

Temporary measures

Are your temporary and contract labour costs spiralling out of control? Simon Vail investigates how technology can put purchasers back in command of this tricky area of spend

One of the great mysteries for purchasers lies in temporary and contract labour spend. A recent survey by spend management specialist Ariba found that 21 per cent of European procurement directors felt they had no knowledge of their company's temporary labour spend and nearly half felt that temporary labour was arranged irrespective of corporate agreements.

With savings targets at an all-time high, purchasing directors must look at how they can work with each department to make budgets go further, says Steve Muddiman, Ariba's vice-president for EMEA marketing. "As temporary labour costs can be between 5 and 10 per cent of a company's overall spend, buying invisible employees off contract is simply not an option."

The answer might lie in e-procurement. More than in any other area of service spend, temporary labour benefits from systems that help to reduce costs, improve compliance, standardise procedures and improve supplier relationships.

Web-based management systems have allowed recruitment firms to revolutionise their service, whether they are a single supplier, master vendor on a preferred supplier list or a managed service provider. Client companies make a request, which is then sent to all suppliers involved in the relationship. Agencies will upload applicants to the system, which sifts relevant candidates. Workers complete timesheets online, which are sent to budget holders for authorisation. The timesheet information then passes automatically into the payment process and invoices are consolidated.

Managing spend

The London Borough of Newham turned to a web-based managed service when an efficiency review in 2003 uncovered that, in one year, the council had spent £32 million on 800 agency staff, supplied by 230 different agencies. Margins ranged from 15 per cent to 70 per cent of the total hourly rate paid.

"By using a managed service from the recruiters Badenoch and Clark, and web technology supplied by Beeline, we no longer have to process 40,000 paper invoices," says Rashid Patel, the council's recruitment manager.

Eden Brown is a vendor-neutral supplier of staff to local authorities. It manages around 220 agencies and offers a web-based service using two systems supplied by expressHR and SkillStream. Ian Wolter, its chief executive, says: "The efficiency gains are massive. Not just through consolidation of invoices, but also margin reduction."

Because of the way councils are structured, he explains, information about temps and their pay hadn't been captured in an accessible way. But by looking at what each department was buying, Eden Brown could negotiate standard margins. "Typically we can save a council £35,000 a month through margin reductions," he says.

"There was initial resistance from agencies as a result of this," he adds. However, process efficiencies such as faster payment and improved communication have managed to sell the system to suppliers.

IQNavigator offers an e-procurement platform that manages the entire purchase-to-pay process. Already popular in the US, the system is now starting to be used by agencies for businesses such as Shell in the UK.

One benefit, says Brian Owens, senior vice-president, global business development, is the reduction of maverick spending. "In a manual environment people can go outside the list of approved suppliers," he says. But once IQNavigator is in place there is no way for a supplier to send a manual invoice, which means users can only use preferred suppliers.

The system can also ensure end-to-end compliance to contract terms. "The supplier is only able to bill the client for what they have agreed contractually. In a manual environment, companies have to rely on integrity of supplier," Owens points out.

An e-procurement system can also provide an organisation with an invaluable single block of data on, for example, spend by area or job title, reason for hire, sickness cover, cost of temp while looking for a permanent employee and so on.

Armed with such data, says Wolter, purchasers are in a position to look for the next area for savings. And there are big savings to be made on temp labour, he adds: "In local authorities, most temps are there because of a lack of permanent staff."

Sony Europe has a contract with Reed Managed Services, which uses its own software to manage the supply of temporary clerical workers. Alan Bartlett, purchasing manager, says that although web-based systems are attractive, it is important for a firm to consider how new software will integrate with existing e-procurement systems. "We punch out

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from our Ariba system to Reed to request a temp. We bring the order back to Ariba for internal approval. But we punch out again to the Reed timesheet system to authorise it. It is not as logical as it might be," he says.

Smoothly does it

New technology should integrate smoothly with existing e-procurement systems, although in practice this may be overlooked either because it is difficult, or because a recruitment company makes a compelling offer to manage hundreds of agencies under one agreement.

Matthew Rodger, IT services director at outsource provider Alexander Mann, says firms need to pay careful attention to the configuration options offered by technology suppliers. "While you can bend the system on offer, vendors are not going to rewrite an application for you," he warns. He says it is important to check that the authorisation workflow on offer is a reasonable match to the one already in use. "Some vendors are very cute with their phraseology. It can cause confusion about what is a software rewrite and what is a configuration."

Firms should check, for instance, that if a traditional authorisation process follows a line manager, departmental manager, regional manager and financial director, then a new system should reflect that route.

Ninety per cent of the time approvals will go through on the nod, but the financial director may want control of all expenditure on temporary labour, Rodger says. "The financial director may want to be a deliberate blocker. He or she may want the regional or departmental head to ring up and ask why approval for a contingent worker has not been granted."

But if a firm can get it right, with an integrated end-to-end system, success in temporary and contract labour spend could pave the way into other areas. IQNavigator is now using its system in areas of service spend such as facilities management and legal services. The opportunities are endless.

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