Guidelines to assist NSW Government Sector agencies in the planning and management of their contingent workforce
## Contingent Workforce Management Guidelines

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<tr>
<td>Document number</td>
<td>G2014_012</td>
</tr>
<tr>
<td>File number</td>
<td>A975213</td>
</tr>
<tr>
<td>Application</td>
<td>Government Sector Agencies</td>
</tr>
<tr>
<td>Category</td>
<td>HR Strategy &amp; Planning</td>
</tr>
<tr>
<td>Summary</td>
<td>Contains guidelines to assist NSW Government Sector agencies in the planning and management of their contingent workforce.</td>
</tr>
<tr>
<td>Publication date</td>
<td>8/12/2014</td>
</tr>
<tr>
<td>Review / Cancellation date</td>
<td></td>
</tr>
<tr>
<td>Author</td>
<td>Public Service Commission</td>
</tr>
<tr>
<td>Previous Reference</td>
<td>N/A</td>
</tr>
<tr>
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### Revision History

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<th><strong>Version</strong></th>
<th><strong>Date</strong></th>
<th><strong>Summary of changes</strong></th>
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<td>8/12/2014</td>
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</tbody>
</table>
# Contents

1. **Purpose** .......................................................................................................................... 4  
1.1 Coverage .......................................................................................................................... 4  
2. **Guidelines Statement** ................................................................................................. 5  
3. **Guidelines Outcomes** ................................................................................................. 6  
4. **Best practice in contingent workforce management** .................................................... 7  
5. **Guidelines** .................................................................................................................... 8  
5.1 Strategic business priorities and workforce impacts ...................................................... 8  
5.2 Review current contingent labour usage ......................................................................... 8  
5.3 Workforce supply strategies ............................................................................................ 10  
5.4 Appropriate use of contingent labour ............................................................................ 10  
5.5 Inappropriate use of contingent labour ......................................................................... 11  
5.6 Procurement of contingent labour ................................................................................ 11  
5.7 On-boarding contingent workers .................................................................................. 12  
5.8 Delegations ..................................................................................................................... 12  
5.9 Minimise contingent workforce risks ............................................................................ 12  
5.10 Managing contingent workers performance .................................................................. 13  
5.11 Rating and re-engagement of contingent workers ....................................................... 13  
5.12 Knowledge management ............................................................................................... 14  
5.13 Off-boarding contingent workers ................................................................................ 14  
6. **Contingent Workforce Reporting** .................................................................................. 15  
6.1 Contingent workforce reporting requirements ............................................................... 15  
6.2 Analysis and workforce insights .................................................................................... 15  
7. **Glossary** ....................................................................................................................... 16  
8. **Appendix 1 Office of Finance and Services Contingent Workforce Strategy** ............ 17  
9. **Appendix 2 Vendor management system resource decision tool** ................................. 19  
10. **References** .................................................................................................................... 20
1 Purpose

The purpose of this document is to assist NSW government sector agencies in the planning and management of contingent labour as part of its broad workforce strategy and management.

1.1 Coverage

These guidelines apply to all NSW government sector agencies as defined by the Government Sector Employment Act 2013, Part 1 section 3.
2 Guidelines Statement

Contingent labour refers to people employed by a contingent labour supplier and hired from that supplier by a NSW Government agency to provide labour or services. In these guidelines, contingent labour does not refer to consultants or companies engaged under a contract or statement of work to provide services directly to an agency.

Contingent labour forms part of an agency’s workforce. Contingent labour planning and management therefore need to be embedded as an aspect of each agency’s entire workforce strategy and management.

Agencies use contingent labour to provide capabilities that are otherwise unavailable in the agencies where:

1. there is clear and current evidence of a low supply of such capabilities in the labour market (often linked to remuneration rates above those offered for roles of equivalent work value in the public sector) and there is a short or longer term need to engage external labour or
2. the need is so immediate that a short-term solution is needed, pending recruitment action where appropriate or
3. there is a time limited need for additional resources or specialised knowledge and / or skill that will not be required within the ongoing workforce.

