

Are Your Contracting Services Arrangements Putting You At Risk?

Moderator:

Peter Reagan, Director, Contingent Workforce Strategies and Research (EMEA, APAC & LATAM), SIA



Presenter:

Toni Jackson, Director APAC, SAP Fieldglass



Guest speaker:

Peter Budd, Regional Lead - CM Solution, Procurement, Rio Tinto



Wednesday, 19 October 2016: 12:00 Australia Eastern Daylight Time

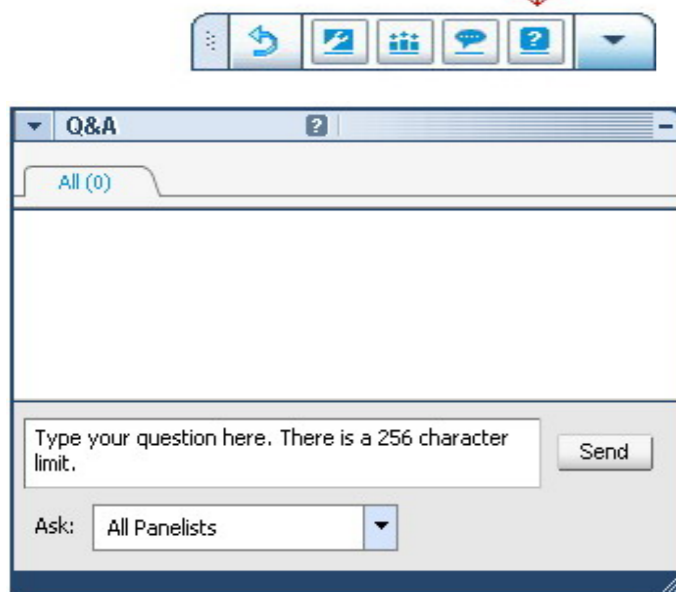
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- RPO best practices
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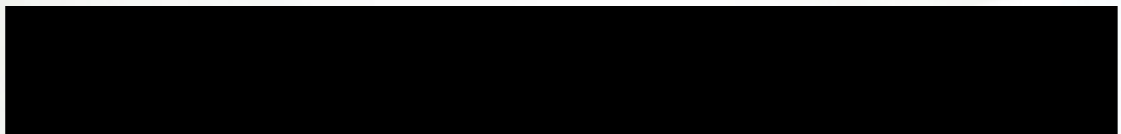
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Staffing Industry Analysts is the global advisor on staffing and workforce solutions

- Our staffing firm membership is composed of many of the largest regional, U.S. and global staffing firms in addition to representatives from all parts of the contingent workforce industry.
- Our CWS Council membership represents over \$100 billion in annual contingent workforce spend.
- We are a trusted advisor providing objective research within the contingent workforce ecosystem.

Founded in 1989

- Acquired by Crain Communications (\$200M media conglomerate) in 2008, headquarters in Mountain View, California and London, England
- Comprehensive and vast industry and advisory service experience among executive, advisory and research team



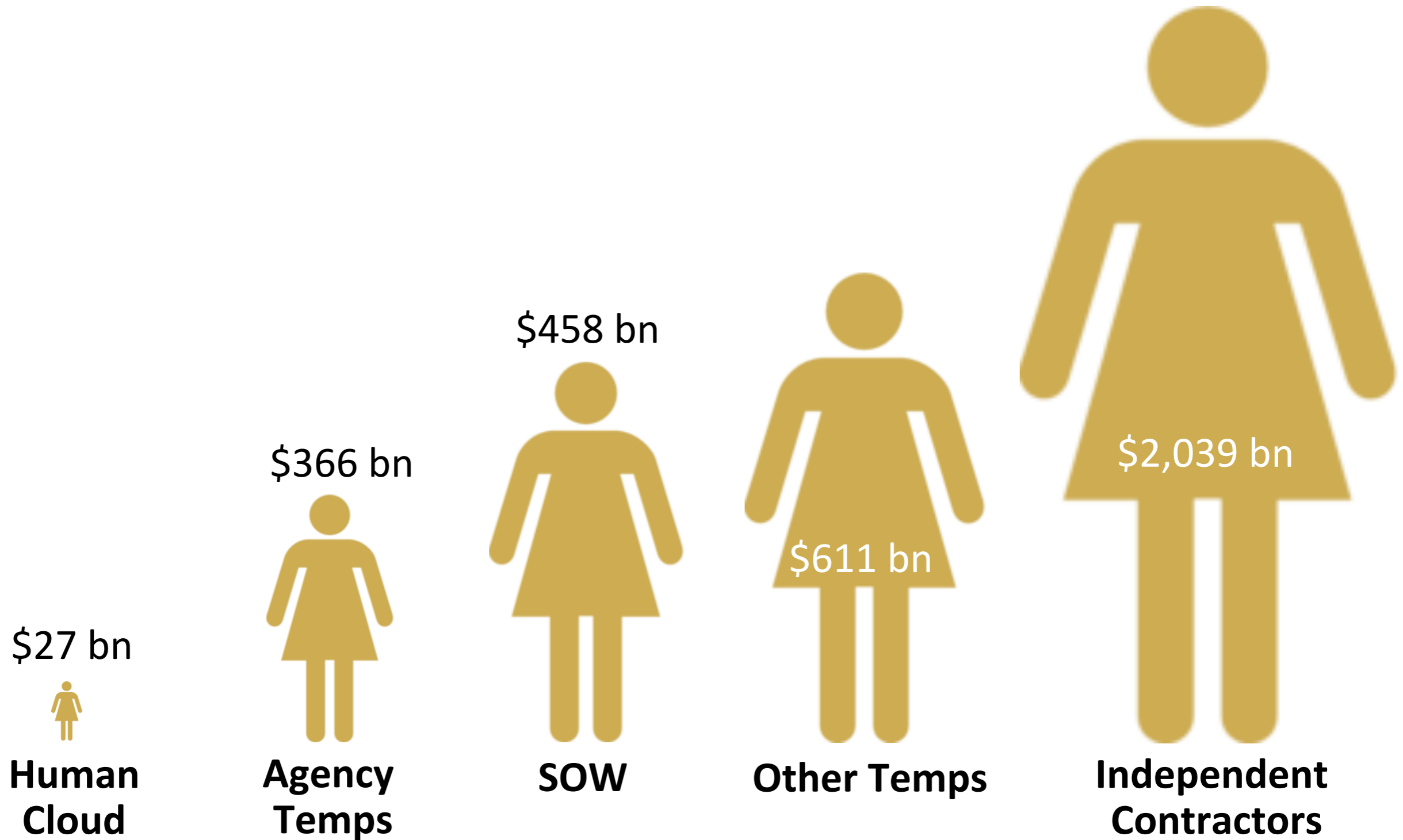
Agenda

- Staffing market overview and risk management strategies
- Providing insight into the growth of SOW and use of external workforce from a global and local perspective.
- Which organisation is not at risk?
- Rio Tinto: Working on mitigating the risk
- Q&A

