






# ORDER FROM CHAOS

## **TAMING THE CONTINGENT WORKFORCE MARKETPLACE**

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# YOUR WORK FORCE

## IS A CONSTANTLY CHANGING ENVIRONMENT

“

CONTINGENT LABOR IS INCREASINGLY ATTRACTIVE TO ORGANIZATIONS LOOKING FOR WAYS TO REDUCE COSTS, INCREASE FLEXIBILITY, AND EXTEND CAPABILITIES.

”

Your workforce is a dynamic ecosystem that's constantly changing. Within that ecosystem, you likely have a segment of contingent workers such as freelancers, independent contractors, and temporary resources. As you know, contingent labor is increasingly attractive to organizations looking for ways to reduce costs, increase flexibility, and extend capabilities with specialized skills on a project-by-project basis.

Naturally, there are challenges inherent in managing contingent labor. These arise due to the fact that contingent labor is typically managed by a number of hiring managers, often in different departments or locations, each of whom has their own vendors, processes, and price points. The result is a fragmented system that's riddled with inconsistencies in candidate quality, inefficient hiring processes, and potentially serious compliance risks.

How can an organisation benefit from the flexibility offered by the contingent workforce while protecting itself against the complexities and risks involved? This White Paper will show you the areas you need to be concerned about and the concrete steps you need to take.



# CONTINGENT WORKFORCE

## THE CHAOS IS USUALLY INVISIBLE

By some estimates, the contingent workforce in most organizations currently accounts for 45% of the total workforce – a staggering 60 million workers in the United States. That's up from 30% in 2005, and it's expected to rise to 50% in the near future. This broad category includes temporary resources, consultants, freelancers and independent contractors.

According to the American Staffing Association, a growing portion of these workers are employed or recruited through approximately 17,000 staffing companies. This number is also rising every year.

Based on HCMWorks' internal research, the typical mid-size organization in America engages an average of 12 staffing vendors. Operating with such a large number of vendors fragments buy power. It also creates billing and payment mayhem. In many instances, timesheet accuracy is questionable and the result is overpayments by employers who have lost control over the management of their contingent resources.

When numerous staffing vendors serve an organization, it's not unusual for the same candidate to be available through more than one vendor – but at a vastly different rate. This discrepancy can be due to significant variations in vendor markups, among other factors. With a system like this, how do you ensure you're paying the right price for the right people?



12

**staffing** vendors  
do business with a typical organization

50%

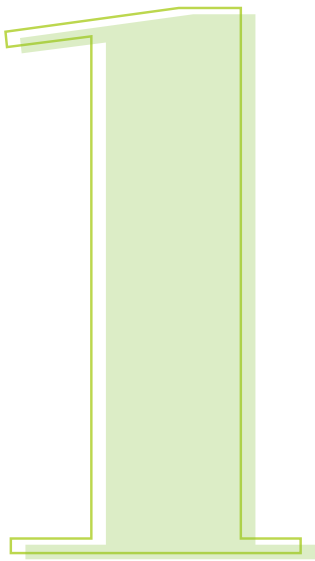
**of total** workforce  
will soon be made up of non-employees

# SO WHERE DO YOU START?

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## LET'S BEGIN BY EXAMINING 4 CORNERSTONE CHALLENGES

Trying to ride out the storm won't make the issue disappear when half of your human resources operate outside of HR's supervision and control. Although conventional managed service provider/vendor management services (MSP/VMS) solutions can be effective, they're often company-wide projects that require massive IT involvement and may take years to implement.



### BOOST CANDIDATE QUALITY

With an average of 250 resumes submitted in response to a typical job posting – through multiple staffing vendors or internally sourced – recruiting and selection has become a daunting task. This is exacerbated by the fact that most of the applications you receive are simply bad; candidates lack the appropriate skill sets, experience, etc. It should come as no surprise that the contingent labor turnover average is 359% annually.

# 250

**candidates** will apply  
for a typical job posting

# 359%

**employee** turnover  
for temporary and contract employees

When contingent hiring is conducted in individual plants, branches and other locations across the country, quality can suffer. Standards can be relaxed or inconsistent between one location and another because the entire process takes place under the HR radar.

Your first step is to centralize workforce requisitions. This will prevent hiring from spiraling out of control and ensure you get only the best, most qualified candidates for the job.



