

Ensuring value for money from your spend on contingent labour.

PART 2: EFFECTIVELY MANAGING DEMAND FROM WITHIN YOUR BUSINESS FOR TEMPORARY AND CONTRACTOR LABOUR.

Why should you read this guide?

This practical guide is for procurement and human resources professionals with responsibility for managing their business' usage of temporary workers and contractor labour.

We hope to provide you with useful insights and tips on how to control your recruitment spend by managing the internal demand for contingent labour from hiring managers across your business. We will do this by sharing with you some of our extensive experience in the procurement of services and approach to managing the supply of temporary workers into large businesses.



60%

You could save as much as
of total spend on temporary labour

To help you gain value for money from your usage of contingent workers, the key themes we cover in this practical guide are:

1. What are demand costs?
2. Do I need to spend? How to assess the business case?
3. What alternatives are there to contingent labour?
4. What approach should I take to review, extend or exit assignments?

This practical guide is split into these four key themes. Our experience shows that paying attention to these can typically result in significant savings for most large businesses, regardless of their current approach or model to managing contingent labour usage.

In each section you will get practical tips to help you gain greater value for money. Plus, we've also included a checklist on page 14 that you may find a useful tool to help you assess your current approach to managing the costs of demand.

Further guides are available:

This is part two in a series of three guides that cover the three main cost areas of temporary workers:

Part 1. Supply costs -

the amount charged by recruitment suppliers including pay rates, fees and other costs.

Part 2. Demand costs (the subject of this guide) -

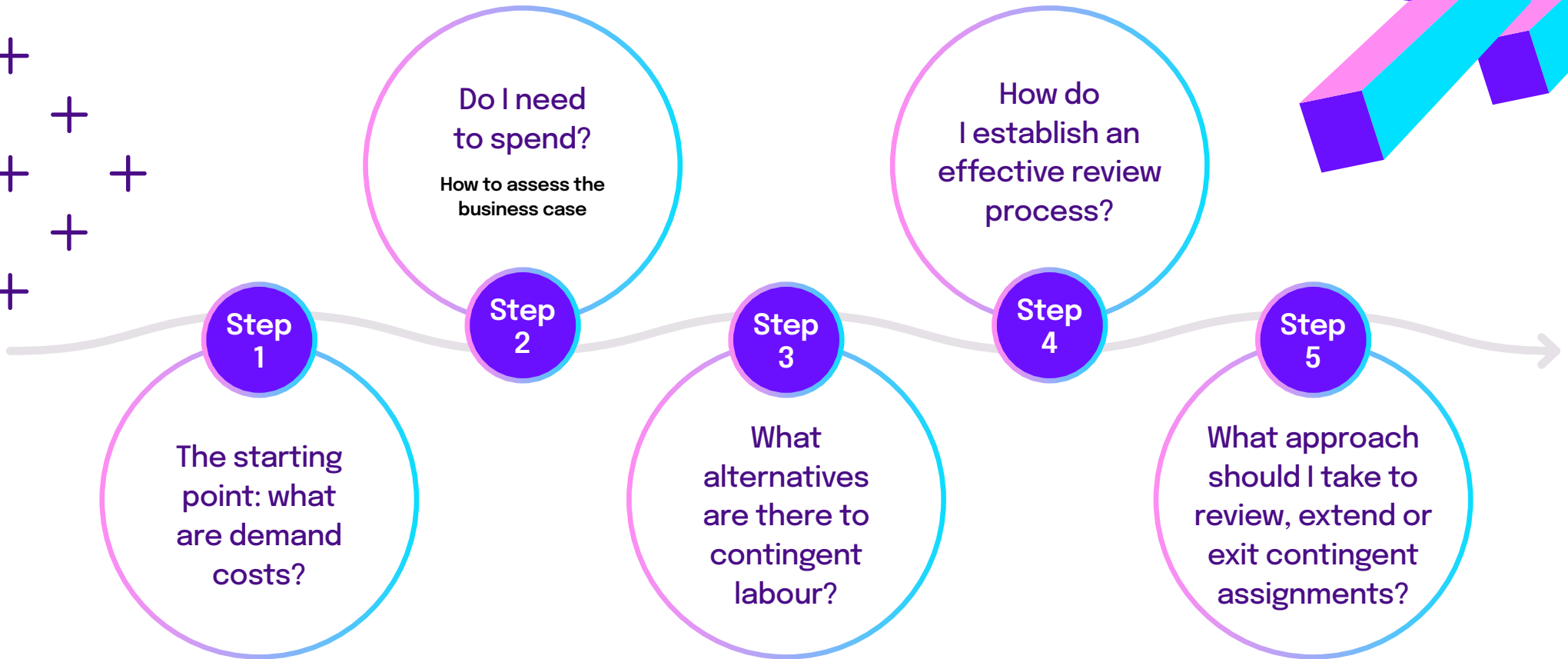
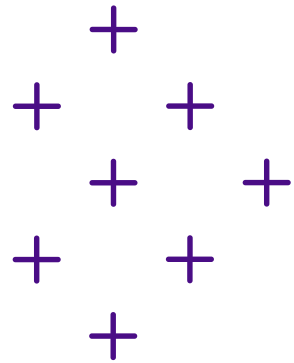
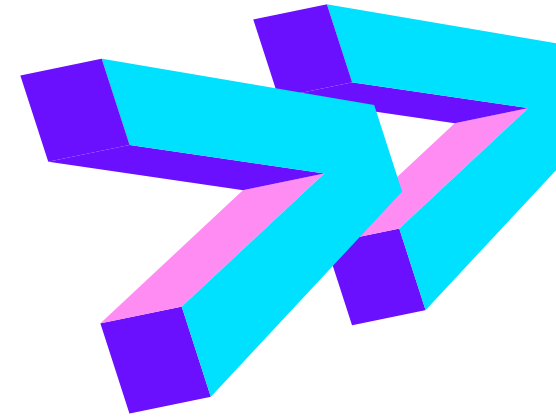
costs related to the internal demand from hiring managers for contingent workers and implementing procedures for assignment authorisations, extensions and cancellations.

