

Contingent Workforce Strategies

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By Bridget Mintz Testa

Facing the Contingent Labor Shortage

Innovation will be key to coming out ahead

Bridget Mintz Testa is a freelance writer based in Houston who writes about workforce issues and technology.

For the year 2014, the Bureau of Labor Statistics forecasts a total of 164.5 million jobs in the United States. For the same year, the BLS also forecasts 162 million people in the labor force. Simple subtraction immediately suggests that the United States will have 2.5 million more jobs than people.

Drawing that conclusion, however, will earn you a reprimand from the BLS. The two numbers come from different surveys, which shouldn't be compared directly. One is a survey of people, which only tallies a person's main job. The other counts only jobs, regardless of how many people are involved in doing each one. "People can and do hold more than one job," says Chet Levine, a BLS economist in Washington, D.C. "You can't conclude from these numbers that there will be a shortage. So the Bureau does not forecast a labor shortage."

Others, particularly those who focus on filling jobs, do. "The labor shortage is quite real," says Roger Herman, co-author of *Impending Crisis: Too Many Jobs, Too Few People* (2002) and CEO of workforce consulting firm the Herman Group in Greensboro, N.C. "There's a major shortage coming that could be huge."

Talent in Demand

For some companies, the shortage that Herman predicts isn't "coming" — it's already here. It's not so much a simple dearth of people, however, as a scarcity of those who have the skills, talent, education and experience necessary to fill the knowledge-based jobs of today and tomorrow.

A potential labor shortage in the future doesn't matter much when you're facing one today. That's the case at Halliburton Co., an oilfield services provider headquartered in Houston. At present, the notoriously cyclical oil industry is booming, and John Watson, Halliburton's global staffing manager, has a scarcity of oilfield workers. "Everyone's looking for more employees," Watson says. "Business is good right now, and labor is short."

Framatome ANP, Inc., the American unit of a global corporation, based in Lynchburg, Va., repairs, services and replaces components for commercial nuclear power plants. It, too, is facing current labor shortages, thanks to a resurgence of commercial nuclear power after nearly 30 years of zero growth, a resurgence driven by the current high costs and short supply of fossil fuels. "We are seeing intense competition for key technical talent," says Steve Blickenstaff, vice president of human resources. "There is an explosion in our industry for engineering and technical talent, and we have a shortage."

Not only does Blickenstaff have an immediate shortfall, he also faces a long-term dearth because he has no pipeline to up-and-coming technical talent. Neither does anyone else in the U.S. nuclear power industry. "After Three Mile Island in 1979, most college and university nuclear engineering curricula went away," Blickenstaff says. Thus, Framatome's workforce isn't young. "One-third of our 3,500 employees could retire today," he says.

Halliburton and Framatome each has a specific reason for its immediate workforce shortfall. Their cases, however, can be seen also as examples of two significant trends in the U.S. workforce — trends that, when combined with others, may well imply long-term labor shortages for U.S. employers, regardless of the BLS' disclaimers.

One trend is the already acute shortage of knowledge workers in virtually all industries. "At conferences, I ask attendees to raise their hands if they have critical vacancies they can't fill," says Herman. "Almost every hand goes up. It's not that we have a lack of workers — we have a lack of qualified workers."

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Moreover, existing technical talent is aging. More than half of the science and engineering workforce in the U.S. is 40 years or older, according to the National Science Foundation. The total number of degrees awarded in engineering, physical sciences and math peaked in 1985, and only about 6 percent of all degrees awarded to 24-year-olds in 2000 were in these areas. Young Americans aren't entering technical fields at nearly the rate their Baby Boom elders did at the same age. That is a problem, since the BLS forecasts that professional and related occupations, which include science and engineering, will be the largest category in 2014, representing 21 percent of all jobs.

On top of that, today's college graduates have a different attitude toward jobs. "The 25-year-old worker is looking through the eyes of his laid-off, 50-year-old parent who says the psychological contract with the company is broken, so look out for yourself," says Bob Kustka, president of CHR Partners, a human resources consulting firm in Norwell, Mass. Many of these younger workers aren't willing to work long hours in an office or travel all the time for the company.

New Contingent Models

Corporate America is well aware of these trends, so what can it do to prepare? "It is very difficult for companies to strategically plan for workforce recruitment more than about two to five years out," says Richard Wahlquist, president and CEO of the American Staffing Association in Alexandria, Va. Still, a survey the ASA conducted in 2004 showed that the staffing industry will be part of the solution. "It's up to staffing companies to construct models that are attractive to all age groups," Wahlquist says.

Pro Unlimited, Inc., of Boca Raton, Fla., a master vendor that manages staffing firms for its customers, is working on building such models. One uses retirees extensively. "My clients are asking me to take on more retirees than we're used to," says COO Terrie Weinand. "At any given time, we'll have several hundred retirees working through us as contingent workers. In a full year, it can be thousands."