**3 REASONS  
WHY CEOS NEED A  
TALENT ACQUISITION  
STRATEGY**



2

## CREATE AND MANAGE VENDOR COMPETITION

When your requisitions originate throughout the organization and are fulfilled by many vendors – from multi-nationals to Mom-and-Pop Shops – your ability to negotiate is diminished.

So your second step is to level the playing field. Put downward pressure on vendor markups (which are often as high as 23% according to Staffing Industry Analysts) by getting all your vendors to compete for each position. To achieve this, you need to set up a simple vendor management system that centrally manages requisitions and consolidates vendor quotes. Reduce the number of vendors to a vital few and put the pressure on.

average vendor  
markups

23%



17000

**staffing companies** in the US  
according to the American Staffing Association



**DISCOVER  
7 REASONS  
YOUR BUSINESS  
SHOULD FOCUS  
ON VENDOR  
MANAGEMENT  
ON OUR BLOG**

“ PUT DOWNWARD  
PRESSURE ON VENDOR  
MARKUPS BY GETTING  
ALL YOUR VENDORS  
TO COMPETE ”



# 3

## GAIN VISIBILITY ON SPEND

Perhaps the most significant aspect of contingent labor is that it's often associated with rogue spend. Rogue spend occurs when independent initiatives are taken by hiring managers across multiple locations to fill short to mid-term positions without the assistance or guidance of HR.

We're always surprised by the gap between the percentage of contingent labor that employers believe they engage and the true number we uncover when working with them on marketplace management initiatives. When a significant portion of contingent labor hiring takes place under the HR radar, it is invisible and therefore impossible to manage.

Your third step is to consolidate and manage contingent labor requisitions. By doing so, HR can access strategic, actionable data that will help with a range of decisions.

## ENSURE FULL COMPLIANCE

Most CHROs are aware of how to properly classify employees. Risk of non-compliance arises when a hiring manager somewhere in the organization gets "creative" and starts hiring what should be full-time employees as independent contractors. These individuals may or may not know that misclassification of independent contractors can be prosecuted under the Sarbanes-Oxley Act of 2002.

Your fourth step is to prevent misclassification of independent contractors and ensure full compliance with federal law.

# 4



**LEARN MORE ABOUT MISCLASSIFYING  
EMPLOYEES AS INDEPENDENT  
CONTRACTORS [ON OUR BLOG](#)**

# THE RISKS OF EMPLOYEE MISCLASSIFICATION

Investigations by the US Department of Labor, Wage and Hour Division (WHD) in fiscal year 2013 resulted in over 83 million dollars in back wages for more than 108,050 workers in industries such as janitorial, food, construction, day care, hospitality and garment. The WHD regularly discovers large concentrations of misclassified workers in low-wage industries.

Federal and state agencies have the authority to impose both monetary and non-monetary sanctions against employers who misclassify their workers. At the same time, employers are subject to criminal liability, as well as civil liability with respect to claims by workers.

**Businesses that intentionally** misclassify an employee as an independent contractor, even after determining an employer-employee relationship exists, are liable for:

- 100% of federal income taxes that should have been withheld.
- 100% of the employee's and employer's share of social security premiums and Medicare taxes.
- Under section 6672 of the Internal Revenue Code, penalties may be simultaneously imposed on the company and its officers personally, should the officers be found responsible. Additional fines, plus interest, may be imposed for an employer's failure to file necessary tax returns, as well as for the resulting failure to pay required taxes and withholdings.

**Businesses that unintentionally** misclassify an employee as an independent contractor face the following penalties:

- For not withholding federal income tax, the penalty assessed is 1.5% of wages. This can double to 3% if a business didn't file a 1099-MISC.
- For not withholding the employee's share of social security premiums and Medicare taxes, the penalty assessed is 20% of the employee's share of the tax.

FedEx recently settled a misclassification **claim by its 2,000 workers for 228 million dollars** after a court ruled that the logistics giant had misclassified its drivers as independent contractors. Could your business survive that kind of settlement?

## MISCLASSIFIED WORKERS

Based on a 2012 list of state audits compiled by the National Employment Law Project, we can extrapolate the estimated number of misclassified workers for that year:

- 368,685 in Illinois
- 125,725 to 248,206 in Massachusetts
- 704,785 in New York
- 54,000 to 459,000 in Ohio
- 580,000 in Pennsylvania



**READ "THE UGLY TRUTH ABOUT WORKER MISCLASSIFICATION" ON OUR BLOG**



# GO FROM CHAOS TO MARKETPLACE HARMONY

What can you do to streamline your independent contractor acquisition, optimize your vendor relationships, and gain insight into your actual contingent labor spend?

