CHOOSING THE RIGHT STAFFING SOLUTION

Staffing Solutions Every Company Needs. Right Now.

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WHAT'S INSIDE

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As Barbra Streisand sang, people who need people are the luckiest people in the world and if you count yourself as one of those lucky ones, this ebook's for you. Helping you understand how to tackle the ever complex world of diverse workforce groups, read along for all the ins and outs of managing people.

INTRODUCTION

Managing the complete workforce, including non-employee groups such as temporary employees and independent contractors, is important to the success of every company. In addition, recruiting new talent directly into your organization is paramount as companies continue to find it difficult to get the talent they need.

Staffing solutions, from temporary staffing to recruitment process outsourcing (RPO), are poised to explode over the next decade as companies look to reform their ranks and increase the size and complexity of their workforce.

However, selecting and implementing the right staffing solutions has become a tough job for human resources and procurement, the two most common owners of staffing programs.

This eBook is a good start to help you understand the staffing solutions you should be leveraging, reasons many solutions don't work and how you can select the right staffing solution for your company.

In this eBook, you will learn:

- **Staffing solutions every company needs right now**
- **Staffing solutions you may not know about or use today**
- **Why many staffing solutions fall short**
- **Tips for choosing and implementing a staffing solution**

The information will help you avoid some of the pitfalls and make a good, informed decision about which staffing solutions will work best for you and your company.

HELP WANTED

STAFFING SOLUTIONS EVERY COMPANY NEEDS RIGHT NOW

Using staffing firms, "headhunters" or temporary agencies to find temporary employees or direct employees has been a part of large and small businesses for more than 70 years. The flexibility of temporary workers and the ability to outsource recruiting has been attractive for many reasons, including cost savings, quality and compliance.

Today, as companies continue to figure out the optimal mix of internal and external staffing solutions, these services have gone beyond the simple, single, open position or occasional need.

Most organizations leverage temporary workers regularly, with various types of non-employees making up an estimated 22 percent or more of the workforce at most companies. In addition, many companies no longer have internal recruiting staffs and rely on outside recruiting partners to source and recruit candidates for internal positions.

For companies of all sizes, this means that there is a need to effectively and efficiently manage the processes around these staffing solutions.

Staffing companies have responded with a range of staffing solutions developed to take advantage of economies of scale, best practices for sourcing and recruiting and effective management of the staffing supply chain.

These are three main offerings that represent the most mature and prevalent staffing solutions today:

1. Master Vendor, or Vendor-on-Premise (VOP) Temporary Staffing

The Master Vendor staffing solution consists of a single, main staffing vendor who is responsible for managing and fulfilling all temporary staffing requirements for a client. Rather than sending requirements to several vendors initially, all requirements would go to the master vendor to be fulfilled.

Only in certain circumstances, such as when a requirement is open for an extended period of time, or if the requirement is in a specialized or niche area, would the requirement be passed on to another third-party vendor or secondary list of suppliers. In general, the master vendor is responsible for filling most positions. The Vendor-on-Premise (VOP) model grew out of this as the master vendor and customer found it beneficial for the vendor to be on the client's site to facilitate on-boarding, payroll and administrative functions. While the use of this model has waned significantly in the past decade, it is still in use in many specific areas. This model fell out of favor when the master vendors held on to even specialized jobs, or did not present candidates from secondary suppliers, hoarded requirements and caused client dissatisfaction with the time to hire or quality of candidates.

While this model may have fallen out of favor, it is still a viable model for clients looking to reduce the administrative burden of contingent labor on internal departments while leveraging a company that specializes in recruiting. The cost of this type of program is usually included in the hourly rates or mark-up charged by the master vendor. The cost savings can be beneficial if volume discounts

or a lower overall mark-up can be negotiated, since the master vendor should be filling a majority of the positions.

2. Managed Staffing Provider (MSP), and managed staffing programs

The MSP, who is the vendor managing the program, and the managed staffing program, which is the program itself, is the model where the client puts the MSP in charge of managing a group of approved temporary staffing vendors to fulfill all the temporary requirements for a client. Essentially the client is outsourcing the management of their staffing supply chain.

