

Workforce Solutions Ecosystem

Defining the Staffing Industry and other Workforce Solutions

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The Workforce Solutions Ecosystem

In nature, an ecosystem is a community of living organisms and non-living components interacting as an environmental system. Similarly, businesses operate in a broad and complex network of related and unrelated products and services which interact and compete with each other.

Staffing Industry Analysts have, for the first time, attempted to codify and illustrate a Workforce Solutions Ecosystem and this report aims to highlight interconnected networks comprising the Staffing Industry and other types of Workforce Solutions.

Workforce Solutions are third-party products and services relating to the sourcing, engagement and development of employed and non-employed (including contingent) workers. Workforce Solutions includes the Staffing Industry and five other important segments; Talent Acquisition Technology, Process Outsourcing, Payrolling/Compliance, Contracting/Consulting, and Other Workforce Solutions.

We hope the insights in this report will serve to define and inform the industry at large. We are confident that the Workforce Solutions Ecosystem provides a good representation of the market as it exists today, but we are equally confident that it will need reviewing and updating on a fairly frequent basis, owing to the rapid evolution of technology and globalisation.

Improvements in technology combined with economic and demographic trends means that, today, the Workforce Solutions Ecosystem is undergoing a period of turbulent change presenting firms with threats on multiple fronts but also new opportunities to improve performance and competitiveness. Just as in a naturally evolving ecosystem, in a business ecosystem the companies that are most adaptable to change, and not necessarily the largest or strongest, will flourish.

Definitions for all the terms used within this report are given at the back of this document (pages 10 to 24).

This report codifies and defines the various parts of the Workforce Solutions Ecosystem. It will be of use to those who operate within this Ecosystem and also those who procure services or products from it.

Ecosystems are, by their very nature, constantly evolving and as such this document reviews the current state of play as we perceive it in September 2015.

The Workforce Solutions Ecosystem

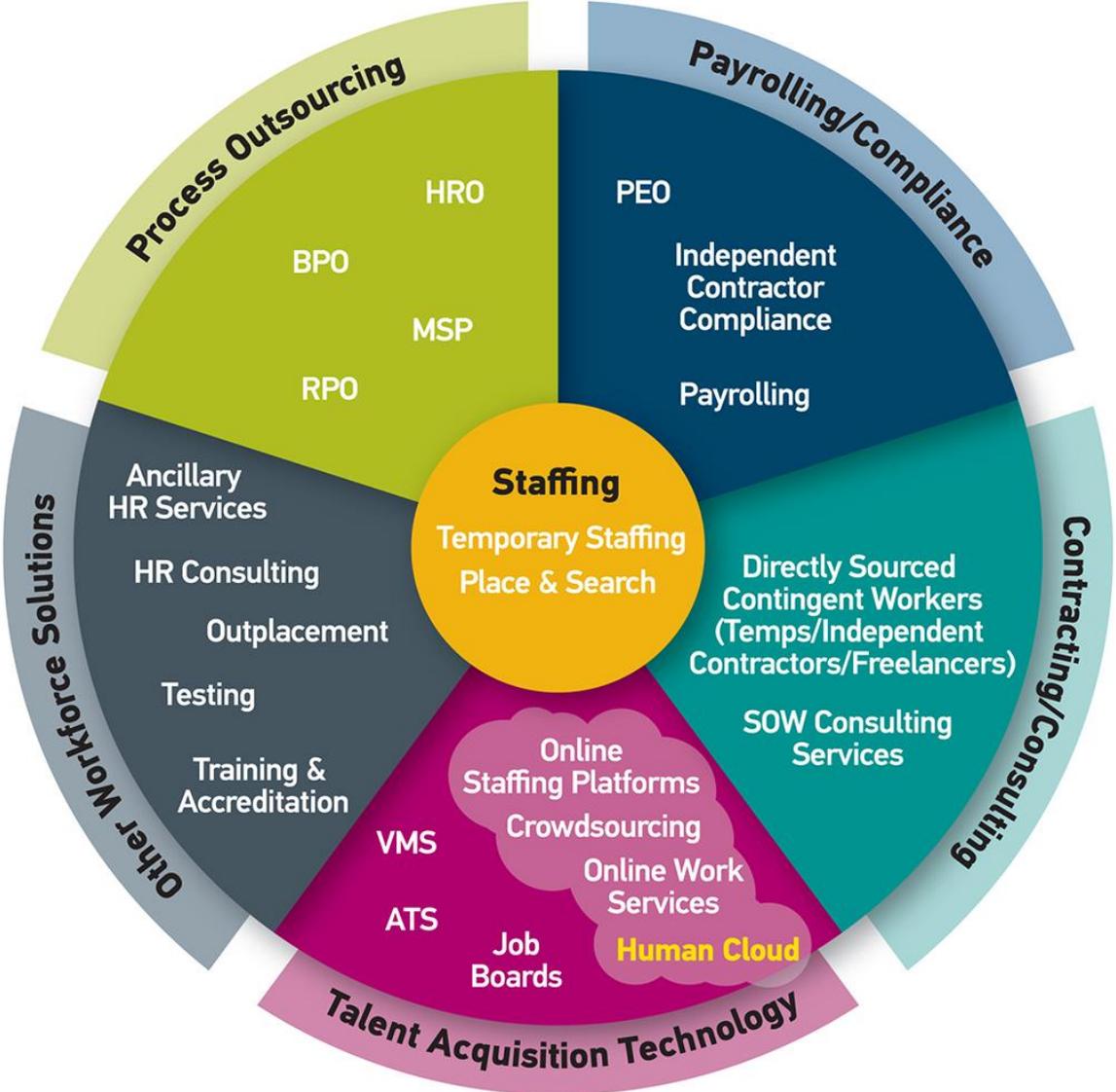
The chart on the right highlights interconnected components of the Staffing Industry and other types of Workforce Solutions. It comprises six primary segments:

- Staffing
- Process Outsourcing
- Payrolling/Compliance
- Contracting/Consulting
- Talent Acquisition Technology, and
- Other Workforce Solutions

The Talent Acquisition Technology segment also includes an important sub-segment - the Human Cloud (see pages 14 to 16).

