STRATEGIC STAFFING

Contingent staffing, outsourcing, behavioral hiring. All have become commonly used buzz-words among human resource and staffing industry professionals. While the terms refer to different activities, their intent is the same: gain competitive advantage by implementing new tactics and strategies in the hiring and use of labor. If you are familiar with the current trends in staffing, that's great. If your organization is benefiting from their implementation, that's even better. If you are interested in learning more about current strategies and tactics in staffing, read on. This article outlines several popular staffing trends and provides an introduction to their use.

CONTINGENT WORK FORCE

Companies are turning to contingent workers—the people who are called in on a short-term or project basis— for a variety of needs. The idea driving this trend is simple: bring in people to meet the demand for labor or expertise only when those people are needed. Companies executing this strategy are able to reduce fixed expenses by maintaining a smaller direct (or permanent) staff. When workloads increase, they are able to bring in top quality temporary workers using a human version of a just-in-time inventory system. As an added benefit, the cost of a contingent worker is often lower than that of a full-time employee due to the elimination of benefit expenses.

Today's contingent workforce crosses all lines of business and areas of functional responsibility. While temporary help used to be thought of as clerical support, the term has now come to encompass industrial, engineering, information technology, and professional positions. In many parts of the country, the fastest-growing category of temporary workers are interim executives—from marketing and financial experts right up through CEOs. The following are the major staffing trends associated with the contingent work force.

Supplemental Help

Fill-in for short-term demand such as a vacation or special projects. Using supplemental help allows existing staff to focus on more pressing business. It frees them from time-consuming tasks that disturb workflow and do not add much value.

Peak & Project Management

Strategic use of temporaries to accommodate cyclical workloads and projects. This results in consistency between the amount of work to be done and the available number of employees, keeping direct employees working at peak effectiveness.

In some instances, employers have actually developed a shared workforce that rotates from one business to another to accommodate each company's unique seasonal needs.

Contract Staffing

A client company brings in experts (managers, executives, HR, and information technology professionals, etc.) on a temporary basis to do work requiring specialized skills. Contract staffing allows businesses to complete vital projects without adding fixed expenses, or to smooth a transition when a key executive must be replaced. Currently, these workers comprise the fastest growing sector of the temporary workforce.

On-Site Management

The staffing supplier provides an on-site coordinator for supplemental employees at a client company. Typically, these arrangements are made by large volume staffing users to simplify coordination, and increase both productivity and quality across a variety of departments.

Single Source Management

The client company places all orders for staffing with one provider. This arrangement simplifies staffing for the client, by providing them with a single source for coordinating all their staffing needs. Occasionally, the primary staffing provider may not be able to fill a staffing request because of volume requirements (i.e., the client needs several people at once), or because the request is outside the provider's area of expertise (e.g., the client needs an electrical engineer, but the staffing provider does not provide technical staffing).

Sometimes, the single source provider will subcontract to other vendors to meet the client's needs. In some cases, the preferred vendor may have a presence at the client's site, similar to an on-site management arrangement. Or, the primary provider may coordinate staffing activities from their own offices.

Facilities Staffing

The temporary help supplier assumes responsibility for staffing certain jobs or departments with disproportionately high turnover, driven by routine or mundane work. Employees are "rotated" into and out of these positions based upon productivity. As a result, performance and quality increase, while the employer's liability and headaches are reduced.

HIRING OPTIONS

The demand for good people is certainly not something new. Executives commonly complain about the difficulty in finding and hiring producers. So many companies are taking new approaches to making the hiring decision. The following provides an overview of two major tactics being used.

Behavioral Hiring

Have you ever selected a job candidate based almost solely on that person's past work experience? Have you ever ignored a nagging doubt about a job prospect's personality, hired them anyway, and regretted it? According to Ed Ryan, president of MPR Consulting, companies put too much emphasis on education and experience while neglecting behavioral traits and chemistry.

When filling a position, managers often prepare a job description detailing the duties. But, most people stop here. Missing is a description of the types of behavior necessary to execute these duties. To develop a behavioral traits profile, identify the company's top performers in that position. Determine what makes these people so good and you have the behavioral traits necessary to succeed in this position.

After preparing a profile, the hiring process can begin. Behavioral hiring requires every candidate to go through a structured interview. The interview questions are designed to determine if a candidate possesses the desired personality traits. The skills and experience of those with the right attitude and traits are then reviewed.

The next time you have a need to hire, try considering behavioral traits and chemistry, as well as experience and skills.

Temp-to-Direct Hire

Temp-to-direct enables companies to test an employee on-the-job before committing to direct employment. This trend has become popular because it alleviates some of an employer's fears of making an incorrect hiring decision. This strategy is an excellent way to lower the risk associated with hiring. On the downside, however, many of the best applicants for a given job opening may be currently employed. These people are rarely willing to leave their current job for a temporary position even when the opportunity for permanent employment exists.

PROFESSIONAL EMPLOYER ORGANIZATIONS (PEOs)

Employee Leasing

Employee leasing is a service provided by a PEO or Professional Employer Organization. According to the National Association of Professional Employer Organizations, a PEO is a company that provides "integrated business services which more cost effectively manage critical human resource responsibilities and employer risks for its clients." More simply put, a PEO firm takes over the responsibility for a significant portion of the employer's functions for the workers assigned to their clients. The PEO firm contractually assumes the employer rights, responsibilities, and risks. Included in those rights and responsibilities are payroll processing, tax withholding, workers' compensation insurance, employer's share of social security tax, unemployment tax, and benefits provision and administration for the leased employees.