## GET A DASHBOARD

You need to consolidate all your data in one place – you'll be surprised to see just how much of your workforce is contingent. Lack of visibility is the biggest issue associated with contingent workers and the main source of inefficiencies, increased costs and poor decision-making.

1

“LACK OF  
VISIBILITY IS THE  
BIGGEST ISSUE  
ASSOCIATED WITH  
CONTINGENT  
WORKERS”

2

## STANDARDIZE PROCESS AND CENTRALIZE REQUISITIONS

When hiring managers operate independently throughout your organization, it's hard to get a clear picture of your contingent workforce. By setting up a centralized and simplified process, you can streamline the work for everyone and gather all information in one place.

3

## STIMULATE COMPETITION WITH A TENDER PROCESS

Vendor favoritism creates inefficiency and drives up cost. Installing a tender process ensures you get fair market rates for all your contingent workers.



DO YOU STRUGGLE  
WITH STRATEGIC  
SOURCING?  
[READ ARTICLE](#)



# GO FROM CHAOS TO MARKETPLACE HARMONY



## RENEGOTIATE RATE CARDS

Chances are, you're paying too much. The more buying power you have, the better rates you'll get.

4

“VENDOR  
FAVORTISM CAN  
LEAD TO HIGHER  
COSTS AND LOW  
PERFORMANCE”

5

## STREAMLINE VENDOR RELATIONS

Whenever possible, automate the communication process to ensure that everything flows smoothly.

## TAKE A CLOSE LOOK AT THE BILLING AND PAYMENT PROCESS

Contingent labor is often disorganized, so double billing, data entry errors and incorrect time reporting are common. Automation and a systematic validation process can lead to significant savings.

6



## REDUCE THE NUMBER OF CANDIDATES SUBMITTED BY VENDORS

Candidate quality is a key concern. Too many, too few, or miss-performing vendors mean that you're going to be overwhelmed with a mountain of applicants to sift through.

7



# GO FROM CHAOS TO MARKETPLACE HARMONY

## GIVE INTERNALLY SOURCED CANDIDATES THE SAME SCRUTINY AS VENDOR-SOURCED CANDIDATES

Staffing vendors perform an important service in the screening and vetting of contingent candidates. But for internally sourced resources, what do you do? Consider outsourcing this task to a payroll vendor like PSC to get the same service, without the commission.



8

## AVOID MISCLASSIFICATION RISKS BY CREATING AN ARM'S-LENGTH RELATIONSHIP

One way to achieve this is to work with a service provider who owns the recruiting and vetting process. Understand where you're at risk and take action.



9

## AUTOMATE ALL THESE STRATEGIES WITH A SIMPLE, NO-COST SOLUTION

Does managing all the above tasks using spreadsheets and Outlook sound like a strain on your time and resources? HCMWorks can provide you with a no-cost solution that requires no IT involvement, takes minimal time to set up and starts producing results quickly.



10

If your organization relies on any form of contingent labor – temps, freelancers, consultants and such – chances are you can **gain a significant benefit from our solution.**

Simply **[click here](#)** to request a complimentary 30-minute Discovery Call. We'll show you how our no-cost solution can help reclaim control of your contingent workforce.