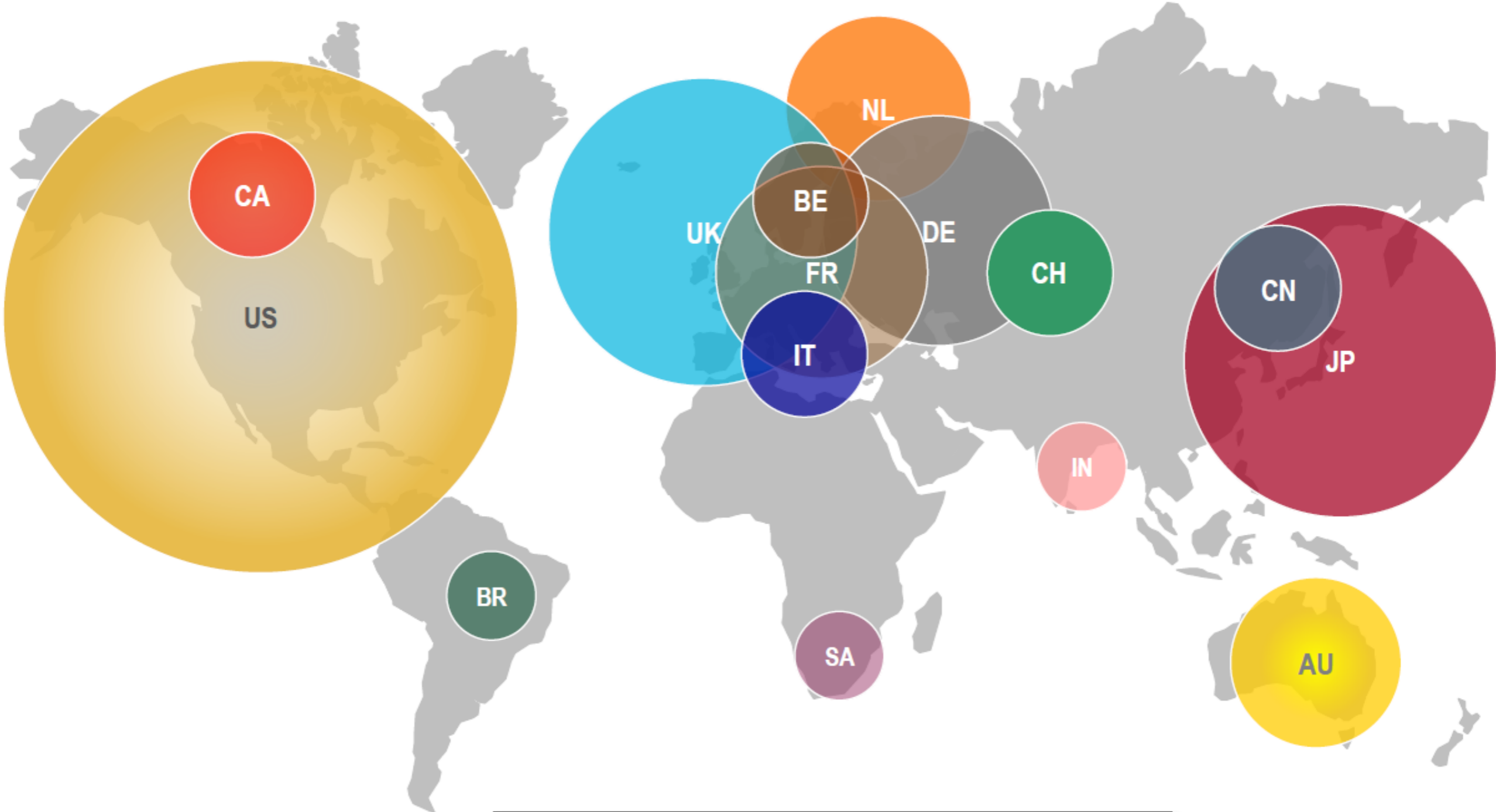
Workforce Solutions Ecosystem



Contingent Work \$3.5 trillion in 2015



Global staffing market (to scale)



