STAFFING INDUSTRY ANALYSTS

Thought Leadership Series

Unhide Your Forgotten Workforce: How to Manage Your Non-Employee Headcount

Staffing Industry Analysts
CWS COUNCIL

Moderator:
Diana Gabriel, Vice President,
Strategic Solutions
Staffing Industry Analysts

Speakers:
John Martin
CEO, Emerging Markets & CTO
IQNavigator, Inc.

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September 25, 2012
10 am PDT

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Welcome to the Staffing Industry Analysts 2012
Industry Thought Leadership Series

Suppliers Of Staffing Services Share Their Expertise

The Staffing Industry Analysts Industry Thought Leadership Series provides the perspective of the suppliers of staffing services. The expert views expressed in this webinar are those of the sponsor and not necessarily that of Staffing Industry Analysts.

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Asking Questions

- **Q & A:** To ask questions – use the question function on the webcast control panel

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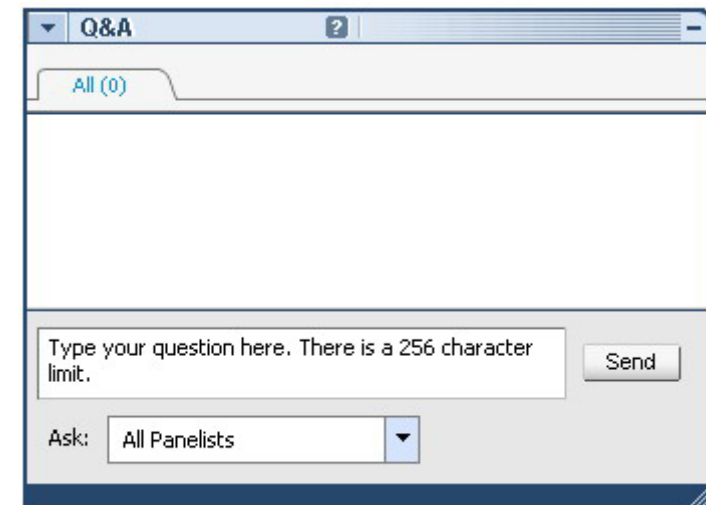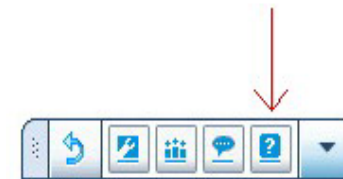
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About Staffing Industry Analysts

CONFERENCES

RESEARCH

ADVISORY

Staffing Industry Analysts is the global advisor on contingent work

- **Over 700 firms benefit from our international research services**

    - 19 of the world's 25 largest staffing firms are members

    - More than 55 buyers of contingent labor are members of our CWS Council, representing over $100 billion in annual contingent workforce spend

    - Customers in more than 25 countries

- **Founded in 1989**

    - Acquired by Crain Communications ($200M media conglomerate) in 2008

    - Headquartered in Mountain View, California and London, England

    - 80+ years of industry and advisory service experience among executive team

CWS 3.0

2012 CWS SUMMIT LONDON

2012 CWS SUMMIT SAN DIEGO

2012 CW RISK FORUM

CWS COUNCIL
2012 Member Services and Research Agenda

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CWS Council Members (partial list)

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UNHIDE YOUR FORGOTTEN WORKFORCE:
HOW TO MANAGE YOUR NON-EMPLOYEE HEADCOUNT

September 25, 2012

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TODAY'S TOPICS

- ### Where is Your Hidden Workforce?
  - Types of External Workers
  - How Are They Different From Employees?
  - Case Study #1

- ### Why Engage With External Workers?
  - Risks & Rewards of External Workers
  - Case Study #2

- ### How Should You Manage External Workers?
  - Program Design
  - End-to-End Processes
  - Maturity Model
  - Global Considerations
  - Case Study #3

- ### Wrap-Up
  - IQNavigator Overview
  - Q&A

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WHAT IS THE "HIDDEN WORKFORCE"?