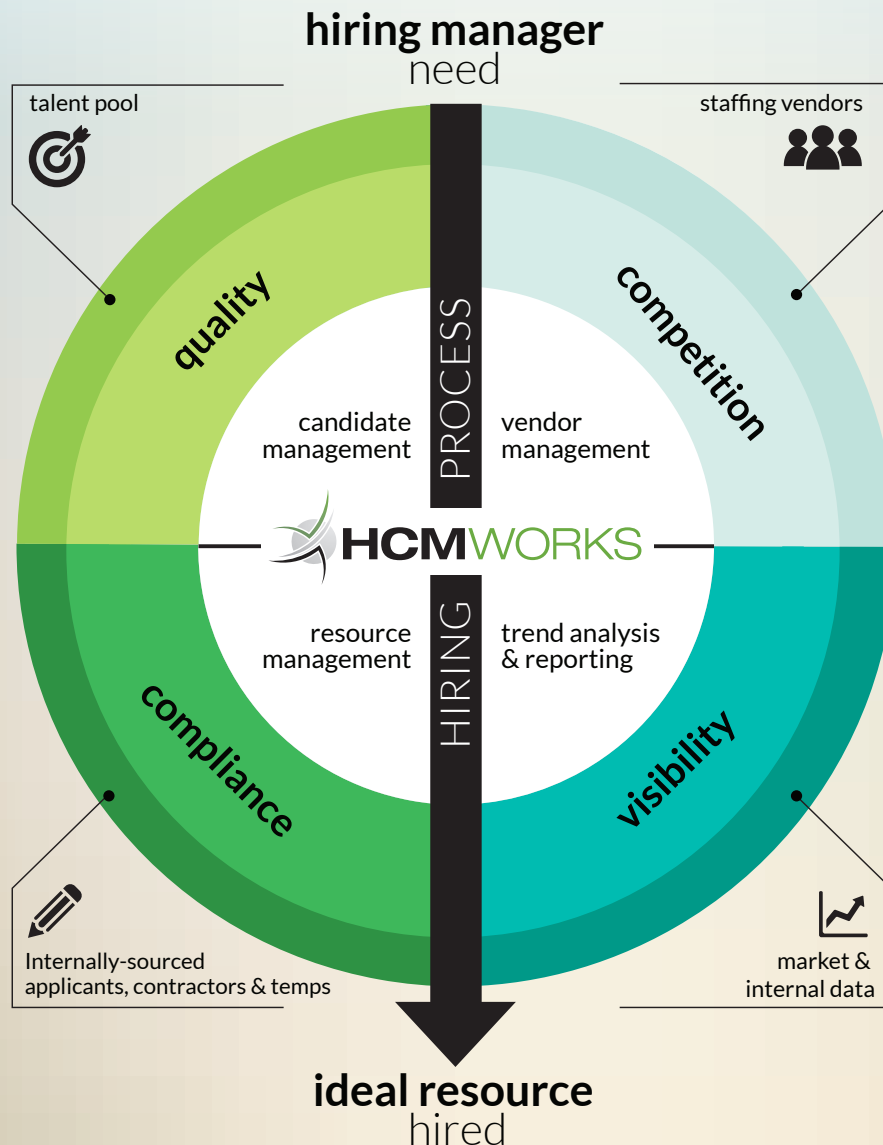


**READ "5 REASONS WHY YOU CAN'T MANAGE CONTINGENT WORKERS ON YOUR OWN" [ON OUR BLOG](#)**

# BRINGING ORDER FROM CHAOS

## THE HCMWORKS SOLUTION

HCMWorks offers you a simple, streamlined process for hiring the ideal resource in an effective, cost-efficient and fully visible manner.



### THROUGH OUR HCMMARKETPLACE PLATFORM, WE FOCUS ON FOUR KEY AREAS:

**Candidate management**  
ensures our clients get only the best quality candidates for every specified position.

**Vendor management**  
creates healthy competition, fair market value and enhanced alignment.

**Resource management**  
ensures compliance of all internally sourced applicants, contractors and temporary resources.

**Trend analysis and reporting**  
ensures full visibility of market and internal data in a format that's simple, actionable and helpful in facilitating accurate decision-making and reporting.

# RECLAIM CONTROL OVER THE CONTINGENT WORKFORCE

HCM**Marketplace** is a simple, no-cost tool that enables HR to bring order to chaos and extend your influence throughout the organization. You'll regain control over Contingent Workforce recruitment, rate card and vendor management, as well as data and reporting.

#### THE RESULT IS:

- Better visibility on Contingent Labor spend,
- Simple, streamlined, usable data at your fingertips,
- Greater control over the hiring, on-boarding and off-boarding process,
- Fair market rates from your staffing vendors,
- Protection from misclassification risks that arise from the reliance on temps, consultants and independent contractors.
- Quick to implement – 100% vendor funded

They say the best things in life are free. HCM**Marketplace** comes pretty close. You can be up and running quickly with no involvement from your IT department. And because it's 100% funded by your staffing vendors, there's no cost to you.

**Request a 30-minute Discovery Call to learn more**

The amazing thing about HCM**Marketplace** is that there is **no cost to you**. It is funded entirely by your staffing vendors. Intrigued? Contact us to learn more about how HCMWorks can bring a order to your marketplace chaos.

## CALL US 1-855-HCM-WRKS

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