These 15 countries represent 89% of global staffing revenue

2016 Staffing Market Growth Forecasts

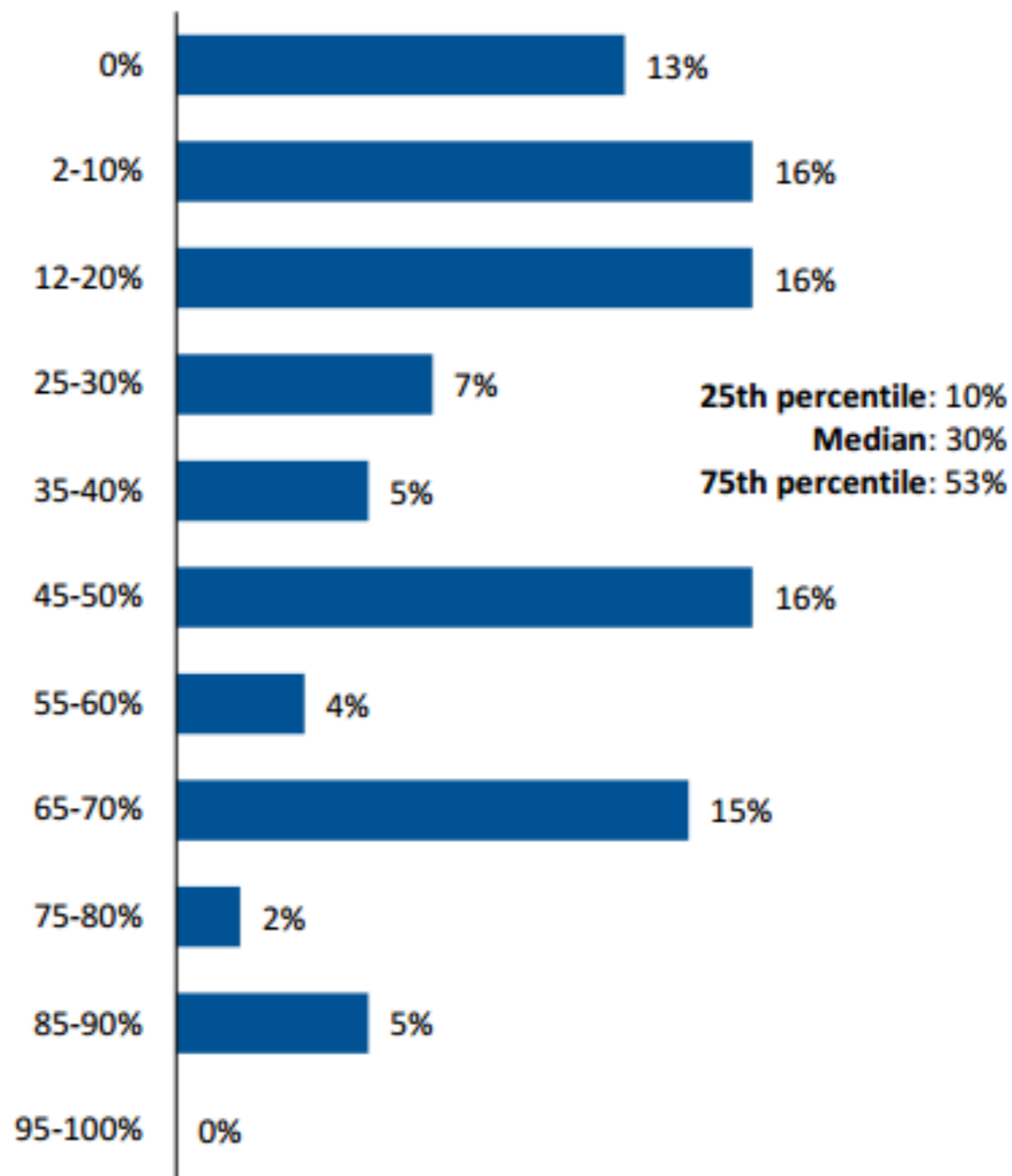
Country	2016 GDP	2016 Forecast
Australia	2.9%	3%
Belgium	1.5%	5%
Brazil	-3.5%	-10%
Canada	1.7%	6%
China	6.3%	13%
France	1.3%	5%
Germany	1.7%	8%
India	7.5%	7%

Country	2016 GDP	2016 Forecast
Italy	1.3%	16%
Japan	1.0%	7%
Netherlands	1.9%	5%
South Africa	0.7%	7%
Switzerland	1.3%	0%
UK	2.2%	6%
USA	2.6%	6%
Global	3.4%	6%

Forecast change in worker types (next 10 years)

	Traditional full-time employees	Part-time employees	Agency temporary workers	Independent contractors	Statement-of-work (SOW) consultants	Internally sourced temporary workers	Workers operating through entirely outsourced vendors on an ongoing basis	Freelancers sourced via an online staffing platform
	Response %	Response %	Response %	Response %	Response %	Response %	Response %	Response %
Significant decrease in share	10%	5%	10%	8%	5%	8%	3%	3%
Moderate decrease in share	40%	7%	12%	23%	15%	8%	5%	12%
About the same	37%	73%	30%	32%	25%	61%	38%	35%
Moderate increase in share	7%	13%	40%	25%	36%	17%	47%	37%
Significant increase in share	7%	2%	8%	12%	19%	5%	7%	13%
	N = 60	N = 60	N = 60	N = 60	N = 59	N = 59	N = 60	N = 60
(% "increase") – (% "decrease")	-37%	3%	27%	5%	34%	5%	45%	35%

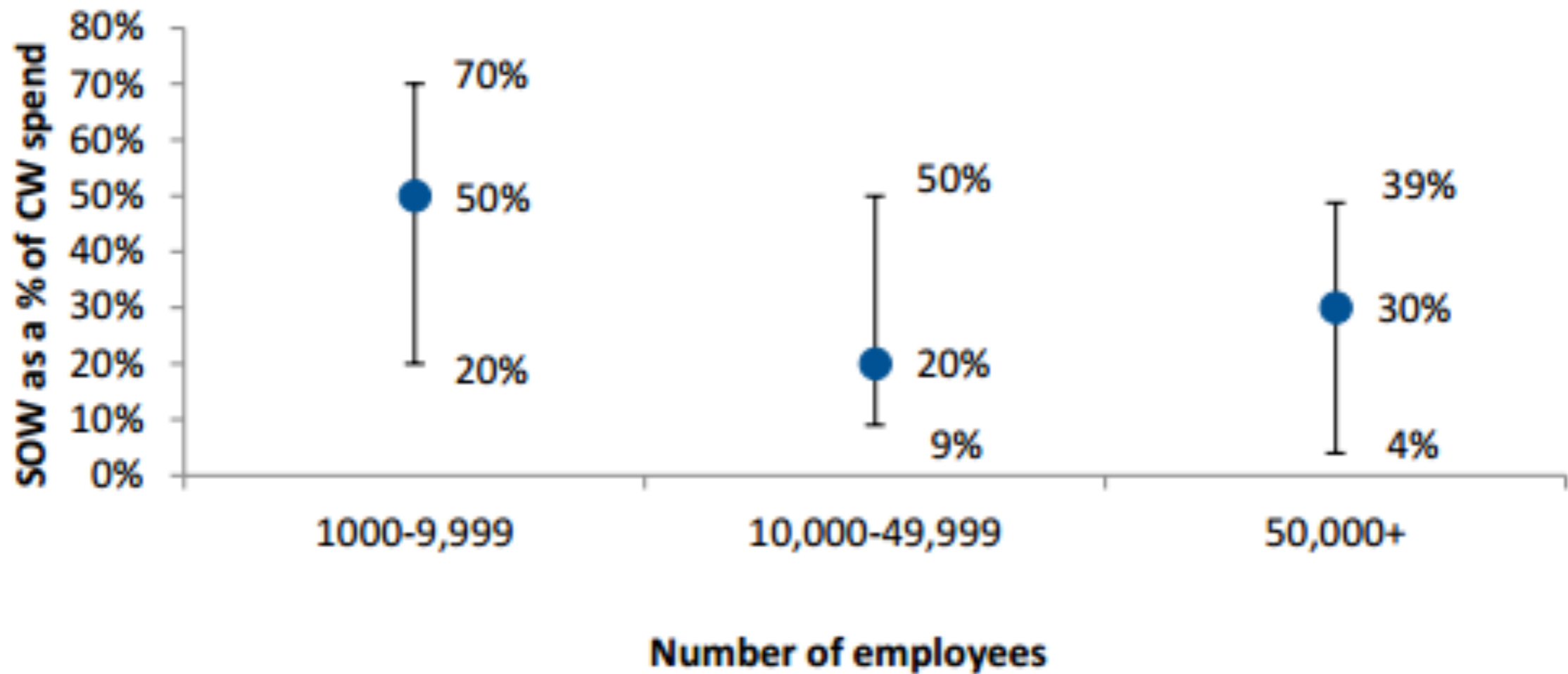
SOW as a percentage of CW Spend (APAC)



