




# THREE ALTERNATIVES IN LABOR RESOURCING MODELS

FACTORS TO CONSIDER WHEN DECIDING  
WHICH MODEL IS BEST FOR YOU

**KELLY**<sup>®</sup>





Every day, thousands of people contribute to the success of companies that do not directly employ them.

This non-employee workforce is comprised of temporary or contingent workers, contractors, and independent contractors, consultants, interns, and a number of other classifications. It is estimated that across different industry verticals, the percentage of non-employee contributors is regularly as high as 50% at companies of all sizes and across multiple industries. They work in every imaginable function—from IT to legal and marketing.



So why do organizations adopt this practice? For many, it's simply about maintaining a level of flexibility in their workforce to manage through demand cycles in their business. For others, it's more strategic and dependent on the need for specialized talent to complete critical projects—functions like product design, testing and launch, new technology implementation, or a response to a product quality event. However, far more organizations have integrated diverse labor resourcing models into their talent supply chains—often to manage their businesses as efficiently as possible, but also out of necessity in order to gain access to specialized services offered at the right price and scale. Some examples of specialized services might include a team of medical writers to complete a segment of a clinical trial; scientists to manage the collection, testing, and documentation of agricultural samples during geographically-diverse growing seasons; or a team to run a contact center to manage the response to a natural disaster.

So how is this vital workforce engaged? There are three primary resource models, each with variations and nuances dependent on the industry, country legislative requirements, and individual company policies. The three models are:

**Contingent Workers** – also referred to as Staff Augmentation, Contractor Workers or Temporary Employees.

**Project-Based Workers** – also known as SOW Contractors, Service Providers, or Independent Contractors.

**Fully-Outsourced Service Provider** – often as part of a Business and Professional Services (BPS) solution or Business Process Outsourcing (BPO) program.



**UP TO  
50%**

The percentage of non-employee contributors is regularly as high as 50%



## CONTINGENT WORKERS

Contingent workers are utilized in wide variety of functions, primarily to add capacity to an organization's full-time workforce. This often helps companies meet increased volume driven by seasonal demand cycles, short-run production requirements, full-time employee absences, specialized skills gaps, or expertise needed for a short-term requirement. Many companies choose to maintain a consistent population of contingent workers so they can quickly flex up or down in response to changes in demand, without having to impact their full-time regular employees. Additionally, a group of fully-trained contingent workers is an ideal pipeline to draw from when new full-time employee openings are created. In this model, the bill-paying customer provides supervision and direction to the worker and maintains responsibility for work product outcome.

### **Three factors to consider when utilizing a contingent workforce model:**

1

Are assignment lengths for contingent workers capped by HR policies?

2

Can your management team absorb additional workers and provide the proper amount of supervision and work direction?

3

What level of effort is required to replace and retrain the contingent worker?



## PROJECT-BASED WORKERS

Project-based workers tend to be utilized to fulfill requirements that have a defined start and stop, are longer term in nature (generally 6-36 months), and require semi to highly-skilled workers to deliver the desired project outcome. Additionally, project-based worker engagements are governed by a Statement of Work (SOW) outlining specific deliverables, terms, Service Level Agreements (SLAs) for individuals, or a team of workers to meet the project requirements. Some key deliverables for firms that provide project-based workers as a service is a robust bench or pipeline of specialized talent, domain and/or industry expertise, and sound engagement and retention practices. Many workers with specialized skills and experience choose this employment model as it offers an excellent balance of stability and flexibility, while also providing opportunities for diverse corporate culture experiences. In this model, supervision and guidance on how the work is performed is shared between the bill-paying customer and the service provider, with specifics outlined in an SOW.

**Here are three factors to consider for project-based solutions:**

1

Does the project have a defined start and stop and overall duration that exceeds contingent worker assignment length guidelines?

2

Is it crucial to retain control of work direction and outcome ownership?

3

Is it best for the work to be performed on-site at your work facility?





## FULLY-OUTSOURCED SERVICE PROVIDER

Fully-outsourced service provider arrangements are used for work functions ranging from routine administrative tasks to complex engineering services, and from high-volume transactions to specialized technical support. Some outsourced work is considered “non-core” to the bill-paying customer’s business, while other services are vital to the enterprise, but are managed more efficiently by the service provider due to technology or specialization. Services provided in this model may be performed off-site at the service providers’ location or on-site at the customers’ facility. Either way, this model represents the most significant level of work outcome responsibility transfer from bill-paying customer to service provider.

**Is a fully-outsourced service provider right for you? Three questions you should ask:**

1


If the work is tied to an ongoing function, does your organization perform the function efficiently and cost effectively?

2

Do service providers exist that specialize in the function to be outsourced as a core competency?

3

Is the talent required to perform the work specialized and costly to recruit and retain?

A woman with long brown hair, wearing a black and white striped shirt, and a man with short dark hair and a beard, wearing a light-colored sweater, are looking at a laptop screen. The laptop is open on a wooden desk. In the foreground, there is a white mug, several yellow sticky notes, and a spiral-bound notebook with a diagram on it. The background is a plain, light-colored wall.

There are many factors to consider when building your talent supply chain, including company HR and Procurement policies related to labor utilization, as well as risks associated with talent retention and IP protection. Striking the ideal balance between the talent you build, buy, or borrow is a crucial decision that can impact access to scarce talent, or lead to missed opportunities to increase productivity and efficiency.

## About the Authors



Mike Berich is vice president and global practice strategy leader for the outsourced services segment of Kelly Services, Inc.® (NASDAQ: KELYA, KELYB). Kelly is a leader in providing workforce solutions and is headquartered in Troy, Michigan.

In his current role, Mike is responsible for developing, driving, and enhancing Kelly's market strategy for technical and professional outsourced services and ensuring that its solutions position Kelly as a market leader, while adding value and bringing a competitive advantage to current and potential customers.

Throughout his career, Mike has used a customer-centric approach to add value to client relationships through continuous improvement, while also challenging them to evolve and better leverage their talent supply chains.

Mike holds a Bachelor of Business Administration from Western Michigan University.

## About Kelly Services

As a global leader in providing workforce solutions, Kelly Services, Inc. (Nasdaq: KELYA, KELYB) and its subsidiaries, offer a comprehensive array of outsourcing and consulting services as well as world-class staffing on a temporary, temporary-to-hire, and direct-hire basis. Kelly directly employs nearly 500,000 people around the world, in addition to having a role in connecting thousands more with work through its global network of talent suppliers and partners. Revenue in 2016 was \$5.3 billion. For more information, visit [kellyservices.com](http://kellyservices.com) and connect with us on Facebook, LinkedIn, and Twitter.