



Recovery 2010: The Rise of Contract Talent

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Today's Agenda

- Introduction - 5 minutes
- Feature Presentation and Q&A - 50 minutes
- Wrap Up - 5 minutes



Today's Moderator



Amy Lewis, Director
Talent Acquisition Community
Human Capital Institute

www.hci.org

Blog

Send email to amy.lewis@hci.org
to connect on LinkedIn



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Today's Guest



Bertrand F. Dussert

Vice President,

Global Recruitment Operations and Workforce Planning

American Express Company

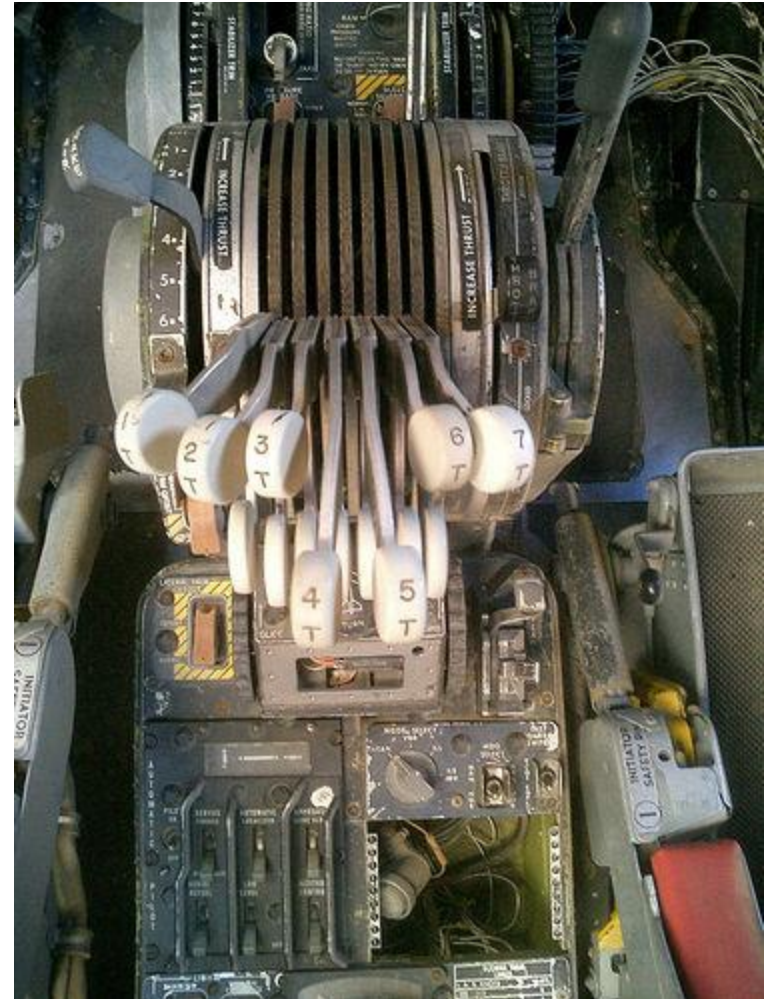
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- More than 150 years of Innovation and Reinvention
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- Traditional Vendor-on-Premise adoption quadrupled (to over 4,500 branches) from 1994-1999
- Increased use of outsourcing of non-core activities gaining popularity
- .com Bubble and Y2K remediation efforts lead to large boost in technology contractor spend
- Workforce mix begins shift to more contingent labor in a big way



From the beginning of Y2K to 2010, a fundamental shift in labor market dynamics has occurred

2001 Recession and 9/11

- Staffing and IT contracting industries hard hit by combination of:
 - Demand reductions after Y2K
 - .com Bubble bursting
 - 9/11 and crisis that followed
- Recession that ensued led to a 10-15% drop in aggregate staffing spend
- Businesses that had spent liberally on staffing and consulting services looked for cost savings
- Non-core outsourcing continued to build momentum
- Economic uncertainty caused short term industry pain but served as a catalyst for transformation

Transformation

- Crisis within the staffing industry leads to the development of new business models
- Managed Service Providers, Vendor Neutrality, Vendor Management Systems, and electronic marketplaces for talent take hold as concepts
- Trend towards increased outsourcing and off-shoring of IT, HR and administrative functions remains strong
- With the establishment of Captive off-shore centers by a number of firms, workforce mix is adopted as a management concept but aggregate measurement remains a challenge