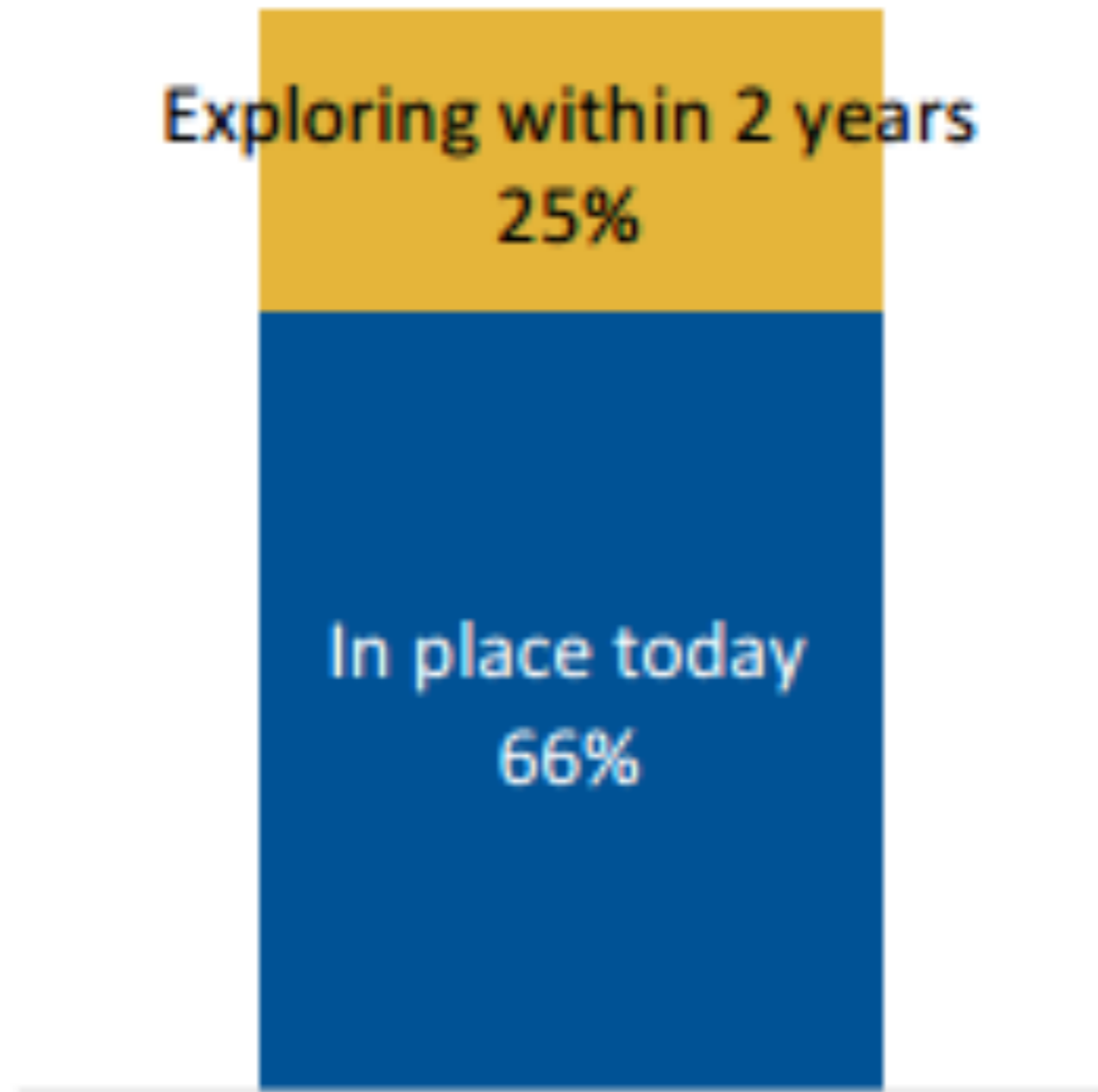
Scenarios in which SOW is used (Global)

	Number of mentions
Milestone/deliverable	27
IT	20
Consulting	14
Well-defined work product	11
Engineering	9
Managed by vendor	5
Professional services/professional work	5
Non-core work	4
Avoiding agency temporary engagement	3
Defined-term	3
Large scale	3
Legal guidelines	3
	N = 145

