



ROBERT WALTERS WHITEPAPER

LEVERAGING THE CONTINGENT WORKFORCE

ROBERT WALTERS

FOREWORD

In what can be classed as a period of post-Global Financial Crisis cautiousness, employers in Australia and New Zealand have embraced the growing casualisation of the workforce.

Faced with budget constraints, shortfalls in headcount or the need to complete a specialist project, contractors can often appeal as a risk-averse hiring solution. The specialist skills and flexible working times of contractors mean employers can respond more quickly to market changes, and reduce the obligations that come with permanent headcount such as annual leave payments and superannuation contributions.

Many Australian and New Zealand professionals are also choosing to become contractors and entering arrangements that offer greater flexibility, work/life balance and higher rates of pay.

As the contingent workforce grows, so too does the need for the management of issues related to non-permanent workers. Organisations are recognising the need to look past the traditional definition of employee and develop strategies to effectively source, secure and manage the contingent workforce.

Based on surveys of both individual contractors and those that employ them, this whitepaper explores the benefits of hiring contractors, the expectations of the recruitment process and how employers can get the most from the skills and experience that contractors provide, while avoiding the pitfalls that can come with an itinerant workforce.

As specialists in both temporary and permanent recruitment, we hope to provide you with useful insights that lead to material benefits within your organisation.



James Nicholson
Managing Director - ANZ

METHODOLOGY

This whitepaper is based on the findings of research undertaken by Robert Walters. To conduct this research, Robert Walters surveyed more than 300 hiring managers and more than 2000 professionals across Australia and New Zealand.

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INTRODUCTION

This whitepaper has been created to help employers better manage their contingent workforce.

Specifically this whitepaper explores:

- The contractor landscape in Australia and New Zealand
- The benefits of hiring contractors
- Finding the best contractors
- Effectively managing contractor processes
- Being an effective contractor employer

THE CONTRACTOR LANDSCAPE IN AUSTRALIA AND NEW ZEALAND

To give a broad definition, contractors are individuals who agree to provide their expertise to a company to complete a specific project, often within a fixed period of time, and do not usually enjoy the same rights as permanent employees such as sick leave or superannuation contributions. However, contractors are often paid at a higher rate than permanent employees, with the ability to work flexible hours or remove themselves from a contract at short notice.

The survey results indicate that although the number of contractors in the region is on the rise, most professionals in Australia and New Zealand view contracting as a short-term working solution. Of the contractors surveyed, just 4% said they were career contractors and not interested in any permanent roles and 11% have spent most of their career in contract positions. For the other 85%, contracting is more of a stopgap until they find the ideal permanent position. 30% are currently contracting but actively looking for something permanent, 6% are expecting to become permanent employees by working in a temp-to-perm arrangement, and the majority of professionals surveyed, 49%, have contracted in the past but are now permanent employees.



Professionals who have contracted in the past but are now in a permanent role



Professionals who are currently contracting but would like to find a permanent role



Professionals who have spent most of their career in contract positions, however would consider a permanent role



Professionals who are currently in a role that offers a temp-to-perm opportunity



Professionals who are career contractors and not interested in permanent roles



“WE NEED TO KEEP THE
HEADCOUNT DOWN”

“LESS COMMITMENT FROM THE
BUSINESS DUE TO ECONOMIC
UNCERTAINTY”

“OUR BUSINESS
REQUIRES MORE
SPECIALISED
SKILLS TO ENABLE
KNOWLEDGE
TRANSFER
AND LEARNING
OPPORTUNITIES
TO DEVELOP
IN-HOUSE”

WHY EMPLOYERS WANT CONTRACTORS

“WE REQUIRE
A VARIABLE
WORKFORCE
THAT FLEXES UP
AND DOWN WITH
DEMAND AND
CONTRACTORS
HELP US TO
MANAGE THE
VARIABILITY COST
EFFECTIVELY”

“NEW PROJECT WORK”

“WE NEED THE SPECIALIST
ASSISTANCE”

THE BENEFITS OF HIRING CONTRACTORS

The majority of employers (40%), believe that the primary benefit of hiring contractors is bridging shortages of highly skilled and specialist staff.

