

A Winning Combination

Morné Swart

Investing time, technology and training in contingent workers can deliver a dynamic labor pool.

Contingent workers, historically sought after for seasonal positions, high-turnover roles or to fill long-term absences for full-time staff members, are now a vital part of the labor pool. In fact, the role of contingent labor has evolved into a strategic workforce imperative for many industries around the globe. For talent leaders looking to leverage the right combination of employees, contingent workers create a dynamic labor pool to meet fluctuating business needs and customer demands.

Often referred to as freelancers, temporary employees or independent contractors, the contingent workforce has become the answer for organizations seeking to control costs and reach organizational objectives. According to an August 2009 Manpower Inc. survey of 41,000 employers across 35 countries and territories, more than one-third of respondents view contingent labor as a key element of workforce strategy. The surge in contingent labor is anticipated to continue its momentum, setting the stage for new trends, including more contingent workers in professional positions — administrative roles are more common — reliance on contingent labor for skills outside a company's core function and using this labor source as a permanent solution in the development of a dynamic labor pool.

To reap the benefits of contingent labor, talent leaders will need to adapt to new workforce challenges brought to bear by this talent pool. Successfully deploying a contingent workforce requires strategic labor processes, including sourcing and vendor management, optimized scheduling, time and attendance practices, accurate data capture and workforce compliance. Organizations that invest time, technology and training into these workforce best practices will be able to better align nontraditional workers with corporate goals

and mitigate the inherent risks associated with this worker category. These risks include contractor compliance, worker misclassification, co-employment and wage and hour compliance risks, as well as the need to stay abreast of changes in legislation.

Drivers of the Contingent Workforce

From April through June 2010, staffing agencies in America employed an average of 2.4 million temporary and contract workers per day, an increase of 23.3 percent from the same quarter in 2009, according to a November 2010 American Staffing Association quarterly Employment and Sales Survey. Many forces are driving the focus on contingent workers, but most organizations credit globalization, economic issues and new workforce generations as prime motivators.

The global effect: The proliferation of global markets has expanded business opportunities significantly. Opening doors to new geographical regions promotes increased competition, broader markets and rapid periods of growth. These market changes place pressure on organizations to find the right mix of employees to staff offices or manufacturing facilities and meet local client needs outside corporate headquarters, essentially challenging them to maintain a corporate or local presence in many diverse locations. A contingent workforce can provide a flexible, low-cost solution whenever and wherever an organization is conducting business.

Economic pressures: Traditionally, contingent labor followed a pattern against economic fluctuations — rising during downturns and declining when economies were thriving. However, recent reports predict that contingent labor will maintain a permanent presence in the business world well past the economic recovery. Contingent labor allows businesses to flexibly meet



market demands and drive increased productivity and improved cost control.

Generation gaps: Baby boomers, who once led the workforce in mass numbers, are slowly retiring, and more millennials are joining the labor pool. Millennials, or members of Generation Y, bring new expectations, roles and characteristics to the workplace. For instance, millennials work to live, not vice versa; are predicted to switch jobs multiple times throughout their careers; and have entered the workforce in one of the most unstable employment markets. Flexible, non-permanent positions have become a satisfying answer to their quest for learning and on-demand employment needs.

Managing the Contingent Labor Pool

Readily identifying when and where contingent labor is needed can help talent leaders manage organizational job demands, match position requirements and candidates to requests, and easily integrate contingent and nontraditional employees into business operations. To do this, real-time visibility into operations, customer demands and marketplace opportunities is necessary. The ability to be agile and make quick and effective decisions about market changes allows companies to maintain the best possible talent mix at all times.

To obtain the most effective and efficient contingent labor pool, talent leaders should have several resources, including freelancers, temporary help agency workers, independent contractors, seasonal workers and on-call personnel, to supply talent. To select the best staff to fulfill work requirements, companies also need to have vendor management capabilities to match open or pending requisitions with vendor-supplied talent pools. Companies should be aggressive, matching position requirements and candidates to requisitions by role, skills, cost and availability to put the right people in the right place whenever and wherever needed and at the most favorable cost.

