Optimizing Talent:
Blended Solutions for Europe’s Human Age

Jilko Andringa
Managing Director for Central Europe and
ManpowerGroup Solutions RPO Europe
The European Union’s (EU) largest employers have changed their approach to hiring in the last decade. Previously, talent solutions such as managed service programs and recruitment process outsourcing were executed by separate business functions. Forward thinking companies are now moving away from out-of-date systems that implement human resources solutions in silos. Instead, many have started to adopt an integrated approach known as blended solutions.

The lingering effects of the global economic recession have been important drivers of this emerging trend. However, if this were the predominant motivation, blended solutions would likely be taking hold in other regions of the world at the same rate they are in the EU. This is not the case. A convergence of drivers, including demographic developments, employer demand for workforce agility and higher-quality talent, a culture of in-house collaboration across functions and a conducive legal framework has contributed to the rise in blended solutions.

The result is a sophisticated approach that is customized to employers’ specific needs. These companies understand that competing in the Human Age—when the ability to thrive is dependent on an organization’s ability to unleash human potential—requires rethinking approaches to talent. And that’s precisely what blended solutions do.

DEFINING BLENDED SOLUTIONS

At its most basic level, “blended solutions” refer to the strategic combination of managed service programs (MSP) and recruitment process outsourcing (RPO). ManpowerGroup first reported interest in this concept in the mid-90s, and many companies still subscribe to this traditional approach. This has been reinforced by recent growth in closer partnerships between RPO and MSP providers.

ManpowerGroup takes a more inclusive approach that involves a broader range of talent solutions. While a combination of RPO and MSP provides a foundation, the companies most likely to benefit from blended solutions require a far more complex set of offerings. (Figure 1)

Consider, for example, the typical customer profile for a multifaceted offering: large multinationals that view HR as a strategic lever. They have complex hiring needs, rapidly fluctuating volume demands and expansive geographic presence. Truly advanced blended solutions tend to be initiated by the company’s executive leadership. These leaders take a broad view of talent management and are looking for a combination of increased efficiencies, cost savings and workforce agility. In the case of ManpowerGroup, these are often companies with which we have long-standing, evolving relationships and these trusted partnerships enhance the willingness to experiment with new approaches. Additionally, companies believe that ManpowerGroup’s thought leadership creates a differentiator and the creation of a blended solution can be a good starting point for a partnership.

Our work in this area over the past two decades has been shaped by insights gleaned from our clients:

- They value RPO and MSP, but they also know their needs can change rapidly based on macroeconomic forces, market fluctuations, export demands and talent availability.
- The companies’ size and scope enable them to benefit from borderless talent solutions (BTS) that are able to move in-demand talent from skill-rich regions to markets with talent shortages.
- Their geographic footprints require a partner who can navigate the regulatory and business complexities of multiple markets.
- Growth opportunities often involve large-scale talent needs that go beyond companies’ core capabilities and could involve merchandising, logistics or end-user services. This is where talent-based outsourcing (TBO) can play a role in a client’s ability to compete.

These insights informed a more holistic view of blended solutions that includes RPO and MSP, as well as TBO and BTS.
The uptake of blended solutions is more pronounced in the EU than in other regions. Several factors contribute to this trend including demographic shifts, changes in workforce needs, cultural readiness, marketplace acceptance and a conducive regulatory environment.

**Demographics**
In a select few European countries, the days of fixed term employment as the standard are gone. EU employers are seeing a significant increase in temporary-to-permanent arrangements and wide-spread increases in contingent arrangements. From the candidate’s perspective, the lines differentiating fixed- and limited-term opportunities are increasingly blurred. Consider, for example:
In 2012, 46 million contract and temporary workers in Europe found employment opportunities with staffing agencies. By comparison, the United States employed 2.5 million contingent workers.

Between 1985 and 2009, temporary workers, as a share of the total workforce, increased in 8 out of 10 European countries.

In the EU, the share of 25-to-29 year olds with a temporary contract is double that of their older counterparts. For those ages 15-to-24, the rate is four times as high. Interestingly, one global study found that less than one third of millennials expect to work regular office hours.

