Background

CASME RoundTable meetings on the procurement of HR Services were held in Frankfurt, Melbourne, Singapore, San Francisco and New Jersey during a period from July 2017 to January 2018. The following main topics were discussed:

- Strategy and stakeholder engagement
- Permanent recruitment and temporary labour
- Benefits and healthcare
- Learning and development
- Payroll services
- Professional HR consultancy services.

This Digest provides the key points, good practices and insight into future trends identified by CASME members around the world. Full notes from each meeting are available on the subscriber-only Resource Centre.

Strategy and stakeholder engagement

- HR professionals often develop business relationships with HR services suppliers without involving Procurement. There is a significant opportunity for Procurement to engage with HR stakeholders, to provide more efficient purchasing processes, and to determine how technology and innovation can be applied for added value.
- Procurement can increase its effectiveness in supporting HR by:
  - Researching and having knowledge of the market, to engage effectively with the stakeholders and gain their trust
  - Actively listening to HR stakeholders and appreciating their perspectives
  - Using terminology that is understood by the stakeholders
  - Explaining how Procurement can help HR to achieve its objectives, strategies and key performance indicators (KPIs)
  - Demonstrating the value and efficiencies that Procurement can add to the sourcing and negotiation processes
  - Focusing on spend analysis and using Big Data to identify correlations and trends
  - Implementing alternative cost models rather than using the suppliers’ standard rate cards.
- For local procurement teams, it is often challenging to manage strategies that have been implemented at a global level; although for some sub-categories, such as payroll, it is beneficial to be working within global strategies and contracts.
- Supplier relationship management (SRM) is conducted using platforms such as Ariba, as well as other tools such as dashboards and Excel spreadsheets. Feedback regarding stakeholder satisfaction and supplier performance is gathered using surveys and scorecards. Suppliers are scored in relation to their performance against both qualitative and quantitative KPIs.
- Collaboration between Legal, HR and Procurement means that contract terms and conditions (T&Cs) now include detailed data privacy and IT security clauses.

Permanent recruitment and temporary labour

- Spend is often significantly greater for recruitment than for other HR services, and it is an important focus for Procurement. To deliver value, Procurement needs to obtain a full understanding of the cost breakdown of services, as well as the associated legislation.
- Organisations with significant spend on permanent recruitment and temporary labour are considering the use of outsourcing models to manage their business requirements. For temporary labour, managed service providers (MSPs) are being used to control the organisation’s supply base and perform the end-to-end recruitment processes, from request through to approval and placement, onboarding and payment. There are many benefits of using a single MSP, including less internal administration, improved reporting, effective supplier management and the delivery of cost savings.
- Recruitment process outsourcing (RPO) is being used for both permanent and temporary labour requirements; either for the entire recruitment process or for individual services, such as employee reference checking. One of the benefits of an RPO model is that it enables operational requirements to
be consolidated with a single supplier to achieve efficiencies through the RPO provider’s ability to scale services up or down according to the volume of the client company’s requirements.

- Preferred supplier lists (PSLs) of recruitment agencies are established in some organisations; however, obtaining the compliance of stakeholders to use the PSL is a common challenge for Procurement. This is often due to the stakeholders’ preferences for specific suppliers, and the costs associated with using a recruitment agency may not be properly considered if the need for a suitable candidate is urgent or critical.
- Due to the competition in the recruitment industry, suppliers are under constant pressure to differentiate their services, as well as to deliver efficiencies and added value, such as consolidated invoicing and additional pre-employment checks.
- Technological innovations are now being used for talent acquisition; for example, a tele-conference virtual roundtable which enables remote group interviews. Facial expression recognition software is being used during job interviews, to determine the stress levels of candidates and the truthfulness of their responses. Gamification assessments that test the educational and technical expertise of candidates are in the early stages of development and may be used during the onboarding process.
- The process of employing temporary personnel such as professional services providers, freelancers and contractors using statements of work (SOW) is changing; this is due to market developments and labour laws. To prevent the misclassification of temporary personnel, it is necessary for hiring managers to be made aware of the distinction between the different types.
- Vendor management systems (VMSs) such as Beeline, Fieldglass, Pontoon and Xcellerate are being used to provide spend visibility regarding both the workforce and the supply base, to manage the workflow from recruitment to payment, and to provide detailed real-time reporting and dashboards to the business. They are most commonly used by MSPs, although organisations may use a VMS without contracting an MSP.

