Best Practices of the Most Effective Workforce Management Solutions

MSP or Contractor RPO?

Today, organisations recognise that managing their contingent workforce requires more than simply purchasing a software system.

For many of these companies, the complexity of their workforce management needs compels them to seek solutions that are less technology-driven and more people and process-driven.

These types of solutions are only realised through a partnership with a human capital acquisition and management services provider.

The contingent workforce management technology and staffing industry has evolved rapidly over the past decade. Earlier systems merely distributed requirements to suppliers for companies or to a master staffing supplier. Improvements to technology systems emerged when the systems were integrated with back-office systems such as those in A/P or procurement.

This led to procurement “software-only-solutions” and as a result, staffing companies began to be commoditised. As clients became more sophisticated with their e-commerce systems and web applications, software-only-suppliers began to escalate their upgrade schedules to offer new versions once or even twice each year. This pace was virtually impossible to stay ahead of.
Companies that owned software found it extinct virtually as quickly as it was implemented. Therefore, they put emphasis on the relationship with staffing suppliers and their own software systems. Today, organisations are moving away from purchasing software and moving towards partnering with human capital acquisition and management services providers who are more adept at building solutions that include technology as one component, but focus more on the processes to manage the sourcing, procurement, management and payment of workers and suppliers.

The most attractive solution for companies that utilise a contingent workforce as part of their human capital management strategy will:

> provide the ability to manage the contingent workforce, including consultant and outsourced project work
> be easily accessible through a single web-based application

Because of the complex nature of both the technologies and diverse communities they serve, third party sourcing, administration and management of the people, system and program have become an integral part of the most effective workforce management solutions.

**Comparison of Services**

There are two overarching services that both deliver a value added solution; Managed Service Provision (MSP) and Contractor RPO. The best way to think of this is by thinking of the entire journey from attraction through to on-boarding, engagement, management and payment of contractors. Contractor RPO includes a direct sourcing model, whilst an MSP manages a ‘bench’ of agencies to do the sourcing. From that point forward the processes may be identical.

**Contractor RPO**

Through the implementation of a dedicated recruitment team (typically onsite) suppliers build direct recruitment capability for clients. These experts source and manage your contract labour, and build a specialist capability for your business.

Capable talent acquisition is a critical component of a successful Contractor RPO solution.

Advancements in workforce management technologies are making it much easier to maximise the Internet as a sourcing medium. New technology features also make it easier to match candidates’ skills to job opening requirements and rank candidates much like search engines rank search results. This expedites the process of qualifying candidates, but the human interface still remains a key element for matching candidates for successful placements. These solutions typically include:

> Single point of contact for all contingent labour induction, engagement, management, payment, reporting and invoicing
> Placement of all existing and newly sourced contingent labour into a third party entity to mitigate co-employment issues
> Workforce Planning, Project Management and Operations Management
> Contingent Labour Remuneration Benchmarks
Managed Service Provision

A Managed Service Provider’s role is not to source contractors but to manage all integrated suppliers, whilst providing many other program support value-add services. The client’s role in an MSP model is similar to that of any outsourced function or business process. An executive sponsor on the client side should be assigned to work hand-in-hand with the MSP. Together, they work to establish a joint-functional department that serves the user community.

Procurement is typically the owner of the relationship through the implementation process. However permanent, executive sponsorship typically resides in a company’s headquarters and is often co-managed by those who manage worker timekeeping and records, resolving disputes or compliance issues. These solutions typically include:

- Selection of staffing suppliers that offer “best-in-class” delivery of talent
- Establishment of a broad, diverse, and high-performing supply chain, niche players, consulting groups, and temporary labour suppliers
- Creating and managing a performance-based system of tiered suppliers - When suppliers are managed equally and fairly on specific metrics, the client receives the best talent and staffing suppliers receive business opportunity based solely on their capabilities and performance
- Workforce Planning, Project Management and Operations Management
- Contingent Labour Remuneration Benchmarks
- Implementing and managing ‘best fit’ technology and payroll systems

Benefits to Contractors

Both services bring great benefits to the Contractor, including:

- Tailored management of contractors’ needs and individual requirements
- Access to specialist salary packaging, tax and financial planning services maintains a variety of engagement terms
- Convenient online timesheets and contractor management through intuitive web portals
- Regular engagement activities jointly hosted by client and provider
Comparison in Cost Models

These costs are purely to show the different costing models and are not meant to represent industry standards or benchmark prices. Example based on a 6-month contract (960 hours):

<table>
<thead>
<tr>
<th></th>
<th>Contractor RPO Model</th>
<th>MSP Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hourly Contractor Pay</td>
<td>$50</td>
<td>$50</td>
</tr>
<tr>
<td>Sourcing Fee(^1)</td>
<td>$6,000</td>
<td>n/a</td>
</tr>
<tr>
<td>Agency hourly margin</td>
<td>$10(^2)</td>
<td>$7.50(^3)</td>
</tr>
<tr>
<td>Payroll &amp; Management Fee</td>
<td>$2,400(^4)</td>
<td>$2,880</td>
</tr>
<tr>
<td>Total Cost of Contractor</td>
<td>$56,400</td>
<td>$60,480</td>
</tr>
</tbody>
</table>