MSP is the centralized point for open requirements, similar to a master vendor; however, the MSP is then responsible for distributing open requirements to the available staffing vendors for fulfillment and ensuring the performance and program compliance of all vendors. Many programs operate in a "vendor-neutral" environment which means that either: a.) the MSP and its affiliate staffing

companies do not recruit for any open positions, or b.) that the MSP and its affiliates work on requirements along with other secondary vendors without any advantage in timing or preference. There is much debate about the definition of vendor neutrality, however, in practice most MSPs have an affiliate as part of the staffing supply chain, or, with the client's knowledge, the MSP fills positions in the areas in which they specialize.

The costs for a managed staffing program is typically "cost neutral" to the client, since the MSP typically takes a small percentage (3-5 percent) from the hourly billing rates charged by the secondary vendors. This is known as a vendor funded program.

It's interesting to note that this model was a natural reaction to the master vendor and VOP programs, where the lack of "neutrality" was seen as negative. For many clients, the master vendor model, or a vendor neutral model where the MSP still fills jobs, has been likened to "the fox guarding the hen house." In

reality, most programs have closely monitored metrics or technology, and non-performance by an MSP, whether in managing the program, or filling jobs, is easily identified. In addition, most larger MSP providers are well-known and successful staffing vendors capable of providing fulfillment in one or more areas. Controversy aside, the managed staffing program is still one of the most cost-effective ways to manage larger numbers of contingent labor.

3. Recruitment Process Outsourcing (RPO)

RPO is the outsourcing of some or all components of internal recruiting for candidates who will become direct employees of the client. This can include sourcing candidates through to the offer and on-boarding processes. This is sometimes confused with "headhunters", or "perm placement" services, but RPO is a sustained, typically exclusive agreement for outsourcing specific recruiting functions for the entire enterprise, a specific hiring drive, or a known project length.

An RPO program can replace the need for internal sourcing or recruiting resources or can augment resources already in place. For example, the RPO

partner can source slates of qualified candidates and pass them to internal recruiters or into Applicant Tracking Systems (ATS) for recruiters or hiring managers to review. An RPO partner can also perform screening, testing or credential verification and coordinate interviews and offers. Many RPO engagements include all elements of the recruiting process from sourcing to the eventual offer for the successful candidate; completely outsourcing the internal recruiting function.

RPO is often misunderstood and confused with Human Resources Outsourcing (HRO). While RPO is focused on the sourcing and recruiting aspects, HRO is more concerned with the functional HR processes, such as input of information into HR systems, on-boarding, benefits administration or performance management.

Costs for RPO are generally through a management fee model (typically monthly) and/or a cost per hire or cost per slate of candidates fee. RPO represents the most

cost-effective alternative to large internal recruiting or HR staffs. Typically the cost per hire charged by an RPO partner is less than the cost of employing recruiters directly, or paying fees to permanent placement vendors continuously or a lower overall mark-up can be negotiated, since the master vendor should be filling a majority of the positions.

These staffing solutions should be part of every company's recruiting and sourcing strategy. Each provides a different value proposition, but it's clear that volatile economic and business conditions require companies to be more agile when it comes to talent acquisition. A strategy that includes multiple staffing solutions, leveraged in specific areas like temporary labor or recruiting, can provide benefits in cost savings, quality and compliance.

A few notes about technology:

While not discussed here, vendor management systems (VMS) are used throughout many managed staffing programs as the main tool to track metrics, supplier performance, and the
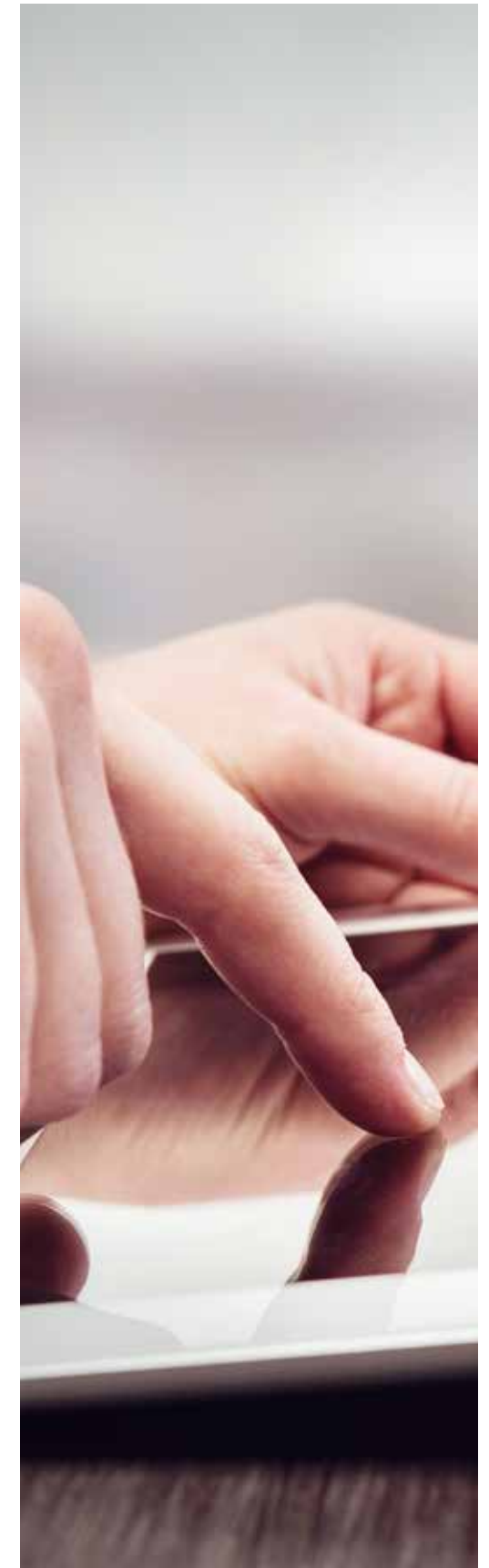
overall program. A VMS tool can greatly increase the efficiency of a managed staffing program and provides valuable insight and visibility into the overall use of contingent labor. In some cases, the client will license the VMS and use it internally to manage the program without an MSP in place. While this is also a viable alternative, it still leaves the burden of management of the program to internal resources.

Applicant Tracking Systems (ATSs) are used by companies to track applicants in the recruiting process. In some cases the RPO partner may use a client's existing ATS system, or may bring an ATS technology partner to be used during the RPO project. Similarly, online systems used for testing or background checks may be provided by the RPO (or its partners), or provided by the client.
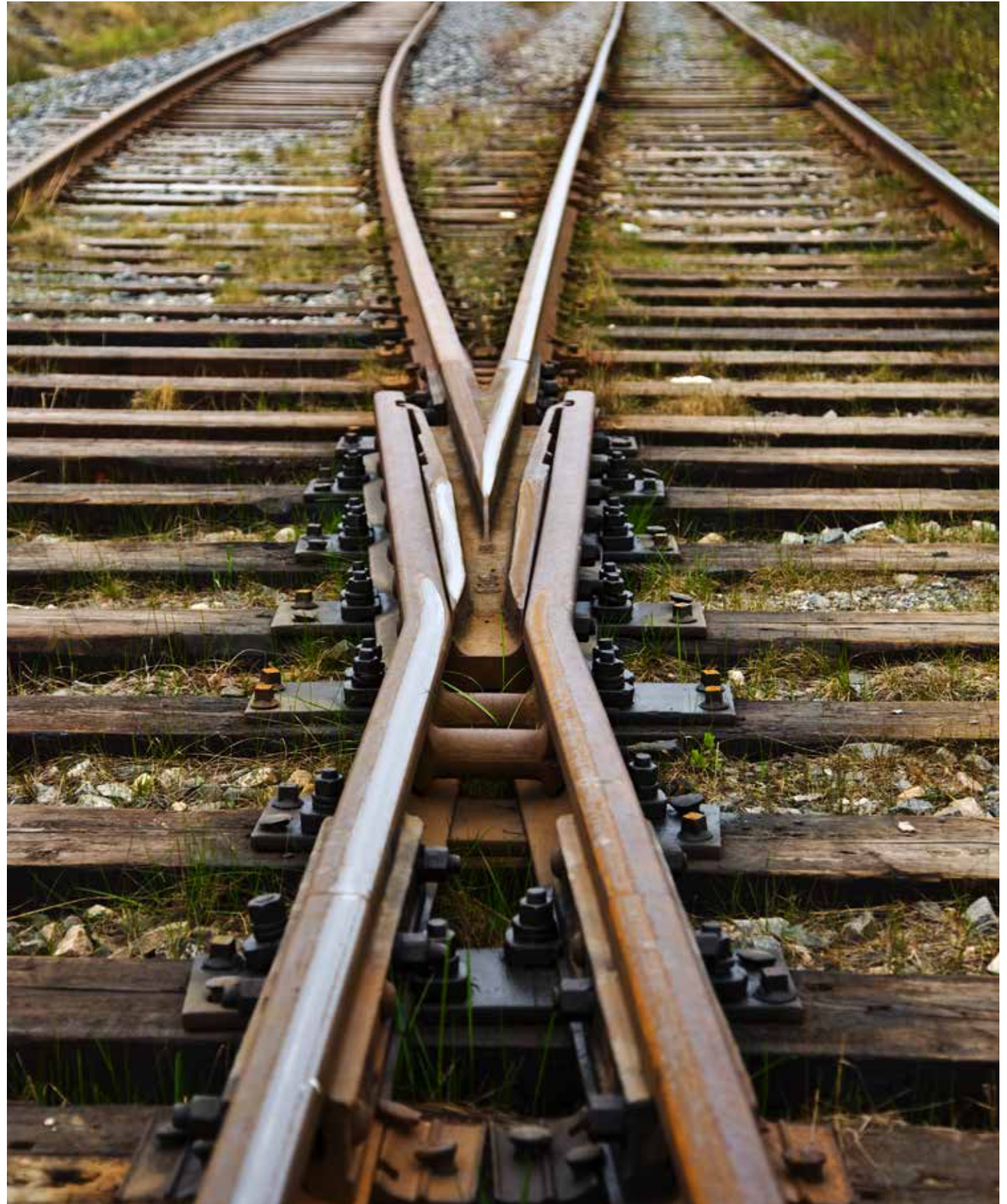
→ ELEPHANT IN THE ROOM