Payrolling

Payrolling is a service offered by most temporary staffing firms. Unlike leasing, which is relatively new, payrolling has been around for a long time. In many respects, employee payrolling is like employee leasing. The mechanics are almost identical—a current employee is placed on the payroll of another firm. The payrolling firm is responsible for the payroll processing and administration including creating the paycheck, handling the statutories and governmental reporting, and supplying unemployment compensation. One major difference between payrolling and leasing is that most payrolled workers do not receive medical benefits.

What most often differentiates payrolling from employee leasing is the scope of the agreement. Payrolling is frequently a project-based service used for temporary and other short- to medium-term personnel requirements. Leasing, in contrast, is designed to be used as a permanent solution to payroll and benefit administration needs. The question facing employers is: Why use either service?

A number of forces in the marketplace cause companies of all sizes to look at alternative staffing arrangements such as employee leasing and payrolling. One such force is the increasing regulatory burden of being an employer. Government reporting, compliance and administration are consuming an ever-increasing share of businesses' time and resources. At the same time, these organizations are being forced to "do more with less" due to increasing global competition and decreasing product life cycles.

Is employee leasing or employee payrolling right for you? It depends on what your company is trying to accomplish. Both can increase productivity and reduce risk.

Payrolling and employee leasing eliminate the paperwork, reporting, and administrative burden of human resource management. For many small to medium-sized companies, these services provide key

managers the freedom to focus on those activities that are most critical to the success of their businesses.
Employee leasing or payrolling may provide your firm with solutions to the headaches of personnel selection and administration.

OUTSOURCING

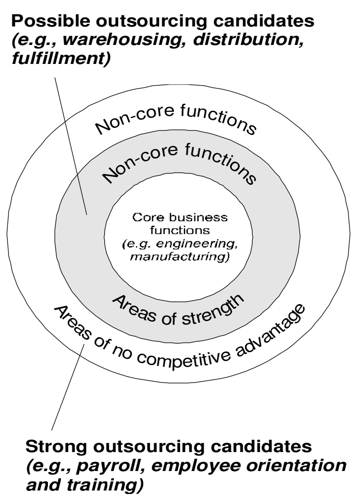
Outsourcing has become a popular cost-effective method to manage non-essential functions while maintaining focus on the company's core competencies. What is outsourcing? Simply put, outsourcing is having an outside company take over a specific component of your business.
Some business functions have always been outsourced. Accountants, attorneys, and consultants are essentially providing outsourced services. The difference now is that companies are taking a hard look at their business and determining which functions are most critical to their success. All the non-critical activities are then turned over to an outside provider (or providers) who can perform the function either at a lower cost or with greater productivity.
Many market forces continue to drive the need for outsourcing:

1. Accelerating technology has provided new product and systems capability. Taking advantage of this phenomenon, however, requires ever-increasing levels of expertise.

2. Heightened customer expectations in areas of quality, service, and price performance have required increased attention to detail.

3. Declining product and service life cycles and an increasing need for customization has produced many added headaches for business.

4. Globalization has created new challenges, as well as new markets and new economic rules.



In short, competition and a changing marketplace are squeezing businesses from all sides.
Companies must spend more time concentrating on the specific products or services they represent. They must reduce costs, reduce head count, flatten the organization, and redirect and focus management to increase profitability.
Outsourcing offers one way to reduce management involvement by eliminating specific administrative activities. The outsourcing partnership between the company and the service provider can:

1. Reduce the cost and hassle of labor-intensive activities. For example, telemarketing may be an important part of a company's marketing strategy; however, it is plagued by high turnover. Rather than suffer the expense, aggravation, and morale problems that result from frequent turnover, this could be successfully outsourced to a company specializing in recruiting and training. The service provider will take away the administrative burden of the HR functions.

2. Lead to improved performance in areas impacted by improved technology. A service provider like EDS in information technology or MCI in telecommunications has state-of-the-art expertise in the hardware and software needed to enhance a company's technological operations. For many small to mid-sized companies, technology investments can be cost prohibitive. By outsourcing, the costs of technology are shared with the other users of the service provider. Even for larger companies, the service provider's expertise with the technology helps assure greater efficiency.

3. Add extra value through a risk-sharing relationship. For instance, outsourcing a mailroom off-site might allow the service provider to run multiple shifts using existing equipment. By selling mailroom services to other firms in need, the outsourcing provider can turn this support function into a profit center. The risk and the reward may be shared through a partnership between the outsourcer and the service provider.

To determine if outsourcing is a viable alternative for your company, you must create a well-defined plan. Conduct an internal assessment to define your firm's core functions. In doing so, you may discover non-core functions which are appropriate for outsourcing.

If you discover areas to be outsourced, the next step is to determine which service providers offer the expertise you require. In selecting a service provider, you are choosing a partner for your company. Be very selective! Find a partner with experience, traits, and chemistry that blend well with your company. Interview and reference check all candidates to ensure that the provider can do the job and will provide the level of service you want.