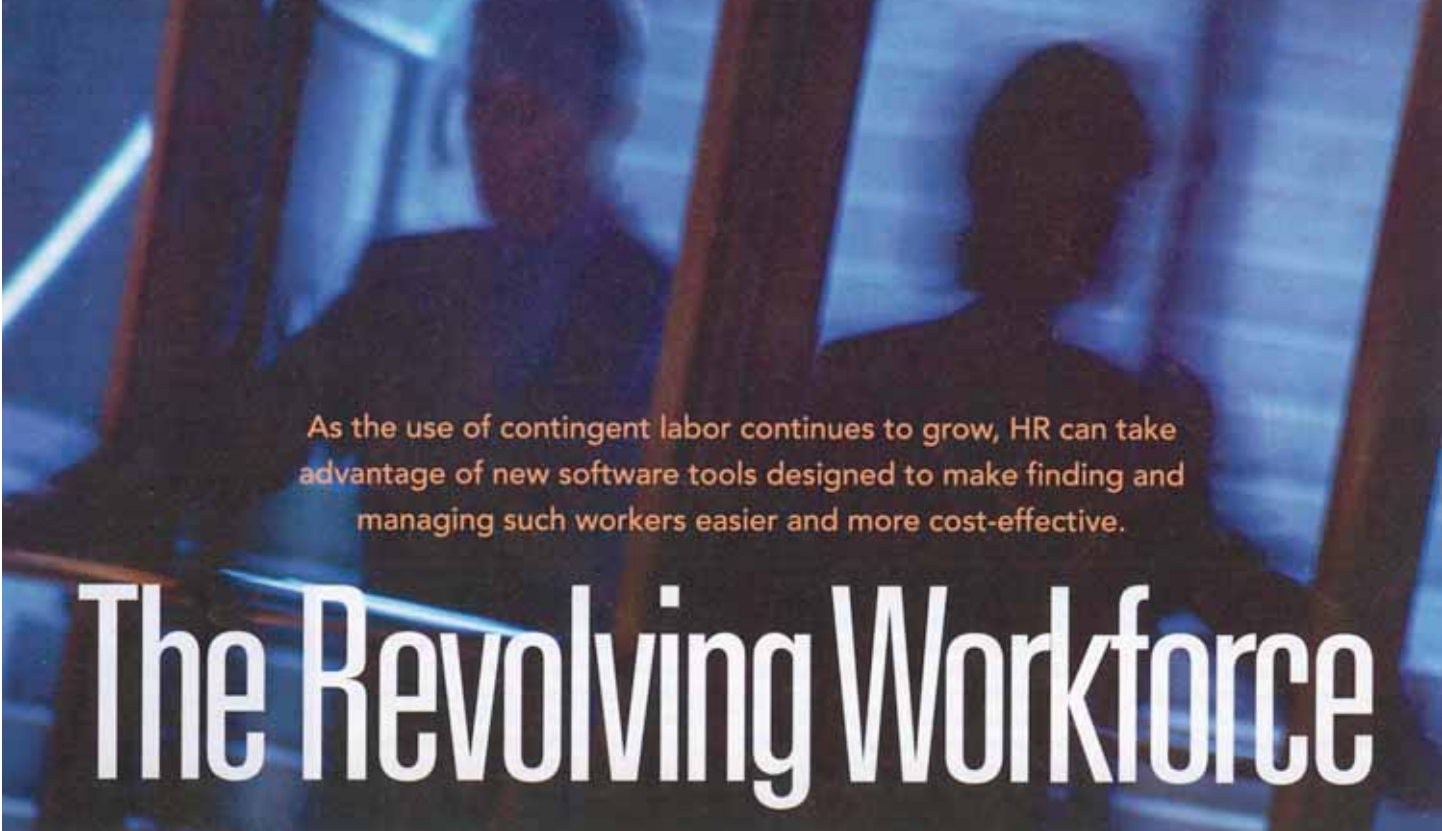


Human Resource Executive®



As the use of contingent labor continues to grow, HR can take advantage of new software tools designed to make finding and managing such workers easier and more cost-effective.

The Revolving Workforce

BY GRAE YOHE

It was a case of the right hand not knowing what the left hand was doing.

Mark Raketich, director of temporary services at the University of Pittsburgh Medical Center, says that Center's old, on-paper way of managing its contingent workers was a black-box process. There was no way to see how many temps were in use at any one time. Nobody—and that's nobody—knew how much was being spent. To make matters worse, there was a nursing shortage. Vendors were raising rates. And because each of the Center's 20 facilities was ignorant as to the hiring practices of the others, UPMC ended up competing with itself.