The use of such labour is “contingent” on exactly these circumstances.

The use of contingent labour needs to:

- respond to business objectives
- be the most efficient, effective and productive option available for meeting those objectives
- inform and be informed by whole of organisation workforce planning and development.

A key feature of workforce management and planning involves the collection and analysis of workforce data. All government sector agencies will be required to provide contingent labour data to the NSW Public Service Commission (PSC), to enable whole of government workforce reporting.

These guidelines provide agencies with advice on best practice in contingent workforce management and guidance on the key strategic and operational considerations involved in the planning and management of contingent labour.
3 Guidelines Outcomes

These guidelines will enable government sector agencies to achieve the following outcomes:

- improved contingent workforce planning, management and governance
- improved whole of organisation workforce strategies, planning and management
- optimal decision making about when to engage contingent labour and for how long
- appropriate knowledge management and transfer to capitalise on the investment that agencies make in contingent labour
- cost savings in contingent labour use through appropriate engagement, payment and tenure of contingent workers
- improved visibility of contingent workforce usage to enable the evaluation and refinement of contingent labour effectiveness
- improved contingent labour quality through the use of contingent workforce pools and feedback mechanisms.
4 Best practice in contingent workforce management

Best practice\(^1\) integrates contingent workforce management with whole of organisation workforce strategies, planning and management, and includes:

- only engaging contingent labour when it is the best option to deliver the organisation’s strategic priorities and business needs
- minimising the proportion of contingent labour that is emergency ‘stop-gap’ hire while maximising the proportion that is planned as the best available response to a business requirement
- adopting integrated contingent workforce processes and systems that promote efficiency
- ensuring transparent reporting of contingent labour activity, from business unit to whole of organisation to whole of government
- evaluating contingent labour activity, including costs and value, and amending practices to optimise efficiency and effectiveness
- providing contingent workers with formal on-boarding and off-boarding.

The Office of Finance and Services is implementing a Contingent Workforce Strategy which complements these guidelines by providing NSW government sector agencies with integrated solutions to support the planning and management of their contingent workforce. This strategy includes the provision for agencies to use an approved vendor management system (VMS) and a managed service provider (MSP). Refer to Appendix 1 for more details.

\(^1\) Deloitte ‘Global Business Driven HR Transformation: The Journey Continues Chapter 18 Contingent Workforce’ 2011.pdf and Aberdeen Group ‘Contingent Labor Management’ 2013.asp NB: To access the Aberdeen paper you will need to register with the research site.
5 Guidelines

The following guidelines outline the key strategic and operational considerations involved in the planning for, and management of, contingent labour.

5.1 Strategic business priorities and workforce impacts

Strategic business priorities determine the capabilities that the agency will need. Business planning determines when those capabilities will be needed. The agency compares these business requirements with existing workforce capabilities to identify what capability gaps will arise and when.

Strategic workforce planning identifies the most effective way to close those capability gaps. Human Resources areas partner with business units to implement the responses. One of the possible responses is contingent labour hire.

Suggested Tools

The NSW Public Sector Capability Framework is available on the PSC Employment Portal. Agencies should also refer to any capability guides specific to professional and technical roles within the agency.

Workforce Planning: The Public Service Commission is developing workforce planning resources. In the interim, the APS Workforce Planning Guide and Templates contains contemporary workforce planning guidance and user friendly templates to assist agencies in their planning, including supply, demand and gap analysis.

5.2 Review current contingent labour usage

A regular review of the use of contingent labour will provide agencies with valuable information and workforce insights. By undertaking a detailed analysis of contingent labour use (including segmenting by job families, job roles, location, remuneration and duration) agencies will be able to build a profile of the core and occupation specific capabilities that are lacking or of limited supply within the agency. Such analysis may also uncover interrelated workforce management issues, such as repeat and extensive engagement of contingent labour in particular functions and/or geographic areas.