Benefits and healthcare

- Sourcing for employee benefits is generally conducted on a country-specific basis.
- Employee benefits packages being offered by organisations include:
  - Dental and/or healthcare
  - Life insurance
  - Employee assistance programmes (EAPs)
  - Extra annual leave, or the opportunity to purchase additional days of paid holiday
  - Discounted private health insurance
  - Novated lease or car salary sacrifice schemes
  - Discounted gym memberships
  - Wellbeing and lifestyle support
  - Family days
  - Flexible working hours
  - Discounted mobile telephone deals
  - Reward and recognition programmes for achieving personal milestones
  - Agreed rates with hotels
  - Compensation for injury.
- Flexible benefit programmes have become increasingly popular; allowing employees to tailor their benefits according to their needs and interests by selecting from a range of benefits offered by the employer or supplier.
- The KPIs being used with providers of benefits and healthcare products and services include:
  - The scope of the benefits being offered
  - Response times
  - Speed of processing
  - Payment schedules
  - Improvements to the employees’ health
  - Ease of claim processing
  - Data management
The sourcing and management of employee benefits is commonly outsourced to HR consultancies.

**Learning and development**

- Procurement's involvement in employee learning and development (L&D) programmes is currently limited in many organisations. As training is not a standard commodity, HR is allowed a significant amount of autonomy and flexibility in the sourcing and purchasing of training services. HR senior management tend to take the lead in identifying training requirements at a high level, and often select suppliers based on their preferences.
- Training in soft skills, such as people management and negotiation skills, is usually delivered by external trainers; whereas the training for technical or hard skills is often conducted internally.
- When selecting training providers, the transference of knowledge and the return on investment (ROI) of the training need to be determined as these factors are more important considerations than the cost.
- Various e-Learning options, including webinars and online training portals, are being used instead of face-to-face training, using providers such as Lynda and Skillsoft. The use of gamification is increasing, which introduces competition into training activities and encourages employees to actively participate in their own development.
- The use of MSPs to manage corporate L&D requirements is increasing; L&D MSPs being used include Accenture, Bloomville, Conduit Global, GP Strategies, IBM, Infopro Learning and Springest. Employees are required to rate the quality of training received, enabling the MSP and Procurement to identify cost-effective training providers.
- External learning administrative (ELA) service providers may be used to obtain assistance with the L&D enrolment process and the tracking of employees' progress, and learning management systems (LMSs) may also be used to review progress and create reports.

**Payroll services**

- Procurement's involvement in payroll services is limited in many organisations, because the responsibility is being transferred to a centralised financial services or corporate services group; however, Procurement can still assist by standardising the contract terms and conditions (T&Cs) for service providers.
- A common aim for Procurement when sourcing payroll services is to consolidate all the company's requirements with a single global supplier. However, this is a challenge due to country-specific legislation and agreements with councils and unions that protect workers' rights. Global master service agreements (MSAs) may be established that accommodate local variations. Payroll service providers being used include ADP, Deloitte, Intuit and NGA Human Resources.
- To comply with tax laws and regulations that vary greatly between countries, payroll service providers typically subcontract payroll management to local agencies. An alternative is for the organisation to contract with multiple agencies across different countries.
- Tools such as Workday are being used to manage payroll on a regional basis and across various countries. Workday allows employees to access their payslips, as well as to track their performance reviews.
- As the end of the contract term approaches, Procurement needs to ensure that the transference of payroll data is managed effectively. This usually needs to be conducted within a defined period, as directed by employment legislation.
- Payroll services are generally contracted using a pricing structure based on the number of employees and a cost per payslip. The cost per payslip model includes the cost of account management and reporting requirements. Payroll providers should hold adequate professional indemnity insurance to protect the client company from any liability should a payroll error occur.

**Professional HR consultancy services**

- Professional HR consultancy services are used when the organisation does not have the necessary expertise in-house. External HR consultancy services are often engaged to provide support in specific projects and areas of expertise, such as:
  - Pension schemes and 401(k) administration
  - Benchmarking data
  - Restructuring programmes
- Training programmes
- HR operations
- Change management
- Internal branding
- Structuring shared service centres
- Taxation.

- HR consultancy service providers include AON, Mercer, Willis Towers Watson, EY and KPMG.
- One challenge is that senior stakeholders often have preferences for particular HR consultants. If the selection criteria for an HR consultancy is unspecified or unclear, the process is likely to be subjective, leading to disagreements between the key stakeholders.
- Despite being difficult, it is important to establish agreement from the stakeholders regarding definitive, measurable deliverables for HR consultancy projects.

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The full meeting notes for each region can be accessed by logging on to the subscriber-only CASME Resource Centre, casme.com, and then clicking on the following links:

- **Asia**, Singapore
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CASME is the trading name of Market Focus Research Limited
EMEA and Head Office: 1 Holt Barns, Frith End, Bordon, GU35 0QW, United Kingdom
T: +44 1420 488355  W: casme.com  E: info@casme.com

Americas
New Jersey USA
T: +1 973 218 2566

Asia
Singapore
T: +65 6632 5584

Australasia
Sydney NSW
T: +61 2 8015 2340