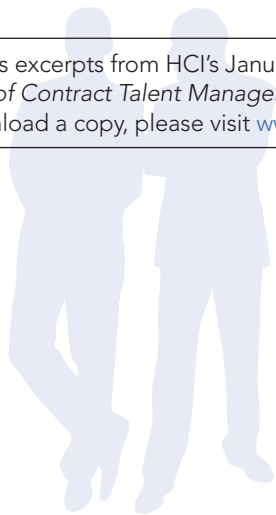


# THE FORGOTTEN THIRD

Note: This article contains excerpts from HCI's January 2009 white paper: "The State of Contract Talent Management and the Role of HR." To download a copy, please visit [www.hci.org](http://www.hci.org)



By Allan Schweyer

Today's employment marketplace consists of a diverse composition of labor and talent from a wide variety of sources. Among them is a group that is collectively known as contracted talent or the contingent workforce. This group includes contractors, consultants, freelancers, temporary help, interim executives and others who are not part of an organization's full-time or part-time workforce.

Contingent work has continually evolved since its inception. The 1950s temp who filled in for emergencies and maternity leave has given way to today's skilled professional who may lead projects, serve in a critical technical capacity on a team, or even act as an interim CEO. Indeed, the use of professionals and highly skilled technicians as short-term workers has been the fastest-growing sector in the contract and temporary staffing industry over the past few years.<sup>1</sup>

The commercial and light industrial sectors, which once accounted for the bulk of temporary and contingent jobs in the U.S., has been overtaken by the needs of the knowledge and services

sector for professionals and skilled technicians, who now account for more than half of the overall temporary job count in the U.S.<sup>2</sup> As such, the "contingent workforce" is more appropriately described today as a "contract workforce". Today, skilled contractors, whether independent or attached to a firm, provide the bulk of temporary labor in most organizations.

The reasons for hiring contract workers are similar to those driving every other major workplace initiative: skilled talent shortages, increased global competition, technology and the need to respond quickly to an ever-changing market environment. A well implemented

contract workforce management program can allow an organization to tap into a flexible talent base and adjust the workforce to match with new skill requirements and workload changes, and at the same time control costs and risks.

To succeed today, most organizations depend on their ability to attract the contract talent they need. To succeed in future, organizations will need to do so at the right price, in the right numbers

## CONTRACT TALENT

more than  
**90%**

of organizations surveyed in a study HCI conducted in late 2008, use contract talent

<sup>1</sup> Dr. Katherine Jones, The Interim Executive, August, 2008

<sup>2</sup> *ibid*

and in alignment with corporate objectives. Unfortunately this is not yet the case in most firms.

As the importance of specific skills to the overall economy increases, so does the popularity of contract work — both for hiring organizations and workers. The staffing industry has doubled since 2003, from about \$60 billion a year to a \$120+ billion a year industry in the US alone. Before the current economic downturn, many analysts expected it to surpass \$200 billion by the end of the decade.<sup>3</sup> It is not surprising then that more than 90% of the 319 organizations surveyed in a study HCI conducted in late 2008, use contract talent. Moreover, 34% say that their use of contract talent has increased or increased dramatically in the past three years, while fewer than 20% report a decrease.

Given the importance of contract talent and organizations' emphasis on skilled and professional level contractors, one would expect that HR or Talent Management (TM) professionals would be in firm control of the process. After all, even in firms where line managers are conversant with the principles of talent management, HR and TM professionals remain the custodians of competency and skills management, quality of hire measures, regulatory compliance information, market rates for various talent and the best sources for talent acquisition, to name just a few. To achieve volume, quality, performance and compliance in a contract talent management program then, HR and TM must be involved.

According to the respondents to our survey, HR/TM is indeed involved in the process more often than not. 57% of respondents report that HR is either primarily or partially responsible for contract talent management. It is alarming, however, that a full 43% of respondent organizations appear not to involve HR/TM at all in contract talent management. This almost certainly leaves those organizations at a disadvantage, and one that will grow as more and more of the workforce is comprised of contract workers.

## U.S. STAFFING INDUSTRY

# 100%

increase in the staffing industry since 2003, from about \$60 billion a year to a \$120+ billion a year industry in the U.S. alone.

With a compelling need to respond quickly to marketplace dynamics, most businesses are continually looking for ways to benefit from the flexibility of converting fixed cost structures to variable ones. One way companies accomplish this is to reduce their number of full-time hires in favor of contingent or contract talent engagements. Yet few organizations appear to be ready for this shift. Contract Talent Management technologies and underutilized and responsibility for contract talent acquisition and management is often too

narrow in organizations or is a free for all, with few rules and little accountability. Consequently, the contract talent pool is too often ignored and under-managed, resulting in higher-than-necessary costs and risks.

Approached strategically, the contingent workforce can provide key skills and competencies on a just-in-time basis with greater flexibility and reduced wage and benefits costs. To deliver on this potential, the combined and aligned efforts of several parts of the organization are needed, including procurement, legal, IT, senior management, business units and HR/TM.

Regrettably, in many organizations, HR and Talent Management professionals are marginalized where the management of contract talent is concerned. Yet it is clear from our research that if this increasingly critical component of the workforce is to be managed effectively and strategically for competitive advantage, HR and TM must play a prominent role.

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### About the Author



Allan Schweyer is the Executive Director and the SVP, Research at the Human Capital Institute and is responsible for the strategic direction and development of HCI thought leadership and research.

<sup>3</sup> Marshall Goldsmith, Business Week Magazine, May 23, 2007: *The Contingent Workforce*