

Multinational software house mitigates risk, increases retention and saves a million ...

About the client

A large International software companies Australian division engaged approximately 150 independent contractors both directly and via recruitment agencies.

The client's contingent workforce represented approximately 25% of their overall workforce.

The client had engaged over 30 recruitment agencies to source contractors, with recruitment agency margins ranging from 25% to 35%, plus on-costs. All directly engaged contractors were being payrolled through a recruitment agency for a cost of 10%, plus statutory costs. (Contractors are paid an average of \$96,000 per annum).

In Brief.

- Lack of contractor visibility.
- Low contractor retention.
- High cost to service contractors.
- Inconsistent contractor management.
- High contractor engagement risk.

Solution.

- Risk mitigated.
- Retention rate increase.
- Reduced costs.
- Over \$1.2m in savings in year one.

Problem

The client had a desire to increase the number of internally placed contractors by their internal recruitment team, whilst reducing excessively high recruitment agency margins.. The client believed the quality of contractors attracted was being compromised due to high agency margins reducing contractor receipts and also had concerns managing the number of agencies engaged.

The client also had concerns regarding risk and compliance and wanted to eliminate unnecessary costs incurred through excessive administration by streamlining processes and improved reporting.

Summary of client issues:

- Lack of visibility and control over contractor rates and ever increasing agency margins.
- Quality of contractors being attracted to the company was being compromised.
- Contractor retention was low.
- Contractors where not receiving any additional benefits or care.
- Desire to increase direct placements versus external placements via a recruitment agency.
- Excessive administration of time sheets and invoices.
- Cost to service contractor was too high.
- High risk of direct engagement.
- Contractor management not consistent/standardised.

Summary of key drivers for client:

- Increase return on investment on contract workforce.
- Reduce agency margins.
- Improve quality of contractors.
- Improve contractor satisfaction and retention.
- Increase proportion of directly sourced talent.
- Streamline administration.
- Reduce administrative costs.
- Reduce payroll costs.
- Reduce risk of potential employment grievances and claims by directly engaged contractors.

Solution

Transparent reporting was introduced allowing the client to bench mark agency rates, giving them greater visibility and control. The client experienced a significant reduction in administration and risk associated with expired or insufficient insurance coverage and also achieved a standard process to ensure timely contractor payments, thereby reducing the instance of dissatisfied contractors which may compromise project delivery.

Summary of CXC initiatives implemented:

- Standardised contracts for all contractors.
- CXC Master Vendor – thus one invoice to Client for contractor hours and oncosts.
- Agency margin reduced and paid back to agency.
- Contractor payroll and management performed only by CXC.
- On boarding process defined and implemented.
- Financially beneficial salary packaging provided to contractors.
- Contractor care program implemented.
- Value added benefits to contractors defined and offered to contractors.
- Online time sheet and expense system implemented.
- Centralised and standardised reporting provided to client.

Benefits

By outsourcing their Contingent Workforce Management the client was able to:

- Reduced the number of panel agencies from 30 to 5.
- Generate an approximate average saving of \$7200 per contractor per annum in agency fees.
- Generate an approximate average saving of \$3600 per contractor per annum in payroll fees.
- Generate an approximate total saving of \$792,000 per annum in agency fees.
- Generate an approximately total saving of \$446,880 per annum in payroll fees.
- Greater transparency, bench marking and control of contractor rates.
- Control of contractor hours and spend by using the live reporting function.
- Eliminated manual upload of over 200 invoices per week, reducing administrative overheads.
- All contractors receive a standardised CXC on boarding consultation.
- The client's corporate policies were managed via CXC.
- Streamlined time sheet and expense handling and increased productivity of line managers.
- Improved contractor retention through bench marked rates.
- 35% of contractors accepted an increase of approximately \$2500 per annum via Salary Packaging their income.
- Additional contractor benefits offered and contractor care program implemented.
- Reduced direct engagement employment risk, such as leave, superannuation and redundancy claims.
- Universal insurance and workers compensation policy for all contractors ensuring adequate coverage for all contractors.

CONCLUSION

The client realised an approximate saving of \$1,238,880 AUD within the first year of implementation across their contingent workforce, and multiple intangible benefits including reduction of financial services staff and higher contractor retention and satisfaction.

The results have been so compelling that the client immediately implemented this structure into their New Zealand operations and is in current discussions for rollout across their Asia Pacific operations.

ABOUT CXC.

CXC Global™, a leading supplier of contingent workforce solutions, every day helps thousands of organisations (and individual contractors) decrease costs and increase profits by providing innovative contractor management, compliance, risk mitigation, salary packaging, payroll and remuneration solutions.

Founded in 1992 CXC Global™ has offices on 5 continents in 20 countries and has led the development of new technologies and initiatives enabling both corporations and individual consultants to adapt in today's high performance work environment.

If your organisation has contingent workers and has concerns regards similar to any of the above, then you need to speak to CXC Global™ – Business Process Outsourcing for contract workforce management.

CXC Global™. The global leader in innovative Contractor Remuneration & Contingent Workforce Solutions. Visit www.cxcglobal.com.au for more information.

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