Enterprise boundaries continue to get more elastic as external worker usage rises:

Temporary Workers:

- Information Technology
- Administrative & Clerical
- Independent Contractors
- Light Industrial

Consulting Workers:

- IT Consulting
- Finance & Audit
- Legal Services
- Other project-based SOW services

Outsourced Workers:

- IT Outsourcing
- Back-Office BPO
- Call-Center Outsourcing
- Field Services

Task-Based Workers:

- One-off small projects (e.g., Elance)
- Task-based work (e.g., TaskRabbit, Mechanical Turk)

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WHY FOCUS ON THE EXTERNAL WORKFORCE?

Large Part of Workforce

- 20% of average employer's workforce today (Kelly Services)
- Little visibility into all the various types of external workers

Growing Quickly

- Temp labor is growing twice as fast as employee workforce (BLS)
- Non-employees forecasted to grow up to 50% of workforce by 2020 (MBO Partners)

Compliance Failures

- Misclassification leads to taxes and fines (Fedex)
- Lack of off-boarding leads to computer tampering (Toyota)

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WHERE IS YOUR HIDDEN WORKFORCE?
A Broad Spectrum of Non-Employee Workers

Employees

- Full & part-time

Characteristics:

- Find and develop *talent*
- Predictable payroll costs
- Processes and software are Fairly mature
- HR owns the processes

External Workers

By Hour

| Temporary Workers |
| Industrial Labor |
| Independent Contractors |

- Technical-IT
- Professional-Managerial
- Office-Clerical
- Industrial

By Deliverable

| SOW & Projects |
| Consultants |
| Deliverable-based Services |

- Management Consulting
- Creative Services
- Legal
- Research
- Accounting

By Unit

| Outsourcers |
| Unit-Based Services |
| Catalog Services |

- IT Outsourcing
- BPO / off-shore
- Call Centers
- Facilities Maintenance
- Hospitality Services
- Field Services

Process owners: Budget holders, Procurement, Finance, IT, and HR

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HOW ARE EXTERNAL WORKERS DIFFERENT FROM EMPLOYEES?

Employees	External Workers
You have employer relationship	Someone else has employer relationship
Headcount controls	Budget controls
Talent management	Outcome management
Internal talent market	External skillset market
Ongoing relationship	Assignment management
Payroll	Invoices

MANUFACTURING CLIENT

Fortune 500 manufacturing firm had:

- Hundreds of independent consultants in IT
- Thousands of temporary workers in manufacturing and distribution facilities

BUSINESS CHALLENGES

- Gaining control over independent consultants for proper classification
- Gaining control over blue-collar workers for safety and security tracking
- Providing visibility to senior management of external worker headcount and spend

EWC SOLUTION

- New required process for on-boarding ICs
- Integration with badge security systems in manufacturing plants
- External headcount reporting for both types of non-employee workers

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- Mis-classification
- Co-employment
- Security (asset access)
- Intellectual Property
- Confidentiality
- Financial (budget, invoicing, and spending)
- Compliance (policies, safety, credentials, etc.)
- Outcome delivery

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BUSINESS BENEFITS OF USING THE EXTERNAL WORKFORCE

Access Specialized Skillsets

Increase Flexibility

	Access Specialized Skillsets	Increase Flexibility
Cost	• Project: Lower-cost than developing in-house • Ongoing: Specialists can be more efficient than internal groups	• Avoid layoffs during ramp-downs
Time	• Faster than developing in-house	• Ramp up and down more quickly
Quality	• Access external-market skills and experience • Improve results through visibility into past assignments	• "Try before you buy" – both individuals and projects • Enable growth into new areas

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What are the top two benefits in your enterprise of using external workers?