Part 3. Indirect costs -

your internal resources costs, including invoice processing, contract management and the cost of late or unfilled orders and the cost of unproductive workers.



The 5 key steps for ensuring value for money



Step 1 - The starting point: what are demand costs?

In the context of contingent labour, demand costs are the direct result of hiring managers from within your business ordering workers without first justifying the need for the worker, or not fully assessing alternative approaches.



Often this is without regard or consideration to answering questions like:

- ▶▶▶ Do I really need the contingency worker?
- ▶▶▶ Do I really need the worker now? Can I wait?
- ▶▶▶ What objectives will the assignment deliver?
- ▶▶▶ Is there an alternative option?
- ▶▶▶ If I do need a contingent worker, how can I make sure this spend comes in on budget?



From our experience, demand costs can result from:

- ▶▶▶ Historical factors driving demand -such as 'we've always used contingent labour in the summer months'.
- ▶▶▶ Poor task prioritisation where contingent labour is used to undertake work that is of little importance to the overall strategy of the business.
- ▶▶▶ Insufficient authorisation processes to ensure a hiring manager has justified the need for contingent labour and has received approval.
- ▶▶▶ Short-term planning creating a need for 'quick-fix' or 'fire-fighting' solutions. These may help in the immediate term but certainly won't present long-term value for the business.
- ▶▶▶ Workforce planning not closely aligned to strategic objectives and so temporary labour is used to fill the gaps.
- ▶▶▶ Contingent worker assignments that are not properly reviewed, such as a worker remains on an assignment even after the original reason for their hire has ended. For example, a permanent employee who was on leave but has subsequently returned to work.



Here are some key questions you need to answer

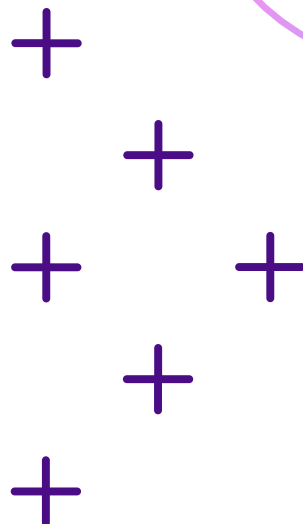
“How can I make sure the spend comes in on budget?”

“Do I really need the worker now? Can I wait?”

“What objectives will the assignment deliver?”