Employers also value contractors for being a cost-effective way of fulfilling a fixed-term project (29%) and for having the flexibility to vary their hours (14%). A smaller percentage noted the long-term benefits of contractors as assessing the potential of temp-to-perm hires (9%).

Among contractors, getting experience in different industry sectors and organisations with no need to commit was cited as the best thing about contracting (41%). This was closely followed by higher rates of pay (36%). The biggest downside of contracting among these professionals by a significant margin was a lack of security (58%), followed by time between contracts and no sick or holiday pay.

For employers, the biggest downside of hiring contractors is the fact that contractors can leave quickly, reducing handover time and knowledge transfer (47%). Another major downside, cited by one third of hiring managers, is a lack of consistency in the quality of work from different contractors.

Chart 1 - What contractors say are the top three upsides and downsides of contracting

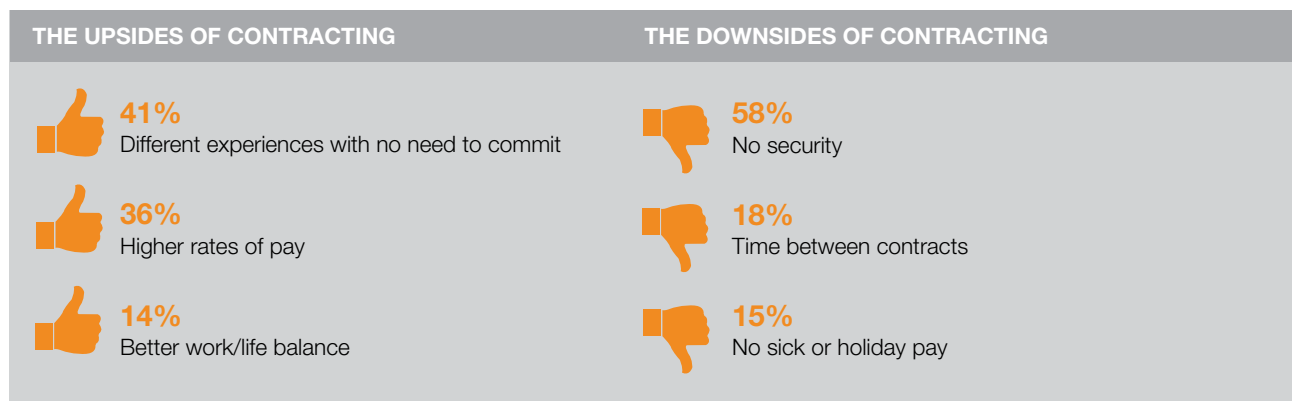
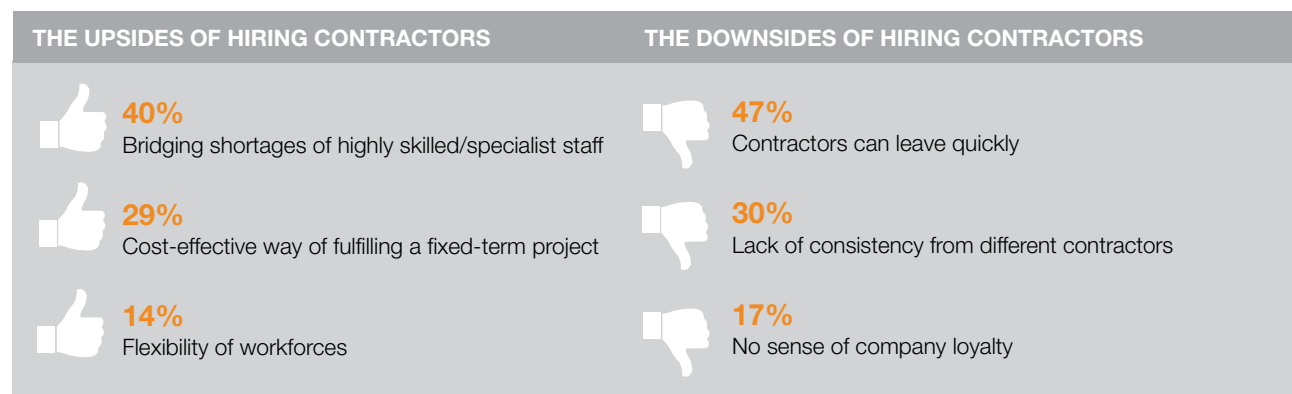


Chart 2 - What employers say are the top three upsides and downsides of hiring contractors



As an estimate, most employers said less than 20% of contractors have left the business before their contract was due to lapse. The main reason for this was that the contractor was offered a more lucrative contract with another organisation. This was also the main reason for the 23% of contractors who said they have left a contract early. Interestingly, while 77% of contractors had never been offered a completion or retention bonus, 71% said it would make them reconsider leaving a contract early. Just 18% of hiring managers said their organisation offers completion or retention bonuses.