Customer demand for workforce agility and quality
The economic recession taught employers a valuable lesson in workforce planning—namely that a static approach to human resources is not viable. Increased competition for talent and price pressures underscore the need for an agile workforce that can be expanded and contracted. During the recession, we began to see a demand for solutions—e.g., RPO, TBO and BTS—that could be integrated into a broader talent approach.

Collaborative culture
Companies typically manage their permanent and contingent workforces differently. Permanent employees fall under the purview of HR departments, while contingent workforces are handled by procurement. In the EU, however, increasing numbers of employers integrate all aspects of their workforce into the HR function and demand talent integration across functions.

Growth of human resources outsourcing in Europe
These conditions contribute to increased outsourcing of human resources and talent management functions. The growth of all business process outsourcing in Europe is projected to increase by 8.9% annually between 2010 and 2015 as compared to a 3.8% rise in North America. As businesses increasingly seek external partners to support their HR strategies, they are interested in streamlining the number of providers.

Legal framework
In the EU, few regulations exist to limit employers’ options for blended solutions. Companies are able to engage workers at high volume or individually on any basis—including permanent, contract, or temporary—with limited differentiation. At least a portion of this can be attributed to a supportive environment for the employee.

The 2008 EU Directive on Temporary Agency Work established a set of equal working conditions and pay expectations for contingent and permanent workers. Consequently, many of today’s younger contingent workers in Europe are choosing this option rather than permanent employment.

On the other end of the spectrum are companies in the U.S. that have encountered serious challenges when trying to “blend” their workforces, as with the “perma temp” lawsuits in the 1990s and early 2000s. U.S. law provides incentives for employers to hire temporary workers with limited liability and responsibility to provide benefits and payroll taxes. These incentives appeal to employers in the short term, but do not always address employers’ or employees’ long-term needs.

ADVANTAGES OF BLENDED SOLUTIONS
Companies that embrace blended solutions realize numerous advantages including:

More optimized supply chain: Difficult-to-fill or fluctuating positions often require adaptability on the part of the employer. For example, an employer looking to fill highly sought-after, specialized roles might find that the talent available is more geared toward contract status (this can be the case with technical talent in some instances). A blended solution provides a ready-made, responsive process to adapt to these changing needs.
The Evolution of Blended Solutions: A Case Study

In 2005, ManpowerGroup Solutions provided permanent recruitment services to a global company with more than 55,000 employees in more than 100 countries that sought to balance its high profile with the right employees for its growth strategy. In 2007, a direct recruitment was established with a dedicated contract and permanent recruiters to source all external vacancies. This created an alternative to third parties and a cost-effective flow of talent in partnership with onsite hiring managers.

Beginning in 2009, all temporary resources were contracted through ManpowerGroup companies, with the establishment of a UK-based recruitment center providing recruitment and hiring for all functional areas and employee types including:

- Permanent
- Contract
- Temporary hiring
- Graduate recruitment
- Internships
- Ad hoc projects

In 2010, recruitment figures grew due to two new projects: one that involved talent-based outsourcing, and another that involved the training and hiring of new workforce entrants. The latter involved an employer branding component targeted to high-caliber graduates.

By 2013, the solution developed into a strategy that captured all temporary, permanent, contract, and graduate placements in the UK.

One result of the blended solution has been significant cost savings to the client.

- **Workforce agility:** In an era of certain uncertainty, employers recognize that the need for increased agility goes beyond simply responding to fluctuating needs. Agility enables a company to be nimble and responsive to talent shortages, while increasing the quality of its hires and reducing time to hire.

- **Cross-border solutions:** One reason we are seeing higher adoption of blended solutions among multinationals is the practical need to balance different workforces in different countries. Even a company with identical operations across borders will have different workforce needs. These variations are the result of diverse regulatory environments, import/export conditions, available talent pools, and/or supply and demand. Such organizations need a partner with an established presence and understanding of the local markets where they operate.
**Cost savings:** Streamlining workforce solutions presents a significant cost-saving opportunity. A strategic approach results in financial benefits, as well as increased quality of hire and decreased time to hire.

**Risk management:** Tax regulations, medical and social benefits, wage, working hours, overtime and overall environment differ by country based on workers’ permanent or contingent status. For example, in the United States, contract or self-employed workers are expected to pay their own taxes as well as the share of employers’ social security and payroll taxes. They also enjoy a significant freedom in that they—not the employers—control how and when their work product is delivered. The legal risks arise when these lines are blurred. A high-quality blended solution will factor in all of these risks and control for them accordingly.

