significant differences relative to those of Group-C.

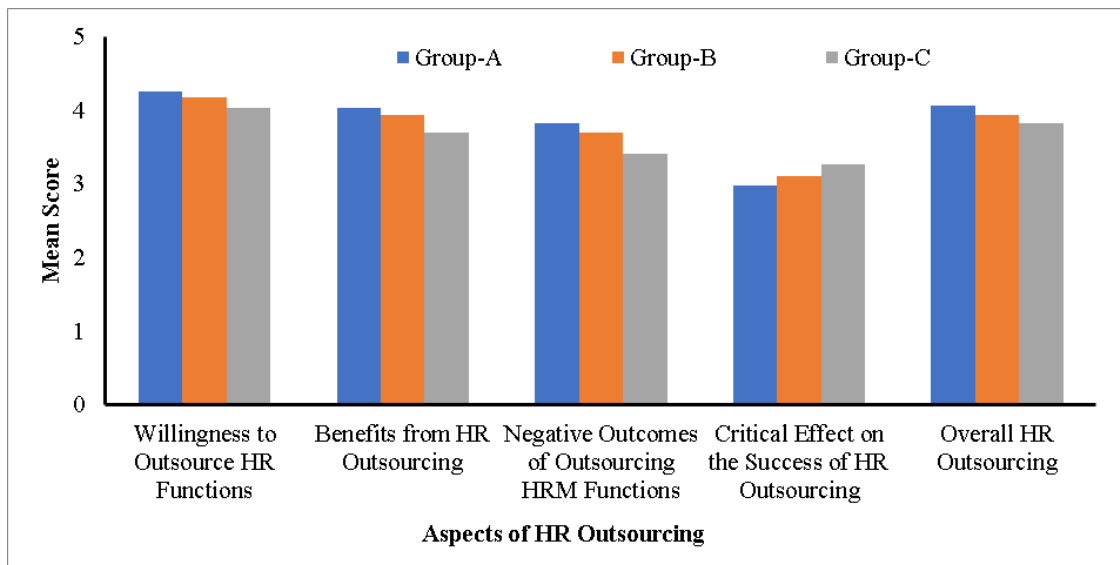


Figure 2: Mean scores of different groups of employees of the Government of Odisha on various aspects of HR outsourcing

4. Discussion

The analysis and combined responses from the questionnaire survey have led to several important insights into how to manage and integrate outsourced staff effectively within organizations. These insights are especially pertinent in the post-pandemic landscape, where outsourcing has evolved into a strategic imperative rather than a mere alternative. The suggestions from respondents' perspectives address practical and ethical concerns, as well as the organization's long-term health. Expanding on these ideas will help us better understand how businesses can make the most of outsourced workers while maintaining a fair, productive, and peaceful workplace.

One of the main findings of the analysis is that outsourced workers should be used mostly at lower levels of operations, not at middle or higher levels of management. People who answered the survey were worried that relying too much on outsourced workers in strategic or decision-making roles could weaken organizational control, make it harder to develop internal leaders, and make it unclear who is responsible for what. Outsourcing lower-level jobs is considered preferable because these jobs are

usually routine, task-oriented, and operational, making them easier for outside companies to standardize and manage. Also, the people who answered the survey said that outsourced workers shouldn't have to work for too long. Long-term engagement may make it hard to distinguish between permanent and outsourced workers. This could make payroll staff unhappy and make outsourced workers less motivated, as they feel insecure about their jobs and have few opportunities for advancement.

Shorter, more clearly defined contracts help companies stay flexible and ensure that outsourced roles continue to serve their original purpose: supporting, not replacing, core human resources. Another important piece of advice that respondents gave was that outsourcing agencies should be thoroughly and critically examined before any contracts are signed. The quality and behavior of outsourced staff are directly affected by the credibility, reliability, and compliance standards of human resources agencies. Respondents said that companies should carefully check the credentials of agencies, ensure they comply with the law, are financially stable, and have a good track record of performance. This means examining how the agency complies with labor laws, cares for its employees, trains them, and adheres to ethical standards. Not verifying enough could expose companies to legal problems, damage their reputations, and make their operations less efficient. So, a clear, organized way to choose outsourcing partners is important to ensure they work well over the long term and lower risk.

The analysis also shows that most respondents agreed that it is very important not to treat outsourced workers and payroll employees differently. Outsourced workers may feel alienated and angry if they are treated unfairly at work, have trouble getting to company facilities, don't follow rules and regulations, or are treated poorly by their bosses. These kinds of differences hurt not only individual morale but also team cohesion and the organization's overall climate. Respondents stressed that, even though employment contracts may differ, the same basic rules of respect, fairness, and inclusion should always be followed. People who work for a company should know its rules, policies, and expectations, and they should be treated as important parts of the company's goals rather than as temporary or extra resources.

This open-minded approach builds trust, reduces conflict, and makes it easier for employees from different groups to work together. Another important suggestion from the respondents was to encourage outsourced staff to share their constructive opinions. Outsourced employees often have a wide range of experience across different sectors and organizations, which can help them find ways to improve processes, make things more efficient, and solve problems. But because they are contracted workers, outsourced workers may be afraid to speak up or make suggestions, worried about getting in trouble or not being recognized. People who answered the question said that it is important to make a welcoming space where outsourced workers feel safe and encouraged to share their thoughts.