Beyond sourcing contingent labor, maximizing the value of nontraditional workers requires the right tools, technology and strategy. Any technology solutions implemented should help companies assess contingent labor resources, collect and analyze relevant data and provide comprehensive metrics for contingent labor utilization and deployment as part of an overall talent management approach. Specialty contingent labor workforce management solutions offer continuous payback and ROI by reducing the time and costs of administrative tasks and creating more productive and cost-effective workforce operations. As the demand for contingent labor increases, employers should stay abreast of new technology system capabilities as well as management best practices. One way to

determine the right talent solution is for HR to work in concert with a vendor.

Deploying a contingent workforce can enable talent leaders to leverage the right mix of in-house and outsourced labor, whether the type of nontraditional employee is a freelance worker, on-call personnel, at-home worker or alternative work arrangement employee. But again, to provide a significant impact on performance and profitability, contingent labor must be a key component in a comprehensive workforce or talent management strategy.

Part of that strategy requires best practices for contingent labor deployment and reliable tools, such as a contingent labor workforce management system, to enable managers to see and control the entire contingent and full-time workforce in conjunction with labor practices, such as effective enforcement of compliance regulations and accurate worker classification, work schedules and productivity goals. For instance, when an organization implements an automated workforce management system that provides a dashboard view across the enterprise and allows for real-time visibil-



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ity into metrics and movements, organizations become better equipped to respond to fluctuating demands.

Contingent Labor Management System Workflow

Using an automated workforce management solution also allows organizations to automate hardware such as time clocks, biometric devices, the Web and smart phones as well as processes that can aid in the capture of time, attendance and absence information to support contingent workers wherever they are needed. Further, as companies adapt to contingent workers and adopt specialized workforce management technologies, they can realize significant cost benefits.

Cost benefits: In order to realize the economic benefits associated with contingent labor sources, organizations must properly track the costs associated with these flexible employees. Standardizing and automating contingent labor management processes enables organizations to capture and allocate true contingent workforce costs, which increases visibility into actual labor spend. Companies will realize immediate benefits from automating contingent labor workforce processes to increase data accuracy and availability. Labor costs account for 35 to 70 percent of most organizations'

spend, and having on-demand access to workforce metrics ensures the most consistent practices will be maintained.

Contingent labor sources also can be tapped to address fluctuating hiring or specialized knowledge and skill requirements. Since this labor pool does not typically add to benefit or retirement costs, the result can be a significant cost savings. Further, temporary and contract work can be used as a bridge to permanent positions for the employer and prospective employee, allowing companies to test-drive talent and avoid costly hiring mistakes.

Compliance: Maintaining timely and accurate contingent labor data helps not only in obtaining a lower, more flexible cost structure, but also in addressing issues related to regulatory compliance. Today's regulatory environment enforces demands on companies that use contingent labor and independent contractors. Organizations must develop and standardize contingent labor processes and accurately classify all worker types. The Internal Revenue Service has attempted to simplify its previous 20-Factor Test on Employment Status, consolidating the 20 factors into 11 main tests and three main categories: behavioral control, financial control and relationship type. Determining the level of control an organization has over its workers serves as the basis for whether a person is considered an employee or an independent contractor.

The recommended approach to mitigate contingent labor risks and drive higher rates of compliance with federal, regulatory and state labor policies requires standardized processing and classifications throughout the organization, shared information across business units and collecting and maintaining timely, accurate and detailed records.

In a constantly changing business world, successful organizations must be proactive and flexible. Contingent labor can help organizations control talent costs without compromising business performance, contend with unstable markets and meet myriad challenges, ranging from increased competition and fluctuating demand to an ever-changing regulatory environment.

Further, companies see the benefits of contingent labor when automating any or all steps in the contingent labor process cycle, from forecasting, sourcing and procurement to scheduling, tracking and analyzing performance and bottom-line contribution.

Flexible work options have progressed into a permanent strategic option across various industries for organizations that understand how to effectively leverage the right combination of traditional and non-traditional workforce management strategies. **TM**

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