Part of this review should involve consultation with appropriate managers to understand their reasons for engaging contingent labour.

Questions to consider include:

- What are the driving issues that necessitated the use of contingent labour? Does one or more of the following apply?
  - Clear and current evidence of a low supply of such capabilities in the labour market (often linked to remuneration rates above those offered for roles of equivalent work value in the public sector)?
A need so immediate that a short-term solution was needed, pending recruitment action where appropriate?

A time limited need for additional resources or specialised knowledge and / or skill that will not be required within the ongoing workforce?

- Was the duration as planned?
- Which types of roles are often filled by contingent labour?
- What capability gap picture does the type and level of contingent labour use present?
- Could the use of contingent labour to cover temporary gaps be reduced through improved planning in resource allocation?
- Could internal mobility or development opportunities mitigate the need for contingent labour?
- Does the use of contingent labour point to process or efficiency problems in recruitment?

The results of this consultation and analysis should then be integrated in the agency’s workforce planning practices. For example, information and communications technology related roles represent a significant contingent labour cost for many agencies. By segmenting this job family/category and analysing future job function requirements, agencies can plan for the type of workforce engagement arrangements (e.g. ongoing, temporary, contingent labour) that will best suit their needs.

**Example: Planning for future job family requirements**

1. Form a job family working group within the cluster/agency with appropriate job function representatives e.g. Accounting and Finance, Information and Communications Technology

2. If the job family is commonly found across the sector, consider joining with other agencies to plan bulk recruitment and / or mobility strategies to meet demand patterns

3. Map the agency’s anticipated requirements for particular job functions and activities over the next 1 – 5 years

4. Review the current workforce supply state of the job functions, including the agency’s use of contractors in each job function

5. Project the potential workforce supply gaps

6. Consider the appropriate mix of workforce engagement arrangements e.g. ongoing, temporary or contingent labour based on criteria such as short term and long term needs; project vs ongoing work, need to retain specialist or new capabilities.
5.3 Workforce supply strategies

Following a review of the agency’s recent use of contingent labour, it may be appropriate to consider alternative workforce supply strategies which build and sustain internal workforce capability and may be more effective in the long term, than the use of contingent labour.

Some examples of supply strategies include:

- activating talent pools within the agency or cluster
- supporting cross agency and sector mobility strategies
- encouraging existing employees to build and develop capability needs through development opportunities such as succession planning, training, education, reassignment and project opportunities
- establishing or enhancing graduate and cadet programs in identified critical capability areas
- forming partnerships with educational institutions to build talent pipelines and presence in the tertiary and vocational market
- redesigning roles to meet future needs and undertaking regular role reviews to ensure current role descriptions reflect the capability needs of the agency
- designing stronger recruitment campaigns in terms of advertising (including considering advertising in industry or specialist publications / websites for hard to fill roles), branding, timeliness and placing emphasis on candidate care
- utilising appropriate social media to tap into industry specific and informal job networking sites
- advertising temporary or casual employment opportunities (which offer a potential pipeline to fill future ongoing roles).

Continual re-engagement of contingent workers may indicate that action to recruit an employee is in the best interests of the agency and more cost effective in meeting workforce requirements.

5.4 Appropriate use of contingent labour

If a manager considers there is potential for the engagement of contingent labour to be longer than six months and there isn’t a demonstrable market shortage of the required expertise and capabilities, it is more appropriate to fill the role via recruitment or through use of existing talent pools or mobility opportunities. Mobility opportunities may include options such as assigning an existing employee to the role on an ongoing or temporary basis, or exploring options for transfer or secondment. Refer to Recruitment and Selection Guide and Assignment to Role Guidelines in the PSC Employment Portal for more information.

A decision as to whether to hire contingent labour needs to apply the same criteria used in the review of current contingent labour usage (5.2):

- Are there driving issues that necessitate the use of contingent labour? Does one or more of the following apply?
  - Clear and current evidence of a low supply of such capabilities in the labour market (often linked to remuneration rates above those offered for roles of equivalent work value in the public sector)?