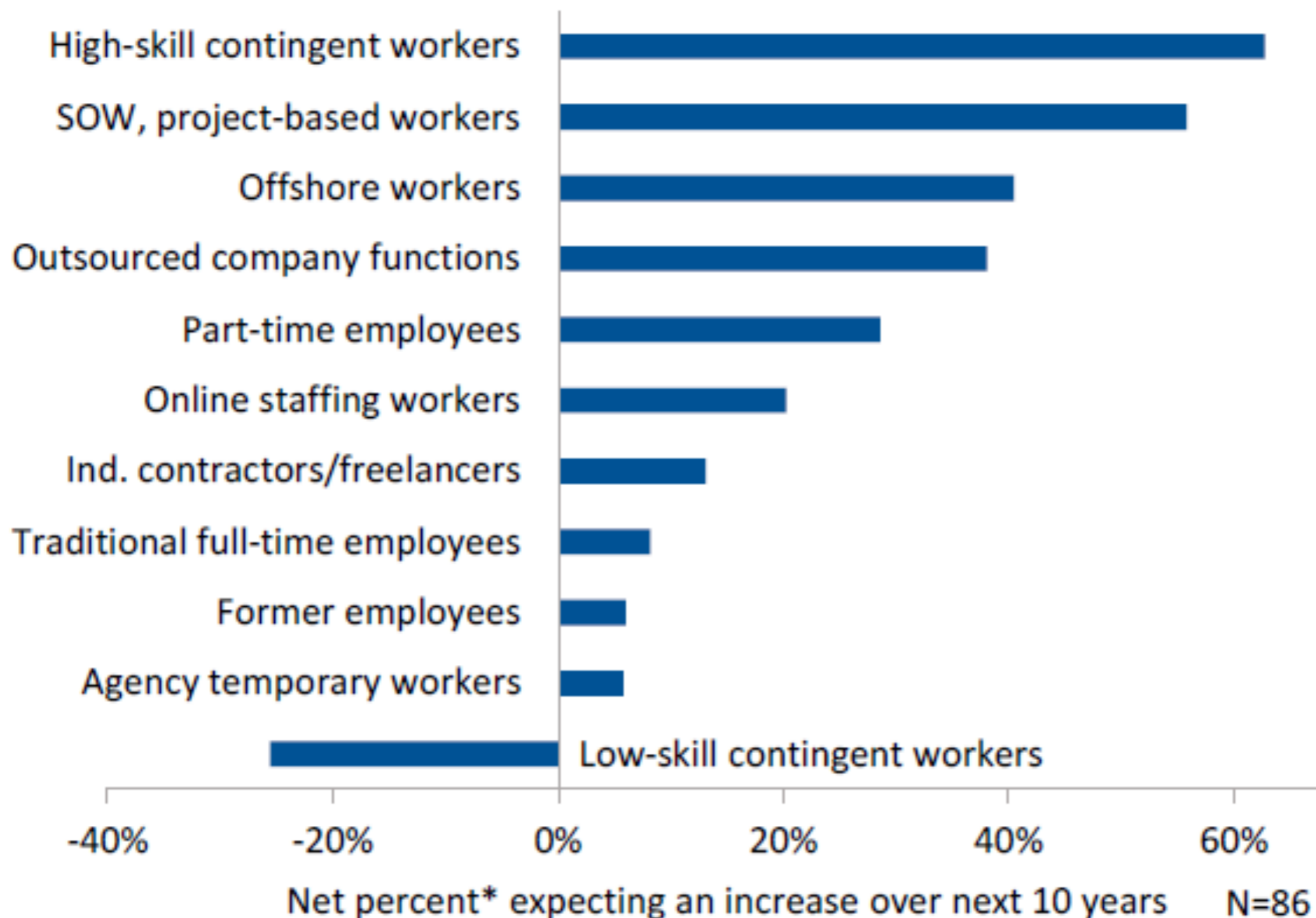
SOW share by buyer size (APAC)



Current and projected use of SOW (APAC)



Worker type change next 10 years (EUR)



Compliance & legal risk in CW programmes

Areas of Risk	Examples of Specific Risks
Legal obstacles to the use of contingent or temporary workers	<ul style="list-style-type: none"> • Regulations on the use of temporary workers in certain sectors or industries; tenure/term limits of assignments before contract becomes permanent; • Immigration rules.
Legal restrictions on the use or operation of contingent work providers, MSP or VMS tools	<ul style="list-style-type: none"> • Licensing of staffing suppliers; • Prohibition on sub-contracting engagement of labour.
Statutory costs of employing workers	<ul style="list-style-type: none"> • Tax; social security; insurances.
Employee/worker benefits	<ul style="list-style-type: none"> • Pension; health insurance, workers' compensation.
Contingent worker employment rights	<ul style="list-style-type: none"> • Pay; overtime; leave; compensation on termination.
Employment-related laws	<ul style="list-style-type: none"> • Discrimination; health & safety; whistle-blowing; data protection.
Laws related to business operations	<ul style="list-style-type: none"> • Bribery; anti-trust/competition.
Security of resources	<ul style="list-style-type: none"> • Fraud, IP theft.
Sanctions and penalties	<ul style="list-style-type: none"> • Civil and criminal sanctions e.g. fines, imprisonment, damages

