

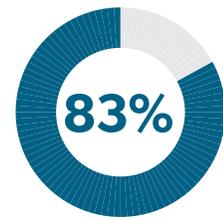
Maximizing Your Contingent Workforce



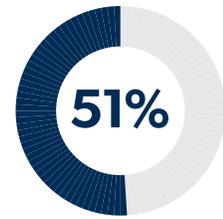

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Today's employers face unique challenges, from how to leverage rapid-fire technological advances to accommodating evolving government regulations to increased global competition. At the same time, they're faced with another, equally crucial issue – how to acquire top talent in an extended economic recovery. Though the pace of job growth has slowed in the past year, 2016 saw the addition of 1.4 million jobs and the number of Americans filing for unemployment benefits at its lowest level since 1973 (Mutikani). According to the 2016 Allegis Group Talent Advisory Survey, "People Problems? Get Back to Basics," 83 percent of executives believe attracting and retaining talent is an issue for their company and 51 percent have open positions for which they can't find quality candidates.

The available skilled labor supply, particularly in business, engineering and management, remains very tight. Other job categories, such as administrative/clerical, have settled at just under four percent, approaching record lows (Bureau of Labor Statistics). Given these conditions, the most effective companies are evaluating their staffing models to find creative yet cost-effective ways to both attract talent and fill critical gaps. A strategic plan for labor acquisition begs the question: Are there ways to leverage contingent talent to increase both productivity and profit?



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Source: Allegis Group, 2016

Influencing Factors in the Decision for Contingent Staffing

Contingent talent is used consistently among certain industries, particularly those with project-based or cyclical business demands. A 2016 Deloitte “Human Capital Trends” report states that nearly half of 2,700 surveyed executives indicated their intent to increase their use of contingent labor to some degree. Voicing concerns over their ability to manage the contingent workforce, executives surveyed by Deloitte in 2016 cited their top three challenges as “legal or regulatory uncertainty, a corporate culture unreceptive to part-time and contingent staff and a lack of understanding among leadership (105-106).”



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While present market and employment conditions may affect the decision to use contingent labor, other factors should weigh into a company’s determination of if and how to integrate contingent staffing into their workforce model. Demographic shifts over the past decade have seen increasing numbers of baby boomers retiring, with millennials offered more professional choices than ever. In contrast to their parents, this younger generation typically identifies with their profession, rather than any single organization, and is more willing to move from company to company for professional or personal reasons, or both (Schumpeter).

Technology factors, from access to networks and data to alternative work arrangements, may also influence staffing models. Businesses are increasingly contemplating how to use virtual space for remote work, in order to save on physical space costs and to extend access to talent that might be otherwise constrained by geographic proximity. Workforce data suggests a progression in leveraging technology that opens opportunities for both employers and employees. BLS data from 2016 reports that 24 percent of employees worked remotely some or all of the time, and a GWA Survey data reports “nearly six out of 10 employers identify cost savings as a significant benefit” to telework programs.

Whatever the drivers, contingent staffing allows employers to react quickly to changing markets, workplace conditions or business requirements. The practice can provide a “ready-to-work” employee — prepared to go directly to a company site and begin working with minimal training and on-boarding.

FACTORS IN DETERMINING OPTIMAL STAFFING MODEL



EXTERNAL

- The current economic landscape
- Workforce trends
- Legal and compliance regulations



INTERNAL

- Workforce requirements
- How staffing works within their business model
- Risks and benefits

Industries and Roles

As companies evaluate their business requirements, certain positions may emerge as clear contributors to the intellectual capital of the organization — in upper management and business development, for example — representing a core group of permanent, internal positions. But other positions may manifest as distinctly suited for contingent staffing, such as seasonal work with rapid ramp-up and ramp-down periods, as well as niche-based projects with defined deliverables and timelines, such as in health care administration and engineering. Additionally, Aerotek executives cite the banking industry as one of the biggest employers of contingent labor at present, particularly for customer service positions. A 2016 PwC report on contingent labor in the financial sector stated that 10-30 percent of its total labor force was contingent labor.