STAFFING SOLUTIONS YOU MAY NOT KNOW ABOUT

As noted previously, most of the major staffing solutions for contingent labor, direct hire and recruiting have been around for years. However, there are other staffing solutions which are derivatives of these services or simply smaller, lesser known parts of these main services that can provide significant value.

- **Payroll services or payrolling** – The main benefit of this type of staffing solution is that you can have pre-identified workers, such as former employees, interns, retirees, freelancers and other specialists working through a professional staffing services company at an hourly rate, as opposed to hiring them as direct employees with benefits or part-time employees. They work as employees of the staffing company and are not on your payroll, but work under your daily direction and supervisor. The savings can be significant since the hourly rate billed to you (only for the hours they work) is lower than the cost of a salaried employee.

- **Project and Point-of-Service RPO** – There was a time when RPO as a staffing solution was usually a big, multi-year contract covering the entire organization. However, many companies now find that a Project RPO program to hire teams for specific projects and/or specific durations can be beneficial in terms of both teams for specific projects and/or specific durations can be beneficial in terms of both costs and timing. Point-of-Service RPO is the outsourcing of specific parts of the recruiting process to increase the quality of candidates, the efficiency of the process and reduce costs. For example, this can include for sourcing slates of candidates or screening applicants then handing them off to an internal HR staff.

- **Temp-to-Perm staffing** – It's no secret that sometimes a "temporary" employee turns out to be the employee you want to hire. Many companies setup their MSP or temporary staffing solutions to include the provision for hiring temporary workers as direct employees of the company. Typically there's a small fee to convert them during the first few months of employment, but later there may be no fees and you will have a good idea by then if they will work well as a direct employee. Even if you hire them right away, it's generally much more cost effective than recruiting them yourself.

- **In-sourcing** – This is a fairly new staffing solution that takes teams of skilled workers, managed by their third-party employer and puts them on-site at a client's facilities, using

the client's equipment and standard operating procedures to deliver a project or perform a certain, specific part of a project.

Pharmaceutical companies are using this to leverage unused laboratory space/equipment to meet project or testing requirements without constantly hiring and firing large teams. This model helps reduce turnover and protect customers from co-employment concerns.