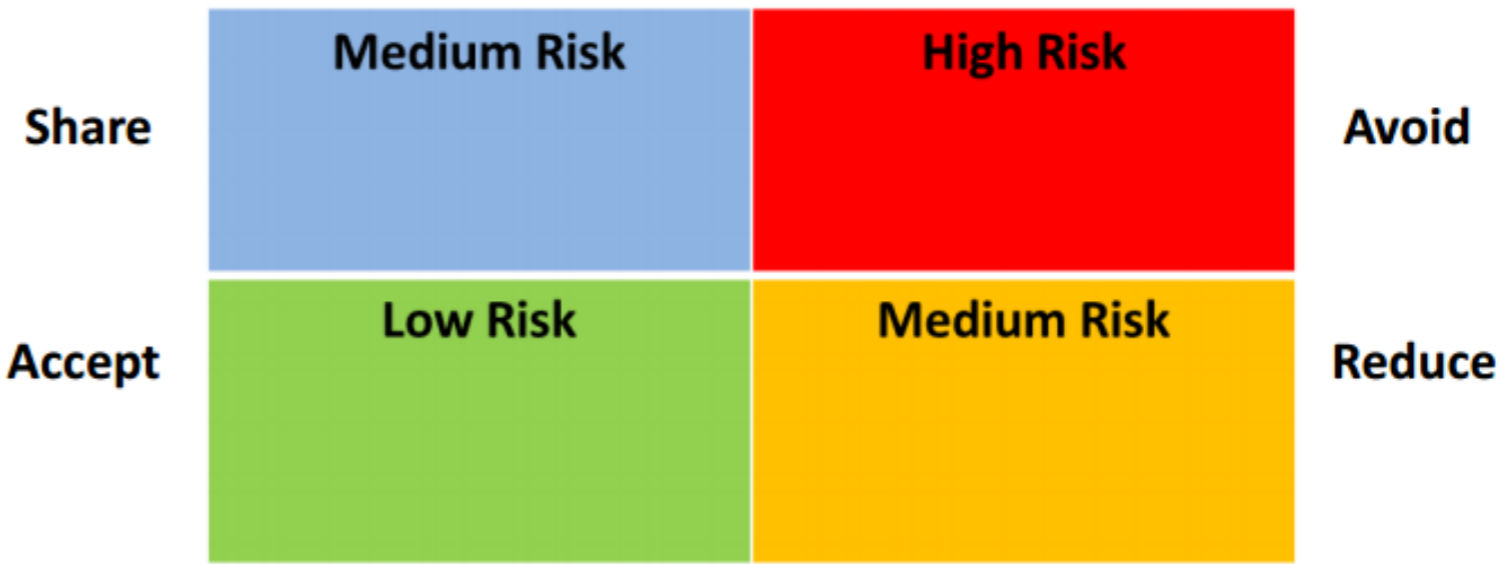
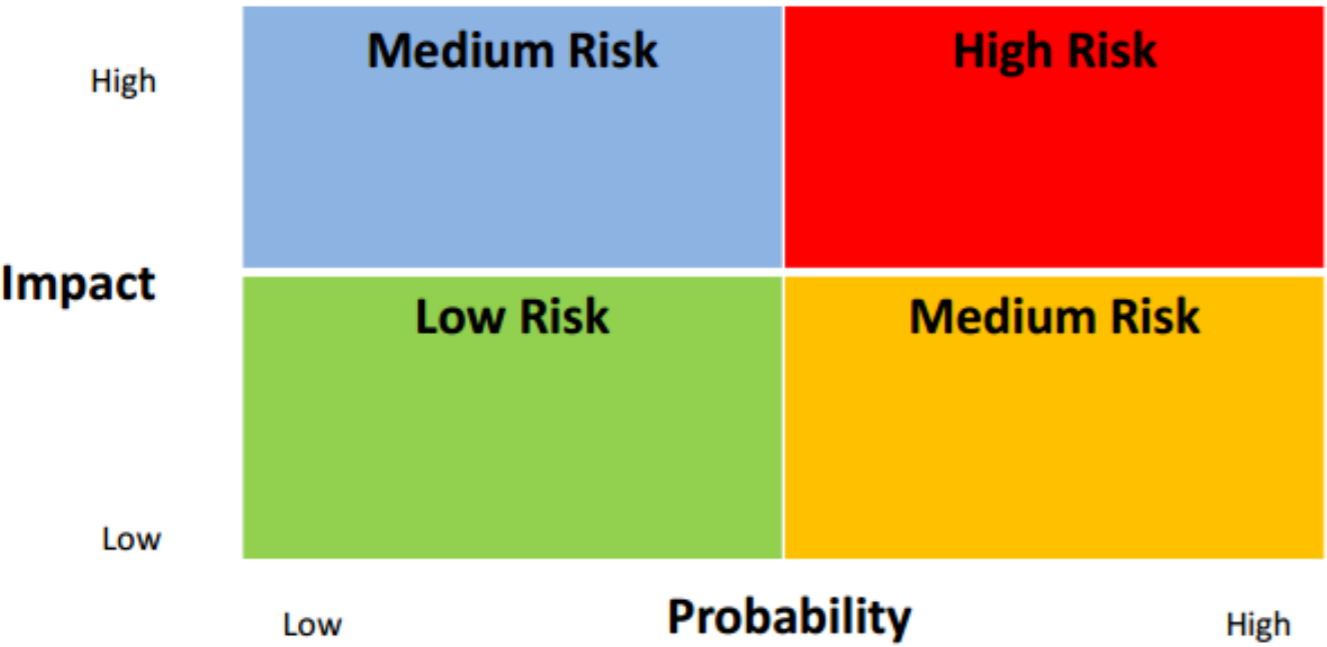
Top priority for your CW programme in 2016 (APAC)

	Response %
Providing excellent customer service to internal stakeholders	19%
Reducing/controlling costs	19%
Globally integrating CW program	17%
Integrating our CW program into corporate strategic planning	9%
Implementing VMS	8%
Shrinking/consolidating number of suppliers	8%
Implementing Total Talent Acquisition (combined recruiting for contingent and non-contingent workers)	5%
Implementing MSP	3%
Managing IC compliance	3%
Minimizing risk/cost related to healthcare reform	3%
Expanding/diversifying number of suppliers	2%
Recruiting quality non-agency temps	2%
Other	3%
	N = 64

Example risk assessment & prioritisation

Areas of Risk	Specific Categories of Risk	Specific Country Issues: India
Legal obstacles to the use of contingent or temporary workers	<ul style="list-style-type: none"> Regulations on the use of temporary workers in certain sectors or industries; Tenure / term limits of assignments before contract becomes permanent 	Lack of clarity on whether the regulations governing the use of temporary workers apply to white collar workers.
	<ul style="list-style-type: none"> Immigration rules. 	Employment visas may be granted for up to two years.
Legal restrictions on the use or operation of contingent work providers, MSP or VMS tools	<ul style="list-style-type: none"> Licensing of staffing suppliers 	Complex and bureaucratic environment with extensive licensing requirements.
	<ul style="list-style-type: none"> Prohibition on sub-contracting engagement of labour 	Prohibition unless certain onerous and bureaucratic conditions are satisfied that prove the necessity of contract work force as opposed to regular work force.
Statutory costs of employing workers	<ul style="list-style-type: none"> Tax; Social security; insurances. 	On paper, India has an extensive system of social security laws providing for pensions, worker injury, health care survivor, and other benefits, but many workers are exempt or work in informal arrangements.
Employee/worker benefits	<ul style="list-style-type: none"> Pension; health insurance; Workers' Compensation. 	As best practice, many staffing companies provide temporary workers with additional Group Medclaim and personal accident insurance coverage over and above their coverage under Employees State Insurance Scheme.
Contingent worker employment rights	<ul style="list-style-type: none"> Pay; overtime; leave; compensation. 	Complex system of minimum wages, which are not applicable to all workers and often arbitrarily set up by different authorities, making it difficult to monitor and enforce.
Employment-related laws	<ul style="list-style-type: none"> Discrimination; health & safety; whistle-blowing; data protection. 	Indian labour laws are among the most restrictive (for the employer) and complex in the world, according to the World Bank. Most laws apply to blue-collar workers only. Caste discrimination is still widespread.
Laws related to business operations	<ul style="list-style-type: none"> Bribery; anti-trust/competition. 	Bribery and corruption continue to pose a significant challenge in India
Security of resources	<ul style="list-style-type: none"> Fraud, IP theft. 	IP rights are protected but breaches are poorly enforced.
Sanctions and penalties	<ul style="list-style-type: none"> Civil and criminal sanctions e.g. fines, imprisonment, damages 	Minimum wage breaches

Risk assessment and response matrix



Strategies to mitigate risk

	Response %
Carrying out due diligence on suppliers' levels of compliance	68%
Obtaining indemnities from suppliers	68%
Limiting assignment lengths	53%
Using more agency temporary workers	38%
Outsourcing compliance management to specialist vendors	33%
Using more statement-of-work (SOW) consultants	30%
Using more independent contractors	5%
<i>No options selected</i>	13%
Number of respondents who examined this question (N) cannot be determined with certainty, so it is approximated as the number who provided a response to the question before it.	N = 60

Some of the risks we will cover today

- Duty of Care
- Service supplier insurance
- On-boarding and safety inductions
- Intellectual property protection
- IT security
- Public liability

Are you mitigating these risks?