Key learning #1 – Set clear expectations and rewards

It is important for contractors to have some degree of certainty, otherwise they may look elsewhere. The best way to help retain contractors is to set a clear completion date for the project, as opposed to leaving it open or continuing to extend it.

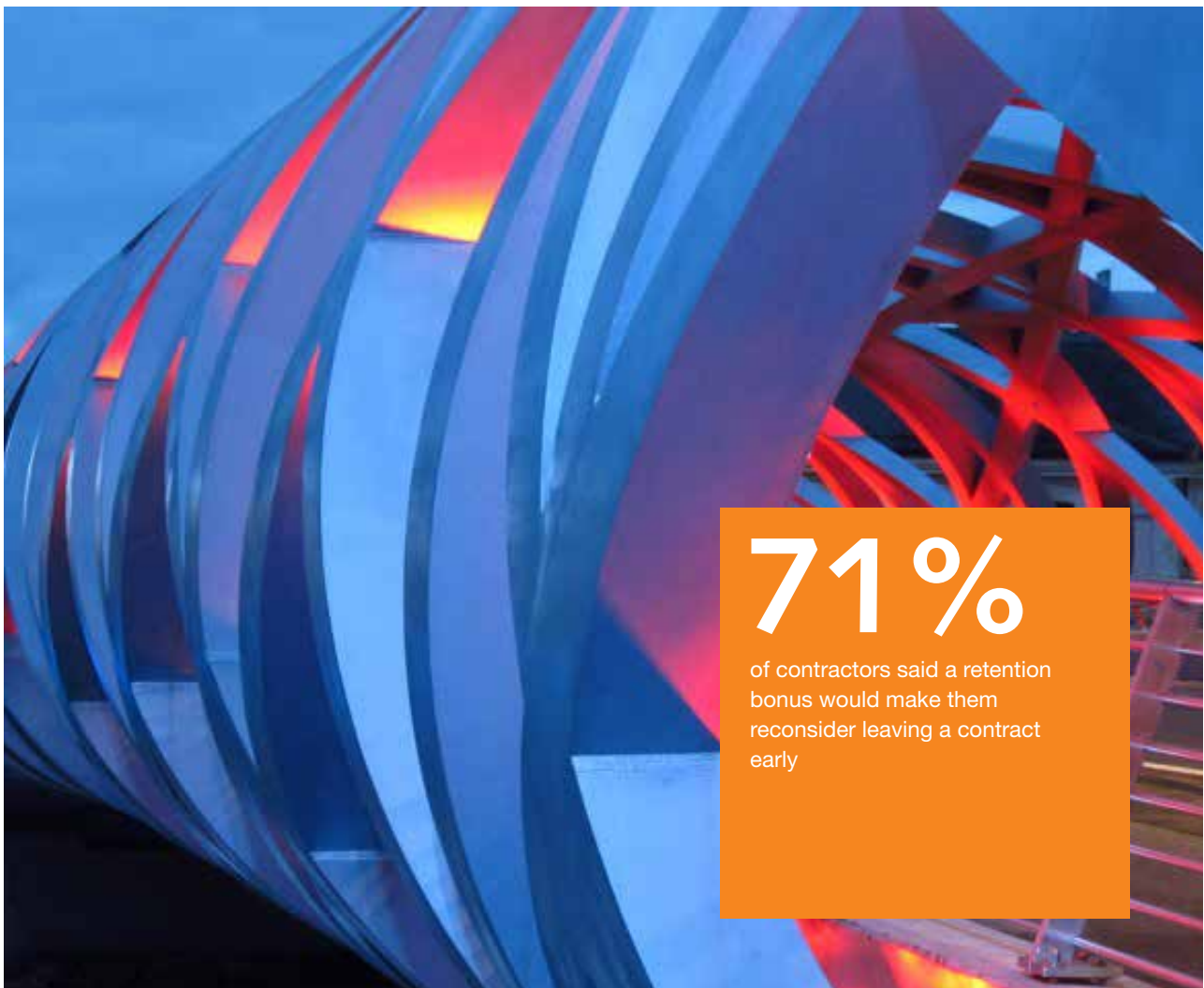
We also suggest that the 82% of employers who don't offer completion or retention bonuses could benefit by incorporating these into their contracts. The cost will generally be offset by the benefits of ensuring a contractor stays on until the completion of the project.