- **Independent Contractor (1099) Compliance** – Independent contractors, known also as 1099 workers because of the IRS form used in their engagements, are non-employee workers, generally a single-person or very small company, hired to perform a set tasks or series of tasks. The independent contractor is self-employed and is responsible for having proper insurance, paying taxes and paying their workers (or themselves). Independent contractor compliance services are generally provided by a staffing provider to help evaluate whether or not the independent contractors engaged by a client meet IRS guidelines as

an independent, or if there is risk that the IRS may see those workers as employees. There are high financial penalties for misclassifying workers, and thus not paying applicable wages, benefits and taxes.

- **Statement of Work (SOW) Management** – As independent contractors and consultants have become a bigger part of a client's non-employee workforce, the need has grown to provide visibility into these engagements as well. SOW management provides a centralized point for all work orders, ones that typically would have come through procurement, to vet them for proper contractual requirements, work description, deliverables or rates. It is basically outsourcing a part of the procurement function concerned with smaller, project-based consulting engagements. A growing trend is to combine this with other managed staffing programs and staffing solutions.

It's important to note that many times uncontrolled or unmanaged use of these last two types of workers, independent contractors and SOW

workers, can lead to increased risk and costs. Independent contractors may be misclassified employees and SOW work can often be just temporary, time and materials work disguised to circumvent an MSP program or hiring freezes, often at a much higher "consulting" rate.

Next time you think about what type of staffing solution would make sense for your company, don't forget to think creatively about how smaller, more specific staffing solutions can work just as well as the bigger, enterprise-wide programs.

ABANDON SHIP

WHY MOST STAFFING SOLUTIONS FALL SHORT

Establishing and managing staffing solutions for your temporary or contingent workforce is more complex than most companies realize and there are myriad reasons why a particular staffing solution does or doesn't work.

Historically, when the era of the vendor-on-premise (VOP) and managed staffing providers (MSPs) dawned, temporary services were largely an ignored and devalued part of the workforce. Most companies just looked to their largest vendors to step up and provide their packaged staffing solution.

Today, there are complex programs and vendor management systems (VMS) to manage what has become 22 percent or more of a company's flexible workforce.

However, particularly since the great recession, companies are still confused about how to manage this part of the workforce, and many still don't see the value. If you, or your company, have ever tried to implement a staffing solution, you may have found that after significant effort, the promise of savings, efficiencies or improved quality did not meet your expectations.

There can be several specific reasons why a particular staffing solution falls short. Read onto the next page for a few to consider.

1. **No accountability or disconnected value** – Typically, procurement or human resources (HR) manages a staffing solution. In some cases, when only one of these departments manages the process, the value is solely theirs. Procurement looks for cost, while HR typically favors quality or compliance. If only one of these is delivered by the chosen staffing solution, the value proposition becomes disconnected. In the worst cases, no one at the client is accountable and the provider is left to figure out what the client really wants. Neither situation is optimal.

2. **Lack of executive support** – Support from executives is a leading factor in the adoption rate of any organization's staffing solutions. While many companies do not like to mandate the use of an MSP program or other staffing solution, it is critical that a consistent message is communicated from the top down. The less wiggle room in that message, the less managers will feel it's likely they will be able to go around the solution.

3. **Line managers see no value** – Those most impacted by various staffing solutions are the day-to-day managers who need good, talented people to work for them. When the process takes too long, does not provide the people they need or they simply don't know how to work with the solution provider, managers either won't use the program or they will look for ways around the program. Either way it opens the company to loss of productivity, increased costs or undue risk.

4. **Not fast enough to adapt** – The promise of flexible staffing solutions was that you could dial it up and dial it down when you needed to, in order to fill your workforce ranks with talented people. However, many long RFP processes and complex implementations have meant that many staffing solutions were developed based on the volume and factors in place 6-12 months prior. Today, a solution should be quick and adaptable as the company and business conditions change.

Staffing solutions for temporary or contingent labor don't always lend themselves to a set, or

While many companies do not like to mandate the use of an MSP program or other staffing solution, it is critical that a consistent message is communicated from the top down.

packaged solution. Perhaps this is the reason a 2013 Staffing Industry Analyst's net promoter survey of MSP buyers found that only 19% of the buyers were promoters of their MSP, meaning that most were actually detractors. This means that one in five of MSP buyers are generally not happy with their providers!