2010

- Definitional clarity improving in the category:
 - Staffing vs Contingent Labor
 - Staffing vs SOW work
 - Temps/Contractors vs Strategic Outsourcing
- Definition of Headcount still not clear and measurement of 'total staff' still not straightforward
- MSP, VMS and Vendor Neutral marketplaces have largely replaced traditional Vendor-on-Premise, although many MSP or Master Vendor models still include an on premise component
- Recession of 2009 has altered labor market dynamics for some time to come

- MSPs, vendor neutral marketplaces and technology are reaching maturity but still have room to expand
- According to employment law firm Littler Mendelson, 50% of all new jobs created after the recession will be defined as contingent labor
- The company often cited as the textbook contingent labor case study of the 1990s now has 96,000 employees globally and **88,000 contingent workers**

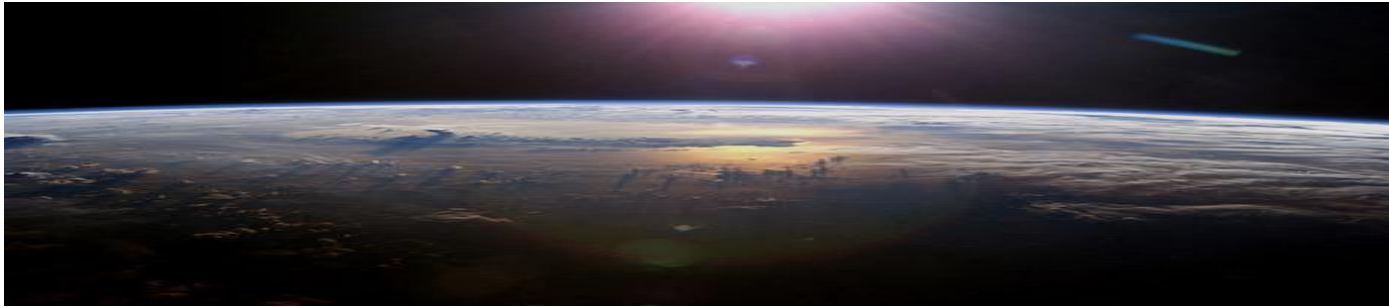


- On Fortune's list of Global 500 corporations for 2009 there is a business ranked 45th with larger reported headcount than 16 of the top 20 on the list
- There is another one ranked 348th by revenue that reports larger headcount than 7 of the top 10 Global 500 businesses by revenue and 50% of the top 20
- Neither of the above two businesses are part of the Staffing Industry, both are US based and serve as two examples of the depth of change in the global labor market
- The largest Global Staffing firm by revenues reports in excess of 700,000 temps and contractors deployed on client sites

- Contingent labor **can** serve as a variable cost during a crisis
- Given the severity of the downturn in financial services, across the board rate reductions were widespread and largely executed without excessive difficulty
- Organizations that partnered with their supplier base to understand the economics of their value chains were able to help drive costs out
- SOW work is gaining ground as an interesting addition to staff types managed in contingent workforce programs
- Black Swans do exist in the staffing industry

Lessons Learned from the Front Lines of the ECG Chimes Meltdown

- Know your supplier base and stay close to them
- Reduce/manage the number of sub-suppliers to a reasonable number
- Ensure your contingent workers are part of any BCP effort
- Don't rely exclusively on standard financial due diligence to ensure critical suppliers are on solid ground
- Don't assume 'Going Concern' or 'Breach of Contract' language protects you
- Don't assume a supplier won't go from strong market player to complete shutdown overnight
- Demand timely invoicing and sub-supplier payment SLAs