Additionally, light industrial positions for seasonal businesses requiring a flexible staffing model, such as in warehouse and distribution, commonly employ in the contingent space. There has also been consistent contingent labor acquisition in particular niches in skilled trade, such as welders and pipe fitters. While the scope of such employment varies, Aerotek executives are seeing contingent labor used regularly, under specific conditions, across all industries.

Contingent staffing enables more efficient use of talent on an as-needed basis for surge or seasonal business. Further, as companies struggle to find the right person with the right skills in today's tight labor pool, staffing experts note a high caliber of talent in the contingent space, particularly for professionalized industries such as engineering, government administration and accounting.

Contingent employment can prevent over-staffing that may lead to reductions in force and damaged employee morale, which subsequently impacts productivity and profit. While employers may justify workforce increases as a means of improving their ability to meet emerging and unknown future requirements, this can actually incite a reactive trend in staffing practices. Properly managed contingent staffing can avert erratic changes to headcount and enhance organizational stability and efficiency. Ultimately, the determination to use contingent labor for a given project, or as an integrated part of a company's staffing model, requires careful evaluation of company culture, workplace philosophy, business needs, market conditions and risks versus rewards.

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Identifying and Managing Costs, Risks and Rewards

Contingent labor is best managed with a strong awareness of risks, including operational risks that affect production, financial risks from penalties and occasional short-term increases in labor costs, compliance issues related to Affordable Care Act and Department of Labor regulations and vulnerabilities in information management and proprietary protections (Burton & Sands, Umhub). Familiarity with such issues enables employers and their staffing partners to navigate uncertainties and develop a proactive approach to handling unique contingent workforce challenges.

On-Boarding

On-boarding of any employee carries inherent risk, but in the contingent space, these functions are commonly performed by the staffing partner, including tasks such as pre-employment background, credit checks, required drug screening and verification to work in the U.S.

Additionally, a clearly defined service agreement — covering taxes, insurance and workers' compensation — will alleviate initial and on-going risk for companies. Such an arrangement allows for rapid response to shifting requirements, ideally providing that "ready-to-work employee" on day one.

Co-Employment

Beyond the initial sourcing and screening, the issue of joint or co-employment common in contingent staffing is one that companies should be aware of. Co-employment exists when there is any degree of joint responsibility for things such as workplace safety, training or control of work performance for an employee hired by a staffing company but assigned externally to another company. The U.S. Department of Labor (DOL) guidance on co-employment considers factors such as the following:

- Who provides direction or supervision (even indirectly)
- Who has authority to hire or fire
- Who has power to change employment conditions or determine rate or method of pay
- Whether or not work is performed on another premise
- Who performs specific functions typically performed by an employer, such as timekeeping, payroll and issue and maintenance of work equipment
- Duration and scope of the assignment

CASE STUDY IN NAVIGATING EEO



Issue: Company "A" expressed concern about a hearing impaired worker who couldn't recognize an audible safety signal on the manufacturing floor. The company requested to have the employee reassigned to another company; the issue was brought to Aerotek's legal department.

Actions: Aerotek and Company "A" talked through a number of potential solutions with the employee. After exploring various options, it was determined there was a hearing device available to enhance the sound of the existing safety signal.

Result: Aerotek and Company "A" split the cost of the accommodation, and the employee was able to continue working in that environment — a successful outcome for all parties.

In determining matters of co-employment, the DOL created two categories of employers: the primary employer (typically the staffing company) and the secondary employer (the host company where the employee is assigned to work). Primary employers traditionally handle pay, benefits, insurance and taxes. The secondary employer's responsibilities include refraining from interfering when temporary workers exercise their protective rights and to ensure a safe work environment for all employees per Occupational Safety and Health Administration (OSHA) regulations. Assistant Secretary of Labor for Occupational Safety and Health David Michaels, PhD, MPH, notes that "Host employers need to treat temporary workers as they treat existing employees." (qtd in U.S. DOL)

Accommodations

In addition, companies must also respond accordingly to requests for religious or disability accommodations, where risk is mitigated when both employers work collaboratively with the employee to provide a reasonable accommodation. Companies cannot refuse the provision of a reasonable accommodation by denying their status as an "employer," they must engage in an interactive process with the employee to explore alternatives.