**Completing the picture:** The opportunity to take a more thorough look at the workforce pipeline—including different categories of workers, locations, talent needs, etc.—provides a better foundation for understanding and planning for workforce needs, as well as managing costs.

**Employer branding:** Employers place a premium on the brand experience they provide. They make a significant effort to establish the employee value proposition and understand a candidate’s experience and perceptions. When a company operates in silos, where different types of candidates have different experiences, the value of the employer’s brand becomes diluted. A blended solutions approach creates an opportunity to deliver a consistent set of messages to all candidates.

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**What to Look for in a Provider**

**Subject Matter Expertise:** Companies seeking a blended solution typically require support with in-depth, detailed knowledge of their workforce profiles. Whether it is web developers, auto manufacturers or petroleum engineers, those developing and implementing a solution must understand the topic at hand.

**Global Capabilities:** This is non-negotiable for multinationals, but it’s also a competitive advantage for companies that rely on import and/or export. A partner with global capabilities offers the regulatory, cultural and market intelligence to develop optimal solutions on every level.

**Strategic Workforce Consulting:** Blended solutions can operate as a strategic lever, unleashing greater flexibility, productivity (as it relates to total cost of ownership), and effectiveness. The SWC approach guarantees alignment of client strategy with a customized blended workforce model.

**Combined Solutions under One Roof:** The demand for streamlined approaches has been a key driver of blended solutions. Having all components under one overarching infrastructure benefits clients. The number of factors calls for a single approach that aligns regulatory, governance, accounting, marketing and HR functions to a singular goal.
OBSTACLES TO BLENDED SOLUTIONS: WHAT’S GETTING IN THE WAY

While blended solutions offer numerous advantages and benefits to employers, there may be challenges. These can include a fragmented approach to different types of workers has resulted in a system of disconnected revenue, technology and management. A few of the most significant factors are described below.

Revenue Models
RPO, TBO and BTS are licensing-based solutions while MSP is typically revenue-based. As part of the traditional model, this makes sense. Contingent workers might, for example, have very portable skills that enable them to move easily from one company to another. On the other hand, a permanent RPO or volume TBO solution requires a larger upfront investment in the total cost of employees. A blended solution requires the employer (and the various cost centers therein) to understand and appreciate these differences, while developing a pricing model that reflects the full scale and scope of the solution.

Technology
There is currently no robust technology that combines applicant tracking systems (ATS) with vendor management systems (VMS). The former is typically used for permanent talent, while the latter is used to manage the vendors that provide all other solutions. ManpowerGroup has been communicating with the major technology providers to encourage the development of integrated technology solutions.

Internal Fragmentation
Because different departments are responsible for different aspects of talent management, blended solutions often require an internal effort to align stakeholders. This can be addressed by working directly with clients to develop a solution that meets their specific needs. It can be as simple as shifting cost centers or require planning around internal mobility solutions and succession planning.

Provider Capability
Blended solutions require service providers to be highly engaged and to have constant access to market intelligence and subject matter expertise.

BLENDED SOLUTIONS—PAST, PRESENT AND FUTURE.

It is reasonable to conclude that the concept of blended solutions in the EU was initially driven by a desire to streamline management of outsourced recruitment functions. The global financial crisis cast a light on the need for cost consciousness, which sparked an interest in holistic approaches and workforce agility. While these served as a platform to allow blended solutions to take hold, the key driver in the EU today is a greater understanding that the world has entered the Human Age.

The most sophisticated and forward-thinking employers understand that talent is the key differentiator. Successful business leaders think about talent more strategically. They no longer segment their workforces into categories or “types” of employees. Instead, they take a holistic approach and seek to maximize potential. They recognize that talent, regardless of the worker categorization, is essential to success.

Business, regulatory and demographic factors in the EU have created an entirely new approach to talent management. Rather than following traditional routes and considering people within a specific function, innovative employers are looking at people strategically. They hire the very best people regardless of their classification. This is a talent-centered workforce. This is the future.
REFERENCES