- Access specialized skill sets
- Increase speed and flexibility
- Ramp operations up and down
- Try out new projects before committing employees
- Achieve cost savings

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Case Study #2: Information Services Client

Fortune 1000 information services company had:

- Outsourced IT to external firm that provided 3,000 workers
- Acquired a new division that used hundreds of call-center temporary workers in the U.S.

BUSINESS CHALLENGES

- Ensuring security tracking of 3,000 external IT workers – both onsite and offsite
- Providing visibility into spending and effective-ness of hundreds of call-center workers

EWC SOLUTION

- Separate "worker tracking" system for external IT workers
  - Especially off-boarding
- End-to-end process automation for high-volume call-center workers
  - Especially sourcing

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DESIGNING A PROGRAM FOR EXTERNAL WORKER CONTROL

Elements of an External Worker Control program:

- **Program Governance**- Ensure EWC strategies and processes align with you enterprise's unique set of goals.

- **Visibility**- Who are the workers? What are they working on? For how long? How much are we paying them?

- **Compliance**- Ensure proper on-boarding and off-boarding; track required certifications and training.

- **Risk Mitigation**- Enforce policies on tenure limits, classification processes, do-not-rehire situations, and many others.

- **Cost Control**- Enforce negotiated rates; evaluate FTE vs. contractor costs savings; recognize hard dollar savings.

- **Quality**- Measure outcomes of resources and suppliers; prevent poor performers from returning.

- **Automation**- Deploy an efficient, integrated end-to-end process to manage all non-employees.

- **Supplier Management**- Work with pre-vetted and approved suppliers; see supplier performance over time.

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END-TO-END PROCESS IS REQUIRED
TO IMPLEMENT A COMPLETE PROGRAM
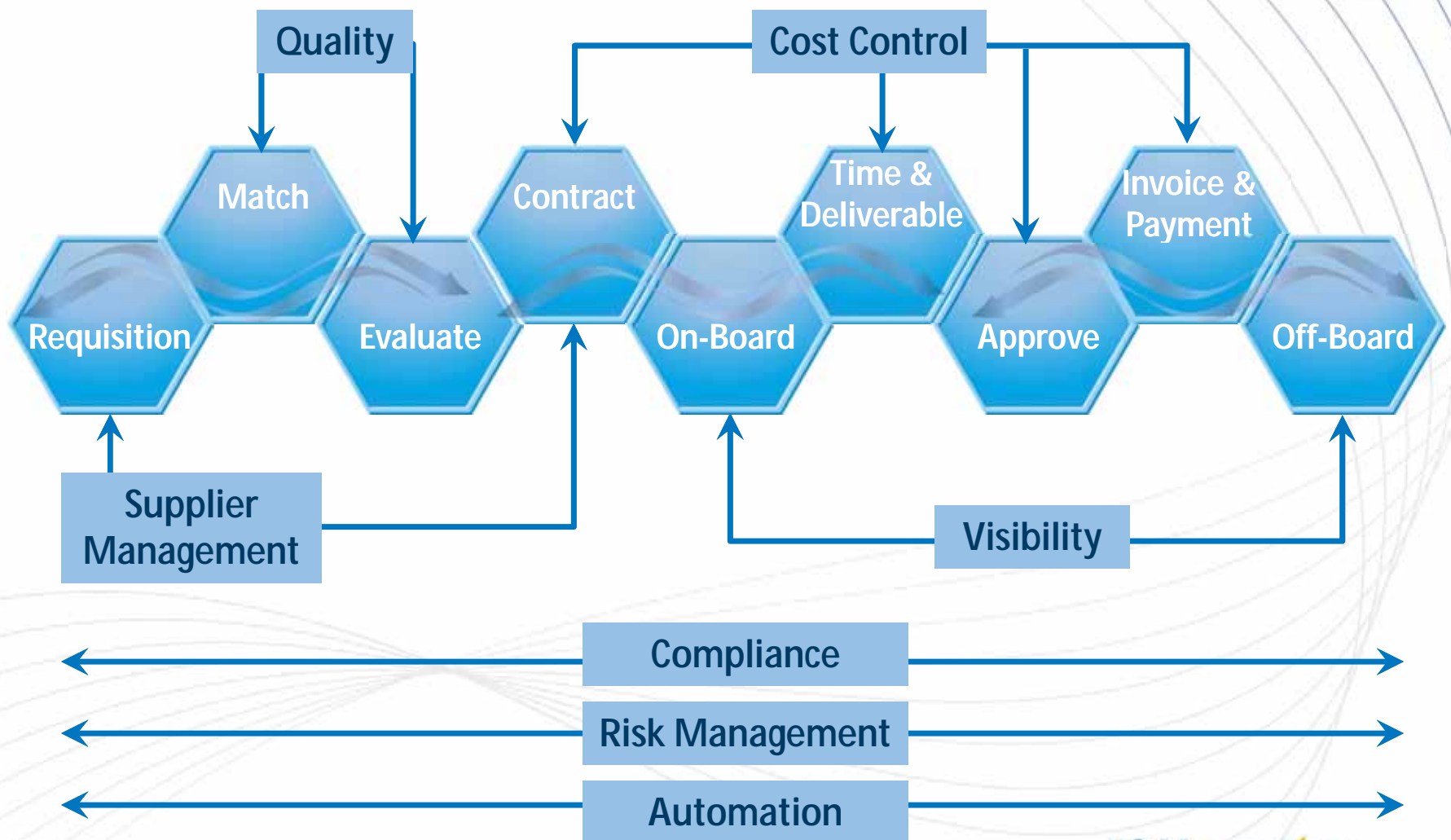
MATURITY PROGRESSION FOR EXTERNAL WORKFORCE CONTROL