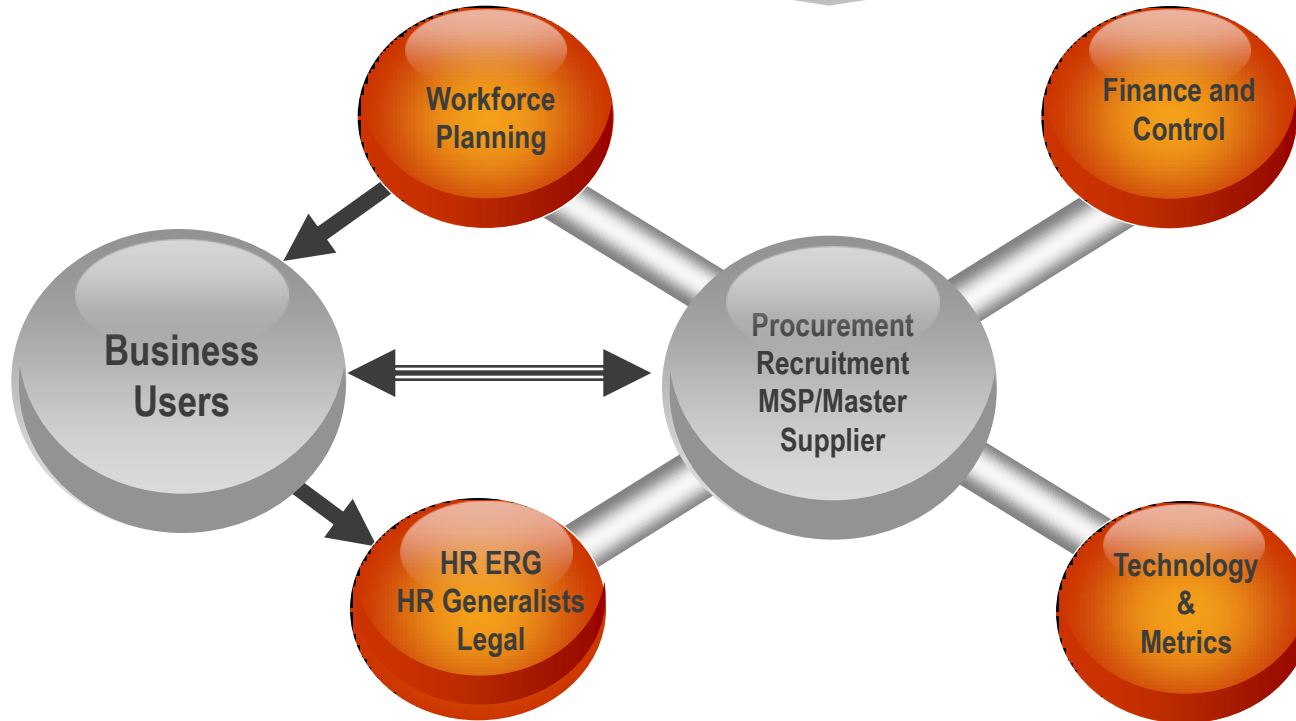


- Globalization and shift from manufacturing to a service economy
- Shorter product lifecycles and need for faster innovation
- Desire to move cost of labor from a fixed cost to a variable cost
- Increased reliance on outsourcing non-core items
- Labor demand volatility increasing in the higher end of the market

- Procuring contingent or contract labor is cheaper than hiring FTEs (it can be IF...)
- Organizations know their total staff headcount and spend on labor
- The shifting workforce mix towards more contingent workers is new or only cyclical in nature
- Human Resources and Procurement speak the same language (not to mention Finance and IT which both have roles to play in larger programs)
- The Department of Labor numbers on contingent workers reflect the full picture

- Managers who struggle to get FTE headcount approved turn to contingent labor for help
- In a matrixed organization, project owners often only borrow a portion of employees' time whereas they can 'lease' contingent workers full time
- Contingent workers often bring skills that are lacking in the core employee group
- Higher revenue per employee tends to increase corporate valuation
- Temp to perm hiring is one of the surest ways to ensure quality employee hires
- Managing the workforce to an appropriate mix serves as a safety valve that can be triggered to realize short term cost savings during a recession

Core and connected key stakeholders in typical large (25M+ USD) program. Procurement and Recruitment must collaborate vibrantly to ensure program has a chance of becoming best in class.



- At what volume of spend does it become attractive to manage contingent labor spend centrally?
- What drivers affect whether a Contingent Workforce Management program will lead to long term savings?
- When does a master vendor with subcontractors make sense VS a Vendor Neutral MSP? Should you enforce true vendor neutrality?
- What is Workforce Planning and how does it relate to the Contingent Workforce?
- Is the deployment of a global program feasible at the present time and how?

- Contingent workers are here to stay and will make up 20-30% of the labor market in the next few years
- Organizations that implement the right management capabilities (across all stakeholder groups and engagement models) have an opportunity for efficiency gains
- Emergent workforce planning functions need to make visibility across all staff types a priority
- Vibrant collaboration between procurement and recruitment is critical



MANY THANKS!



Bertrand Dussert
Vice President, Global Recruitment
Operations & Workforce Planning
American Express

bertrand.f.dussert@aexp.com

<http://www.linkedin.com/in/bertranddussert>





It's your turn! Ask our expert...



Bertrand F. Dussert

Vice President,

Global Recruitment Operations and Workforce Planning
American Express Company

bertrand.f.dussert@aexp.com

<http://www.linkedin.com/in/bertranddussert>

Reactions or Comments? What is your key take away from this session?



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