Retention or completion bonuses can include a variety of incentives such as a percentage of the total contract, additional pay for successfully completing the project on time, or an offer of an additional contract. The bonuses can be varied depending on the individual, the organisation and the value of the specific project.

Key learning #2 – Commit to a double clause

Organisations need to capture corporate knowledge and information that leaves with a contractor. As the results have found, 23% of contractors have left a project early, and this is largely due to the fact that the contractor is offered a more lucrative contract elsewhere.

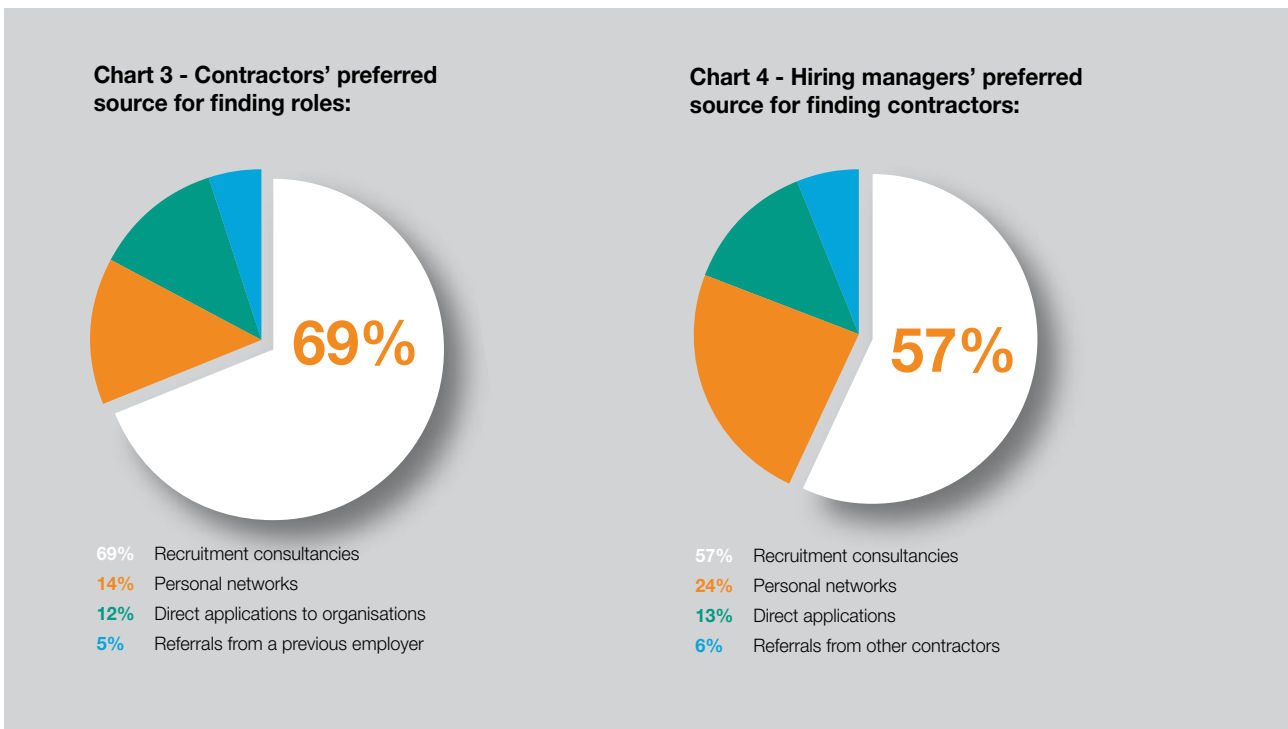
To avoid this impacting too greatly on the organisation or specific project, we recommend that employers include a provision in their contract that requires contractors to give a period of notice, allowing for handover time and knowledge transfer. The “double” aspect to this clause is simply that the employer also gives a notice period of the termination of contract. Balancing the clause makes it fair for all and shows the contractor that the employer is equally committed.