Workers' Compensation

Some companies inaccurately believe that utilizing co-employment will increase their day-to-day responsibilities and risks. Thus when companies insist on language that denies co-employment, they become exposed to risk in one of the biggest areas the staffing company assumes — workers' compensation. For example, if an employee is injured in the workplace, the liability typically falls under workers' compensation, thus prohibiting the employee from suing the company for negligence. But a denial of co-employment actually opens the host company to a negligent tort claim, which is breach of duty or a failure of one party to exercise the standard of care required by law, which the employee can bring separately. Further, companies cannot suddenly claim joint-employment if they've previously denied it through specific contract language. These and other such challenges are most effectively managed in a partnership that emphasizes communication and collaboration.

Data Protection

An optimal staffing partner should cover information security issues, such as the handling of proprietary, confidential and protected personal information, in the code of ethics and confidentiality. Such agreements detail protection of employer data: encryption and password protocol, procedures for company laptops, etc. Ideally, the two companies should agree on the guidelines and articulate them to the employee.

Managing vulnerabilities hinges upon strong collaboration with the staffing company. Aerotek's General Counsel Dana Baughns notes, "This is typically both Aerotek and the customer's largest risk point: when companies misjudge the legal obligations of primary and secondary employers. Education is key. We need to be able to engage in open dialogue to discuss options and how best to proceed in order to avoid risk." Indeed, there are legal obligations for employers, but there are also legal protections. The most successful companies understand the benefits of partnering to navigate the issues.



Best Practices In Contingent Staffing

Even after careful evaluation of the benefits and challenges in contingent staffing, employers may still lack a clear and decisive determination of whether or not to incorporate talent from the external workforce. In this case, companies may wish to expand their assessment to other less concrete but still relevant factors. For example, staffing experts report that contingent staffing thrives particularly under certain internal business conditions.

Ideally, leadership should have the bandwidth to support the additional headcount and the ability to proactively manage its contingent worker program, with checks and balances such as quality control and periodic operational reviews. Once in place, staffing models should be regularly evaluated in the face of shifting business conditions and requirements.

Contingent staffing is most effective



When companies can provide tight control of on-boarding and training, with the expectation of a reasonable learning curve



When employers ensure adequate and appropriate supervision, based on skill level and experience



When companies can provide a contingent-friendly work environment that seeks to promote inclusivity and commitment to the organization by all employees

Leadership may also need to thoughtfully manage the perceptions of their internal workforce as well; it is not uncommon for permanent employees to feel threatened by contingent staff — creating undue tension in the workplace. Leadership themselves should hold a positive perspective, viewing contingent staff not as “temps” but as valued personnel who contribute to the end-goals of their company, and ensuring this outlook resonates across all levels of the workforce to enhance communication, teamwork and organizational efficiency. Dave Poling, Aerotek’s executive director of strategic sales and operations, asserts that in effectively managing the contingent workforce, “The most successful companies are those who treat their contingent staff most like valued employees.”



Strategies for Attracting and Acquiring Contingent Talent

Given the steady practice of contingent hiring in today's market, the most effective employers approach contingent talent the same way they approach permanent staff — competitively. As companies seek creative responses to the problem of fewer skilled candidates, there is growing recognition of the need to increase wages for the contingent workforce. Yet pay remains nearly stagnant, with only modest increases in recent decades despite the tight labor pool. BLS data notes that even adjusting for part-time and seasonal work, contingent workers earn almost 13 percent less annually than their permanent counterparts (qtd in GAO).