“Is there an alternative option?”

“Do I really need the contingent worker?”



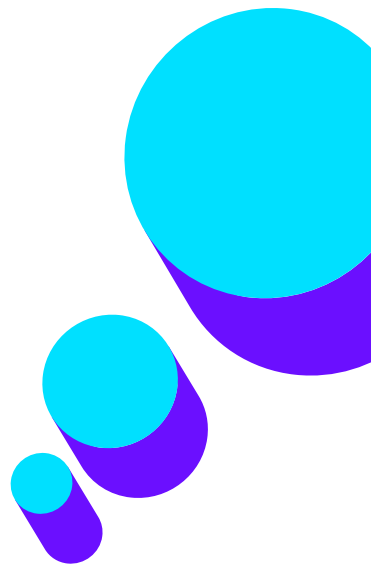
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In many cases, having an understanding of demand costs may mean the full cost can be eliminated, which has the potential to deliver significant savings on contingent labour.

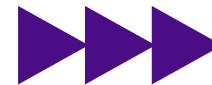
Furthermore, most businesses tend to focus on contingent labour supply costs, which are the subject of the first guide in this series.

Whilst doing this does deliver greater value for money, from our experience, understanding and eliminating demand costs for contingent labour does deliver significantly more savings.

What examples of demand costs are there?

Here's a scenario of a three month contingent worker assignment which had a total cost to the business of \$20,000. The four scenarios help show the demand cost and how it differs in each.

Scenario	Description	Demand cost
1. The internal need for the temporary worker was not justified.	The business case for the assignment, including the outcomes expected, was not defined and the assignment didn't deliver what was expected.	£10,000
2. An alternative source of labour was not tried.	The assignment was undertaken by a temporary worker but further analysis showed the apprenticeship programme could have picked up the assignment and delivered the same outcomes. This would have cost £1,500.	£8,500
3. The internal need was justified but the right calibre of temporary worker was not appointed so the assignment lasted four months instead of three.	The assigned temporary worker didn't get up to full productivity as quickly as hoped and to achieve the expected outcomes took four months instead of three.	£3,333
4. The internal need for the worker was justified. The assignment delivered the expected outcomes.	The assignment delivered the expected outcomes.	£0



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Step 2 - Do I need to spend?

For most businesses, the realisation that demand for contingent labour exists is at the point of order. Such as a hiring manager asking their line manager for approval for a contingent worker or an internal request for a purchase order number is made.



The starting point for any business case evaluation is to quickly assess the need for contingent labour and if justified, how much the business is prepared to spend.

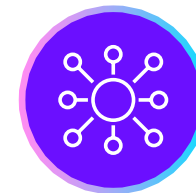
Assessing the business case

To effectively manage internal demand for contingent labour it is important to ensure a method of evaluating the need is implemented.

It is important to be clear from the outset; the business case can be as formal or informal as you need to make it.

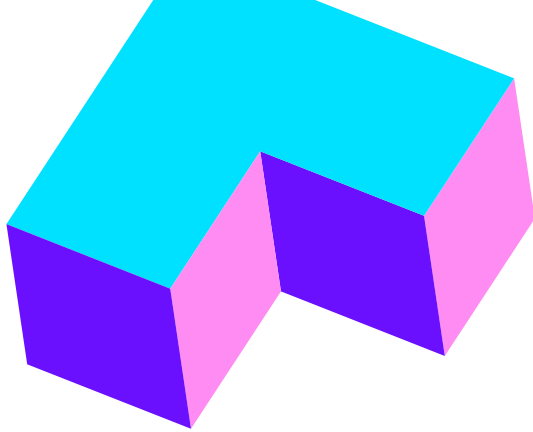
Below are some key questions you should ask to inform the business case.

The principle point is there is an agreed approach to sense-check and evaluate the internal demand for contingent workers.



Smarter
simplifies
processes





The process of evaluating the business case for contingent workers needs to reflect:

▶▶▶ Usage of contingent workers in different business units.

▶▶▶ The seasonal demands placed on the business unit and its capability to meet demand via its permanent employee headcount.

▶▶▶ The business unit's workforce plans and how critical a flexible workforce is to deliver an efficient, lean operational performance.

