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New lease of life

With the rising popularity of executive leasing, it is important to understand the factors that are fuelling this growth, the relevant market trends, and how businesses can use this new insight to avoid common mistakes, says Kristen Barrett.

The birth of executive leasing in New Zealand occurred in the late 1980s after the global equity crash. Since then this dynamic market has evolved significantly. At the time, the downturn hit businesses hard, forcing mass redundancies at all levels. The emergence of executive leasing was driven by both a large pool of talent, and business's focus on necessary cost-control exercises for their own survival. As we emerge from a similar financial crisis, the popularity and relevancy of executive leasing is growing again, but with a new flavour, synonymous with the 21st century.

From my experience working in the executive leasing market, I have seen some interesting trends emerge. The key observation is

that there are clear signs a second rise of executive leasing is starting to take place in New Zealand. This will see all types of temporary and contingent staff numbers spike and create a new floor level of workers contracting, as opposed to other forms of employment. So employers—it's time to get prepared.

Technology revolutionising contract recruitment

The arrival of new technology has streamlined the way businesses recruit. Online job boards, candidate portals, e-recruitment platforms, not to mention social media, have all changed the way contract talent is hired. With the aid of these new on-line recruitment tools, more



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employers are finding that cost-effective results can be achieved by recruiting in-house.

The prolific reductions in recruitment budgets that stemmed from the financial downturn have encouraged companies to favour lean recruitment models, with in-house HR teams utilising recruitment technology. It is fair to say that these lean models are here to stay.

Using job boards has been a popular and cheap method in recent times. According to Seek.co.nz, in March 2010 the largest volume of job adverts was recorded in the past 15 months, with 1995 original postings recorded across the nation. Interestingly, I've also noticed there has been growth in companies advertising directly, as opposed to agencies securing exclusivity on roles.

While the use of job boards can work well for permanent roles, this is not always the case with contracts. The typical CV of a career contractor can appear confusing. With an array of three- to 12-month contracts, it may not always paint their experience in the most positive light. To the average employer, it's hard to gauge a person's actual performance in each project, which makes screening a multitude of CVs, with no performance commentary, a tricky—if not impossible—task.

With the growth of Web 2.0 options available to employers, contract recruitment can be improved. The systems that are available to HR managers today provide transparency and direct control over the recruitment process, which helps to achieve excellent outcomes.

Tech-savvy HR consultant Sandra de Kock says new web technology that allows for direct interfacing with candidates is growing in popularity. The director of software development company Propellerhead and executive board member of the Human Resources Institute of New Zealand says she has seen the executive leasing market develop significantly since its inception.

"In the past, if you needed a contractor you would call your recruiter straight away, but this is no longer the case," says de Kock. "With a range of Web 2.0 tools available to HR, the recruitment function can be effectively managed in-house. Contractor portals, forums, social media and job boards all allow for more transparency while sourcing, which benefits the contractor and the employer. Some of these tools provide performance feedback on contractors, allowing further transparency and efficiency during the recruitment process."

With these options available, businesses can also create talent pools, which is an essential element in any HR strategic plan. The importance of maintaining talent banks of contract workers was highlighted in a 2009 report conducted by global talent management association the Human Capital Institute.

According to this report, organisations will need to have access to contract talent at the right price, in the right numbers and in alignment with corporate objectives to succeed in tomorrow's

market. Having access to active contractor talent pools is the only way to achieve this.

The future of contracting in New Zealand

The executive leasing market is booming overseas; it is only a matter of time before this trend hits our shores. In a report from contractor payroll specialist CXC Global, the Australian Bureau of Statistics reported around 25 percent of their workforce could be labelled as contingent (contract or temporary staff). This is a significant chunk of the workforce. Using professional contractors makes commercial sense. With these professionals at hand, projects can be delivered quickly while lowering staff overhead costs.

But employers need to look beyond the sourcing of these professionals and question how they will actually be managed. Over 70 percent of New Zealand businesses do not have policies in place to source, engage and manage contingent workforces effectively. This means employers could be at risk. Without set procedures, hiring managers will have no choice but to improvise with inefficient processes to manage their contract talent needs, resulting in multiple vendor relationships, non-uniform pricing and uncertain compliance status. Kirsty Erasmus, the New Zealand manager of CXC Global, says the result will ultimately equate to losses in time and money.

This sentiment for growth is backed by de Kock. She points out that the casualisation of the workforce is beginning and this will see contractor numbers boom. With jobseekers targeting flexible working options and the recovering economy limiting the number of full-time permanent jobs available, contracting stands to benefit. "This growth will be across the board and we will see more contractors entering non-traditional roles, such as administration/support positions" explains de Kock.