Notes:  
1. cost of sourcing fee divided by number of contractor hires  
2. based on 5% of pay rate  
3. based on 20% of pay rate  
4. 5% of Total Contractor Cost inc. agency margin

Although the example above shows a difference of $4,080 over a 6-month period, typically the MSP partner will negotiate with the agencies so that they are in effect ‘financing’ the MSP model, therefore a truer comparison may look more like this (Example based on a 6-month contract (960 hours)):

<table>
<thead>
<tr>
<th></th>
<th>Agency Financed MSP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hourly Contractor Pay</td>
<td>$50</td>
</tr>
<tr>
<td>Agency hourly margin</td>
<td>$7.50(^1)</td>
</tr>
<tr>
<td>Payroll &amp; Management Fee</td>
<td>$2,760(^2)</td>
</tr>
<tr>
<td>Total Cost of Contractor</td>
<td>$57,960</td>
</tr>
</tbody>
</table>

Notes:  
1. based on 15% of pay rate  
2. 5% of Total Contractor Cost inc. agency margin

Whether you feel that Contractor RPO is the best solution for you or you feel that a well managed panel of agency suppliers better suits your requirements, we believe the following is best practice for the management of the contractor workforce.

There are numerous models and program designs available in the marketplace today. Each has its own unique advantages and disadvantages. The smart choice in driving costs down, service levels up, minimising risk and optimising productivity involves the selection of a partner capable of navigating through the challenges of these complex options.

Remember, direct management of the day-to-day activities of the contingent workforce is the responsibility of the client organisation, but the Contractor RPO/MSP handles any contract worker relations issues.
Ultimately, the most effective workforce management solutions that yield the best results are outsourced to a partner with flexible options, a diverse portfolio of suppliers, and experienced team of partners with a proven track record for success. The benefits either solution brings you are:

> Payroll services linked to automated timesheet authorisation
> Significant cost reductions from day one
> Full transparency of contract labour spend, including detail of pay rates, on costs and margins
> Higher control of your contractor and temporary workforce headcount and spend
> Succinct management and reporting capability of your contractor population
> Ownership of the end-to-end contractor recruitment and contractor management process under a contracted service level agreement
> Improved contractor retention through active redeployment management
> Management of contractor payroll services, insurances and other contractor benefits
> Benchmarked pay rates for contractors to ensure market appropriateness and internal consistency
> In addition the Contractor RPO brings you: a proprietary contract/temp talent pool for future hires and to network with for referrals

**Expedited Screening Methods**

A relatively new feature of workforce management solutions is the ability to automate various standard screening requirements such as drug screens, criminal background checks, and employment verification. Most often a standard employee screening process can consume three to five business days. This usually causes problems because a company’s typical timeframe requires the candidate to start immediately.

This creates the need to streamline sourcing and on-boarding processes as much as possible. Many technology systems are now integrated with the providers of these services. In most cases, the recruiter can complete the standard screenings online and often recruiters can obtain results the same day. A fully integrated system that automates as many processes of the recruiting cycle as possible not only improves metrics like fill ratio, time-to-hire, and quality of hire, but also drives cost-per-hire down.

**Technology Independence**

Technology needs to be able to accommodate the changing demands of a business. This requires routine, unbiased evaluation of new technology and software suppliers and new versions of existing technology. As the primary liaison between the customer and the selected technology provider, the Contractor RPO/MSP takes on the responsibility of keeping the program technology engaged and up-to-date from a vendor-neutral perspective.

This independence provides the foundation for objective engagement, performance reporting, as well as a secure audit trail. The solution that is ultimately delivered is based solely on the technology’s suitability for a specific customer engagement.
This type of neutrality also gives the customer the ability to make changes to the technology provider without having to start the entire program over from scratch. In the competitive marketplace, there is no one defined technology that has taken the leadership position in the human capital management and recruiting industry. Software tools will continue to evolve at a rapid rate to meet the growing dynamics of employers. That’s why expectations are shifting to capable service providers rather than software providers. No more are the best solutions client-hosted through licensed software agreements.

Rather, they are ASP, web-based applications provided by a workforce solutions provider (aka Contractor RPO/MSP) who has pre-established rights to the system and can configure and administer the software system and keep the system up-to-date based on new technology version releases. In this environment, the client is spared the costly expense of licensing fees, infrastructure changes and hardware expansion.

Reputable Contractor RPO/MSPs have conditions in their end-user agreements guaranteeing the safeguarding of data within the applications. Selecting a partner who has solid, proven experience with successfully configuring and implementing technologies is a critical component of the best workforce management solutions.

Conclusion

A “one size fits all” approach to workforce management is no longer an acceptable option in today’s marketplace. Flexibility in type of solution, program design and technology selection are all key elements to best-in-class programs. The contingent labor marketplace is changing too quickly for any one technology company to be able to stay on top of best practices in workforce acquisition.

Companies that partner with industry experts that have inside insight into this dynamic industry will ultimately win the war for quality talent in the marketplace.