

A photograph of three women in a meeting. The woman in the center has curly brown hair and is smiling. The woman on the left has blonde hair and is looking towards the center. The woman on the right has dark hair and is also smiling. They are sitting around a table with papers and a pen. There are decorative elements: a light blue circle in the top right corner and a pink and white polka-dot circle in the bottom right corner.

The evolution of managed services

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Introduction

Since their introduction, managed service programmes (MSPs) have revolutionised the sourcing of contingent labour.

Consolidating contingent talent sourcing into one scalable solution has not only improved the talent flowing into organisations, but it has also provided:

- A reliable source of staff
- Reduced time-to-hire
- Significant cost-per-hire reductions
- Greater control and visibility over their recruitment
- Support with compliance and risk mitigation

Their success is evidenced by their widespread use, with the World Employment Confederation's Economic Report 2020 estimating that MSPs accounted for €119.5bn in global recruitment revenue in 2018.

Like all services, the MSP has had to evolve over the past two decades to adapt to changing markets. Present models have reached the point where they are highly effective at providing visibility for 80%–90% of clients' non-permanent labour requirements – however, that still leaves a significant amount of talent acquisition activity occurring outside the MSP.

This is often the result of pre-determined decision making. MSPs are associated with supplying contingent labour for positions requiring homogenous skill sets at scale. When a client has a requirement which does not fit this scope, they will assume – often incorrectly – that their service provider will be unable to source the role and go outside the contract.

Sanctioned off-contract spend in areas such as contractors disguised as consultancy can also lead to disproportionate financial impact.

This void may only account for 10%–20% of requirements, yet the lack of visibility and nature of the non-permanent roles currently sourced outside the contract – which often attracts high day rates and agency fees – account for a much higher proportion of client spend, traditional PAYE and contractor engagements.

The next step for providers is to move beyond the one-size-fits-all nature of the current programmes and create flexible solutions which source talent and provide visibility for 100% of non-permanent requirements.

This report examines the broad areas covered within this final 10%–20%, and how changing attitudes from employers and contingent workers, technological advances and new labour market requirements are shaping the evolution of MSPs.





Sourcing niche skill sets

Sourcing talent with very niche, hard to find skills, such as members of executive management teams or subject matter expert consultants, has traditionally been a blind spot for managed service programmes.

While these positions are notionally covered by contracts; clients, providers and agencies in the supply chain will often utilise sources outside those specified in a contract to find talent. This creates two issues.

The first is around cost. It is inevitable that there will be a greater expense for sourcing this talent off-contract than at prices agreed in the managed service programme.

Given the resource required for agencies to source this category of talent, when going off-contract they will often seek to develop a direct supply relationship at preferential rates, rather than using contract rates. This contract leakage undermines the cost savings which an MSP delivers, as well as creating higher management costs for the client.

The second issue relates to compliance, risk and visibility. Introducing off-contract labour sources increases risk to the organisation in a multitude of areas:

- Adherence to referencing and vetting standards
- Rate card management
- Supplier practices
- Tax and offshore intermediaries legislation compliance
- IR35 compliance

Again, this undermines one of the advantages of using an MSP; a list of vetted suppliers which assures organisations that their talent supply chain is fully compliant.

Addressing this challenge requires a multi-faceted approach:

Triaging requirements

The creation of a process which incorporates a degree of flexibility into a traditional MSP has become a necessity. This may seem like an oxymoron, as MSPs are designed to provide fixed standards, however, no flexibility will simply lead to a continuation of the off-contract status quo.

This flexibility comes in the form of a triage service, which examines niche talent requirements on a case-by-case basis and uses a clearly defined procedure to determine the best course of action. By triaging, providers can maximise fulfilment via the normal MSP supply chain where possible, while recognising that in some cases it is necessary to go outside of this supply chain.

This ensures that sourcing outside the MSP supply chain is only used when appropriate and not as the de facto option. By doing this you increase visibility and ensure continued management of expenditure. It also – counterintuitively – extends compliance, as the increased visibility and transparency allows providers and customers to have oversight of the use of other suppliers.

Create and expand talent pools

The second solution is the creation and expansion of talent pools featuring interims and contractors with niche skills. While many organisations will have different definitions of what a 'talent pool' is, in this instance it is a digital area where candidates control their own data and receive an exclusive, high-touch service from the organisation responsible for managing the pool. Traditionally this has been the service provider, but clients are increasingly taking on this responsibility themselves through direct supply arrangements.

By building a talent pool, providers and organisations have an on-demand supply of workers with high-value skills. The use of talent pools makes sourcing hard to find talent more efficient and removes the element of risk which comes from extending the supply chain.