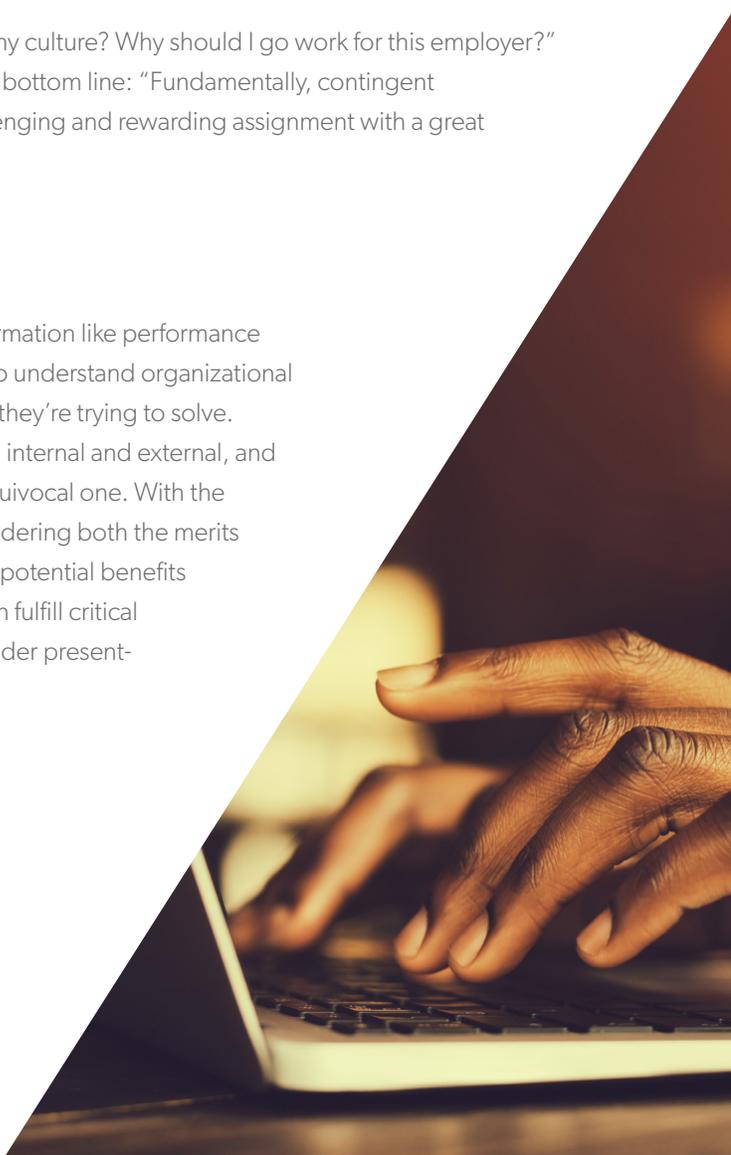
Employers who continue to demand specific experience, skills and credentials but fail to increase compensation will face continued hardship in filling positions, jeopardizing both their reputation and the efficiency of their recruiting process. Of the current market conditions, Upjohn Institute Senior Economist Susan Houseman contends, "Employers are going to start having trouble finding workers they need at the wages they're paying."

Beyond tangibles such as competitive pay and benefits, the most accomplished companies also seek ways to incorporate the contingent professionals in a manner that ensures those employees, while "temporary," don't feel like outsiders. The mindset of how contingent employees are treated compared to their permanent colleagues can be a significant differentiator in successfully utilizing skilled contingent labor. Aerotek recruiters report that while companies have become adept at articulating their employee value proposition (EVP) for permanent positions, they generally haven't invested similarly into developing this for the contingent space, resulting in a missed opportunity to attract highly capable contingent talent. The more a company can identify its benefits and other employee perks and advantages for contingent staff, the more effective they will be in attracting top contingent talent.

Aerotek recruiters say candidates frequently inquire, "What is the company culture? Why should I go work for this employer?" Chris Weiss, Aerotek executive director of regional operations, notes the bottom line: "Fundamentally, contingent employees want companies to meet their basic needs, they want a challenging and rewarding assignment with a great employer and they want to feel valued."

Conclusion

The most accomplished companies are open to providing access to information like performance evaluations and developing relationships with hiring managers in order to understand organizational challenges, the details of their requirements and what business problem they're trying to solve. Ultimately, labor acquisition is affected by a host of complex factors, both internal and external, and a company's decision to employ contingent workers may not be an unequivocal one. With the tight labor market expected to continue in the near-term, it is worth considering both the merits and liabilities of contingent labor, and investigating how to maximize the potential benefits of incorporating this workforce sector into staffing models. The payoff can fulfill critical requirements and employ a smart and proactive staffing strategy, both under present-day conditions and moving into the future.



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