We have placed the Staffing Industry at the core of this Ecosystem though, of course, we realize that this will appear to be a somewhat biased perspective if the center of your particular universe lies elsewhere.

Within each segment are the products and services that comprise the segment all of which are defined on pages 10 to 24.



The Workforce Solutions Ecosystem

For illustrative purposes, we have included in the diagram to the right examples of brands that fall within each segment of the Workforce Solutions Ecosystem. This is by no means a comprehensive view nor an endorsement of these brands over other similar brands.

Please note also that **some of the businesses represented here do not operate solely in their assigned segment**; their position serves to represent what we understand their main line of business within the Ecosystem.

In a constantly evolving Workforce Solutions Ecosystem, companies work competitively but also cooperatively to create unique service offerings and satisfy customer needs. Accordingly, a number of important partnerships enable some firms to operate across more than one segment of the Ecosystem.

Given a shifting economic outlook and improvements in technology this landscape is subject to frequent change, particularly as a result of M&A activity.





The Workforce Solutions Ecosystem

The table below is a less graphical way of showing how each product/service fits into the Workforce Solutions Ecosystem segments.

Product/Service	Staffing	Talent Acquisition Technology	Process Outsourcing	Payrolling/ Compliance	Contracting/ Consulting	Other Workforce Solutions
Temp Staffing	X					
Place & Search	X					
VMS		X				
ATS		X				
Job Boards		X				
Online Staffing Platforms	Human Cloud	X				
Online Work Services		X				
Crowdsourcing		X				
MSP				X		
BPO			X			
RPO			X			
HRO			X			
IC Compliance				X		
PEO				X		
Payrolling				X		
Directly Sourced Contingent Workers					X	
SOW Consulting Services					X	
HR Consulting						X
Outplacement						X
Testing						X
Training						X
Ancillary HR services						X

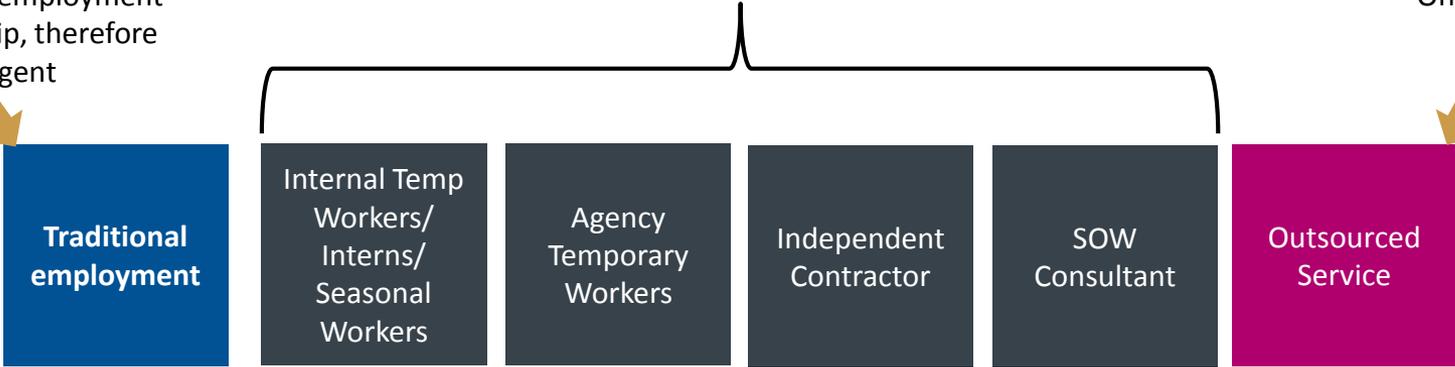
Source: Staffing Industry Analysts

How Contingent Work Differs From Other Working Relationships

Contingent Work: Work arrangements that differ from regular/ permanent, direct wage and salary employment. Contingent work and workers are primarily distinguished by having an explicitly defined or limited tenure. Contingent work places greater emphasis on the direct working relationship than the third party relationship.

Indefinite employment relationship, therefore not contingent

Ongoing in nature, therefore not contingent



More attached

Degree of attachment to the client organization

Less attached

All forms of contingent work, from internal temp workers to statement of work (SOW) consultants, are directly or indirectly incorporated within the products and services represented within our Workforce Solutions Ecosystem. Contingent workers include temporary employees provided by an outside staffing agency and independent contractors/consultants. Contingent workers may also include temporary workers from an internal pool, and others (such as summer interns, seasonal workers, freelancers, “crowd-sourced” workers, etc.) employed directly by an organization for an intentionally limited time period.

From an employer point of view, contingent work also includes SOW consultants who work for the company on a short term basis. While the consultants themselves may or may not have an expectation of ongoing employment with their consulting firm, their work for the client is considered contingent. The “contingent worker” label applies to all workers of any skill type or experience level who meet this definition, including those in professional, blue-collar, or office/clerical roles.

What is a Staffing Firm?

Ten years ago, the Staffing Industry was a rather simpler concept. A typical staffing firm provided temporary and contract workers and probably did some permanent placement as well. Today, the march of technology and increasing service sophistication demanded by customers means there are a number of peripheral services – sometimes offered as part of the service portfolio of a staffing firm and sometimes offered by independent vendors.

Some of the sub-segments within the Ecosystem seem more naturally related to the core Staffing Industry than others. For example, MSP is a complementary service offered by a number of large staffing firms while training might seem rather unrelated (unless you have to provide it to temporary workers as a legal obligation, such as in some continental European markets)

Some firms perceive that bundling these various service categories within the Ecosystem is quite natural while others will view them as uncomplimentary or non-core. Most staffing firms do not operate commercial job boards (though they will display jobs on their website), while others take a different view. For example, the Japanese staffing firm, Recruit, as well as being the fifth largest staffing firm in the world also happens to be the world's largest job board through its ownership of Indeed and a number of Asian job boards. Recruit also derives revenue from a number of online consumer media brands outside of our Ecosystem.

So there's a rich variation in what might properly constitute a staffing firm and it would be foolish to be overly prescriptive in defining one. The charts on the following page 8 show how the world's five largest staffing firms fit within our Ecosystem. Outside of their core staffing services, there is notable diversity among their respective service portfolios.