However, given the scarcity of the skills required in these cases, populating and managing a talent pool can be a resource-intensive process. Not only must talent with the required skills be sourced, talent pool administrators must keep talent on 'standby'. This requires a creative approach using the right technology solutions and demonstrates a clear benefit to these professionals, who will otherwise take their skills elsewhere. The advancements and mainstream adoption of AI to support matching candidates to jobs will also lead to greater efficiencies for service providers and clients.

The best of both worlds

The best niche skill solutions will utilise triaging. The triage process will determine the best course of action. It can assess whether the costs associated with creating and maintaining talent pools would represent best value to a customer, or whether maximising MSP fill and, where necessary, using an extended supply chain provides better return on investment.



Flexible talent attraction strategies to suit client needs

Part of the attraction of MSPs for the organisations who use them is that they transfer recruitment risk to the service provider.

However, for organisations with an attractive employer brand, the traditional MSP model can undersell their status, with talent sourced through the agency supply chain rather than their brand.

In response to this, managed service providers have introduced 'direct sourcing' programmes. These programmes allow employers to attract talent directly by leveraging their brand, while managed service providers still handle payroll, compliance, onboarding, offboarding, vetting, referencing and other employment risk.

This model still eases the burden of risk on the employer, while also generating cost savings by allowing clients to use lower supply rates charged for payroll-only options.

However, the best managed service programmes will offer solutions not solely focused on only direct and agency sourcing, but offering elements of both. This could range from 'full' client sourcing, where a client will manage candidate attraction, selection and talent pool management, all the way through to the more traditional agency supply model.

Triaging to find the model which best suits a client's needs will become critical if service providers aim to successfully introduce models with inbuilt flexibility.

For example, a client may prioritise cost-savings and seek to directly source labour to their talent pool, engage this resource to keep them in the pool and manage the selection process for available roles. However, while this would provide cost-savings initially, the client may have failed to factor in the time and effort required to manage all these processes.

By triaging, a provider could agree for a client to leverage its brand for initial talent attraction to fill the talent pool, then manage the rest of the process as part of its service contract. This will still deliver

cost savings on the traditional supply model, while also freeing up client teams to pursue other work which adds greater value.

A triage process can also determine if a service provider can easily satisfy talent attraction needs. If a client seeks skill sets for which a provider has already created its own talent pool, then the provider can still offer cost savings, as it has its pool of available resource in place and can eliminate the cost associated with talent sourcing.

Applied for the right client, with the right provider, seeking contingent workers with the right skills, the direct sourcing model will deliver cost savings, attract top talent and reduce risk. However, this is not a one-size-fits-all solution, with different types of sourcing models suiting different clients. Managed service providers will increasingly be required to offer flexibility on sourcing as part of their programmes.



Gaining visibility of other non-permanent resource

MSPs have evolved to incorporate almost all non-permanent spend. However, there are three key areas which are very rarely included as part of programmes at present: consultancy, statement of work (SoW), and services procurement.

A combination of cost pressure, getting regulatory peace of mind and sourcing top talent has led some organisations to request that these areas be covered as part of their managed service. With margins already squeezed to satisfy clients' desire for cost savings, the next step is to regulate spend on consultancy, SoWs and services procurement – which can be done through an MSP.

Development in the services space and statement of work

SoW and services spend are increasingly being included as part of wider workforce strategy conversations and forming a key part of resource planning. Both the developing complexity around the types of contingent talent (temporary, contractor, freelancer, sole trader, gig worker etc), and the broadened scope of traditional consulting firms moving into more flexible project-based solutions have contributed to this increased focus.

This means that the line between consultants and contingent workers has become very blurred. While this was an area that could previously be ignored, or even purposely exploited by both internal stakeholders and external providers, the change in application of IR35 legislation has forced organisations to act.

The changes present an opportunity for organisations to bring control and visibility to the sometimes murky world of consultancy – and with it, the chance to implement significant spend aggregation and deliver cost savings.

Managed services with the flexibility to incorporate consultancy spend can bring the same rigour and robust approach as they have to traditional contingent labour – including both SoW delivery and the procurement of services.

