



Manage costs. Invest in talent. How to do both and succeed in today's environment.

The current economic crisis has changed the employment landscape. A major struggle is the effort to manage operating costs while investing in talent to maximize performance. There is heightened pressure to execute business strategy and meet goals, but the first move most companies make during a recession is to cut costs by reducing their workforce.

A significant driver of success is human capital: people. In fact, according to a study by the Aberdeen Group¹, 58% of organizations surveyed rated people as having the greatest impact on executing business strategy. This finding isn't surprising. After all, people produce products, deliver services, process paperwork and communicate with customers.

As the business environment begins to improve, organizations like yours will have to develop a more flexible workforce and keep fixed costs low. Many will rely more and more on external talent or contingent workers – temporary employees, contractors, outsourced workers and consultants – to achieve business goals in a more strategic way.



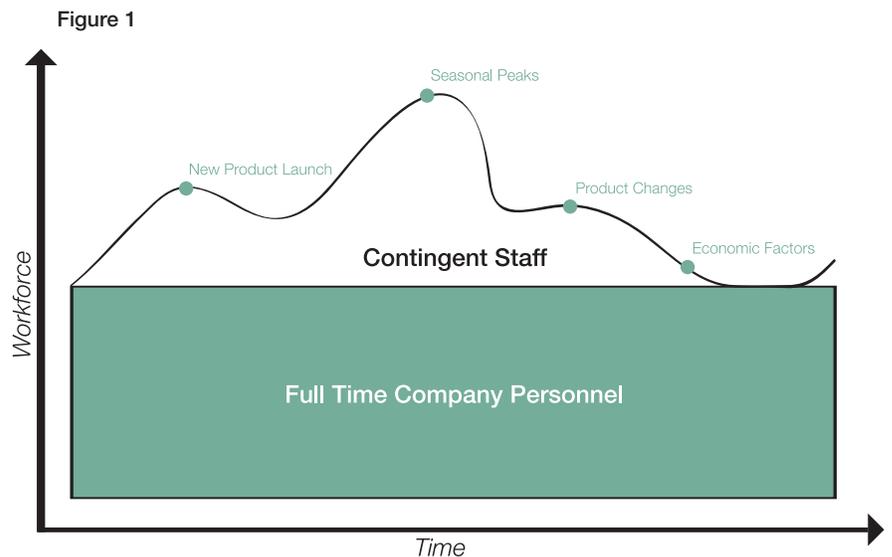
ManpowerGroup[™]
Solutions
Recruitment Process Outsourcing

Why Use a Contingent Workforce?

- Protect permanent workforce from work reduction or overload due to natural business cycles
- Cope with surges in workload volume
- Diminish risk when rebuilding headcount post-downturn
- Find quality people on short-term notice
- Access specialized expertise for challenging projects that cannot be handled by internal resources
- Access people with fundamental skill sets, freeing up permanent staff for specialized critical job tasks
- Respond to change quickly in order to be more competitive
- Evaluate new talent without commitment
- Outsource projects/ departments not aligned with core business competencies
- Re-engage past or retired employees with ease
- Reduce costs associated with benefits, retirement, and taxes as well as long-term compensation costs

Benefits of a contingent workforce

The practice of supplementing permanent staff with contingent labor is valuable as businesses experience the ebb and flow of the marketplace, seasonal lows and highs, or product-specific launches and promotions (See Figure 1). During times of economic uncertainty, using a contingent workforce provides you access to skilled and motivated individuals who help you meet your business goals while controlling your costs. When demand drops, the contingent workforce can be reduced, thus insulating your permanent workforce.



As the economy stabilizes, market conditions rebound and demand improves, rebuilding your workforce with contingent staff can be a smart strategy. It's particularly beneficial since many contingent workers can transition to permanent staff, reconstructing your workforce with minimal risk as conditions demand.

In addition, no matter how well you prepare for and manage a project, permanent employees have planned or unplanned absences that disrupt your workflow. Skilled contingent staff can quickly step in to perform critical tasks so the work can proceed. And in this economic climate, there is a large pool of highly skilled individuals available to help meet short-term needs.