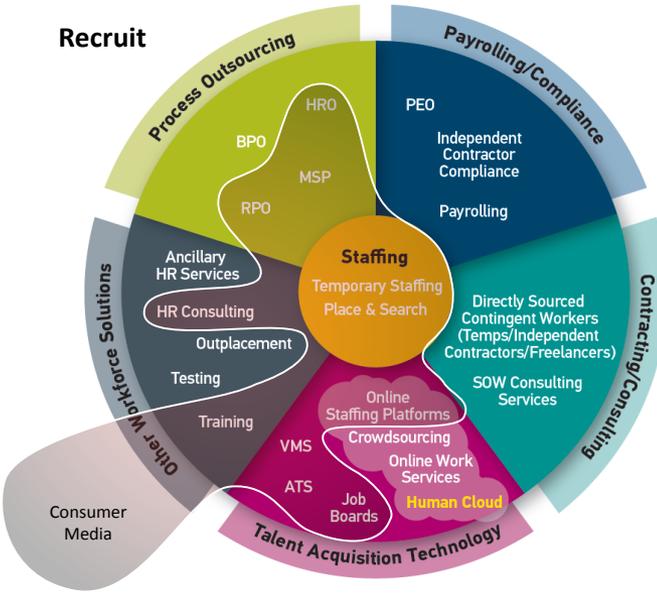
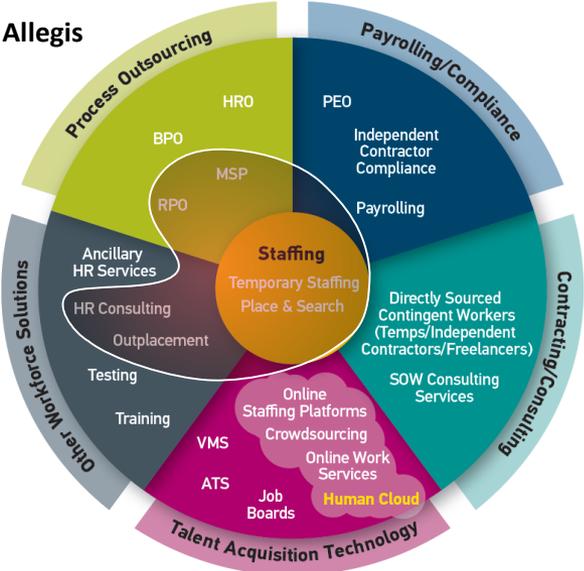
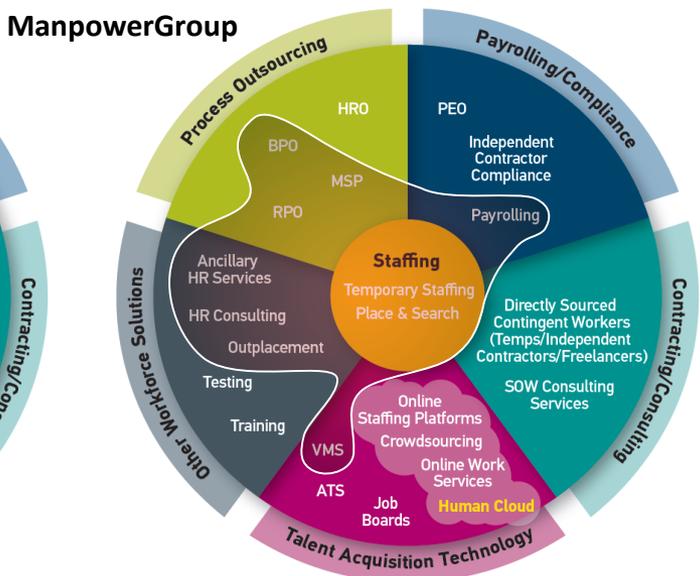
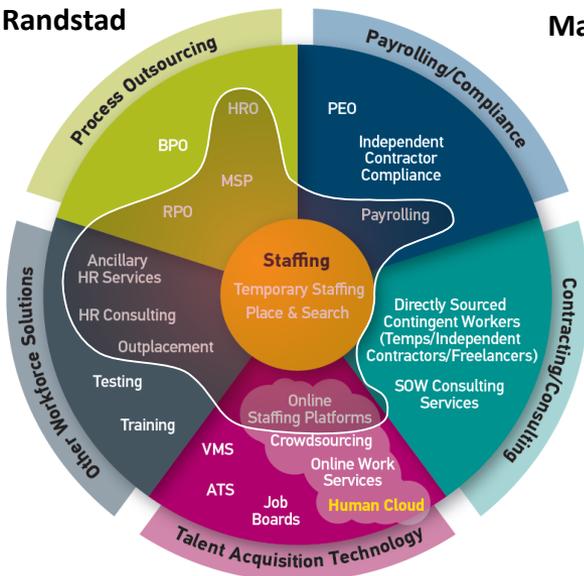
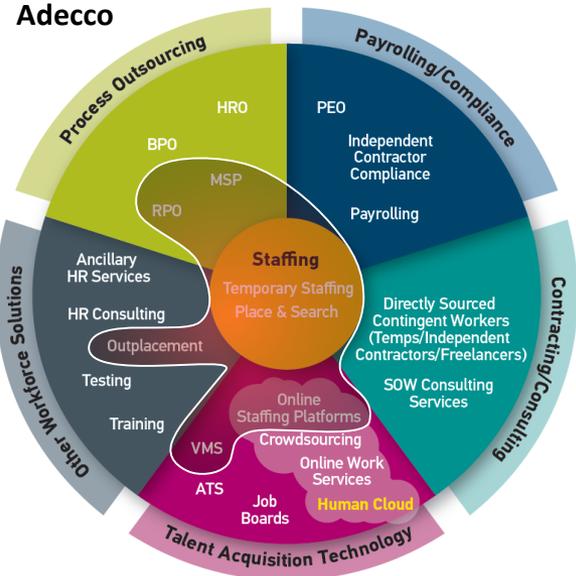
Global Complexity

When looking at what constitutes the 'typical' service portfolio of a staffing firm, the global perspective creates another level of complexity.

Due to the legislative environment in which they operate, most Latin American staffing firms provide temporary staffing as part of quasi-outsourcing arrangements, indeed temporary staffing is actually called outsourcing (or "tercerización") in the region.