Today's speakers...

Peter Budd, Regional Lead - CM Solution, Procurement
Rio Tinto



Toni Jackson, Director APAC
SAP Fieldglass

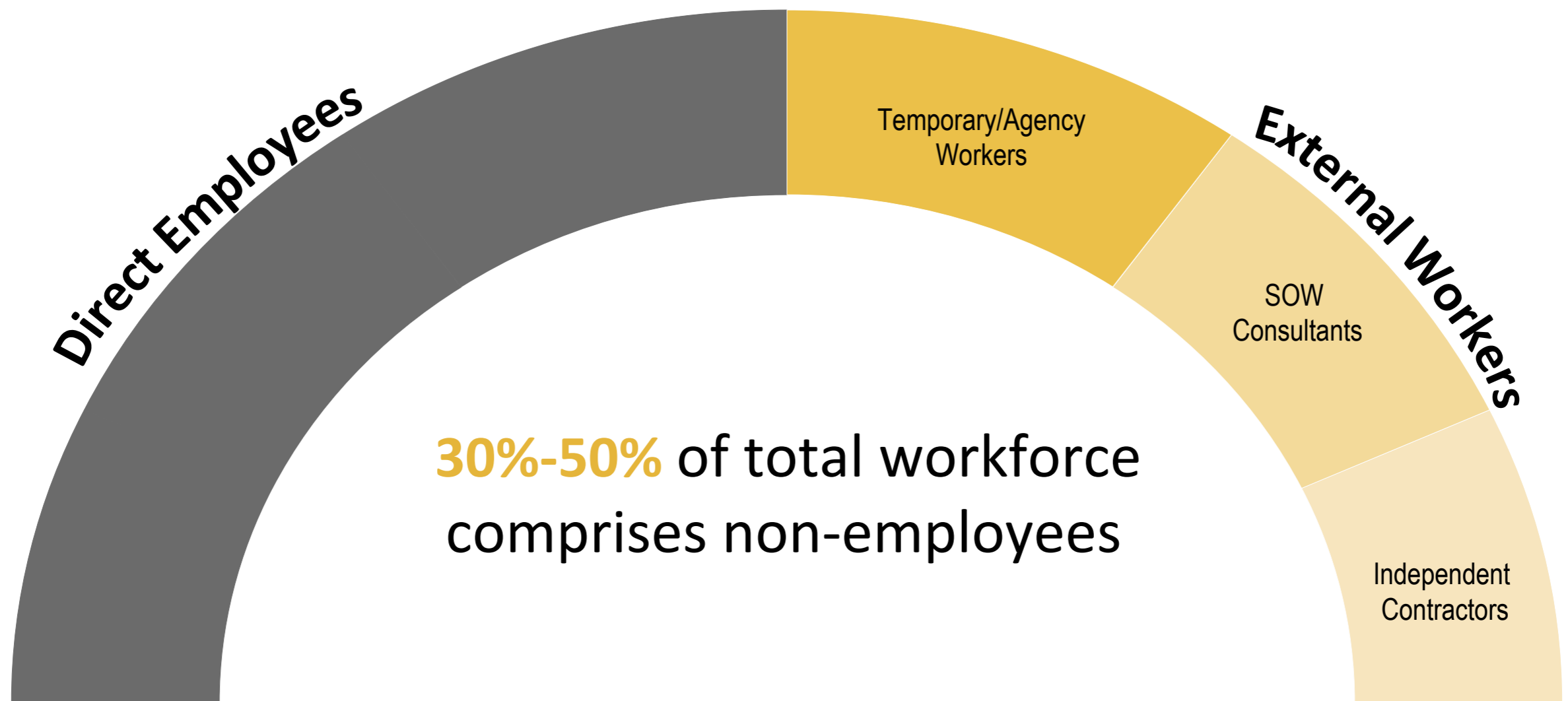


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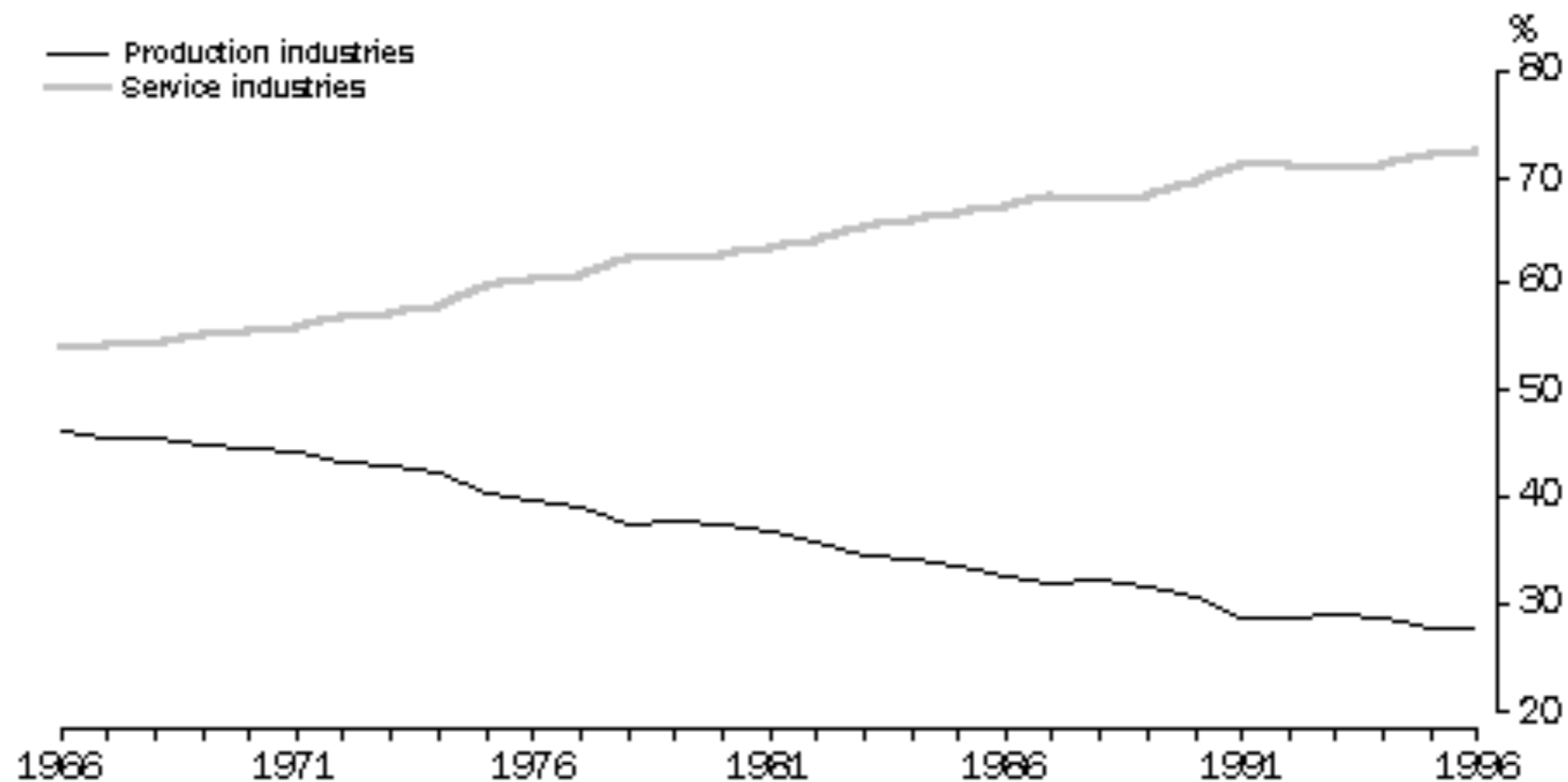
ANZ – Is it growth or exposure?