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2 Based on content from The Australian Public Service (APS) Commission Workforce Planning Guide. This guide provides comprehensive material and tools to support workforce planning practices.
A need so immediate that a short-term solution was needed, pending recruitment action where appropriate?

A time limited need for additional resources or specialised knowledge and / or skill that will not be required within the ongoing workforce?

Will the use of contingent labour:

- deliver business objectives
- be the most efficient, effective and productive option available for meeting those objectives
- be informed by (and inform) whole of organisation workforce planning and development?

5.5 Inappropriate use of contingent labour

Agencies should avoid inappropriate use of contingent labour, such as engagement:

- On a long term basis (as a guide, more than six months) or continually re-engaged without a re-evaluation of market conditions
- To avoid undertaking a recruitment action
- To avoid increases in the agency establishment head count
- Due to a lack of workforce planning or recruitment action
- Due to reluctance to put a current contingent labour worker through an open merit based recruitment process.
- To avoid engaging consultancy services.

5.6 Procurement of contingent labour

Agencies seeking to engage contingent workers are required to use the contingent labour suppliers established through the Contingent Workforce Prequalification Scheme, if the relevant employment category is available. A full list of the prequalified contingent labour suppliers and employment categories is located on the Office of Finance and Services ProcurePoint website.

When procuring contingent labour, best practice is to obtain three quotes from suppliers to gauge the pay rate market for the required skill set. Managers should seek advice from their procurement and HR advisors for further information on government procurement and contingent worker record keeping requirements.

Contingent labour suppliers need to be provided with:

- a role description or assignment specification which details the required capabilities (type and level) based on the NSW Public Service Capability framework
- advice on any mandatory requirements such as essential qualifications and screening checks e.g. NSW Police Checks and Working with Children Checks. Refer to the Prequalification Scheme Conditions: Contingent Workforce RFT 1201471 for more details.

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3 Refer to NSW Procurement Board Direction 2012–02 and Contingent Labour Prequalification scheme
• a request for the charge out rates for the role description.

When considering potential candidates managers should compare the proposed charge out rates from each supplier taking into consideration the relevant level of experience of candidates. Managers should also compare proposed rates with benchmark rates for similar role types. Over time, as the VMS accumulates NSW government sector contingent hire pay rate data, it will generate benchmark rates.

5.7 On-boarding contingent workers

Contingent workers contribute to an organisation’s service delivery. As they do not have individual performance agreements it is important from an engagement, efficiency and risk management perspective that agencies provide a formal on-boarding program to induct contingent workers. Elements of this can be automated by appropriate systems.

On-boarding programs should cover areas such as:

• the type and level of required capabilities and any other expectations e.g. hours of attendance
• orientation to the team and organisation, provide information related to the agency’s business objectives, services, and structure that will assist the worker to understand the context and purpose of their assigned work
• training in the use of agency specific systems and applications, where applicable
• relevant workplace policies and guidance that apply to contingent workers, e.g. code of conduct and ethics, work health and safety and appropriate use of email and internet
• the agency’s requirements regarding any confidentiality/intellectual property agreements and of the responsibilities in handling government information.

5.8 Delegations

The Government Sector Employment Act 2013 does not enable functions under that Act to be delegated to a person who is a contingent worker in an agency. Similarly, the Public Finance and Audit Act 1983 does not enable the committing or incurring of expenditure to be delegated to a contingent worker.

Contingent workers do not have an employment relationship with the Government or with the head of a government sector agency; they provide a service to the agency under a contract between the agency and a contingent labour supplier.

If a person is engaged on a contingent labour basis in a role that would, because of the nature of the type of work involved, normally include performing delegated functions (e.g. approving leave requests, purchasing and invoicing), the agency will need to make arrangements for these functions to be performed by an appropriate agency employee who has a delegation to do so.