"Each facility was responsible for negotiating its own terms and agree-

ments with each [employment] agency," Raketich recalls. "It was an upward spiral of cost for us. Once we realized that, we decided we had respond as a system."

To respond holistically, UPMC implemented a software package from Denver-based IQNavigator Inc. Because the software is Web-based, each facility can now log in to access a common database. When a facility has an opening, a manager fills out an online requisition. The requisition is then e-mailed to staffing agencies. When a worker is chosen and comes on board, his or her time is tracked inside the system. Management can see how many workers are currently employed, and how much is being spent to keep them.

"If you have people who are going to multiple facilities, each facility doesn't have to maintain its own file," Raketich adds. "The facility can go into the system and view their nursing license, or CPR card, or whatever, and print it up. The largest benefit is, we now know exactly what our spend is—not only from the system standpoint, but also by facility. We can drill down by position, by shift. That information was very difficult to come by prior to this process."

At the end of each week, the system tallies the online time sheets and produces one consolidated invoice. UPMC pays IQNavigator, and IQNavigator pays the staffing agencies—without having to wait for and then reconcile incoming invoices. The benefit? The process takes up to 75

percent less time, freeing employees for other tasks.

This need to manage a contingent workforce is not going to go away. The Bureau of Labor Statistics estimates contingent workers constitute up to 4.3 percent of the total workforce—a market worth approximately \$62 billion and expected to grow in coming years. More and more companies, uncertain about economic environment in the short term, are choosing flexibility over the commitment of hiring full-timers. But if the process of acquiring and managing contingent workers is as muddled as UPMC's was, the cost of this flexibility is a lot of hassle and a lot of extra dollars.

Big Surprise

"If you go to executives at major corporations and ask them how many contractors they have, very few can tell you with any level of accuracy," says Michael Lunzer, senior director of product management at Raleigh, N.C.-based PeopleClick. Lunzer tells the story of a company in Minneapolis that estimated its contract labor at a \$20 million spend, ranked eighth in the company's top 10 expenses. During an analysis of the top spend categories, the company discovered that it had actually spent \$100 million on contract labor, bumping it up to number two. Surprise, surprise.

Pepco Holdings, a Washington, D.C.-based electric company, began using Recruitsoft's Workforce OnDemand software to get a good look at its contingent workforce in August of 2001. According to Manager of Strategic and Workforce Planning Michael Sullivan, Pepco has been able to save the most money through more efficient sourcing.

"We've negotiated contracts with preferred providers and placed them on the system, so we're getting better rates," he says, adding that "reverse auctions" also turn the tables in Pepco's favor. "I can go into the system to request a receptionist and say, 'I don't want to pay more than \$15 per hour.' And agencies that have quoted us \$20, \$24, \$25 an hour

respond, saying, 'I've got someone at \$25 an hour.'"

Sullivan says Pepco, which has around 6,000 workers but still occasionally spends up to \$18 million per year in contingent labor, has not tallied a hard-dollar ROI. Process improvement was the goal. Savings have been a bonus.

"What the automated system allowed us to do is go to a paperless process," he says. "The requisition is submitted online to a group of preferred providers. The agencies respond online. The managers look through the resumes they get online and select a person. The agency confirms the person is available on X date, and the [the system] informs the other agencies that the position has been filled. The candidate shows up, starts work, fills out an online timesheet. The online timesheet is approved by the manager, and Recruitsoft picks it up from here."

"The software," says Michael Cruz, Recruitsoft's vice president of client services, Workforce OnDemand, "provides end-to-end automation of everything from the idea that I might need someone, all the way through competitive sourcing, through the iterative process of tracking whether or not the invoices are accurate and how much I've spent."

Onboarding, Offboarding

Diane Smith, CEO of VirtualEdge Corp. in Yardley, Pa., says her company's E*TRACK software uses a tiered vendor approach, preferred providers (who have a history of providing good workers, a good price, or both) are given first crack at new openings. Responses are pre-filtered and ranked by how well they match the requisition requirements. Only after the top providers come up short does the system send e-mail notices to other providers.

"When a hiring manager creates a requisition, it automatically goes to the tier one vendors for a certain number of days or for a certain period of time. Then automatically, if I'm not getting a good response, it would go out to my

tier two vendors," she says. The lag between the batches allows a greater proportion of business to go to preferred vendors, theoretically saving money due to volume business. Subsequent mailings to non-preferred vendors insure that one way or another, an important position will be filled.

"It takes away the panic," says Smith. "At four o'clock in the afternoon, when I need a nurse on a shift at eight o'clock tomorrow morning, I'm not picking up the phone and scrambling."