And it is not just in Latin America that you will find variations on the more familiar staffing model. Chinese staffing firms (or dispatch firms to use the correct local terminology) will often provide a whole raft of HR-related services such as office leasing, employee entertainment/motivation, labour dispute consulting and immigration services among others. What is interesting is that, given the way staffing services are evolving to cater for clients' broader talent management requirements, the Chinese model is looking rather more fit-for-purpose for the modern age than the Anglo-Saxon one.

The Workforce Solutions Ecosystem by Company



These charts show how the world's five largest staffing firms fit within our Ecosystem. Often these companies are grouped together for comparative purposes, although outside of their core staffing services, taking the services advertised on each company website into account, there is notable diversity among their respective service portfolios.

Inter-relationship between staffing firms, MSPs and VMSs



Source: Staffing Industry Analysts

The diagram above underlines the inter-relationship between just three parts of the Ecosystem; the staffing industry, VMSs and MSPs. Certain staffing firms such as Adecco and Manpower also operate an MSP and VMS and their business operations span all three segments. The business operations of their competitors in the staffing segment may only span one circle (as is the case with Robert Half and True Blue) or two circles (as is the case with Allegis Group or Randstad). Similarly, there are also MSPs (PRO Unlimited and ZeroChaos, for example) and VMSs (IQ Navigator and Fieldglass) operating in the Ecosystem that are not owned by a staffing firm.

Staffing

The staffing industry affords flexibility for business and serves as a bridge to permanent employment for the unemployed and inactive workers. As international labour markets become increasingly complex, volatile and unpredictable, the industry is well placed to provide the vital support businesses need to grow and prosper.

Staffing Industry Analysts estimates the global staffing market to be worth USD 424 billion in 2014. The 100 largest staffing firms by revenue have a combined turnover of USD 197 billion. The global staffing market is highly fragmented with the top 100 firms accounting for 46% of the total revenues of the industry.

Adecco is the largest player globally, followed by Randstad and ManpowerGroup with the three largest firms accounting for 16% of the market while the top 10 represent 26% of total revenue.

Eight national staffing markets accounted for just over three-quarters of global staffing industry revenue in 2014. The US is the world's largest staffing market with USD 124.9 billion of annual staffing sales, almost a third of global market size.

Japan is the next largest market with staffing sales of USD 62 billion representing 14% of global sales. The UK remains the third largest staffing market worldwide (9% of global sales) and the largest market in Europe. Alongside the UK, the largest European staffing markets are France, Germany and the Netherlands.

Definition: Staffing – industry segment of the Workforce Solutions Ecosystem. Major sectors of the Staffing Industry include Temporary Staffing and Place & Search with the commonality of sourcing workers for a client. Place & Search is comprised of three activities: Direct Hire (or Permanent Placement), Retained Search and Temporary-to-Permanent conversions. (See following page for service segment descriptions.)

Definitions: Staffing by Service/Product Line

- **Place & Search** – a service segment of the Staffing Industry that incorporates certain activities of staffing firms and executive search firms. The ‘Place’ part of the definition ‘Place & Search’ refers to the bringing together of a job seeker and a prospective employer by a third party staffing firm for the purpose of effecting a traditional employment relationship, for a fee. Also refers to the process of arranging such a relationship. This term is often substituted by the terms ‘direct hire’ (in the US) and ‘permanent placement’ (elsewhere).

The ‘Search’ part of the definition ‘Place & Search’ refers to any one of a variety of unbundled sourcing research services provided by third-party executive search firms (sometimes referred to as ‘headhunters’) involving the identification of potential candidates at competitive firms, pre-screening, reference-checking, and other search-related research. ‘Search’ could also refer to the hiring activities undertaken directly by corporate recruiters though our definition of ‘Place & Search’ refers exclusively to those services provided by third-parties.

Temporary-to-Permanent (or ‘Temp- to-Perm) conversion would also be a feature of Place & Search and refers to the transition of a temporary worker to permanent employment status.

- **Temporary Staffing** – a service segment of the Staffing Industry that provides temporary help and related staffing services to businesses and other clients. The temporary staff provided are recruited, screened, possibly trained, and employed by the temporary staffing provider, then assigned to client organizations . Although the customer typically assumes supervisory responsibility for these workers, in certain service arrangements coordination or supervisory functions may be provided by the supplier.

Talent Acquisition Technology

Talent Acquisition Technology has become a critical tool for most large organizations and has been a key driver of the enhanced efficiency, compliance, cost rationalization, and transparency of the modern contingent workforce.

Job Boards were one of the earliest of new business models spawned by the Internet and they have subsequently been joined by a range of other types of providers. The range of technology choices is also matched by the wide range of costs and pricing models available.

The shift in focus from more traditional temporary worker management to larger, more complex categories, coupled with global expansion efforts have driven technology providers to expand their feature functionality, resulting in significant innovation and differentiation across the landscape.

The Talent Acquisition technology market is a crowded space and consists of large Enterprise Resource Planning (ERP) providers to global corporations, regional providers (able to handle medium and large enterprises, but maybe not a comprehensive multi-language/localized capability), substantial local players able to handle small and medium enterprises, and a range of niche operators serving specific market sectors.

One of the interesting sub-segments of the Talent Acquisition Technology Industry is the Human Cloud where a number of different business models have emerged to take advantage of the demand for freelance labor.

Definition: Talent Acquisition Technology – industry segment of the Workforce Solutions Ecosystem, defined as technology based businesses related to attracting, sourcing, recruiting, and hiring (or placing) employees and non-employed workers within an organization. This includes elements of employment branding, out-reach, networking, and relationship building with potential candidate communities to continually build and enhance the talent pool for an organization. Talent Acquisition Technology is a broad category which includes Job Boards for advertising vacancies online, Applicant Tracking Systems (ATS) for processing new hires, Vendor Management Systems (VMS) for managing staffing suppliers and an emerging category of online services operating within the ‘Human Cloud’. (See following page for service segment descriptions.)