If you haven't evaluated your current staffing solution, or for that matter, if you don't have a mechanism for continually evaluating your temporary staffing solution and your provider, it's a critical, ongoing part of understanding the value the solution provides.

In turn, if you know where you are getting value (or not), you can communicate this to your company and help get the executive and line-management buy-in you need to be successful with your chosen staffing solution, or make changes to ensure you can in the future. The key is adaptability and speed in order to get the most value.

The following tips may also help you avoid some of these pitfalls as you decide which staffing solutions are best for you.

➔ WEIGH THE OPTIONS

TIPS ON CHOOSING & IMPLEMENTING A STAFFING SOLUTION

The complexity and range of staffing solutions available for the use of temporary or contingent workers has grown over the past couple of decades. But getting the most value out of your staffing solutions may be more about getting back to the basics than getting more complicated.

There are many discussions about the metrics and reporting that can come out of a managed staffing provider (MSP) or a vendor management system (VMS). Some are complex measures of "time-tofill", other various metrics and supplier performance, which are important and critical to measuring the success of a particular staffing solution.

However, many companies attempt to implement these staffing solutions and metrics without stopping to think about some of the basics that need to be in place to enable a provider to structure the staffing solution to the company's individual needs.

The following is a short list of basic, high-level considerations when establishing or re-evaluating

a staffing solution, such as an MSP or RPO program.

- **Get executive support up front** – As noted above, this is one of the main reasons a staffing solution can fail. Many executives see a big line item for recruiting or temporary staffing without understanding the needs of hiring managers or how contingent labor is used in the organization. This can be a good starting point for choosing your solution and a good indication of the support you will get throughout the life of the solution you choose.

- **Understand your goals and motivation** – This is not only about what your goals are when you start the program, for example, are you looking to save money, improve quality or reduce risk? It's also about how your goals change over time. Many staffing solutions that were put in place to save money, suffer when they can't deliver quality for the long term. In addition, there are often competing goals, for example, when manufacturing needs quick response and low cost while IT only wants the best and brightest at any cost.

- **Process before automation** – It's been said before, but automating a bad process only increases the errors and speeds up bad results. Staffing solutions should have solid processes that increase quality, ensure compliance and lead to good reporting. Complex VMS tools and voluminous reporting requirements will only work well if the processes are in place to support them and the right data will be there at report time.

- **Don't always think "enterprise" or "global"** – Sometimes it's best to walk before you run. Many companies want to launch a big program and big initiative to gain big savings. While bigger can be better, some companies are better able than others to capitalize on this while others see their big program fall well short of big expectations. A phased approach or an MSP staffing solution by country can work better for certain companies.

- **Agility and Flexibility are Important** – One of the sad truths around staffing solutions and temporary or contingent labor, in general, is that it is often a reactive solution to historical needs and experiences. Many long RFP processes and complex implementations mean that the solution is in place 6-12 months (or more) after the needs were identified and quantified. A lot can change in a year. Flexibility should be built in to ensure the program grows (or contracts) as needed.

- **Keep Expectations Basic Too** – Selling a staffing solution internally sometimes means making a lot of promises; everything from massive cost savings to total compliance enterprise-wide, when in reality many things happen in phases, or during the first year (or not until the second or third year) of a program. The key is to set reasonable expectations and keep communicating how the program is doing. It may even mean re-setting expectations when business conditions change.

Getting executive support and having a set of basic goals and expectations as the foundations for your staffing solutions can help you get the most out of the staffing solutions you choose.

In addition, re-visit them at least annually and communicate them often throughout the organization.

The staffing solutions available to companies today provide a flexible, cost-effective hedge on the volatile business conditions that exist today. It's clear that a flexible workforce is a permanent part of the workforce. Effectively managing this population and having a variety of recruiting resources will be essential for success in the future.

YOU NEED IT.
WE HAVE IT.

Yoh is here. Yoh is there. Yoh is virtually everywhere. All in and busy going all out, doing everything it takes to take you where you want to go – forward. How? By foregoing the talent pool in favor of our own sea of talent, helping you find just the right person for the job or just the career you've been searching for.

Yoh