▶▶▶ Complexities of your organisational structure and your approach to decision making, is it centralised or devolved?

▶▶▶ Priorities of your business. For example those that need to keep a tight control of costs should centralise the assessing and approval of business cases.

In general

Hiring managers and business units with a relatively low or infrequent demand for contingent labour

A more formal and individual business case will ensure temporary labour assignments are appropriately planned, scheduled and authorised.

Hiring managers and business units with large usage of temporary workers

An annual business case for each contingent worker category that assesses historical usage patterns and expected future demands on the job category will mean workforce plans can be appropriately planned, scheduled and authorised. For example, in a warehousing scenario there could be one business case for Warehouse Operatives and one for Fork Lift Truck Drivers. This may find that in Warehousing Operative roles, there still remains a need for temporary workers to provide greater workforce flexibility.

Key questions to ask to inform the business case

1. What external factors, such as customer demand, are driving the internal demand for additional resources?
2. What is the cost of the contingent resources?
3. What will be the measurable outcomes from the additional resources? What will be achieved?
4. Which business objectives will be met?
5. Have you considered other employment options? If so, why were they rejected?
6. Can other tasks/projects be put back to reprioritise resources to fulfil this need?

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Step 3 - What alternatives are there to contingent labour?

One of the issues that appear in many businesses is that a hiring manager's default position is to hire a contingent worker through an agency for any temporary work that is as a result of short-term demand, seasonality or to cover permanent workers absent from work.

However, just because the need is temporary and an agency approach has been suitable in the past doesn't mean that it is always the right approach today. One way to manage demand is to assess alternative options with hiring managers.





Permanent workers

There may be one or more existing permanent employees who can be reassigned, seconded or trained to provide short-term cover. Dependent upon the importance of the role, some businesses have permanent workers trained to step up when the need arises and their role is then back-filled with a temporary worker.

Your business may also have a number of employees currently facing redeployment or redundancy that may also be seeking new opportunities.

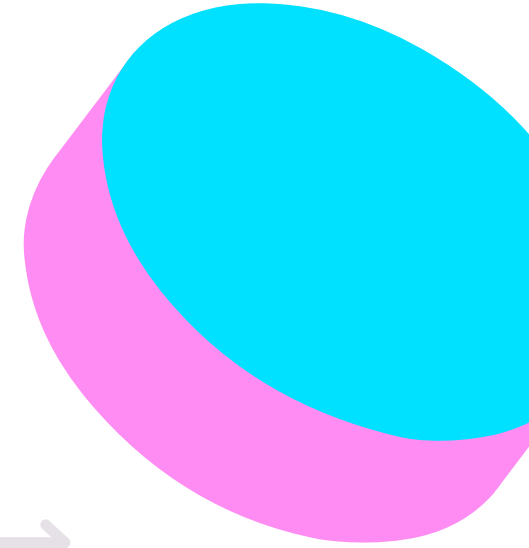
Alternatively, the demand from across your business may be stable and large enough to justify and sustain an increase in the number of permanent workers.

Fixed term contracts

The demand for contingent workers may be stable and consistent for a set-period of time in the year. In this scenario, recruiting employees to the business on fixed-term contracts may be a viable alternative to contingent labour.

Direct workers

Create a database of people who are ready-to-work on a temporary basis when called upon. This approach has a number of names including 'staff bank', 'internal resourcing pool' or 'benched resource'. It typically uses an internal agency approach and contracts workers to temporary or flexible contracts similar to those used by recruitment agencies. This can work well in areas of your business where your need for contingent labour is low but you do have spikes in demand throughout the year. From a worker perspective, it can be a beneficial way to retain the skills and experience of older, possibly retired workers, who want to continue working on a temporary, part-time and flexible basis.



Statement of Works (SOW)

As an alternative to limited company contractors, SOW provides an outcome-based approach to getting a project or piece of work completed to exacting timelines. Typically payments are set against mutually agreed milestones. This approach often provides greater transparency of the payment process, focuses on qualitative and measurable outputs as well as in built project management expertise. At its core, SOW is a different method of engaging with suppliers or contingent workers in order to get work done. Across an organisation, this means challenges exist to ensure centralised visibility and control of projects, effective procurement and management of suppliers and simple ways to pay for SOW services.