Definitions: Talent Acquisition Technology by Service/Product Line

- **Applicant Tracking System (ATS)** – a service segment of the Talent Acquisition Technology Industry. An ATS is a software application that enables the electronic handling of corporate recruitment needs. Most incorporate a company website, enabling companies to post jobs onto their own website, as a way to attract candidates. The ATS solutions store these candidate data inside a database to enable effective searching, filtering and routing of applications. Certain vendors use a different description for ATS software, such as talent management software (TMS), candidate management system (CMS) or recruitment management system (RMS).
- **Human Cloud** – a service segment of the Talent Acquisition Technology Industry. The Human Cloud is an emerging set of work intermediation models that enable work arrangements of various kinds to be established and completed (including payment of workers) entirely through a digital/online platform. In many cases (though not always), the platform also supports “the enactment and management” of the work (to a lesser or greater degree). Job boards and social networks do not fall within our definition of the Human Cloud; while those two types of talent exchange platforms may support the sourcing and recruiting part of work arrangements being established, such platforms do not further enable or support work arrangements through to their completion (including payment of workers, tax filings, etc.). Staffing Industry Analysts has defined three types of Human Cloud platform models: Crowdsourcing, Online Work Services and Online Staffing Platforms (see page 14 for definitions). Some companies operate across more than one of these Human Cloud segments.
- **Job Boards** – a service segment of the Talent Acquisition Technology Industry. Job Boards are internet-based talent acquisition technologies that aggregate either local, national or international job offerings. In most instances, employers pay up-front to advertise these job offerings, which differs from the cost model of Employment Agencies that charge a fee only when a Candidate has been successfully placed. Job Boards sometimes refer to themselves as Job Portals or Career Portals. Newer variations on the traditional job board business model have more recently emerged such as those offered by social media giant LinkedIn, career communities, job aggregators (meta search job boards that aggregate job postings from other sites), and job distributors (platforms for hirers to advertise jobs on multiple syndicated Job Boards).
- **Vendor Management System (VMS)** – a service segment of the Talent Acquisition Technology Industry. A VMS is an Internet-enabled application that acts as a mechanism for business to manage and procure staffing services through third party staffing suppliers (temporary help as well as, in some cases, permanent placement services) as well as outside contract or contingent labor. Typical features of a VMS include supplier management, order distribution, consolidated billing and significant enhancements in reporting capability over manual systems and processes.

Talent Acquisition Technology (Human Cloud) by Service/Product Line

- **Online Staffing Platforms** – a sub-segment of the Human Cloud, an online staffing platform enables specific hirers and specific (typically contingent) workers to enter into, complete and transact work arrangements. It is the oldest Human Cloud model (arising in the early 2000s). There is typically a direct legal relationship between the hirer and worker, which the platform enables.
- **Freelancer Management System** – a Freelance Management System (FMS) is a cloud-based workforce management platform. The FMS helps businesses initiate, manage, complete, track and analyse engagements with individual independent workers, who may be sourced by the provider of the business itself. To fall within the FMS category, a solution provider must provide a complete, end-to-end technology system that allows users in an organization to search for and find a particular worker and activate, complete, and pay for the work engagement within the system. Staffing Industry Analysts view FMS as a sub-category of Online Staffing Platforms as it enables specific hirers and specific (typically contingent) workers to enter into, complete and transact work arrangements.
- **Online Work Services** – a sub-segment of the Human Cloud, Online Work Services is an online platform model that enables the delivery of certain specialized services (customer service, translation, writing, taxi-rides, etc.) performed by a group of online workers that are organized/managed by the platform provider. The client is purchasing “an outcome” (as a service output, not a labor relationship).
- **Crowdsourcing** – a sub-segment of the Human Cloud, Crowdsourcing is an online platform model that enables work assignments to get parsed out and performed (often as disaggregated “microtasks”) by a far-flung “crowd” of independent workers who perform (paid or otherwise compensated/incented) work at will. Typically, the client of a “crowdsourcing” platform is purchasing “an outcome” (as a service output, not a labor relationship). Crowdsourcing also includes work arrangements where a “crowd” of workers compete or bid against one another to solve problems or tasks, with winner(s) selected and compensated based on the merit of their submissions.

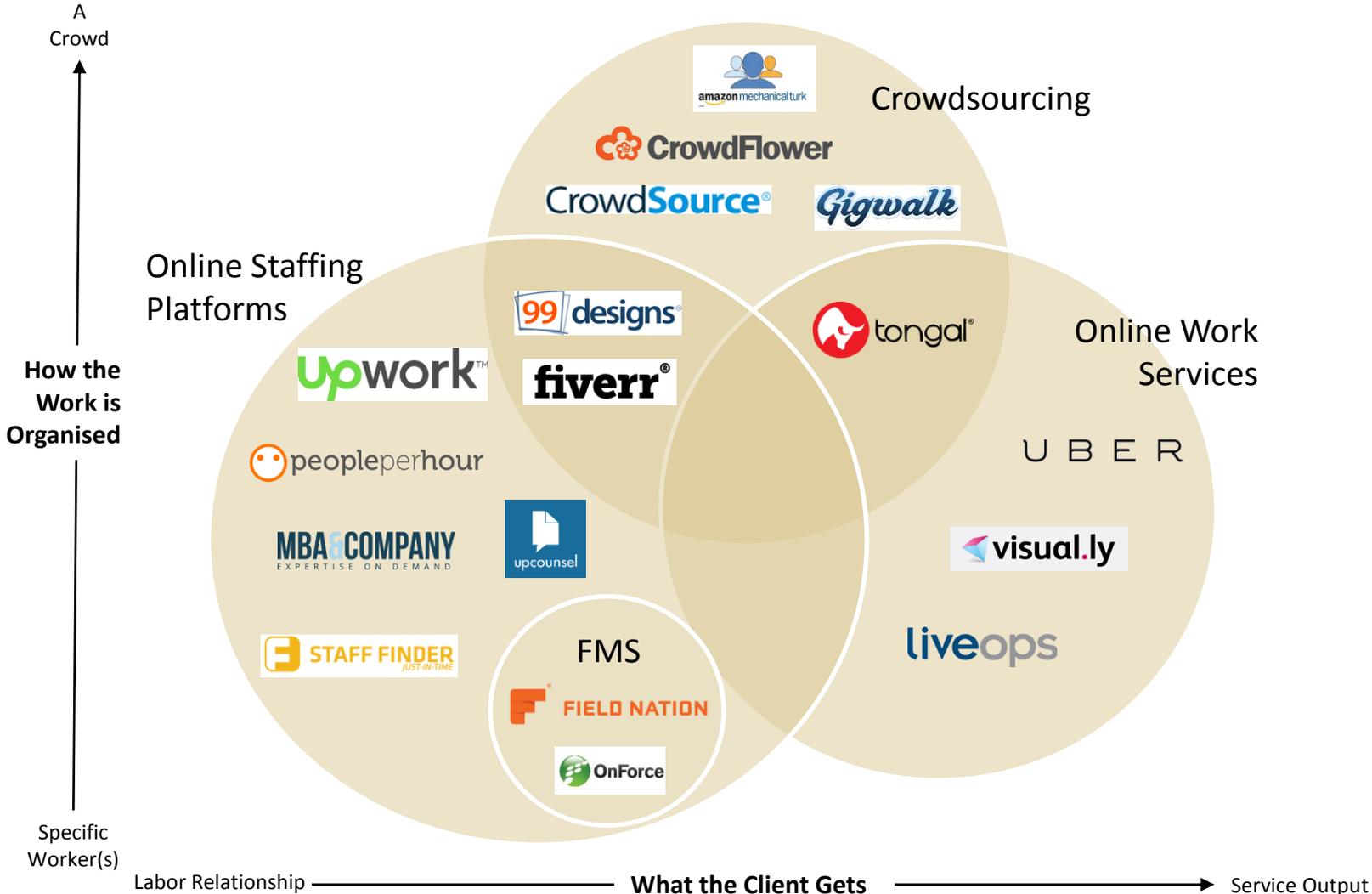
Is it in the Human Cloud?

