How technology can stop
RPOs & MSPs
missing out on the
Gig economy

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The freelance/gig economy has created the biggest change in HR and recruitment for 20 years. It is the fastest growing part of the workforce but until now RPOs and MSPs have missed out on its huge potential.

Learn how technology now offers recruitment process outsourcing and managed service providers a way to harness the potential of freelancing and the gig economy.

Contents

Also available in full guide

Download the full guide at:

www.talonfms.com/resources/guide-rpos-gig-economy

Why are RPOs and MSPs missing out?

There are a number of factors that combine to see the gig economy bypass standard RPO and MSP processes:

- An incompatibility with the current RPO/MSP revenue models

- The ease of going direct

- Current technology is prohibitive

- It's a difficult challenge to overcome

Incompatibility with the current RPO/MSP revenue models

In simple terms, an RPO or an MSP usually profits from a combination of two revenue models:

1. A transactional model, where the RPO/MSP charges a client per placement, hire or engagement.

2. A service or management model, where the client pays for logistical process handling, payroll and consultancy on a retained or project basis.

The gig economy and the vast majority of freelance engagements do not fit neatly into either revenue model. Freelance projects and 'gigs' move too fast and are too intermittent for an RPO or MSP to be able charge enough to cover their costs.

Of course, here the word 'freelancer' is interchangeable for 'consultant', 'contractor', 'associate' or any other synonym where short-term work is undertaken by a non-employee who invoices the client directly.

Understandably, for an RPO/MSP to remain profitable, it needs to focus on segments of the workforce where it is possible to add sufficient value. For example, permanent hires or longer term contractors.

Ease of 'going direct'

Traditionally freelance transactions have often 'fallen down the cracks' in organisations as the actual hire takes place fairly low down the chain with the freelancer commonly having more of a relationship with an individual than the company. Where this happens the company and consequently an RPO/MSP has almost no visibility of this activity as it totally evades any HR or procurement processes, thus leading to a 'hidden workforce'. Changing this behaviour in organisations that use lots of freelancers can be challenging as employees are not used to control in this area and the issue of potentially alienating this essential part of their extended workforce leads to caution and a 'leave it alone' approach.

Added to the spreadsheets, black books and email lists that companies have used to engage independent talent for many years, a whole new industry is making a huge impression on the employment landscape as a whole.

Freelance marketplaces, freelancing platforms and a whole generation of mobile apps have 'uberfied' almost every skill and sector.

Lawyers, programmers, marketers, and finance experts are all easily accessible, vetted and reviewed. All a hiring manager needs to access the gig economy and engage a freelancer is an internet connection and a credit card.

This low barrier of entry to the gig economy can result in an organisation going direct because it appears to be easier and more cost effective to do so.

Current technology is prohibitive

VMS and other HR technology currently struggles to support the unique nature of the engagements in the freelance/gig economy. An organisation could

be engaging with hundreds, maybe thousands, of freelancers, consultants or associates. Often these engagements are short, one-off or intermittent projects. For an organisation or its RPO/MSP to add every freelancer to a VMS, the process could become extremely slow and costly.

The majority of FMS solutions also encourage organisations to 'go direct' and bypass an RPO or MSP. For example, FMS providers whose business models are focused on processing payments struggle to support freelancers who are paid through an intermediary agency. There is currently only one FMS provider that have a dedicated RPO/MSP offer.

Difficult challenge to overcome

Sonovate and the REC claim there are over 23,000 recruitment businesses in the UK. Currently, there are only two notable examples where a recruitment business has an RPO/MSP service catering for freelancers and the gig economy. Both Adecco and Randstad have acquired businesses to enable them to service a client's freelance workforce. The decision to acquire a pre-built solution shows how difficult it is for an RPO or MSP to design, build and market their own solution.

The result is $63bn problem

Until now, freelancing has been background noise. Freelancers, consultants and associates bypassed standard processes unnoticed, but considering freelance projects only represented 2% of the recruitment market in 2015, it's easy to see why the focus for organisations and their RPO/MSP was elsewhere.

PWC predict by 2020, 50% of the US and 30% of the UK workforce will be freelancing, and globally will be worth $63bn a year.

The issue can no longer be ignored and allowed to 'fall down the cracks' and considering the short window of opportunity that exists, RPOs and MSPs need to be taking action now.

Missing out on short-term revenue as well as long-term potential

In many industries such as media, construction, marketing, publishing and healthcare, independent talent is already a crucial part of the workforce, without which many companies simply wouldn't be able to function effectively. Organisations are already planning and preparing for an increase in the percentage of their workforces being freelancers

and contingent workers. Auditing, planning, talent strategies, and freelancer value propositions are all increasingly becoming must-haves, and even the organisations who do have visibility over their freelance workforce need strategic guidance and support to make the right decisions.

Negating the RPO/MSP's influence on end-to-end strategy

In addition to the lost revenue, not being able to include freelancers in an RPO/MSP's offer will negatively impact their ability to influence a client's end-to-end talent strategy. As more and more of an organisation's workforce goes freelance and bypasses standard processes, the RPO/MSP's decision making ability diminishes. Of course, this inability to affect a truly rounded strategy puts the RPO/MSP's long-term consultancy revenues at risk.

Decision bias and ineffective resourcing

The lack of visibility creates not only misaligned long-term direction but also short-term resourcing decisions suffer too.

It is natural for an RPO or MSP to recommend and implement tactics where they can add value and generate revenue. Limited visibility combined with decision bias can lead to ineffective resourcing. For example, without seeing where and how freelancers are engaged on a project, it is likely an incorrect decision could be made to increase permanent headcount.

Download the full guide to read more

Thanks for reading the first two chapters of this guide into the gig economy.

You can get more information, advice and recommendations in the full guide.

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