Welfare to work

Your business may be able to work with Jobcentre Plus and welfare-to-work agencies to offer employment opportunities to long-term unemployed people. These agencies focus on getting candidates job-ready, typically by assessing the specific skills you require and then providing potential candidates with the relevant training and support. This approach can be a useful way to fill entry-level positions in your business.

Apprenticeships

If your business has an apprenticeship programme there may be opportunities for that programme to complete some or all of the tasks, bearing in mind of course, the relevant rules and criteria of the programme. This approach can be a useful way to fill entry-level positions in your business.



Considering alternatives like this could in many cases remove or reduce the demand for temporary labour. The key to achieving this is having the foresight to think about your workforce requirements with an open-mind and evaluate the merits of your current approach.

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Step 4 - How do I establish an effective review process?

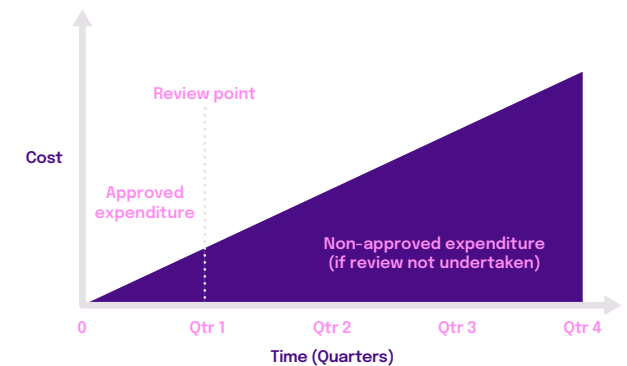


With all of these options you need to engage with various stakeholders across your business to ensure that you don't expose yourselves to operational and legislative risks.

One of the most common things that happens with contingent labour is the original financial commitment is exceeded because effective review mechanisms aren't in place.

The example chart below shows that with an approved assignment for three months, if the assignment is extended without review, all other expenditure that follows is none-approved. In this example, the assignment lasts for one year and costs the business four times the original approved expenditure.

An example of approved and non-approved expenditure



Reviewing processes for existing assignments

With an effective review process, considerable expenditure can be eliminated or justified against a new set of criteria. Here are a few tips to help you review existing assignments against the original reason for hire:

Original reasons for hire	Review point
Defined end date	At end date.
Short-term or seasonal demand	Frequent review (most likely to be weekly) to assess if demand still exists and if the worker is meeting productivity targets. If not exit the worker and replace them.
Cover for permanent worker on leave, sick or on training/secondment	When the permanent worker returns to work.
Cover for vacancy	When the vacancy is filled and the new starter joins.
Projects/skills required	Set a review for each key project milestone to assess if it still on schedule and at the expected project end date.



Step 5 – What approach should I take to review, extend or exit contingent assignments?

Extending or exiting assignments

After review, the next step is to either extend the assignment or exit the contingent worker.

The reality is that not every assignment will go according to plan. For example, sometimes assignments need to be extended because of project creep and in this instance exiting a contingent worker to bring in another to finish the assignment may not make sense.

Also contingent workers can be viewed as a valuable asset to the business based on their experience and the quality of the work they have undertaken. It may be perfectly reasonable to extend their time in the business however; we would classify this as a new assignment as the demand need would be different with a new set of deliverables.

In our experience, so long as the review of the original decision is taken and a justification for the new demand demonstrated, proper approval for the extension can be given.

Who undertakes all this work?

Well that will be entirely based on your business. In some instances, businesses that want total control of contingent labour usage and spend will create a centralised team with responsibility for temporary worker assignments and extensions. In others it will be a devolved decision making process to each business unit manager. What is important is that all managers know the process they need to follow to get new assignments authorised and review, extend or exit assignments.