If ID badges are required for incoming workers, Smith says the system sends messages to the people who issue them. If workers require certifications or background checks, the appropriate departments are notified prior to the start date. If a worker needs a desk or a computer, it's all handled automatically. Near the end of a worker's contract term, a reminder can be sent so the manager knows to wrap up the project or request an extension. And when the workers leaves, automated messages remind managers to take back laptops or other equipment, and remind security to deactivate the worker's ID.

PeopleClick's Lunzer says that this "off-boarding" is easily neglected if the process is not automated. He recalls a client who discovered 1,200 IT contractors listed as having valid ID badges, while only 300 were currently employed with the company. Any of the remaining 900 could have walked into the facility any day, any time.

All of this, says Monica Barron, research director at AMR Research in Boston, is a definite step in the right direction. But getting the technology won't solve all your woes, she adds.

"The trend is that companies are hiring a larger and larger percentage of their overall workforce as non-employee-type workers, and vendors are very good at making the process of getting contingent workers more efficient," she says. "But most of the vendors out there now are focused more on the procurement end: How do we make the process of reaching out to the ven-

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dors more efficient? How do we streamline the invoice process?"

People, Not Paperclips

The required companion to this, says Barron, is a conceptual change in HR. Temps, though they may be acquired by the procurement department, are people, not paperclips. Contingent workers—and, for that matter, the vendors that provide them—need to be evaluated.

"Do you want to hire this person again?" she asks. "Are they a good value for what you're paying for them? What are the individual goals for this person, and are they meeting them?" Also, she says, companies too often forget to have contingent laborers do things like sign non-disclosure agreements. "These workers need the same type, or a very similar type, of onboarding that I give to my regular employees. Because really, who's more likely to be working at my competitor next week?"

Although these systems have the ability to evaluate employees and vendors, and to notify just about anyone about anything, the trick is to use the functionality intelligently. The criticism Barron has is really more about a company's attitude.

"Many companies make a concerted effort to build a wall between HR processes and contingent labor processes because they're concerned they might cross over the invisible barrier of co-employment," says Peopleclick's Lunzer. But while co-employment (a high-liability situation that can occur when temps are treated like employees and hence might be entitled to benefits) is indeed a risk, some cooperation between HR and procurement is necessary to integrate contingent workers—which, never forget, are still workers who have a job to do—with the rest of a company's employees.

To close this gap, VirtualEdge claims that E*TRACK allows companies to manage all types of employees, including contingents, through the same interface. Other vendors are heading toward integration as well. In this model, a common front end covers varied back-end processes. Hiring managers are able to work across multiple databases—contingent labor in one, a hiring pool in another. If she acquires a temp, invoices are shunted to accounts payable. If she hires an employee instead, the back end sends information to the ERP system and removes the position from the job board. Either way, all workers are—in appearance, anyway—in one place. All are subject to evaluation, reporting, whatever. And in line with Barron's thinking, staffing vendors can be evaluated as well.

"Contingent workforce management is a relationship and person-to-person business," says IQNavigator Senior Vice President, Corporate and Product Strategy John Martin. "You can't just put people in a catalog and expect the best results. You want to create a good relationship with a core set of suppliers that know your business."

Because the full-function versions of these systems are still very new to the market, there's precious little ROI data to be had. Software suppliers say they hear typical savings of five percent to 15 percent coming from competitive sourcing, due to negotiating discounts with preferred vendors. Sullivan says his company has saved a few full-time equivalents in the administration and reconciliation process, but for now, the most dramatic savings are still in soft benefits.

"Understanding how many [contingent workers] you have and where they are is the first step in being able to manage the spend," says John Kurnick, executive director of staffing services at Atlanta-based Cingular Wireless. Cingular Wireless began using Peopleclick for IT workers in April and

for clerical administration in August. Since then, visibility into the process has increased dramatically.

"Now, the company can look to us and ask questions we're able to answer, such as, what is our spend, how many [contingent workers] do we have, and where are they?"

With visibility came control, says Kurnick. Under the old, decentralized system, there was nothing to prevent a two-week temp from slipping under the radar and remaining in the company for six months. Now, an automated process would catch the mistake, reducing co-employment concerns.

"It's definitely driving different behavior that wasn't there before," he adds. "Managers are even being more judicious with how they spend their money because they know that it's being tracked and that we're looking at the spend much closer, so they're managing their dollars better."

"The more information we have, the more control we have, the more visibility we have other the enterprise," says VirtualEdge's Smith. "If we don't have that visibility, we don't have control."

Send questions or comments about this story to hreletters@lrp.com.