The impact on the statement of work

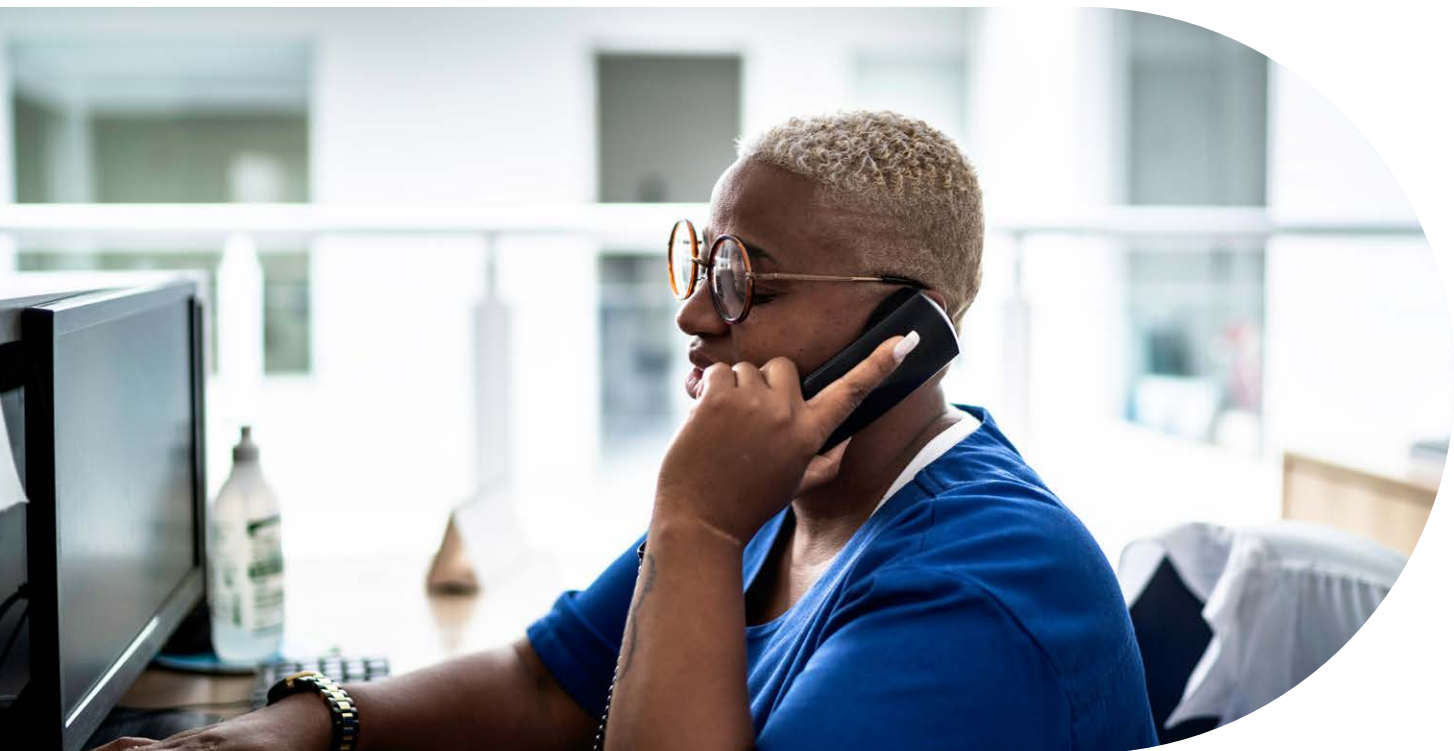
The statement of work's association with IR35, particularly in relation to individual contractors being engaged under them, is further blurring the lines around services and labour spend, as well as creating a misunderstanding of what it is.

At its heart, it is a service delivery contract type that simply seeks to document agreed services: who is doing what, what good looks like and how the services will be paid for. A statement of work can be used to cover a wide range of service delivery, from a two-year transformation programme using hundreds of specialist contractors, to one specialist delivering a half-day training session.

Intended to be a contract between two companies to deliver services, it is attractive because – if implemented correctly – it benefits both parties. The supplier gets a fair price for their skills, and the procurer gains confidence that full payment will only take place once agreed outcomes are delivered.

Expanded managed service programmes can offer visibility and control across statement of work in a variety of engagements. These can range from an individual on an SoW, through to teams working under different service agreements which form part of a larger work package or programme.

The controls offered by an MSP give organisations the opportunity to engage resource with niche and specialist skills in a way that benefits both the supplier and the procurer. In addition to cost savings, visibility and control, this also allows clients to drive organisational culture towards outcome delivery – a key initiative in a world becoming more home-based and remote, and therefore, more difficult to manage.



Services procurement

Procuring services is different to procuring labour. There are increased liabilities for delivery, a lack of cyclical and repeat buying habits, complexity and variance of delivery, and most critically, the cost.

However, there are also broad similarities which dovetail with the benefits provided by a managed service programme. Services procurement requires a competitive and engaged supply chain, cost control and clear visibility, as well as being able to strike a balance between speed of delivery and quality of outcome.

It is here that the MSPs can add value to services procurement, where they can bring about:

- Standardised ordering, contract terms and governance
- The use of dynamic supply chains
- A variety of commercial models (time and materials, milestone, and fixed price)
- Bespoke project reporting

Adding services procurement to a managed service programme can deliver more certainty around IR35, reduce off-contract spend, and facilitate the delivery of better outcomes and fairer costs.