FINDING THE BEST CONTRACTORS

When it comes to sourcing contractors, recruitment consultancies are a valuable resource for matching individual contractors to the most appropriate available roles. 57% of employers and 69% of contractors agree that their preferred hiring channel is a recruitment consultancy.

Of the other hiring channels available, 14% of contractors use their personal networks to find contracts, followed by 12% who apply directly to organisations and 5% who rely on referrals from a previous employer. Only 13% of employers rely on direct applications, while 24% consult their personal networks and 6% use referrals from other contractors.



Most employers said they typically undertake one interview prior to hiring a contractor. Contractors consider this fair, with most expecting to be asked for one or two interviews.

The results show that the shorter the length of contract, the fewer the number of interviews required. A third of employers think no interview is necessary for a contract that runs for one month or less, half of employers think one interview is necessary for a contract that runs for one to three months, and half of employers think two interviews are necessary for contracts that run for six months or longer.

The length of time between applying for a contract role and being hired can make a big difference to those relying on short-term income streams, and it's here that we see a significant difference in expectations between contractors and hiring managers.

Just 8% of organisations take one week or less to fill a contractor role, 22% take one to two weeks, 25% take two to three weeks, 25% take three to four weeks and 20% take four or more weeks. This is compared to contractors, most of whom think the process should take one to two weeks (46%), or one week or less (30%). Just 24% of contractors think the process should take two or more weeks.

Key learning #3 – Consult an expert

Though hiring channels are becoming numerous and diverse, the evidence shows that a majority of contractors still prefer the advice of a recruitment consultant, as do the majority of hiring managers.

Using a recruitment consultancy that specialises in temp recruitment is especially important, as there are differences between permanent and contract recruitment that an experienced recruiter will know how to navigate. Going through a consultancy also mitigates any risks associated with the hiring process. Consultancies can offer additional services such as payroll, pre-screening and shortlisting of candidates, and recommend candidates who have performed well in other contract roles.



Key learning #4 – Don't delay

Contractors may be fielding offers from competitors so it is important to ensure that the time spent interviewing candidates is used efficiently to help both parties come to a quick decision – an overly lengthy recruitment process can serve to deter candidates.

When it comes to starting the hiring process, it is important to have details such as the start date confirmed. It is also important to determine who in the organisation needs to meet the candidate and ensure that they are available for an interview. This will help get the process moving and lessen the risks of delays along the way.

EFFECTIVELY MANAGING CONTRACTOR PROCESSES

At the induction stage, most managers said the steps they take to induct new contractor staff include introductions with line managers, clear project briefing, circulating emails welcoming the new member of staff, preparing IT logins and ensuring a workstation is available.

However, 60% of contractors said they have had difficulties logging on to IT systems, 53% have experienced incomplete or unclear induction procedures, 45% have had problems accessing information necessary to completing the project, 38% complained of poor communication with colleagues and/or managers and 32% have arrived on their first day to find no available workstation.

What steps do you take to induct new contractor staff?

Prepare IT logins and ensure a workstation is available	88%
Inductions with line managers	85%
Clear project briefing	74%
Establish advance access to all systems as necessary	68%
Group or individual inductions	68%
Circulate emails welcoming new members of staff	61%

As a contractor, which of the following challenges have you faced at the induction stage?

Difficulties logging on to IT systems	60%
Incomplete or unclear induction procedures	54%
Problems accessing information necessary to completing the project	46%
Poor communication with colleagues and/or managers	38%
Workstation unavailable	32%
Other	6%

There were also differences in how contractors and hiring managers prefer to manage their pay. While most employers (38%) prefer to pay a daily rate, most contractors (50%) prefer an hourly rate. 25% of contractors had experienced delayed payments and 10% had incorrect or unexplained deductions. When asked whether their organisation outsources payroll obligations to a third party, 30% of hiring managers did and 70% did not.