5.9 Minimise contingent workforce risks

Managers and Human Resources areas need to minimise the potential risk of a contingent worker being judged as an employee of the agency by doing the following:

• ensuring the agency procures contingent labour through the approved contingent workforce pre-qualification scheme
- monitoring the engagement period of the contingent worker as long term engagements may exacerbate the risk of lack of clarity about the relationship with the worker
- ensuring the contingent labour supplier manages all selection processes and the engagement offer process
- ensuring matters related to rates are discussed only with the contingent labour supplier
- discussing unsatisfactory performance or conduct issues with the supplier.

### 5.10 Managing contingent workers performance

Whilst the NSW Government Sector Managing for Performance guidelines do not apply to contingent workers, it is important for managers to ensure some key management principles are adhered to in relation to each contingent worker.

These principles are:

- Managers should set and clarify expectations of the worker’s role, and ensure the contingent worker is briefed on what is required and expected of him or her.
- If applicable, managers should ensure the contingent worker is provided with appropriate guidance in agency specific systems and business processes.
- If there are concerns with a contingent worker’s performance, the manager should discuss their concerns with the person in the first instance and ensure there is an opportunity for the person to discuss their view.
- As contingent workers are supplied by a labour hire company or service provider, it is appropriate that any performance or conduct issues be discussed with the contingent labour supplier, who has a responsibility to counsel the contingent worker and if necessary, arrange termination of the services.
- Any termination of a contingent worker’s service should be documented and retained within the VMS or Human Resources area.

### 5.11 Rating and re-engagement of contingent workers

In future, agencies will be able to check a contingent worker’s previous employment history (as a contingent worker or an employee) in the NSW Government Sector through the Identity Hub, where all government employees are allocated a unique government employee number. In addition, the VMS will enable agencies to check a contingent worker’s previous engagement and performance history as a contingent worker in the NSW government sector. Managers should be able to rate the performance of a contingent worker, and view ratings made by other managers, ideally across the government sector but certainly within their own agency.

When engaging contingent labour, agencies should consider the leverage available by engaging workers who have been rated well following previous engagements in the agency or government sector. Such leverage includes:

- reduction of on-boarding costs
- productivity gains, as the worker has existing corporate knowledge from prior engagements
- potential for contingent workers to apply for roles as employees on a temporary or ongoing basis where appropriate, in accordance with the government sector recruitment and selection processes.
The Government Sector Rules do not preclude a contingent worker applying for an internal expression of interest or a temporary role within an agency. The same selection requirements apply and they are:

- temporary employment for period of up to 6 months will require a suitability or comparative assessment, refer to Rules 17, 18 and 21.
- temporary employment for a period for more than to 6 months will require a comparative assessment after advertising across the Public Service, refer to Rules 17 and 22.

In cases where a contingent worker is engaged through a supplier and is subsequently employed by an agency in the same role, the supplier will not be entitled to payment of a placement fee if the contingent worker is selected through a merit process and the role was advertised on an external job board, such as jobs.nsw.

If the worker is employed by an agency on a temporary or ongoing basis, and the role was not advertised on an external job board, the supplier is entitled to a placement fee subject to the contingent worker commencing employment in the agency within 12 months of their original start date. Refer to ProcurePoint FAQs for buyers for more details on procurement of contingent labour.

5.12 Knowledge management

When an agency hires a contingent worker to bring in expertise that is not available within its current workforce, the agency should implement knowledge management and transfer processes, if appropriate and practicable.

This may involve the contingent worker documenting processes, sharing information or coaching identified employees. Agencies may wish to consider this alongside off-boarding processes for the contingent worker and development opportunities for existing employees.

5.13 Off-boarding contingent workers

Off-boarding contingent workers should cover the following areas:

- return of security passes and any assets
- the shutdown of email and access to corporate systems
- work handover process
- consideration of an exit interview or survey to ensure that the agency harnesses the learning available from the engagement, including any improvements to business processes and/or hire processes
- completion of a contingent worker performance report and/or rating within the VMS.

