Human Resource Management

THIRTEENTH EDITION

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5 Recruitment

HRM in Action ## Will Contingent Workers Replace Full-Time Employees?

OBJECTIVE 5.1

Describe the possibility of contingent workers replacing full-time employees.

contingent workers

Described as the "disposable American workforce" by a former secretary of labor, have a nontraditional relationship with the worksite employer, and work as part-timers, temporaries, or independent contractors.

Contingent workers, described as the "disposable American workforce" by a former secretary of labor, have a nontraditional relationship with the worksite employer and work as part-timers, temporaries, or independent contractors. The United States Government Accountability Office has estimated that so-called contingent workers make up nearly a third of the workforce. And forecasters believe that amount will rise.[1] Joyce Russell, who as president of Adecco Staffing oversees the placement of contingent workers in the United States, said, "We are super busy at Adecco. We are seeing sustained growth across all industries from pharmaceuticals to technology to consumer products to aerospace."[2] Although there are an estimated 10,000 temps in the United States, the five largest U.S. staffing companies, by revenue, are Allegis Group Services, Randstad, Adecco, Manpower, and Kelly Services.[3]

Contingent workers are the human equivalents of just-in-time inventory. These *disposable workers* permit maximum flexibility for the employer and lower labor costs. Historically, contingent workers have been called the bookends of recessions. They are the first to go when a recession begins and the last to be recalled when the economy gets better. However, toward the end of the recent recession, many companies were reversing this trend and following the strategy of holding off on the hiring of regular full-time employees and choosing instead to use contingent workers. Companies are now using contingent workers as a continuing strategy in both good and bad times.[4] In fact, the Bureau of Labor Statistics data suggest that between 2008 and 2018, staffing companies will add jobs at almost twice the rate of estimated job growth overall.

1. Describe the possibility of contingent workers replacing full-time employees.
2. Define *recruitment* and explain alternatives to recruitment.
3. Explain the external environment of recruitment and describe how promotion policies influence recruitment.
4. Describe the recruitment process and explain internal recruitment methods.
5. Identify external recruitment sources.

6. Explain the impact of mobile HR recruiting.
7. Describe online recruitment methods and discuss the possibility of job search scams.
8. Identify traditional external recruitment methods.
9. Describe how recruitment methods and sources are tailored to each other.
10. Define *reshoring* and explain why some firms are rejecting outsourcing and returning the lost jobs to the United States.

The latest recession caused companies to rethink the way work gets done. This brought a refocus on the use of contingent workers, who can be added or cut as demand requires. In fact, the pace of contingent job growth suggests a shift toward more use of temporary labor at the expense of permanent jobs.[5] Garry Mathiason, vice chairman of Littler Mendelson in San Francisco, said, "In the future companies will likely make wider use of staffing methods similar to those practiced by the film industry. There, entire crews of contingent production workers are assembled for a movie then disbanded once it is finished."[6] A study by the Institute for Corporate Productivity (i4cp) found that high-performing organizations have increased their use of contingent workers from traditional administrative positions to technical support, operations, and high-skilled professional positions, including engineering, legal, and finance.[7] If the use of contingent workers is indeed the trend, the manner that human resource is practiced will experience considerable change.

Some businesses such as Hilton Worldwide are resisting the trend to increase the number of contingent workers. Hilton, for example, coordinates its staffing on a regional basis and sends full-time employees from one hotel to another nearby hotel to handle temporary increases in demand. Jim MacDonald, Hilton's vice president of human resources for the Americas, said, "This strategy not only makes efficient use of the hotel chain's staff but also helps develop an agile workforce."[8]

recruitment

Process of attracting individuals on a timely basis, in sufficient numbers, and with appropriate qualifications to apply for jobs with an organization.

Recruitment Defined

Recruitment is the process of attracting individuals on a timely basis, in sufficient numbers, and with appropriate qualifications to apply for jobs with an organization.

The firm may then select those applicants with qualifications most closely related to job descriptions. Finding the appropriate way of encouraging qualified candidates to apply for employment is extremely important, however, because recruiting costs can be expensive. Thus, a properly functioning recruiting program can have a major impact on the bottom line of a company.

The recruitment process is critical because employees quickly become either assets or liabilities based on how they contribute to the value of the company.[9] How many times have we heard CEOs state, "Our employees are our most important asset"? Instead they should be saying, "The right employees are our most important asset." Hiring the best people available has never been more critical than it is today, because of the economy and global competition. A company's ability to recruit and manage talent has become the measure for the overall health and longevity of the organization.[10] It is estimated that just the cost of replacing an employee alone when a bad decision is made is two to three times the employee's annual salary. Therefore, it is crucial to have a finely tuned recruitment process if the selection process is to function properly. However, before beginning the recruitment process, alternatives to recruitment need to be considered.

Alternatives to Recruitment

Even when HR planning indicates a need for additional employees, a firm may decide against increasing the size of its workforce. Recruitment and selection costs are significant when you consider all the related expenses. The cost of replacing a person making $50,000 per year can easily reach $75,000.[11] Therefore, a firm should consider alternatives carefully before engaging in recruitment. In addition to the alternatives discussed below, contingent workers (discussed in the HRM in Action at the beginning of the chapter) provide another significant alternative to recruiting.

Outsourcing and Offshoring

outsourcing

Process of hiring an external provider to do the work that was previously done internally.

Outsourcing is the process of hiring an external provider to do the work that was previously done internally. Outsourcing has become a widespread and increasingly popular alternative involving virtually every business area and has been a common practice in industry for decades. An increasing number of businesses are looking to outsource noncore services such as IT, payroll services, and fleet management to a third-party specialist.[12]

offshoring

Migration of all or a significant part of the development, maintenance, and delivery of services to a vendor located in another country.

Offshoring is the migration of all or a significant part of the development, maintenance, and delivery of services to a vendor located in another country. According to a recent study, 54 percent of global companies engaged in offshoring expect to expand their offshoring initiatives during the next three years. Traditionally, the reason given for offshoring is to reduce costs. Today, increased quality service is also being given as reasons for offshoring.[13] Offshoring growth concentrates in information technology, software development, and innovation services (product design, research and development, and engineering services).[14]

Onshoring

onshoring

Moving jobs not to another country but to lower-cost American cities.

Onshoring involves moving jobs not to another country but to lower-cost American cities. Some companies might like to offshore their jobs but the government may require onshore handling of certain financial, health, and defense data. This requirement often represents more than 15 percent of all IT service work. As an example, one global company opened a midwestern U.S. facility with more than 1,000 IT service employees. Wages at the facility were 35 percent lower than at headquarters, and the company also received $50 million in government incentives.[15]

Overtime

Perhaps the most commonly used alternative to recruitment, especially in meeting short-term fluctuations in work volume, is overtime. Overtime may help both employer and employee. The employer benefits by avoiding recruitment, selection, and training costs. The employees gain from increased income during the overtime period.