Employers were asked if contractors are treated in the same way as permanent employees, referring to the day-to-day dealings in the office environment as opposed to any official workplace guidelines. 85% of employers responded that contractors are treated the same way. However, when contractors were asked whether they are treated the same way as permanent employees, the majority at 55% said that they weren't. In another question, a further 32% said they didn't feel included in the wider organisation.

Key learning #5 – Improve the induction

As the research has found, many contractors have experienced problems at the induction stage. When a contractor is approved to start, it is important to ensure they have a phone list of relevant contacts, a team leader or manager to show them around the office and to provide a clear brief. If it's a role that is filled by a contractor on a regular basis, such as relief reception, it's a good idea to have a short manual or 'cheat sheet' with logins and a run-down of main duties. For more senior roles it's necessary to ensure that there is someone with good knowledge of the role to conduct a handover.

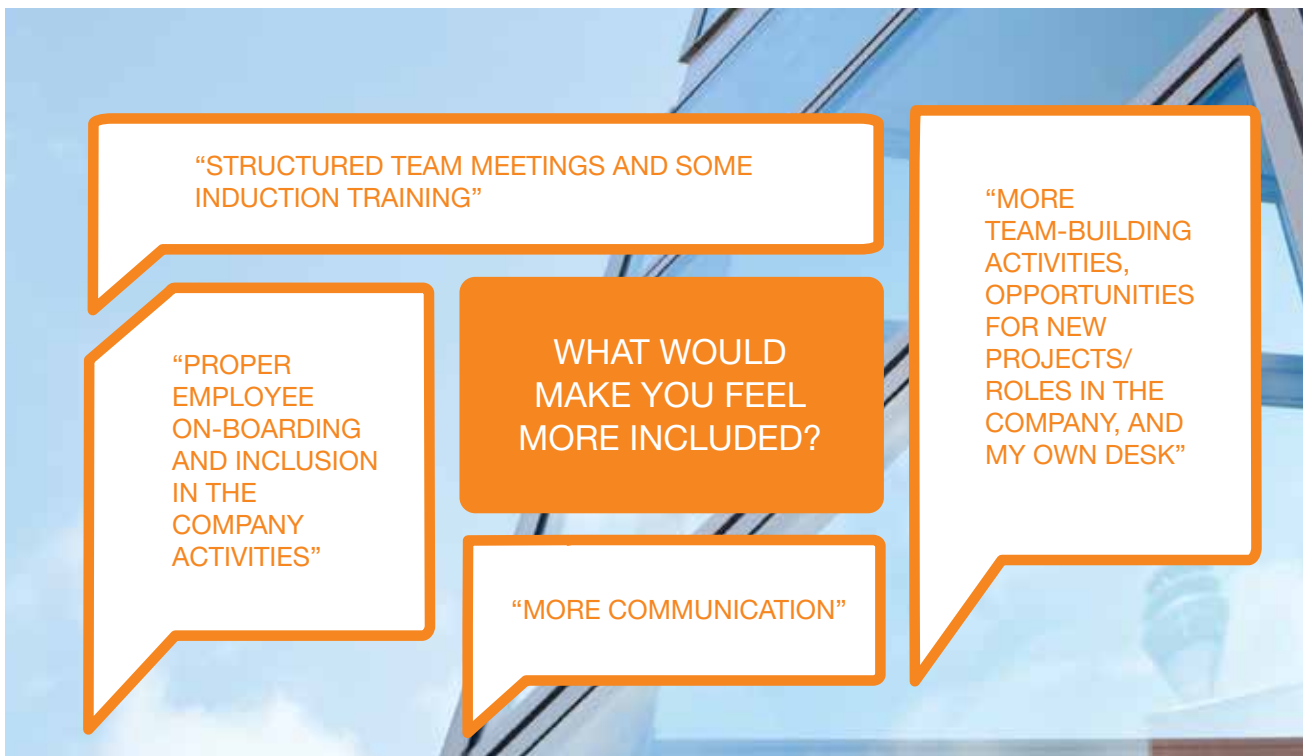
Outsourcing payment to a third party can also help employers avoid the pitfalls and time-consuming elements of the remuneration process.