The reverse scenario is also true: contingent workers can free up time for your permanent staff to focus on critical tasks while the contingent workers focus on more baseline tasks that are necessary but don't require highly-skilled expertise. A contingent workforce can also be beneficial when a new product or service is launched, requiring new groups of people and/or new skill sets. By partnering with a contingent workforce provider early on, you can be sure to have the people required, when and where you need them – whatever skill sets are required.

The ability to evaluate a worker on the job before formally hiring the person permanently is another great benefit. The best way to get a good understanding of skills and capabilities is to see that person in action. Observing the individual in your environment interacting with permanent staff and communicating with customers significantly increases your ability to predict success within the team and within the organization. Employing a contingent worker also helps reduce hiring costs by eliminating the need to advertise, recruit and screen.

16%

of the average enterprise's overall workforce is considered contingent labor.

– C.J. Dwyer, *Contract Labor Management*
Aberdeen Group
January 2009

In an effort to reduce costs, some companies decide to outsource functions that are not core competencies or aligned to key business strategies. In this case, a contingent workforce can easily add value. Partnering with an agency or company skilled at the tasks secondary to business operations allows your permanent staff to focus on core products or services. The secondary aspects of your operations can be performed by outside experts seamlessly and cost efficiently. In addition, there are some cases when former or retired employees can transition to the partner company providing the outsourced solution. This is just one more way to ease the burden of reducing the permanent workforce while retaining the required skill sets and maintaining morale.

Cost savings is one of the most critical aspects of managing in today's environment. To understand the cost savings of contingent labor, begin by understanding the employment costs of your permanent staff. Based on the latest data from the Bureau of Labor Statistics¹ (June 2009) wages and salary account for approximately 70% of employers' costs while benefits account for the remaining 30%. Keep in mind that these figures are not inclusive of hiring costs, which typically average \$4,000² per hire. For permanent staff, you absorb the total employment costs (salary and benefits) as well as the hiring costs. With contingent workers, the agency or employment service provider absorbs the hiring costs as well as the cost of benefits. The result can be a significant cost reduction.

As the economy improves, challenges will continue. Businesses have to remain agile. It will be important to evaluate the balance between a permanent and contingent workforce. A contingent workforce allows you to seamlessly adjust during the economic recovery by gradually and efficiently rebuilding permanent staff while responding to market demands. This ultimately allows your organization to manage costs and invest in the critical talent required to drive the business to heightened levels of success.

About Manpower

Manpower Inc. is a world leader in the employment services industry; creating and delivering services that enable its clients to win in the changing world of work. In the United States, Manpower provides a wide range of employment services that allow companies to anticipate and benefit from the changes happening now and next in the contemporary world of work.

Manpower is more than its core of industrial, contact center and administrative recruiting, assessment and selection.

In addition to recruiting and screening for permanent positions, Manpower supports clients' cost savings through its managed service programs.

Under the Manpower Professional brand, the company places superior talent in areas such as information technology, scientific, engineering and finance verticals.

The company fulfills clients' recruitment process outsourcing needs, and other innovative solutions, through Manpower Business Solutions. Manpower Inc. operates globally under four brands: Manpower, Manpower Professional, Jefferson Wells and Right Management.

More information on Manpower is available at manpower.co.uk.

¹K. Martin, J. Saba, & M. Lombardi, "The 2009 HR Executive's Agenda", Aberdeen Group, December 2008

²Employer Costs for Employee Compensation, Released June 2009, Bureau of Labor Statistics. Benefits include not only insurance, but also legally-required Social Security, Medicare, unemployment insurance, worker's compensation, paid leave, retirement and savings, and supplemental pay for overtime, shift differentials, etc.

³Saratoga Institute Human Capital Report for 2000, as cited in "Hiring an Employee: How Much Does It Cost?," Workforce Management, December 2000 <http://www.workforce.com/archive/feature/22/25/58/223946.php>