



BETTER MANAGE YOUR CONTINGENT WORKFORCE

QUICK REFERENCE GUIDE

*Struggling to Effectively Manage the
Non-traditional Workforce That Your
Business Sources Through Staffing
Agencies? We've Created This
Management Guide to Help.*

 **contrax**



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INTRODUCTION

To keep up with the increasing need to stay flexible, a growing number of organizations today are sourcing contingent workers to augment their existing full-time employees and meet their workforce requirements.

In fact, research from Ardent Partners shows that 41.5 percent of the average enterprise's total workforce is considered non-employee.

The contingent workforce is increasingly attractive to both small businesses and large enterprises. It gives them the opportunity to increase business flexibility, access specialized skills, and engage workers on a project-by-project basis as and when they are needed – all while saving money.

While the benefits are great. There are, however, challenges that come with managing a contingent workforce.

Organizations that engage the contingent workforce, but don't build strategic contingent workforce management programs to manage externally-sourced workers and staffing agencies will no doubt be suffering from hidden risks and rogue costs that are directly impacting their ability to improve candidate quality and save money.

That's why we've created this ultimate guide to gaining visibility and control over your contingent workforce.

In this eBook we take a look at what the contingent workforce actually is, how businesses can benefit from using externally-sourced workers, what hidden challenges come with it, and how companies can better manage their contingent workforce to optimize the benefits it brings and mitigate risk. We hope it helps.





WHAT IS THE CONTINGENT WORKFORCE?

The contingent workforce is a pool of nontraditional workers who are hired by businesses on an on-demand or project-by-project basis. These workers are not employees of the company, instead, they work under contract or on a temporary basis.

Today, the contingent workforce is huge. In fact, roughly 25-30 percent of the US workforce is now contingent, and more than 80 percent of large corporations plan to “substantially increase” their use of a flexible workforce in the coming years, according to a report from Intuit.

The contingent workforce is made up of a range of workers. These include independent contractors, freelancers, consultants, and temporary workers. These are separated into two main categories; temporary workers (also known as temps) and independent contractors.

Temporary workers:

Typically employed through a staffing agency, temporary workers are placed in businesses to fill specific workforce requirements. Working for a predetermined period of time, temps and contractors are generally used to meet seasonal demands, fill temporary positions, help companies scale up rapidly, and also allow organizations to access skilled workers. For example, a temp could help a warehouse scale up to meet seasonal demand, while a contractor could help an IT project access the hot skills required for that specific job.

Independent contractor:

An umbrella term for workers such as freelancers, consultants, and gig workers, independent contractors are classified as self-employed and are not placed within a business by a staffing agency. They are typically hired directly by the company to perform a set of deliverables and deadlines.

Contingent workers are different from permanent employees, in that they only stay with an organization for the continued existence of the job at hand. Typically, contingent workers are paid to complete a specific project or paid for a certain period of time in which they are with the company.

Once this short-term engagement is completed, the contingent worker moves on to a new job with a different business – however, contingent workforce retention is becoming a focus area for many businesses that appreciate the flexibility that contingent workers bring, but also want to reduce turnover among their skilled workers. Contingent workers are typically placed in these positions by a staffing agency, but contingent workers can be engaged directly in some situations – such as an independent contractor or freelancer.



WHAT BENEFITS COME WITH THE USE OF CONTINGENT WORKERS?

The contingent workforce is growing fast. A staggering 77 percent of executives believe that freelance and gig workers will “substantially” replace full-time employees within the next five years, according to the 2020-2021 CXC Contingent Workforce Global Trends Report.

In fact, within the next two years, the report expects that 54 percent of all companies will include the contingent workforce as part of their strategic planning. So, why are organizations turning to contingent workers to meet their workforce objectives?



Increased business flexibility:

The contingent workforce gives businesses the ability to assess their workforce requirements on an ongoing basis. Engaging temps and independent contractors gives organizations the flexibility they need to change their workforce depending on current workforce requirements and business demand.



Improved access to hot skills:

Accessing hot skills can be difficult for any organization, especially when there's a skills shortage. The contingent workforce offers businesses access to a huge talent pool, making it a great way to navigate the skills gap and find talented workers.



Decreased time-to-hire:

The average hiring process differs depending on the research you read, but it's often considered to be somewhere in the region of 23 days and 42 days long. That means it takes a huge amount of time to find skilled workers when they are employed on a full-time basis. With the contingent workforce, businesses can place workers into their organization on short notice, helping them to access talent when they need it.



Lower workforce costs:

Unlike full-time workers in which businesses must spend money on benefits and other incentives to attract and retain top talent, the contingent workforce gives organizations the opportunity to pay highly-skilled and experienced workers for the work they need at any given point in time.

WHAT CHALLENGES COME WITH THE CONTINGENT WORKFORCE?



Despite the benefits that come with the growing use of contingent workers, a poorly managed contingent workforce program will bring risks to a business. These risks can seriously impact your bottom line if left unaccounted for.

Unfortunately, most companies aren't prepared to successfully manage their contingent workforce - even when they plan on using more contingent workers than before.