Key learning #6 – Become more inclusive

While some contractors don't wish to be included in the wider company culture, the majority would benefit from greater inclusivity. As the number of contractors grows, it's more important than ever to address this in order to avoid contractor disengagement and threats to the company culture.

Inviting contractors to work events, including them on group emails and bringing them to meetings were just some of the suggestions offered up by contractors who would like to feel like a part of the organisation. Taking steps to keep contractors engaged and happy will benefit the organisation in the long run by ensuring that contractors remain loyal and recommend the organisation to others as a good place to work.



BEING AN EFFECTIVE CONTRACTOR EMPLOYER

When asked what keeps them engaged in a role, the majority of contractors, at 39%, said a good briefing with objectives clearly identified and explained. This was followed by effective communication with management (23%) and training and upskilling opportunities (14%). Just 12% said monetary incentives keep them the most engaged and motivated on the job.

When employers were asked what they do to keep contractors engaged in a role, the majority said effective communication with management at 31%. This was followed by integration with permanent staff (30%), a good briefing with objectives clearly defined (28%), training and upskilling opportunities (4%), performance reviews (5%) and monetary incentives (2%).

What keeps contractors most engaged and motivated on the job?

A good briefing with objectives clearly identified and explained	39%
Effective communication with management	23%
Training and upskilling opportunities	14%
Monetary incentives	12%
Integration with permanent staff	10%
Performance reviews	2%



While performance reviews are not widely used to keep contractors motivated, they remain one of the most popular options for handling underperforming contractors, with 49% of employers having used these on at least one occasion. Disciplinary warnings are a more drastic action implemented by 28% of employers. For 71% of employers, termination of the contract is seen as the most appropriate solution for an underperforming contractor.

When employers were asked if they conduct formal exit processes, the answer was a 50/50 split. If they do conduct exit processes, employers said that this usually involves an interview (71%) or a handover (25%). While half of employers say they conduct exit processes, 81% of contractors say they have never had to go through a formal exit process at the end of a contract. Of the 19% that had gone through a formal process, 50% said this involved an interview and 43% said it involved a handover.

Key learning #7 – Protect your brand

It is vital that organisations look at the long-term implications of the early termination of a contract. While it is indeed easier to terminate a contract than it is to dismiss a permanent employee, both actions can lead to dissatisfied ex-staffers who can be damaging to the employer brand. Therefore employers should not consider termination of a contract as the most appropriate solution for an underperforming contractor, and opt to take less drastic measures first to help maintain the company's reputation in the market. More than half of contractors expect a performance review ahead of a termination, and conducting these with contractors as you would your permanent staff members will help ensure a smooth transition when the employee does eventually depart.

Key learning #8 – Manage the departure

Only 19% of contractors have been asked to do an exit interview at any contract they have undertaken. We recommend that organisations treat contractors as they would permanent employees who are leaving. This is because the exit process provides the opportunity to glean valuable insights about a company's culture, processes and day-to-day management that can be used to implement positive changes. Departing employees have the freedom to speak without losing their jobs, and as past Robert Walters surveys have found, most value the exit interview as an opportunity to give honest and constructive feedback that is vital to learning how an organisation can improve their contractor processes.



50%

of employers conduct exit processes at the end of a contract

CONCLUSION

As we have seen, there are some discrepancies between how employers think they are managing contractors versus how contractors feel they are being managed.

A simple review of recruitment, induction, retention and exit processes can increase the value employers are getting from contractors as well as improve the contractor experience.

It's essential for contractors to have a degree of certainty in terms of their project briefing and length of contract, to provide time for handover and knowledge transfer and to ensure that contractors feel like a part of the wider organisation by being included in meetings and social events. It's also imperative to consider the impact that an early termination of contract may have, and to tread lightly with performance reviews first.

At the very least, these measures will help to keep contractors engaged and happy and benefit the organisation in the long run by ensuring that contractors remain loyal, and at best, will help to avoid conflict, and threats to the company culture and reputation management.

Effective management of contractors is only going to become more vital to the overall success of organisations as the contingent workforce grows, so now is a better time than ever to address the pitfalls and focus on the benefits that come with strong and successful leadership of the contingent workforce.

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