Turning to retirees might seem unconventional, but it's a model that seems to suit everyone. Businesses are already relying on retirees, who come back directly or through staffing agencies to do work that younger employees can't do because they lack formal knowledge and experience. It's likely that both staffing companies and their clients will implement some form of mentoring or training to capture and transfer retirees' invaluable knowledge and skills.

"Since the individuals coming up don't have the range of experience," Weinand says, "staffing companies are eagerly embracing these over-55 workers, specifically the niche and professional staffing firms." Although Weinand doesn't see general and administrative staffing companies embracing older workers yet, she predicts that they will. Two years ago, Framatome's top management saw what was happening in the nuclear power industry. "The first thing we did was a lot of brainstorming on how to attract and keep contingent workers," Blickenstaff says. For this purpose, planners created eight alternative employment categories.

After an employee has been retired for six months, he or she can come back to work at Framatome for specific, time-limited projects, on a continuous part-time basis, for peak periods in the spring and fall, or whatever arrangement the job requires. If retirees return to the same jobs they held before retiring, Blickenstaff says, "They still get their pension and the same hourly rate as before." They also get a \$2.50-per-hour supplement that helps with medical coverage.

Framatome also offers a phased retirement plan for any employee who is within three years of retirement. It's up to the individual to initiate the process, which requires the employee to build a business case for gradual exit from the workplace. The employee's manager must be able to handle the workload under the new schedule. For a worker eligible to retire in 2009, a phased departure might mean working 1,500 hours in 2006, 1,200 hours in 2007 and 1,000 in 2008.

Compensation and benefits drop proportionally, which benefits Framatome, and the worker gets to "practice" retirement instead of stopping suddenly. "What makes it really attractive is that instead of taking the average of the last five

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years of salary as the basis of the pension, we take the full salary,” Blickenstaff says. Although Framatome will freeze its pension plan in 2008, it will enhance its 401(k) plan by raising the company’s matching portion to as much as 10 percent.

More Flexibility

PrO Unlimited’s staffing contractors are developing another contingent model based on flexibility. “My clients are challenging their staffing suppliers in terms of where workers are found and in terms of flexible assignments with gaps to make these workers available,” says Weinand. “Getting three months of work a year out of someone may be an option.”

Flexibility also means rethinking the importance of location. Weinand says, “If a staffing company can partner with offshore companies, if they can bundle their talent into a solution — not just provide a body, but deliverables — then they have a shot at increasing margins and being ongoing providers to their customers.”

And flexibility requires searching out talent, wherever it exists, and making it part of that bundled solution. “Many staffing firms I work with have a global approach,” Weinand says. “They can fill an order with someone who comes into the U.S. for a period and does the rest of the work offshore. I have other suppliers who are entirely abroad.”

Framatome has at least one flexible job category in which an employee agrees to work for a certain number of weeks per year, depending upon job requirements, and is free the rest of the time. Salary and benefits are prorated but provided for the entire year, rather than just the time the person works. “This gives the employee a year-round salary and keeps them loyal to Framatome,” Blickenstaff says.

Halliburton’s version of flexibility is more conventional: Contingent workers come in to fill gaps or handle sudden influxes of work. Watson plans his contingent workforce yearly. If he anticipates spikes in that period, he’ll let his staffing contractors know what to expect. “We give the agency job descriptions, compensation levels, budget requirements and other details so they can get the people we’ll need,” he says.

New Solutions

Although the BLS staunchly insists that its statistics don’t predict a labor shortage any time from now through 2014, essential skills and talents are already in short supply in corporate America. Companies are actively looking for solutions, and they’re demanding that their staffing suppliers be active participants in creating those solutions.

Flexibility in recruiting, job location and work scheduling are ways that companies and their staffing suppliers meet their workforce needs. “Staffing company strategies will be to offer flexible employment strategies and benefit packages,” Wahlquist says. These companies will be under pressure to train their recruits for clients’ job requirements. They’ll also need to broaden their diversity initiatives — even beyond U.S. shores.

Further, staffing companies and their clients will have to be flexible in thinking of contingent staffing overall. For example, companies that have limited the duration of contingent workers’ assignments may need to re-examine those policies. Time limits “will be very hard to sustain with the labor shortage,” says Weinand. “If you push qualified workers out after six months, they will go elsewhere, and you may have trouble replacing them.”

Companies must also learn to make fast decisions about contingent hires. “You can’t put contingent workers through six or seven interviews and expect them to be there at the end,” Weinand says. “The job market is heating up.” U.S. businesses have faced labor shortages before, and they’ve always found solutions. With help from contingent staffing suppliers, they’ll solve the shortages of this century, too.