

Weathering the Economic Storm with a Flexible Workforce

Most businesses and industries have seen better times. Recently the news has been filled with coverage on the stock market decline, government bailouts and employee layoffs. Companies that will successfully weather the economic storm need to creatively adapt to financial challenges. One way to do this is by setting in place a flexible workforce. There are multiple ways a flexible, contingent workforce strategy provided through a reputable staffing provider can maintain and increase efficiency, productivity and profitability in an uncertain economy.

“Firms that increased their reliance on contingent labor by at least 10% experienced increased EBITDA over companies without a flexible workforce strategy.”

According to a study conducted by the College of Business at the University of Oklahoma, “Firms that increased their reliance on contingent labor by at least 10% experienced increased EBITDA over companies without a flexible workforce strategy.”

Surviving Work Fluctuations

One of the first and most common ways businesses reduce overhead is cutting labor costs. Often cuts are made too deep and businesses are understaffed and unable to meet production/service demands, risking sales and revenue. If demand for a company's products fluctuates, headcount can easily be adjusted with contingent staffing. This custom tailoring can be accommodated without any costly consequences such as unemployment and severance packages.

The staffing industry was created to help companies weather economic ups and downs, matching a flexible workforce with an elastic economy. Temporary employees are fully aware of the contingency of their employment and staffing companies can act as a mediator between potential employees and client companies – pairing them project-to-project. In addition, these employees are encouraged to make an extra effort to perform their job well in order to prove they are worthy of a regular position.

Significant Cost Savings

Employee benefits like health care, long-term care and pensions are becoming increasingly expensive to provide. Contingent staffing practices are a great way for companies to lower costs, as they do not have to provide such benefits to temporary employees. According to the Bureau of Labor Statistics, legally required benefits, such as Social Security, unemployment insurance and worker's compensation, make up 8.4% of a permanent employee's annual compensation cost, while life, health & disability account for 7.7%

Not only do companies save by not having to provide such benefits to temporary employees, most often temporary employees are provided benefits packages via the staffing companies they are hired through. These temporary employees also benefit from the flexibility they achieve in the shifts and hours they choose to work as they move from project to project.

Avoiding Stock Decreases & Negative Employee Morale

The impact of employment downsizing can also cause other negative consequences such as reputation damage & decreased stock prices. It has been reported that stock price reactions to announcements of layoffs are significantly negative. Contingent staffing can help minimize the negative impact that is often followed by such layoffs.

In 2007, Circuit City's stock price dropped 4% the day after they announced the release of thirty-four hundred experienced sales associates. Moreover, recent studies across several countries conclude on average, markets had “a significantly negative” reaction to job cuts. When corporations announce layoffs, temporary employees may not receive the same media attention as permanent ones. When Compaq released 5,000 permanent employees from its payroll, their spokesperson didn't mention cuts to the temporary workforce - until asked. An additional 10 to 15 percent of its 24,500-strong contingency force was also released. When asked to comment, the spokesperson attributed this to typical business fluctuations, drawing on their contingent workforce cycle.

In February 2007, Dell announced a 1,700 employee reduction – not mentioning that they released the majority of their temporary workforce the prior month. Avoiding broad-based media coverage regarding this matter can help prevent negative employee morale that may come as a result. In addition, temporary employees understand their relationships with the companies they work for is flexible and that the project they are currently working for will eventually end -- as they will move onto the next.

The flexibility temporary staffing allows will continue to grow as businesses ride out this wave of economic uncertainty.

The current status of the economy has caused lots of businesses to make difficult decisions regarding their most important yet expensive investment, their employees. Continuous economic downturn will require the need of an even more cautious approach to employment spending. The flexibility temporary staffing allows such as the ability to fill positions on short notices and for various periods of time, will continue to grow as businesses ride out this wave of economic uncertainty.