I've seen a trend emerge where employers, particularly in the public sector, are hiring fixed-term staff instead of traditional contractors. By engaging fixed-term employees, managers can cost-effectively supplement core teams. These individuals are usually added to the company's payroll and remunerated on par with permanent employees, with lower hourly rates than what contractors receive.

But, it is a well entrenched myth that all New Zealanders prefer permanent work and our legislation stems from this. These regulations will be scrutinised as the number of contracting professionals increases. With more Gen X and Baby Boomers seeking flexible working options to escape the traditional '9-5' grind, while still contributing their expertise in business, our contingent workforce will grow.

What are contractors really worth?

With so many different types and levels of contracting professionals, understanding market rates for individual roles can be difficult.

Getting valid, accurate and current data can be a nightmare for HR and line managers. On a six-monthly basis, Crackerjacks analyses the rate expectations of contractors to help employers understand the naked market rates. Naked, you ask? There are no margins involved—these rates are straight from the horse's mouth, so to speak. Key findings can be found in the sidebar (right).

To secure work, professionals have been willing to lower their rates. On the surface, this appears to be a positive for employers, but the recession has actually had an adverse effect on the contracting market. A number of talented career contractors have moved into permanent roles to secure their income stream. With these valuable professionals exiting the market, the gap has been filled by new entrants who have been affected by redundancies.

This has resulted in an increase in the number of contractors requiring advice over the past six months. An effective contractor requires a different skill-set to your typical employee, even though role function remains the same. The best contractors will manage client expectations, work strictly within the brief and perfect their time management skills. These competencies are often overlooked by newcomers to the contracting realm and can cause headaches for employers.

Employers have become increasingly mindful about the performance of their professional contractors and the best ways to manage these people. With an ever increasing competitive market, rigid budgets and high expectations for project outcomes, it's important that jobs are done right the first time. Understanding what determines performance is vital for any manager.

Past performance is a strong indicator of future performance. Upfront checks on contractors are essential so that good candidates can be highlighted. With the urgent nature of contracting, having performance-validated CVs at hand is crucial—otherwise it's a gamble.

Performance is also guided by the way professional contractors are managed. The following pointers should be acknowledged when hiring and managing contractors:

- Discuss what is to be delivered and when this should be completed;
- Cover off key milestones you want achieved, reported on and how often;
- Make it clear who owns the work that the contractor produces;
- Clarify any provision of materials, equipment, data or premises;
- Include a confidentiality clause in the contract—what sensitive information can not be disclosed?
- Clearly explain and document the expected terms of payment and exclusivity issues, eg, can the contractor work for anyone else during this contract?

The cause for the rising popularity of contracting is more deeply

The latest on professional contractor's rates

New research in the contracting market has revealed the current rates professionals are expecting. This information shows contractor's true rate expectations, excluding additional margins.

Over the past six months, contractors' average rate expectations have increased in the following professions (please note, these are average figures):

- Scientific—\$65 p/h (12.9% increase)
- Legal—\$65 p/h (11.1% increase)
- Marketing/PR—\$66 p/h (8.5% increase)
- Engineering—\$67 p/h (7.8% increase)
- Advertising/Media—\$61 p/h (5.7% increase)
- IT/Telecommunications—\$72 p/h (5.4% increase)
- Sports/Events/Leisure—\$50 p/h (5.1% increase)
- Management consulting—\$92 p/h (4.6% increase)
- Supply/Logistics/Operations—\$63 p/h (3.5% increase)
- Manufacturing—\$41 p/h (2.5% increase)
- Human Resources/Training—\$65 p/h (1.7% increase)

Contractors in the following fields actually dropped their average rate expectations:

- Education—\$50 p/h (-9.5%)
- Banking/Finance—\$50 p/h (-7.2%)
- Export/Import—\$46 p/h (-5.2%)
- Sales—\$55 p/h (-4.4%)
- Accounting—\$50 p/h (-4%)
- Retail—\$42 p/h (-3.7%)
- General management—\$78 p/h (-3.3%)
- Construction/Property—\$52 p/h (-1.9%)
- Knowledge management—\$60 p/h (-1.8%)
- Hospitality—\$32 p/h (-1.6%)
- Administration/Clerical—\$37 p/h (-0.01%)

Naturally, higher-performing contractors with more skill will command higher rates.

Full details of the *Professional Contracting Rates Guide* can be requested from business@crackerjacks.co.nz

Source: Crackerjacks

set than a knee-jerk reaction to getting 'bums on seats'. With a case of history repeating itself, our most recent recession has brought organisational structures under scrutiny again and highlighted the importance of lean and efficient operations. Contractors and temporary staff are essential elements in the workforce and are critical to achieving maximum productivity. I encourage you to look at your organisation; do you believe the measures are in place to manage a growing contingent workforce? **et**

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