Companies can leverage external knowledge and make outsourced workers feel more like they belong and are engaged by actively seeking their feedback and thanking them for their work. It was also strongly suggested that organizational leaders and outsourced workers meet regularly and in a structured way. Respondents said that when communication is limited, it can lead to misunderstandings, reduced commitment, and lower morale among outsourced workers. Regular meetings give people a chance to clarify their expectations, discuss their concerns, share news about the organization, and celebrate successes. These kinds of interactions help close the mental and emotional gap between outsourced and permanent workers. Also, when management is always involved, it shows that they care and respect the outsourced staff, which motivates them to do better and work toward the company's goals.

Respondents believed that these kinds of interactions could significantly improve innovation, teamwork, commitment, and morale, thereby enhancing the organization's overall performance. Expanding on these suggestions further highlights the broader effects of effective management of outsourced workers. In modern businesses, human resources are no longer seen as just functional inputs; they are now seen as strategic assets that give the company an edge over its competitors. When managed well, outsourced employees can add to the skills of your own staff and give you more options for how to deal with changing business environments. But if you don't manage outsourced workers well, you could end up with fragmentation, lower productivity, and ethical issues. All of the respondents' suggestions emphasize the importance of a balanced approach that combines operational efficiency with management practices that put people first. The focus on keeping outsourced jobs at lower levels and for shorter periods shows a strategic goal of protecting organizational knowledge and maintaining leadership. Outsourcing can save money and give you more options, but relying too much on outside workers for important tasks can hurt the development of skills and planning for succession. So, companies need to carefully consider which jobs they can outsource and review their staffing plans regularly to ensure they align with their long-term goals. The emphasis on agency verification also underscores the importance of being responsible in outsourced arrangements.

Outsourcing doesn't free companies from their duties to their workers; instead, it makes those duties even bigger by using mediators. Organizations can ensure they follow labor standards and maintain ethical hiring practices by choosing reputable agencies and monitoring their business practices. The demand for fair treatment and inclusive practices shows that more and more people are realizing that fairness at work is important to an organization's effectiveness. Inclusive treatment creates a sense of psychological safety, which is necessary for new ideas, teamwork, and long-term success. When outsourced workers

feel respected and valued, they are more likely to be dependable, committed, and proactive. This is good for both the company and the outsourcing agency. Getting feedback and keeping in touch with employees regularly are two more ways engagement plays a role in managing a workforce. Engagement is not just for full-time workers; it also includes everyone who helps the organization reach its goals. By making feedback systems and interaction platforms a regular part of their work, companies can use the collective intelligence of all their employees, even those who work for them on a contract basis. In general, the respondents' suggestions provide a comprehensive framework for managing outsourced workers responsibly and strategically. They stress the importance of being clear about who does what, being strict about who you choose as a partner, being fair in how you treat people, being open to feedback, and being consistent in how you talk to people. When these parts are used effectively in HR, outsourcing can shift from a cost-saving measure to a value-add, making the organization more resilient, adaptable, and productive. In the post-pandemic world, where flexibility and collaboration are essential, companies should adopt balanced, inclusive outsourcing strategies to grow and keep their employees happy.

5. Conclusion

Gender is not a factor that affects HR outsourcing. On the other hand, employees in Groups A and B, who are higher in the hierarchy, are more likely to choose HR outsourcing than employees in lower groups. This difference may be due to senior employees having greater responsibility and experience in administration, which helps them understand the strategic benefits of outsourcing in managing an organization. Male employees have responded more favourably than female employees to the authorities' readiness to outsource personnel. This discrepancy in impression may be due to differences in job experience, knowledge, or exposure to administrative choices at work. The main rationale for outsourcing is to save money and reduce costs associated with hiring and training people. Companies can reduce the costs of hiring, training, and providing long-term benefits to employees by outsourcing some of their activities and responsibilities.

Outsourcing also helps address legal issues that can arise with permanent job contracts, and it prevents the "monopoly mentality" that can develop among regular employees who feel too safe in their jobs. Outsourcing also makes it easier and more flexible to manage a staff. Outsourcing also establishes a standard for the Government sector's HR practices, aligning them with those of the private sector in terms of regulations and operational standards. The study found that employees in Groups A and B had similar favourable ratings on all measures compared to those in Group C. This shows that higher-level staff are more likely to embrace outsourcing. Outsourcing makes services better and the whole business more efficient by letting specialised agencies handle technical and administrative tasks more effectively. The Odisha State Government's Human Resource Information System is only as good as the dedicated outsourced workers who help it run smoothly. Outsourcing companies that are experts in the sector handle everything from installation to processing and deliberation. So, it's better to say that outsourcing is the key to success when done with a systematic, well-organised plan.

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Ethics and Consent Statement: The authors affirm that the study was conducted in accordance with established ethical standards, that participant confidentiality and anonymity were maintained, and that informed consent was obtained before participation.

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