Laissez-Faire

- Each hiring manager makes supplier selection, decides rates
- Departmental budgets for spend control

Visible

- External worker information within a system
- Usually difficult to derive past individual or vendor performance

Controlled

- Enforced approvals for different types of external workers
- Financial controls for contracts and spend

Optimized

- Part of workforce planning and analytics
- Process uses only approved vendors and benchmarked rates

Keys to success:

Provide Value to All Stakeholders

Preserve Speed and Flexibility

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POLL QUESTION #2

What maturity level is your enterprise overall?

- Laissez-Faire
- Visible
- Controlled
- Optimized

MANAGING CONTINGENT WORKFORCE AROUND THE WORLD
Example Country-Specific Regulations in Western Europe

UK: Agency Worker Regulation mandates comparable pay and benefits for temporary workers compared to employees

Ireland: Work hours limited to 48 per week, also rate modifier for Sunday work

France: Workers limited to 35-hour work week

Italy: VAT tax calculations are on the markup amount between the pay rate and the bill rate

Germany: Include Work Councils when setting up policies and processes

Netherlands: Data privacy requires that personal information be deleted regarding candidates that are not hired

Belgium: For blue-collar temporary workers, different rates by age, length of service, distance from work location, etc.

Switzerland: e-Invoices must be signed by a certificate from a Swiss signatory

Localized

Active

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CASE STUDY #3:
GLOBAL FINANCIAL SERVICES CLIENT

Fortune 500 global financial services firm had:

- Thousands of "joint venture" external workers around the world
- Hundreds of external workers in IT – independent contractors, SOW consultants, temporary workers

BUSINESS CHALLENGES

- Tracking 18,000 total external workers in two dozen countries
- Ensuring compliance to strict on-boarding requirements
- Protecting IP and data in IT globally

EWC SOLUTION

- "Closed-loop" on-and off-boarding process
- Integration with IT security access system
- Global rollout to over 20 countries
- High-touch 24x7 support desk
- Fast integration of new acquisition in Italy