The reason the Human Cloud is important is because a lot of innovation is being led by companies operating in this space with new business models seeming to appear on almost a weekly basis. As an emerging category, determining what falls into the Human Cloud and what doesn't isn't immediately obvious, but the table below shows the logic we have followed in categorizing this portion of the Ecosystem. Unless a particular service category could tick each of the boxes below, it was not deemed to be within the Human Cloud.

	Workers are sourced or managed via the Internet	Minimum of human interaction in worker sourcing/ managing by intermediary	Client directly purchases a labor or labor service outcome	Work arrangements established and completed entirely through a digital/online platform	Direct relationship established – no third party or middleman
VMS	X	X			
ATS	X	X			
Job Boards	X	X			
Online Staffing Platforms	X	X	X	X	X
Online Work Services	X	X	X	X	X
Crowdsourcing	X	X	X	X	X

The Human Cloud

For illustrative purposes, we have included in the diagram below examples of some brands that fall within the Human Cloud.



Source: Staffing Industry Analysts

Process Outsourcing

Business drivers for process outsourcing which enable organizations to focus on their core competence(s) have long been clear. They range from reducing costs, mitigating legal risks and conforming to compliance standards, improving quality, and providing access to technology.

Outsourcing became an increasingly prominent business strategy during the 1980's with low-cost overseas markets competing for their share of the with the development of offshore expertise.

As well as outsourcing or offshoring non-core skills, organizations also seek to outsource certain processes including those relating to the sourcing and management of employed and non-employed labor, i.e. HRO, RPO and MSP.

As a result, process outsourcing is an increasingly crowded and complex industry with large service providers co-existing with significant numbers of much smaller, specialized vendors. Low barriers to entry and relatively low-cost models has created fierce competition and, as a result, an opportunity for buyers to reap further business benefits.

Definition: Process Outsourcing – industry segment of the Workforce Solutions Ecosystem. Use of an outside business services vendor (and its supervised personnel), either on the customer's premises or off-site at the vendor's location, to perform a function or run a department that was previously staffed and supervised by the customer directly. (Sometimes, but not necessarily, limited to situations where some or all of the customer's previous staff performing that function are hired by the outsourcing vendor. For our purposes, Process Outsourcing describes the use of an outside vendor to perform part or all of the role of a Human Resources department or a specific work output. Partial solutions would include Recruitment Process Outsourcing (RPO) where a vendor takes on responsibility for an organisation's hiring requirements (to some degree) and Managed Service Provision (MSP) where a vendor manages an organisation's staffing suppliers. It could include outsourcing certain aspects of human resources (HRO) or outsourcing a whole work function/department such as telesales, catering or security (BPO). Such outsourcing could be done locally or offshore and sometimes, but not necessarily, limited to situations where some or all of the customer's previous staff performing that function are subsequently hired by the outsourcing vendor. (See following page for service segment descriptions.)

Definitions: Process Outsourcing by Service/Product Line

- **Human Resource Outsourcing (HRO)** – a service segment of the Process Outsourcing Industry, HRO is an outsourcing relationship in which a third-party vendor is hired to take over part or all of a client's human resources functions. A HRO firm allows companies to pick and choose which services will be outsourced and which will be managed in-house. A PEO, on the other hand, takes care of all HR functions (see page 15). HRO could entail the provision of specialist HR personnel on an outsourced basis or the provisions of specific services such as employment law, employee benefits, insurance, health and pension programs. Many HRO providers will also provide Payrolling/Compliance services.
- **Managed Service Provision (MSP)** – a service segment of the Process Outsourcing Industry, MSP is a service whereby a company takes on primary responsibility for managing an organization's contingent workforce program. Typical responsibilities of an MSP include overall program management, reporting and tracking, supplier selection and management, order distribution and often consolidated billing. The vast majority of MSPs also provide their clients with a vendor management system (VMS) and may have a physical presence on the client's site. An MSP may or may not be independent of a staffing supplier.
- **Business Process Outsourcing (BPO)** – a service segment of the Process Outsourcing Industry, Outsourcing is the use of an outside business services vendor (and its supervised personnel), either on the customer's premises or off-site at the vendor's location, to perform a function or run a department that was previously staffed and supervised by the customer directly. (Sometimes, but not necessarily, limited to situations where some or all of the customer's previous staff performing that function are hired by the outsourcing vendor.) In Europe, certain legal obligations are placed on the outsourcing company. For example, in the United Kingdom, a formal Transfer of Undertakings Procedure (TUPE) applies to outsourced functions whereby the contracts of employment of all staff within the affected area are automatically transferred to the new employer, which then takes over all rights and obligations arising from those contracts of employment, except criminal liabilities and pension obligations.