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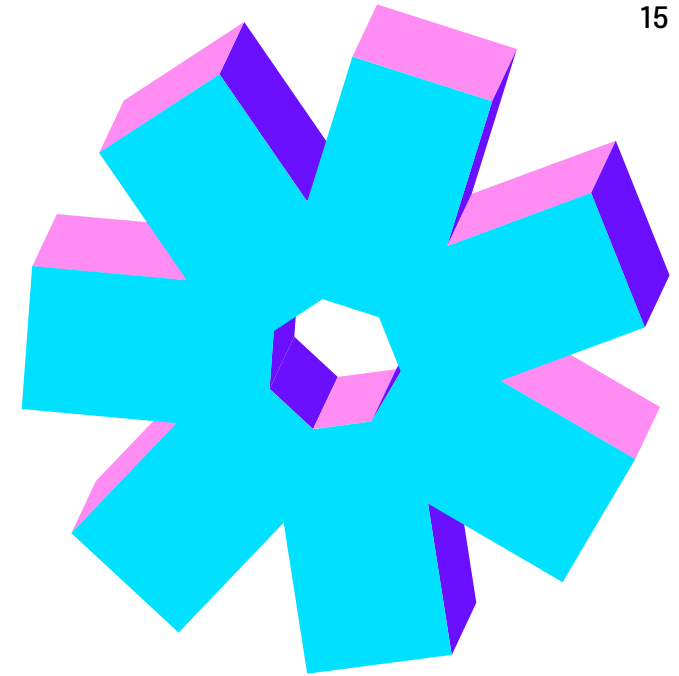
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Can Comensura undertake the hard work for you?



We hope that this guide has provided a significant number of insights and practical tips that will enable you to achieve greater value for money from your recruitment supply chain. You may feel comfortable addressing all of these issues internally but Comensura can undertake all aspects of this on your behalf.

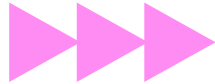


Free discovery audit

Our free discovery audit is a no-obligation service that could enable you to gain a greater understanding of your contingent labour supply costs element of this white paper. This includes benchmarking of the rates you are charged by suppliers against the rates we achieve within the £700m per year of recruitment spend that we manage. It's free, so there's nothing to lose and a lot to potentially gain.

▶ www.comensura.com/solutions

Checklist



Reviewing processes for existing assignments

1. Complete this checklist by reading each scenario and ticking the most appropriate statement - A, B or C.
2. Once complete, count up your scores and enter them into the totals sections.
3. Then read the appropriate statement based on whether you mostly scored A, B or C.

Your scores:

Mostly As - There are lots of good things you are doing so there is a chance to focus on the few areas where you may be missing out on opportunities.

Mostly Bs - There is room for improvement and possibly a need for greater processes to improve your approach to managing internal demand.

Mostly Cs - Your business may be in need of a fundamental review of the way it manages your internal demand for contingent labour.

	A: yes we do this at least once per year	B: we do this at least once every two years	C: we do this less often or have never done it
Understanding internal demand			
We analyse the reasons why contingent labour is demanded across our entire business at least once per year			
We know why internal demand exists in our business			
Our hiring manager's understand the costs of internal demand			
Assessing the business case			
We have a method for assessing the need for contingent labour			
The way we assess the need varies based on the needs of different business units and their usage patterns of contingent labour			
For low users of labour, we assess the business case at order			
For high users of labour, we assess the business case at least once per year			
Our hiring managers know the process (this may be different for each business unit) for justifying the business case			
The process is communicated to all hiring managers			
Assessing alternative options			
For large volume or frequent users of contingent labour, we assess the alternatives to agency-supplied workers across our business at least once per year			
For low volume or infrequent users of contingent labour, we assess the alternatives to agency-supplied workers before any new assignment is approved			
Our annual workforce plans set out the resourcing requirements of each business unit			
Assignment review, extension and exit			
All new contingent worker assignments have to receive approval from at least two levels of the business hierarchy			
All contingent worker assignments are regularly reviewed against the internal demand to assess if the outcomes of the assignments will be met			
Assignment extensions are only given if a review of the original decision is undertaken			
Contingent workers undertaking assignments to cover permanent workers (such as leave, sickness, training or secondment) are automatically reviewed once the permanent worker is back in post			
The process is communicated to all hiring managers			



About Comensura

Comensura is obsessive about delivering a smarter way to work for customers with complex resourcing requirements. We give them access to the contingent and permanent labour they need through a network of specialist recruitment suppliers. Our independent approach helps them resource all their staffing requirements, with efficiency and control at every step.

Comensura is a supply management specialist who manages the supply of temporary, permanent and consultant labour into large organisations in the public, private and not for profit sectors.

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