Where the contingent worker’s contribution has been valued, off-boarding is also an opportunity to acknowledge that contribution. A contingent worker who has contributed to the sector has also developed specific expertise in the ways of the sector. Such expertise builds cumulatively over successive engagements and becomes an important resource for the sector. Off-boarding can affirm that value and nurture the relationship with the contingent worker, mindful of future contributions that the contingent worker might make to the agency and/or the sector.
6 Contingent Workforce Reporting

A key feature of best practice in contingent workforce management is the ability for organisations to produce comprehensive reporting on its contingent workforce to inform workforce management and planning decisions.

6.1 Contingent workforce reporting requirements
The Public Service Commission is planning to obtain on a regular basis contingent workforce data from government sector agencies. This will enable the Commission to report to government; to support the sector in developing workforce management reforms and initiatives; and to provide advice to the Office of Finance and Services to support improvements in labour hire support systems. The Commission will consult agencies on the contingent labour data requirements and method for submission of the data.

6.2 Analysis and workforce insights
The regular collection of standardised quality contingent workforce data will enable sector wide metrics and trend analysis to be generated, and also provide agencies with valuable workforce insights into areas such as:

- level of demand for particular job families and roles
- costs and charge out rate comparisons
- geographic demand for contingent workers
- duration of hire for contingent workers
- quality and performance rating of contingent workers
- supplier performance
- percentage of agency roles filled by contingent workers
- movement of former contingent workers into employment in the sector

Agencies will acquire an evidence base to inform workforce management and planning decisions. Effective reporting and analysis of contingent workforce data will support agencies to:

- achieve potential cost savings and other efficiencies
- tailor and monitor the effectiveness of workforce planning strategies
- assess whether their use of contingent labour is the most efficient, effective and productive means for meeting their business objectives
- review the effectiveness of recruitment planning and strategies.
## 7 Glossary

| **Contingent Labour** | In terms of application of these guidelines, contingent labour refers to people employed by a contingent labour supplier and hired from that supplier by a NSW government sector agency to provide labour or services.

Contingent labour **does not** refer to employees of a NSW Government agency, who are engaged on an ongoing, temporary, casual or fixed term basis and also does not include companies or consultants engaged under a contract or statement of work to provide services directly to an agency. Refer to Memorandum 2002–7 for guidelines on the engagement and use of consultants. |
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<tr>
<td><strong>Job Family</strong></td>
<td>A job family is the first tier in a hierarchy of job segmentation within a workforce. The purpose is to split the workforce into logical and practical segments to allow for deeper workforce analysis. A job family is a grouping of similar jobs at the highest level that usually consists of several job functions. For example, a possible job family might be ‘Administration, facilities and property’. Refer to the APS guide below for more detailed definitions on job families, job functions and job roles. Reference: <a href="#">APS Workforce planning definitions</a></td>
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<td><strong>Prequalified Contingent Labour Suppliers</strong></td>
<td>A supplier that is qualified to supply labour to NSW Government under the contingent workforce prequalification scheme requirements. For each individual scheme, standard contract terms and conditions, guidelines and rules have been established to manage the respective risks. Refer to <a href="#">ProcurePoint - before you buy</a> and <a href="#">Prequalification schemes</a> for more details.</td>
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<td><strong>Workforce Capabilities</strong></td>
<td>The skills, knowledge and abilities that NSW public sector employees must demonstrate to perform their roles effectively. Refer to the <a href="#">NSW Public Sector Capability Framework</a> in the PSC Employment Portal. Agencies should also refer to any capability guides specific to professional and technical roles within the agency.</td>
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<td><strong>Workforce Capacity</strong></td>
<td>This refers to the availability of the workforce to perform the required work. Availability considerations need to take into account the number of employees required and the employment hours.</td>
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<td><strong>Vendor Management System</strong></td>
<td>A vendor management system provides organisations with a single software solution to engage, manage and report on its contingent workforce. Refer to the ProcurePoint website for more details <a href="#">VMS - FAQs</a></td>
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The Office of Finance and Services (OFS) is implementing a Contingent Workforce Strategy to drive greater efficiency, effectiveness and productivity in the use of contingent workers. The strategy incorporates best practice features, enabled by technology, to provide integrated solutions in the management of contingent labour.