Outsourcing can be undertaken in a different country, usually to leverage cost advantages and this activity is more commonly referred to as 'offshoring'. While many offshore projects are outsourced to third party intermediaries, a company can offshore activities using facilities/resources it owns/controls in another country, such that the term does not necessarily imply outsourcing.

- **Recruitment Process Outsourcing (RPO)** – a service segment of the Process Outsourcing Industry, RPO is the partial or full outsourcing of the internal recruitment function to a third-party specialist provider, which serves to provide the necessary skills, activities, tools, technologies, related recruitment supply chain partners and process methodologies to assume the role of the client's recruiting department by owning and managing its recruitment process and related recruitment supply chain partner relationships. RPO is more commonly used as a method for employers to recruit direct-hire personnel, particularly in the US. In Europe, contingent workers will also be included within that scope in some instances.

Payrolling/Compliance

Due to the variety of regulations by country, the global payrolling and IC compliance landscape is complex and diverse. Staffing Industry Analysts use the term “contractor payrolling” to define any arrangement in which a provider serves as the employer of a contingent worker on an assignment with another company, and is not responsible for recruiting. This common definition links together substantially different business models across the globe, such as the typical US payrolling model and umbrella services found in the UK and some other European markets.

In the US, it is fairly common for companies to offer both contractor payrolling and staffing (i.e. Kelly Services, Randstad, Act-1). In Europe, it is not typical for a company to provide both umbrella and staffing services, as accounting is considered core to one and staffing is considered core to the other.

Definition: Payrolling/Compliance – industry segment of the Workforce Solutions Ecosystem comprising a range of payrolling and compliance services. Payrolling and compliance services may be offered by one company or by separate companies. (See following page for service segment descriptions.)

Definitions: Payrolling/Compliance by Service/Product Line

- **Independent Contractor Compliance** – a service segment of the Payrolling/Compliance Industry, compliance describes the ability to act legally, following a set of rules so that parties are not exposed to any specific legal and/or financial risk related to the sourcing, recruiting, hiring and/or management of contingent workers. Compliance services will evaluate processes and worker status to ensure that companies have commercially viable risk mitigation programs in place with regard to the classification of independent contractors. Depending on the legislative environment within a particular country, employee misclassification risk (and the liabilities imposed) can vary as it relates to the independent contractor, the staffing intermediary and the end-user.
- **Payrolling** – a service segment of the Payrolling/Compliance Industry, payrolling is a business service that provides payroll processing, paycheck writing, and payroll tax administration, for a fee. Payrolling is normally provided on the basis that no co-employer or joint employer relationship exists; it is plainly an administrative function. The service can be provided by specialist payroll companies or, sometimes, directly by staffing companies.

As it relates to contingent staffing, payrolling is the provision of (usually) longer-term temporary workers to a customer where the workers have been recruited (possibly interviewed, tested and approved) by the customer. In this case, the workers become, in effect, employees of the supplier providing the payroll services. This may occur in an instance when only the customer has the proper knowledge and experience to properly evaluate potential workers. Payrolling arrangements usually only involve a specific client function or position, not all or a significant portion of a client's workforce as in a 'PEO' relationship. The term "contractor payrolling" defines any arrangement in which a provider serves as the employer of a contingent worker on an assignment with another company, and is not responsible for recruiting. This common definition links together substantially different business models across the globe, such as the typical US payrolling model and the UK/European model where contingent payrolling is often provided by 'umbrella' companies as part of a broader compliance service when staffing firms use independent contractors to fill temporary positions. As part of the definition is that the payrolling provider be the worker's employer, the engagement of independent contractors (ICs) does not apply to contractor payrolling. Payrolling services are typically billed at significantly lower mark-ups than traditional temporary staffing because the staffing firm has not incurred any recruiting costs.

- **Professional Employer Organization (PEO)** – a service segment of the Payrolling/Compliance Industry primarily used in the USA, a PEO assumes, via contract, a significant portion of employer responsibilities and associated risk for either part or all of a client's workforce. In this situation, employees are typically employed by the PEO but work on an indefinite basis under the control and direction of the client organization. PEO arrangements can be similar to HR Outsourcing though it is distinguished by a direct employment relationship between the workers and the PEO firm.

Contracting/Consulting

Directly Sourced Contingent Workers include independent contractors/consultants, temporary workers sourced from an internal pool and others such as summer interns and seasonal workers.

We define an independent contractor as a self-employed individual performing services for a company under contract; rather than as an employee, either on-or off-site. (Also referred to as freelancers, consultants, and, in the United States, “1099s”.) Unlike employees, independent contractors (ICs) are free to perform their work as they see fit.

Companies that use significant volumes of contingent workers are showing a heightened interest in SOW consulting services. SIA 2014 Global Contingent Buyers Survey indicates that they plan to increase the use of SOW as a proportion of their overall workforce by a greater extent than any of the other forms of contingent work that we track.

Within any SOW engagement model, there is a high degree of variability in the nature of the services provided, number of individual consultants assigned, timeframe and value of the contract.

Definition: Contracting/Consulting – industry segment of the Workforce Solutions Ecosystem which includes Directly Sourced Contingent Workers and SOW Consulting Services. In addition to consulting businesses where work is paid on the basis of a defined deliverable/statement of work, this covers those categories of contingent workers that are not sourced via third-party intermediaries operating in other parts of our Workforce Solutions Ecosystem (i.e. temporary workers sourced via a staffing agency and freelance or crowdsourced workers sourced via the Human Cloud). (See following page for service segment descriptions.)

Contracting/Consulting by Service/Product Line

- **Directly Sourced Contingent Workers** – Contingent work is used to describe work arrangements that differ from regular/permanent, direct wage and salary employment. Contingent workers are primarily distinguished by having an explicitly defined or limited tenure. The ‘contingent worker’ label applies to all workers of any skill type or experience level who meet this definition, including those in professional, blue-collar, or office/clerical roles. A service segment of the Contracting/Consulting Industry, Directly Sourced Contingent Workers include independent contractors/ consultants, temporary workers sourced from an internal pool and others such as summer interns and seasonal workers.