Fitting non-permanent engagements into one programme

Despite all the potential benefits of incorporating consultancy, statement of work and services procurement into an MSP, it is easier said than done. If it were simple, this solution would already be widely available.

The need for flexibility is critical, as engaging talent in this way cannot be done as part of an existing, off-the-shelf MSP. Triaging will become a key part of determining how organisations incorporate these areas in a managed service, and will only be truly effective if their provider has prior expertise in these other forms of non-permanent engagement and the delivery of traditional MSPs featuring contingent workers.

While difficult to do, the combined cost savings and improved visibility, compliance and access to talent means more organisations will want their existing MSPs to incorporate these engagements.

Improving the efficiency of shift-based resourcing

By their very nature, managed service programmes are versatile. To be able to incorporate the different types of resource needed across an organisation necessitates the creation of a solution which works for most sourcing requirements.

high-volume resourcing. While most programmes fulfil this requirement at present, there are inefficiencies in the process which future programmes will correct.

Managing these high deployment requirements involves a labour-intensive process. This requires significant resource from service providers, which consequently increases costs for clients.

However, a combination of technological changes and differences in how people view their working lives has given providers the opportunity to deliver efficiencies – by building talent banks of candidates who can self-fulfil shifts at the click of a button.

A talent bank is simply vetted talent with homogenous skill sets and qualifications, such as nurses, teachers and blue-collar industrial workers, who can be deployed to shifts at short notice. While different providers may use different names, all have the capacity to create a similar system for a high-volume resourcing strategy.

The development of new recruitment technology (rectech) means that the manual process of assigning talent to shifts can now be automated. Employers can simply post available shifts to a technology platform, allowing candidates in a talent bank to claim them. Candidates will be able to mark their availability and receive notifications when work becomes available at the times and locations which best suit their needs.

In addition to simplifying the shift deployment and fulfilment process, this technology – often used in app form – offers timesheet management, advanced analytics into candidate behaviour and performance, and even the ability to geo-target candidates. This greatly expands how shift fulfilment can be done. For example, geo-targeting will allow short notice deployments in real-time to candidates

within a specific distance of the workplace and can revolutionise areas like emergency shift coverage.

This way of assigning and accepting shifts reflects the intricate ways people are frequently interacting with technology to complete tasks – echoing how they use apps in their everyday lives. More and more of us are using technology to introduce greater flexibility into our day-to-day living, whether this is through online shopping, the use of apps to order food or transport, or accessing money.

The logical progression of this culture of convenience is increased control of our working lives. Candidates no longer need a designated point of contact to manage their working life – either a direct employer or an agency – when technology allows them to control this themselves.

Not only does this make sourcing more efficient, and improve the experience for both employers and candidates, it also allows service providers and their clients to make significant cost savings.

Automating the shift deployment process allows managed service providers to divert resources to enhance other, higher value areas of the service, with only the initial sourcing for a talent bank requiring the resource usage associated with high-volume deployment. These higher value, non-transactional areas can include helping to build employer brands and engaging in effective onboarding activities. This is in addition to reducing the cost to the provider, who can then pass this along to the client.



Conclusion

The MSP has already gone through several iterations, whether that be the creation of programmes combining master and neutral vendor models, or programmes evolving from sourcing one job category to deploying contingent labour across every part of an organisation.

The changes listed above are a natural evolution of current models, yet also represent a giant step forward in how programmes function. The need for increased flexibility to address the challenges affecting current MSPs will require a completely different mindset from both providers and customers who value the certainty and 'inflexibility' of present models.

As providers start to address the challenges discussed in this report, those who adapt their solutions to offer a 'one-stop-shop' of contingent labour, while also providing bespoke solutions to address specific requirements, will have the greatest success.

Introducing the Flexible Resource Marketplace

As detailed in this report, the future of managed service programmes is through enhanced flexibility – enabling service providers to cater for all of an organisation’s contingent labour requirements.

In response to this changing landscape, Reed Talent Solutions has designed the Flexible Resource Marketplace – the next level of workforce management. The Flexible Resource Marketplace provides a single solution for managing all non-permanent resource. Built upon providing guidance and choice, our solution reduces complexity and enables you to quickly engage the best route to market. It blends managed service delivery, talent pools, statement of work (SoW) and consultancy services procurement. By using the Flexible Resource Marketplace, you will benefit from:

- Leading technology
- Total talent teams
- 100% compliance
- A consultative approach
- Unrivalled access to talent
- Cost control and value for money
- IR35 compliance
- Proven capability

TALK TO AN EXPERT

Ready to revolutionise your flexible resource? Contact us to learn how.



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Get in touch

Watch our animated video and read our case study below to learn how the Flexible Resource Marketplace could help your business.

Animated video →

Read our case study →

