

## Contingent Workforce Trends October 2005

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### Trends-volatility and compressed lead-times

Two of the most significant trends driving the increased use of contingent workers are marketplace volatility and compressed lead times. Companies are increasingly seeing sharp demand swings for their products and tremendous pressure to be first to market. These require companies to ramp up and ramp down capacity at a much faster pace than in the past. Hiring and firing to meet that demand is impractical and too costly (both in human terms and to the bottom line). Because of this contingent workers (and outsourcing in general) are making up a larger and larger share of companies workforces.

### Contingent workers-side by side with regular employees

In general we see two approaches to the use of contingent workers. Companies will traditionally add contingent workers side by side with regular employees. In this scenario the "temp" does all the same work that the "permanent" employee does. The "temp" or contingent worker has very little expectation of job security and typically has less total compensation. This is a relatively easy way to use contingent workers, but you face risk issues with the loyalty of the worker and also face IRS co-employment issues. This approach is also less effective because companies tend to just add "temps" instead of "perms" throughout the organization without any real placement strategy/

### Contingent workers-strategic assignment

The more strategic approach is to build a flexible workforce structure based on your market environment and overall company strategy. This requires you to examine the nature of the work you do and how you do it. You need to determine which work is core to your business and which is not. . You also need to look at what areas face the most volatility. The complexity of the work is also a consideration as those things that are less complex or **can be made less complex** are easier to assign to contingent workers. In this fashion you decide which functions are most appropriate for contingent workers and to what degree such workers can be used. This usually proves much more effective than simply adding a few contingent workers to each department across the board.

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