The term ‘Contingent workers’ would normally include a number of other categories however, within our Ecosystem, these workers are supplied via third parties (and appear elsewhere in the Ecosystem) hence the addition of the phrase ‘Directly Sourced’ to eliminate these categories, namely temporary employees provided by an outside staffing agency and freelancers, and crowdsourced workers sourced via suppliers operating in the Human Cloud. Also for the purposes of this report, we have stripped out SOW Consulting Services which appears as a separately defined category (see below).

- **SOW Consulting Services** – a service segment of the Contracting/Consulting Industry, SOW Consulting Services are provided under a Statement of Work (SOW) contractual arrangement. In contrast to agency consultants, SOW consultants are typically, but not always given a regular, consistent salary by their employer and continue to receive this salary when off project assignments (i.e., “benched resource”). While SOW consultants are typically employed by consulting firms, a host of technology and other staffing firms have also entered the solutions space for its greater premium margins (the theory being that you are paying for the firm’s proven methodology and chemistry of the team). At times “rogue” managers have used an SOW arrangement in order to avoid restrictions on the use of temporary workers or agency consultants.

The statement of work itself is a document that captures the work products and services, including, but not limited to: the work activities and deliverables to be supplied under a contract or as part of a project timeline. In contrast to a typical temp or contingent work arrangement which is billed based on time worked, SOW agreements are usually billed based on a fixed price deliverable or for hitting specific milestones. Like typical contingent arrangements, they may also be billed based on time, including arrangements where there is a time-based billing that is capped at some “not to exceed” level for time and materials.

Other Workforce Solutions

The 'Other Workforce Solutions' segment serves as a compliment to other segments of the Workforce Solutions Ecosystem.

Due to the complimentary nature of this segment, some of the largest global staffing firms offer services in this segment, in particular within the outplacement service segment, such as ManpowerGroup (Right Management) and Lee Hecht Harrison (Adecco).

Firms operating in the Process Outsourcing segment will also frequently offer one or a combination of services in this segment in order to compliment their core outsourcing services.

Although not directly related to the sourcing or hiring of workers, these services help to develop people in their careers in order to fulfil their potential and also to manage career transition. Whereas staffing helps find candidates who are prepared to interview for open jobs or temporary positions, outplacement, for example, helps candidates find and prepare to interview for open jobs.

Definition: Other Workforce Solutions – industry segment of the Workforce Solutions Ecosystem. This is a broad grouping of employment-related services including employee benefits services, insurance, retirement services, employee development, motivation/engagement, outplacement, HR consulting, testing, training, relocation services and any other ancillary HR services not found elsewhere in the Workforce Solutions Ecosystem. These services are not directly related to the sourcing or hiring of workers but focus on other facets of managing a workforce. (See following page for service segment descriptions.)

Definitions: Other Workforce Solutions by Service/Product Line

- **Ancillary HR Services** – This includes all other workforce related third-party services not captured elsewhere in the Workforce Solutions Ecosystem. Examples include retirement services, compensation and benefits, employee motivation and engagement, performance management and relocation services to name a few.
- **HR Consulting** – a service segment of the Other Workforce Solutions Industry, HR Consulting is a specialist form of management consulting, HR Consultancies are hired by organizations in order to achieve a better outcome for their human resources-related activities. It differs from HR Outsourcing in that clients pay for an advisory/consulting recommendation rather for a specific HR-related service. HR Consulting firms can advise clients on important strategic issues such as performance management and alignment, HR technology selection/implementation, HR transformation (i.e. Mergers & Acquisitions, redundancy programs), talent management, and staff analytics. HR Consultancies perform needs assessments or audits and make recommendations or proposals, coordinate the creation and implementation of an action or corrective plan, and when required, organize and coordinate cross-functional HR teams to assist with developing and implementing performance improvement corrective plans, programs or processes.
- **Outplacement** – a service segment of the Other Workforce Solutions Industry, Outsourcing is a service to guide a terminated employee of a company to a satisfactory new position or career through the provision of short- or long-term counselling and support services, on a group or individual basis, most often paid for by the terminating employer.
- **Testing** – a service segment of the Other Workforce Solutions Industry, Testing is the practice of administering written, oral, or other tests as a means of determining the suitability or desirability of a job applicant or for evaluating the suitability of an existing employee. These may include the evaluation of hard skills such as performance assessments and job knowledge tests but also soft skills by way of personality examinations using various psychometric techniques. Pre-employment screening undertaken before someone is offered a job or temporary position may also include background checks and drug testing which are commonly conducted for hiring in safety critical roles such as heavy machinery or driving and government agencies although there is a growing trend for tests to be administered in a wider range of industries.
- **Training and Accreditation** – a service segment of the Other Workforce Solutions Industry, there are many forms of work-related Training provided by third-party experts. Some may relate to a very particular job role such as electrical engineering, accounting or nursing, some provide education on broader skill sets such as sales techniques, public speaking/presenting, health and safety and leadership, while others help workers develop better skills on a particular software program. Many staffing firms will provide training where it can improve the skills (and, therefore, the value) of a temporary worker and, in certain countries, such as France, such training is a legal obligation. Accreditation is formal, third party recognition of competence to perform specific tasks.

About Staffing Industry Analysts

Staffing Industry Analysts is the global advisor on contingent work. Known for its independent and objective insights, the company's proprietary research, award-winning content, data, support tools, publications, and executive conferences provide a competitive edge to decision-makers who supply and buy temporary staffing. In addition to temporary staffing, Staffing Industry Analysts also covers related staffing sectors. The company provides accreditation with its Certified Contingent Workforce Professional (CCWP) program. Founded in 1989 and acquired by Crain Communications Inc. in 2008, the company is headquartered in Mountain View, California, with offices in London, England.

Independent Advisory

We provide practical, actionable, forward-thinking advice to help our clients develop their business and consistently treat them with the utmost respect, honesty and care. In our role as advisors we maintain strict confidentiality. We deliver research and editorial judgments that are completely objective and independent of financial considerations.

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