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I N T E L L I G E N C E R E P O R T

Work Force Flexibility: Staffing For a Better Bottom Line

By Steven P. Berchem, CSP, Vice President
American Staffing Association

There's a reason why the U.S. staffing industry has been growing faster than the overall economy: flexibility. Workers want it. Businesses need it. Staffing firms provide it.

The Fundamental Value Provided by Staffing Firms

HR professionals, and others who make organizational staffing decisions, benefit from the flexibility that staffing firms provide. This flexibility manifests itself in many ways.

For routine needs, staffing firms can deliver workers for daily, seasonal, or cyclical assignments in a timely manner. This approach to staffing is inherently more efficient than the traditional approach—advertising a position, wading through stacks of résumés, running background checks (if necessary), and then having to wait two weeks or more for new hires to start. Not only can staffing firms help HR professionals fill positions with qualified candidates fast, HR professionals don't have to worry about the cumbersome process of setting up payroll and benefits for new workers, and assignments can be terminated at any time.

In fact, without the services of staffing firms, it would be nearly impossible for many organizations to staff up for short-term projects or find temporary replacements for employees who are sick or on vacation. The red tape alone would make it extremely difficult, and access to a ready pool of workers would be a continual challenge.

Looking at Staffing Strategically

The staffing industry's unique access to a wide range of workers is one of the essential benefits it offers clients. By working with staffing firms, HR professionals can quickly find individuals with specific skill sets or hard-to-find work experience. Those individuals can be brought on board for a brief period or they can be hired permanently. This flexibility enables HR to serve an organization in a strategic manner. HR can respond quickly to changing business needs without burdening a company with excessive head count or unnecessary legal exposure. This type of staffing agility is used as a competitive advantage by smart companies.

A recent report from the U.S. Department of Labor supports this notion. The report found “employers that have flexibility in adjusting labor requirements to meet product and service demands have a competitive edge over those with less flexible human resources policies.”

Respected researchers agree, saying companies that embrace work force flexibility and engage staffing firms tend to do better economically. “Increased reliance on contingent labor... is associated with superior subsequent performance... [and] no increase in systematic risk,” concluded a study published in the journal *Decision Sciences*. Economists Nandkumar Nayar of Lehigh University and G. Lee Willinger of the University of Oklahoma compared firms in a carefully constructed sample and found that corporate earnings, gross margins, and stock returns improved after the increased use of temporary or contract workers.

This realization has been emerging for quite some time. In a 1999 survey of HR managers at more than 1,200 firms, more than 90% said “flexibility in staffing issues” was important, and 95% said that flexibility was being achieved by using temporary and contract employees from staffing companies. The survey was conducted by the American Management Association.

More recently, the American Staffing Association polled 500 businesses that used staffing services in 2004. Nine out of 10 said it was important to them that “staffing companies offer flexibility to businesses so that they can keep fully staffed during busy times.” When survey participants were asked specifically why they use staffing firms to obtain temporary and contract workers, they cited three main reasons:

- To fill in for absent employees or to fill a vacancy temporarily
- To provide extra support during busy times or seasons
- To staff special short-term projects

Changing American Work Force

The reality is that America’s work force is changing. It’s not just employers that are looking for flexibility. Many workers are looking for flexibility in their employment arrangements. This observation is backed by empirical evidence—three million Americans work in temporary or contract positions every day.

The composition of these three million people is also changing. In the past, temporary assignments were often routine clerical or warehouse positions that required little expertise. Today, however, many temporary and contract employees are mature, experienced, and well-educated. They are at a point in their careers or their lives when flexibility has become very important.

In a 2006 survey of staffing employees conducted by ASA, two-thirds of workers said flexible work time was an important factor in their decision to become a temporary or contract employee. Another one-quarter of survey participants said it was an extremely important factor. More than half said needing time for family was important, and an additional 20% said it was extremely important.

It is also worth noting that although staffing employees want flexibility, they are willing to put in long hours. In the ASA survey, 79% worked full-time—about the same percentage as in the overall work force.

Finding the Right People for the Right Jobs

In many ways, the growth of the staffing industry reflects the evolving U.S. economy. The demand for specialization is growing in companies large and small. Staffing assignments reflect this, with a marked shift toward occupations that require higher levels of skills and training, according to the results of several surveys conducted by the U.S. Bureau of Labor Statistics. Businesses tap staffing companies for quality talent in nearly every occupational sector, from skilled tradesmen to airplane pilots to banquet waiters to attorneys to radiology technicians.

With the experience of matching millions of people to millions of jobs, staffing companies are expert at filling work assignments at all levels of an organization, from day laborer to chief executive officer. Often it is not easy for employers to recruit for certain professions. Staffing firms help HR professionals meet their business requirements by providing a pipeline into the appropriate talent pools. This includes finding candidates for positions that are not central to a company's business. A software company, for example, may need an accountant. Or a retailer may need a graphic designer. Staffing firms make it happen.

Increasingly, these matches are made on a temporary-to-hire or temporary-to-permanent basis. This is another important aspect of the flexibility provided by staffing firms. Companies and workers have the opportunity to evaluate each other with no obligation for either party. If both the employer and the worker agree that it is a good fit, the worker can be hired permanently. The traditional hiring process does not provide for such flexibility and can result in poor hiring decisions that are costly and difficult for a company to undo.

A New Reality

Global competition is affecting nearly every industry. Financial markets are prone to enormous swings. Consumer demographics and psychographics are changing continuously. The truth is that it's harder than ever for companies to forecast their staffing needs. The cost of overstaffing can be diminished profitability and viability for a company. The cost of understaffing can be missed business opportunities that may never present themselves again.

"Use of temporary or contract employees to smooth out labor needs has grown substantially," said Erica L. Groshen and Simon Potter, economists with the Federal Reserve Bank of New York. "Uncertainty and financial headwinds likely constrain new job creation." After outlining the considerable obstacles employers must overcome to create new jobs, they argued that structural changes may be occurring in the economy because of management innovations that result in leaner staffing. "Firms increasingly hire temporary help when they are busiest and then cut back when demand falls."

The result of this new reality is that the job security and career continuity that previous generations experienced no longer exist for many Americans. An army of contract workers has emerged in our country, reflecting fundamental changes not only in the economy, but also in corporate management practices and in our attitudes about employment. Given these factors, it should be no surprise that spending on temporary and contract labor now exceeds \$70 billion annually.

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