Fundamental shift in the composition of the workforce



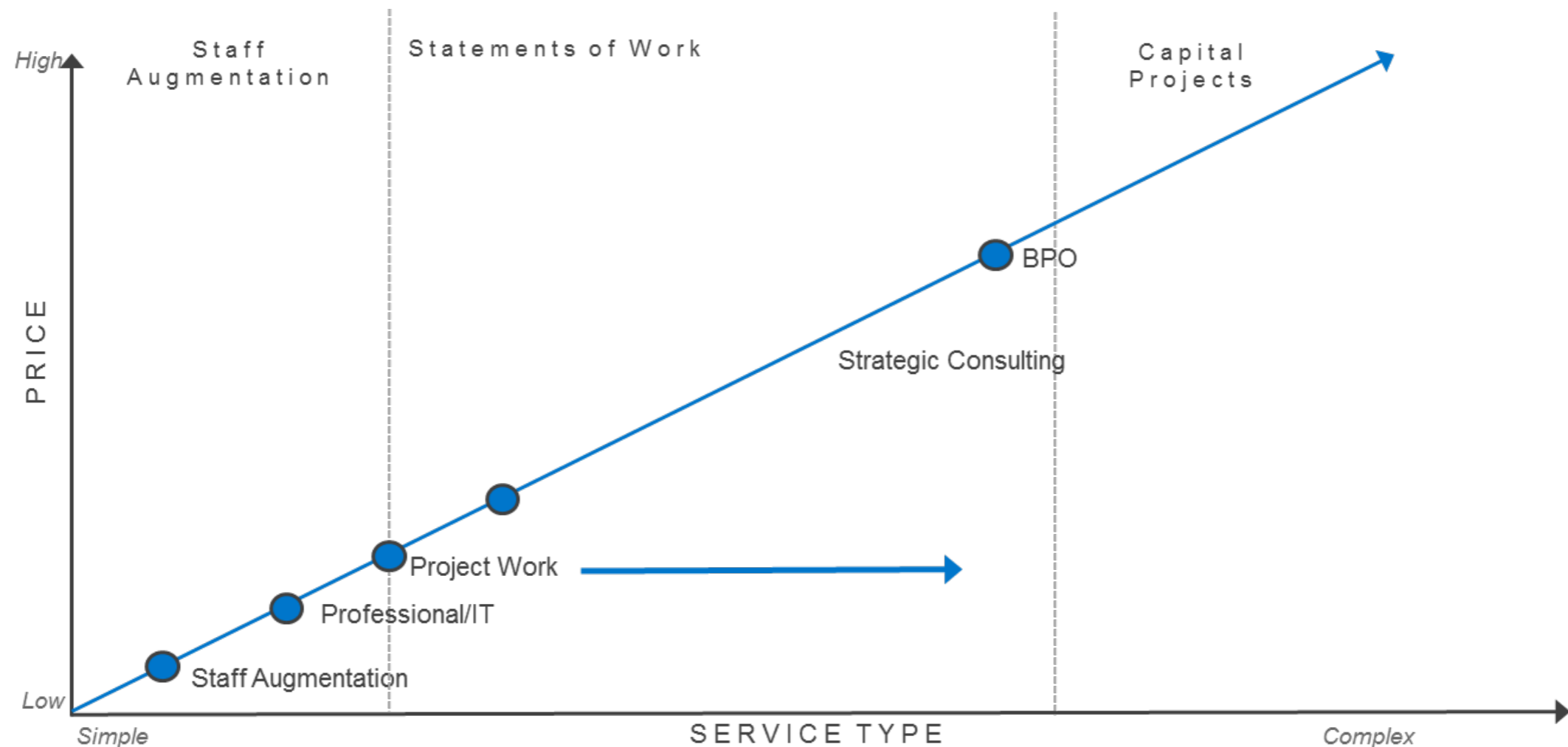
ANZ – Is it growth or exposure?

- Changes in the demographic of external workforces



Source: Labour Force, Australia, Historical Summary 1966 to 1984 (cat. no. 6204.0) and Labour Force, Australia (cat. no. 6203.0).

ANZ – Is it growth or exposure?



- Changes in the government legislation
- Mature industry groups

What organisations are not at risk?

- Only those organisations who do not use an external workforce to supplement their business requirements
- Services (SOW) Vs Independent Contractors Vs Contingent Labour
- Duty of care
- Types of risks
 - Health and Safety
 - Security
 - Corporate Social Responsibility (CSR)
 - Financial

Case Study –Rio Tinto

- Rio Tinto's high priority for Health Safety and Environment (HSE)
- Introducing VMS into the HSE Process' to remote sites
- Rio Tinto's suppliers from 2010 to now – changes in attitude
- Benefits to Rio Tinto in Business as Usual
- What would you have done differently?
- What is next for Rio Tinto?

Time for your questions...



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14 December Contingent Workforce Policies That Stick

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