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ABOUT IQNAVIGATOR
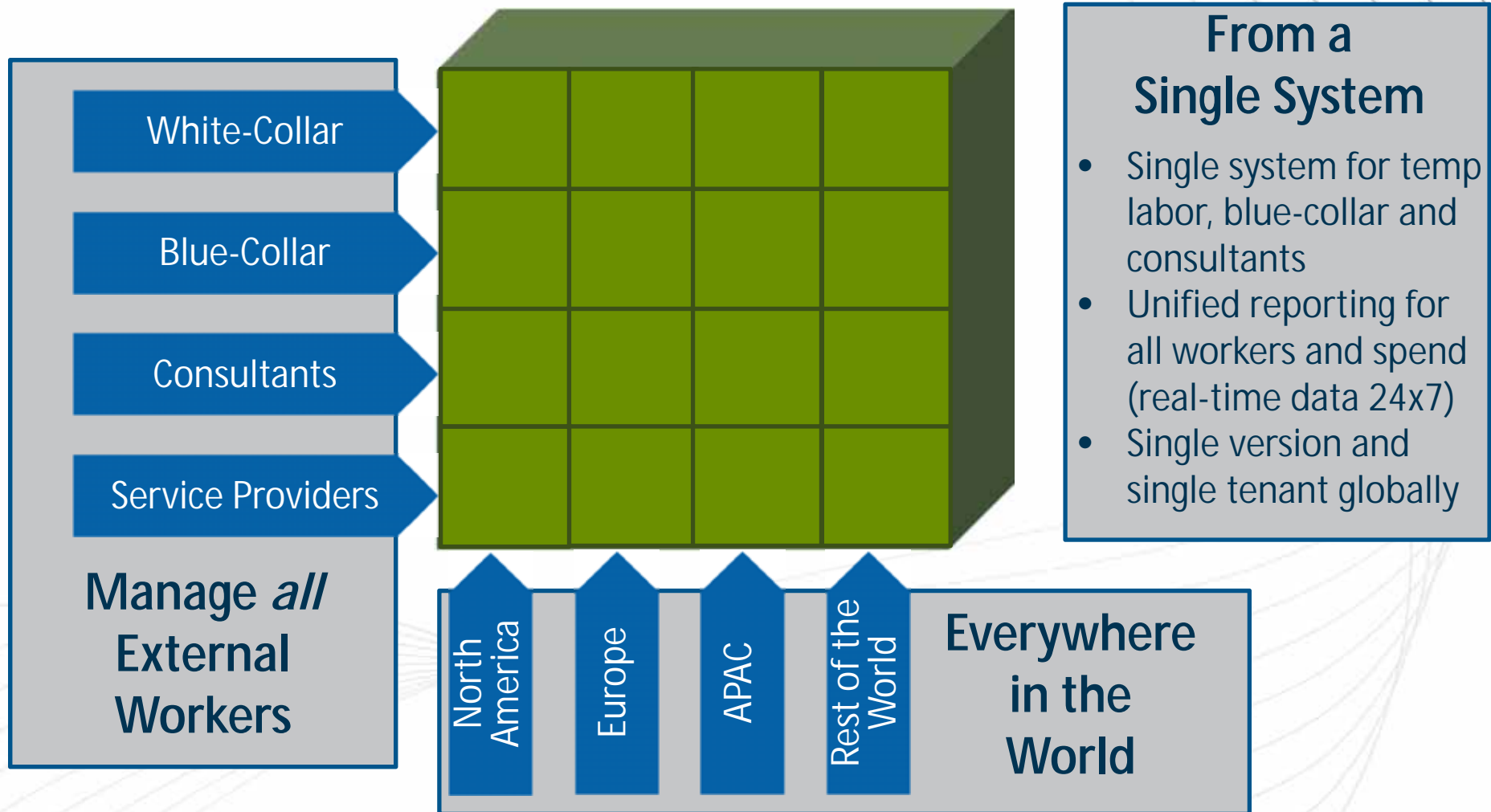
- Leader in VMS/Services Procurement software and services
- Helps Global 2000 companies manage all types of external workers
  - Temporary workers, SOW consultants, industrial labor, field services, etc.
  - From end to end – selection, on-boarding, deliverable tracking, off-boarding, payment
  - Includes budget controls and self-billing
- Localized in over 40 countries active users in 124 countries
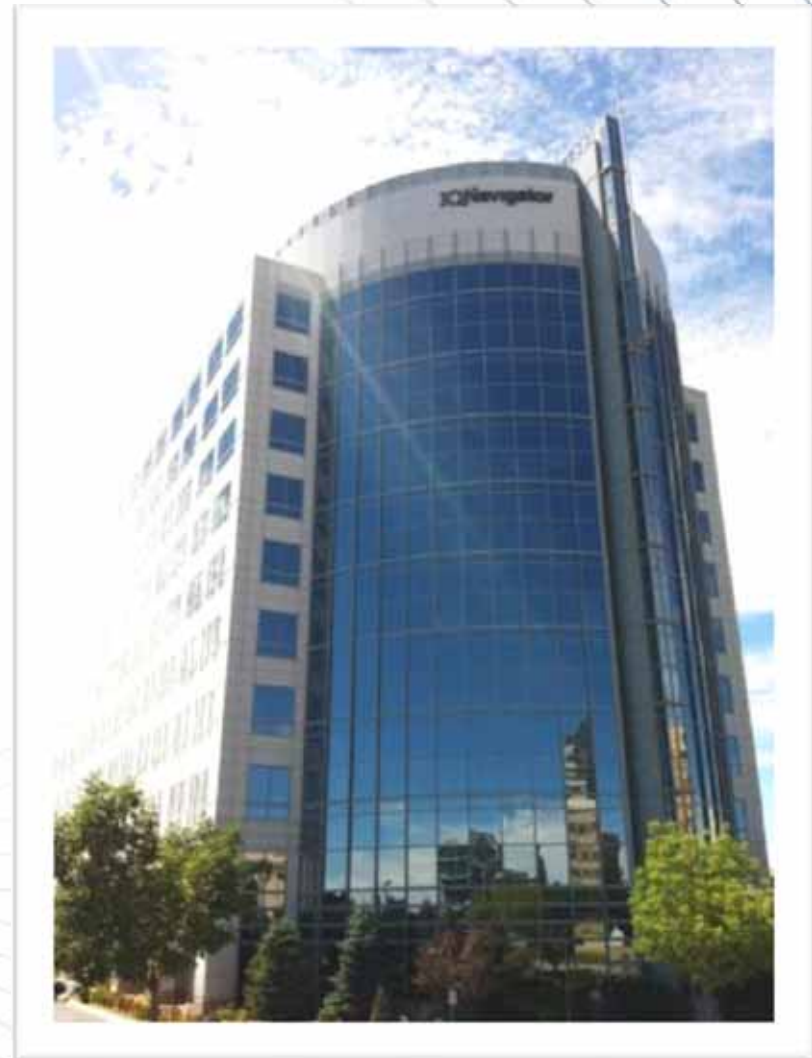
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MANAGE YOUR ENTIRE **EXTERNAL WORKFORCE** GLOBALLY

From a Single System of Record

White-Collar

Blue-Collar

Consultants

Service Providers

Manage *all* **External Workers**

North America

Europe

APAC

Rest of the World

Everywhere in the World

From a Single System

- Single system for temp labor, blue-collar and consultants
- Unified reporting for all workers and spend (real-time data 24x7)
- Single version and single tenant globally

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Upcoming Webinars

October 10, 2012 How to get the most from your business partners.

October 24, 2012 VMS in France

October 25, 2012 IP Ownership in a Contingent World: What You Need to Know To Own And Protect Your Intellectual Property

November 15, 2012 MSP/VMS Landscape

November 28, 2012 2013 European Contingent Market Forecasts

December 13, 2012 US Legal Update

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THANK YOU!