The foundation of this strategy is the establishment of four pillars during the period 2012-2017.

**OFS Contingent Workforce Strategy: Four Pillars**

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<th>Four Pillars</th>
<th>Key Features and Benefits</th>
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| 1. **Contingent Labour Pre-qualification Scheme** | ▪ Approved contingent labour suppliers to assist agencies source the right people at the right price  
▪ Standardised supplier terms and conditions, including set supplier fees  
▪ [About the Contingent Labour Pre-qualification scheme](#)                                                                                     |
| 2. **Approved Vendor Management System (VMS)**    | ▪ Provides agencies with a single software solution to engage, manage and report on its contingent workforce.  
▪ Comprehensive reporting functionality, including a real time dashboard  
▪ A decision tool that contains pre-defined questions that drive an automated sourcing decision recommendation and approval workflow  
▪ Automation of contingent labour processes such as procurement of contingent labour, timesheet authorisation and invoice payment  
▪ Ability to forecast contingent labour trends and budget spend  
▪ Financial reporting of contingent labour expenditure  
▪ Benchmarking contingent labour employment category pay rates  
▪ Ability to track a contingent worker’s history in the agency and across the sector, through the allocation of a unique identifying number to contingent workers engaged in the NSW Government Sector.  
▪ Supports managers in authorisation controls, tenure compliance, supplier and contingent worker performance evaluations (available via email alerts)  
▪ Ability to pre-load role descriptions to brief prospective suppliers  
▪ Monitor mandatory requirements and expiry warnings e.g. licence                                                                                          |
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<th>Four Pillars</th>
<th>Key Features and Benefits</th>
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| 3. Managed Service Providers                    | - Act as a neutral supplier and serve as an interaction point between hiring managers and many suppliers  
- Strategically partner with the agency to drive corporate objectives  
- Supplier management and reporting  
- Management of consolidated billing  
- Contingent workforce performance reporting  
- Manage end to end processes from approval to recruit, candidate screening and background checks, engagement and on-boarding, off-boarding  
- Manage implementation and training of the approved VMS within an agency  
- Provide greater governance and administer policy controls  
- Source qualified contingent workers and build contingent pools  
- Mitigate risk through knowledge of suppliers  
- Commitment to performance and quality.                                                                                                                                                                                                                                                                                                                                                                             |
| 4. Contractor Management Organisations (CMO)    | - Build sector-wide contingent pools/communities sourced via a CMO rather than recruitment suppliers  
- Provide payroll services for contingent workers and manage the employment relationship  
- Achieve savings for agencies through direct sourcing of talent.                                                                                                                                                                                                                                                                                                                                                      |

**References:**
- [Procure Point - Contingent Workforce Strategy](#)  
- [FAQ Vendor Management System and Managed Service Providers](#)
The approved Vendor Management System (VMS) contains an option to implement a resource decision tool, which is a valuable and strategic tool that supports:

- managers in identifying the appropriate type of sourcing decision for the agency
- compliance in meeting policy and agency requirements for the use of contingent labour
- potential cost savings for the agency through the appropriate engagement of contingent labour.

This tool contains pre-defined questions that are determined by the agency, can be automated or drive a particular approval workflow. In implementing the VMS, the VMS provider will configure the tool to meet the agency’s requirements, as the questions can be configured to support the agency’s goals and needs.

In designing the tool’s content it is important that questions are kept to a minimum and that it is quick for managers to use the tool. The purpose of the tool is to add value to the agency and to reduce administration by streamlining decision making processes.
10 References

Aberdeen Group 2013 'Contingent Labor Management'.asp  
NB: To access the Aberdeen paper you will need to register with the research site.

Australian Public Service Workforce Planning Guide 2011


NSW Capabilities and Workforce Planning