When asked to forecast the makeup of their workforce in 2020, a study from Deloitte found that 37 percent of businesses expected growth in the use of contractors, 33 percent in the use of freelancers, and 28 percent in the use of gig workers. Yet, despite this growth, only 16 percent said they had an established set of policies and practices to manage a variety of worker types, pointing to an enormous gap in capabilities.

When businesses have no real contingent workforce program in place, hiring managers take on the sourcing of contingent workers and engagement of staffing agencies on their own terms, leading to a severe lack of standard processes and rates.

That leads to a range of risks, including:

- Operational inefficiencies and fragmented contingent workforce management processes across the business from source-to-pay.
- Contractual relationship terms between the business, the vendor, and the contract worker.
- The potential to misclassify contingent workers if they aren't documented properly.
- Rogue spend that goes unseen within the organization.
- Potential for inconsistent and spiraling cost.
- A complete lack of visibility and control over the contingent workforce
- No insights into the performance of staffing agencies.

WHY CONTINGENT WORKFORCE RISKS ARE INVISIBLE

Managing a contingent workforce is highly complex. It involves a huge number of temporary and contract workers, various staffing agencies, and a range of data points that cross every department within an organization.

The problem is, most organizations have no contingent workforce management program in place to successfully manage this area of their business. To make it worse, these companies have no idea that they are even wasting huge amounts of time and money due to inefficient contingent workforce management strategies.

Contingent workers and staffing agencies are typically managed on a departmental basis, with hiring managers using their own vendors, processes, and price points. This results in a fragmented system that has no consistency when it comes to hiring processes, vendor engagements, workforce compliance, candidate quality, or worker rates.

This complete lack of oversight over contingent workers and staffing vendors leads to a lack of visibility and control over the entire contingent workforce strategy.

In fact, visibility remains a real issue for the average contingent workforce program. The average rate of visibility into non-employee workforces has dropped nearly 20 percent since late 2018, according to Ardent Partners.

To be successful, contingent workforce management must be a centralized, company-wide initiative, in which hiring managers use the same staffing agencies, at the same rates and follow standardized rules for hiring contingent workers.

If these rules aren't followed, hidden risks such as operational efficiency, overspending, compliance issues and a lack of visibility into the contingent workforce will have significant impacts on the company.



3 CONTINGENT WORKFORCE MANAGEMENT METHODS TO REDUCE RISK

With the above information in mind, what exactly can organizations do to regain visibility and control over their contingent workforce? Thankfully, there are a number of both internal methods and outsourced programs that can help companies better manage their contingent workforce program and staffing agency processes.

To help businesses do just that, we've listed the most common methods used to reduce risk and better achieve workforce goals.



1 - Managed Service Provider

A managed services provider (MSP) model is the practice of outsourcing the responsibility of a company's entire non-employee workforce management to a third-party provider with expertise in contingent workforce and staffing agency management.

In an MSP arrangement, the outsourced company will be responsible for all things related to the contingent workforce, from setting up the program, interacting with vendors, hiring contingent workers, onboarding, offboarding, billing, and much more. What aspects of the program that are managed by the MSP can typically be customized by the client.

An MSP aims to alleviate the burden of contingent workforce management from a company's plate, taking the entire tactical work so that the client can focus on the strategic, high-value work that drives real value to their business.



2 - Prime vendor or master vendor

The master vendor model is a step down from the complexities of a full MSP program. Instead, companies engage a master vendor, who will then work with their own network of pre-approved staffing agencies to fulfill the workforce requirements of the company.

With the master vendor model, outsourced experts still manage the entire externally-sourced workforce program on behalf of their clients, but without the process flows, customized solution, and full implementation of an MSP program.

Essentially, rather than paying an MSP to manage the entire contingent workforce program, companies simply carve out a piece of business for the master vendor who then assumes responsibility for supplying staffing.



3 - Vendor management software

A vendor management system (VMS) is a platform that allows businesses to facilitate, automate and centralize all of the processes and data associated with managing staffing agencies and externally-sourced workers.

By acting as a system of record for a company's entire contingent workforce program, a VMS gives companies the ability to manage processes such as maintaining vendor relationships, measuring staffing agency performance, sourcing workers, and making payments all on one company-wide piece of software.

With all contingent workforce information stored in one centralized place, a VMS gives organizations complete visibility and control over their contingent workforce.



GET FIRST-HAND HELP FROM INDUSTRY EXPERTS

Contrax is a vendor and technology-neutral contingent workforce expert, with a range of solutions to help organizations better manage their contingent workforce programs and strategically manage their staffing agencies.

We provide the expertise, technology, and processes you need to gain complete visibility and control over your workforce, and, in turn, improve candidate quality, reduce costs, speed up hiring times, enhance vendor and process control, as well as mitigate misclassification risks.

We do that with our full range of outsourced services, from MSP models, master vendor programs, VMS technologies, and advisory services.

Whatever your business needs, we're here to make sure you get the workforce you deserve!



CONTACT

Contrax is a powerhouse of industry leading knowledge in contingent workforce and staffing agency management. Our executives have the deepest contingent workforce, SOW program and procurement experience in North America.

With a range of solutions - including managed services provider programs, vendor management system advisory and master vendor models - Contrax works closely with a broad range of organizations to ensure they are able to better manage their externally-sourced contingent workforce program and strategically manage their staffing agencies.

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