TAKING CONTROL OF TEMPORARY AGENCY LABOUR SPEND

de Poel
Expert procurers of temporary agency labour

Taking control of temporary agency spend

Managing temporary agency labour spend is never easy, especially whilst the recruitment industry remains unregulated. Organisations have to look at indirect as well as direct costings, and gather information about spend based on a fragmented marketplace. With the added pressures of the recession and calls for sustainability, it has become even more important to implement effective management strategies, with industries alike jumping through hoops to ensure their businesses don't go under.

The good news is that there is finally a solution to the many problems associated with managing spend on temporary agency labour - use of temporary agency workers having become an increasingly popular practice among companies preparing for the upturn. Specifically, there are three main steps:

Step 1: Gaining visibility and control

Step 2: Standardising and optimising rates

Step 3: Managing the indirect costs

According to the latest CIPS survey, cutting costs is the number one priority for organisations in the UK. Ironically, in order to reduce costs you must first obtain control of spend - the second most common priority for purchasing departments this year. Indeed, temporary agency labour is frequently referred to as an 'invisible' cost due to the lack of visibility, astonishing given that companies spend as much as £20 million a year on the process. For 2009, temporary agency labour spend in the UK amounted to an estimated £19.88bn.

The truth is that most organisations do not know exactly what they are spending on temporary agency labour, where it is being allocated or how costs are being calculated. We regularly hear organisations estimating that their spend is between millions. For example, they might say: "it's between £5 and £7 million" - quite a big difference - though not surprising in light of the nature of the temporary agency labour market. In fact, we find this kind of guess work quite common among even the largest of organisations. Often individual locations are responsible for employing their own temporary agency workforce as and when it is needed, allowing costs to creep up unbeknown to head office. The irony is that this has an impact on the whole organisation and its yearly temporary agency labour expenditure, though it goes largely undetected by heads of procurement and finance.

Evidently, we have found that even if a company's estimations of yearly spend are accurate, the number of firms who are aware of their spend by specific location, job type, supplier and working time, not to mention how the specific charge rates are made up and calculated, remains extremely low. And yet… it is this information which is key to improving efficiencies across organisations.

Step 1: Gaining visibility and control

VISIBILITY

Gaining visibility includes two main processes:

1. Finding out where spend is going and what it is going on.

2. Finding out spend composition and the basis on which your organisation is being charged

Finding out where spend is going and what it is going on.

Finding out where spend is going and what it is going on as a means of managing spend, gaining visibility and control and reducing costs, involves looking at the skill sets typically employed, as well the operational needs and shift patterns at regional and local levels and in each business division. Knowledge of these factors helps companies to understand where, and more importantly, why, a temporary agency workforce is adding value to their business, giving them increased visibility and control over spend, and creating opportunities for cutbacks.

Basic questions to ask may include:

- **What was our overall spend last year?**
- **How is this broken down by region?**
- **How is this broken down by location?**
- **What is this broken down by job?**
- **How many agencies are supplying? If there is a master vendor, how many second tier agencies are being used?**

Follow up, more detailed questions, could include:

- Why are we using a temporary workforce in these areas? (A lack of available per manent personnel, seasonal shifts, a one-off, short term need for a skill set, market dynamics, to generate organisational flexibility?)

- What are the benefits being provided? (A flexible workforce that is easily increased or cut down, depending on commercial needs? A full, skilled workforce that would otherwise not be available? An increase in profits due to capacity fornew business?)

- What is the operational effectiveness of this workforce and how can it be maximised? (Are we getting the best out of our temporary agency workers? Could their time be utilised more effec tively? Could their skills be expanded on or put to better use in another department? Could improved training and induction programs increase output?)

Armed with this information, organisations can optimise use of their existing temporary agency labour workforce, allocate resource more efficiently and cut back on unnecessary spending.

Step 1: Gaining visibility and control

Finding out spend composition and the basis on which your organisation is being charged

With a history of imposing high margins and mystifying rate calculations, not to mention forming price-fixing cartels and profiting from erroneous travel and subsistence scheme operators, recruitment agencies have accrued a somewhat negative reputation for over-charging vulnerable workforce purchasers. For this reason, it is vital that organisations have clear visibility of the exact costings that accumulate from every supplying agency, from margins and job-specific pay rates to National Insurance and working time deductions, as well as the rate calculations themselves. Only by having knowledge of these specifics can organisations establish if and where they may be over-spending or being overcharged.

Basic questions to ask may include:

- **What are the agency margins?**
- **What are the pay rates by skill set?**
- **What is the charge rate made up of? How are WTR and NI calculated? Are there any other deductions being made from net pay?**

Follow up, more detailed questions, could include:

- How do rates vary across suppliers? Is there any asymmetry within agencies themselves?
- How do our rates compare to the rest of the recruitment marketplace?
- How do our rates sit within our industry? Are there any other factors

Tips on collating information....

WHERE TO GO

Ideally, information about where money is being spent and what it is being spent on, as well as how costs are calculated and on what basis your organisation is being charged, can be obtained from invoices held in accounts or finance departments (head office). Work with HR departments to gain a better understanding.

One thing to remember however, is that simply copying reams and reams of material does not necessarily provide the detail required to carry out a thorough review, since organisations tend to lack access to consolidated management information on headline figures or spend per agency. Be aware that some invoices and most certainly timesheets will be kept on location or in operational departments, and will thus need to be collated to one central point for analysis. Alternatively, information may have to be gathered from the agency suppliers themselves, or at least verified by them in order to ensure a clear visibility of costs.

Step 1: Gaining visibility and control

Tips on collating information....

WHAT YOU SHOULD BE LOOKING AT

Agency invoices vary in the specific detail which is included on an invoice. Ideally it should contain location, skill set, standard pay by the hour and any overtime, it should also include the agency margin and any pay deductions (such as WTR and NI). The invoice also needs to match the associated timesheet. If this information is not contained within the invoice further enquiries will need to be made, either via the recruitment agency or from whom the agency labour was ordered.

Be aware that there is also often a high level of invoice inaccuracy and information gaps. Final invoices may not reflect the agreed fees (especially if these were verbally agreed) and missing detail can create anomalies. Meanwhile, incorrect dates, names, job titles and branch addresses make it all the more difficult to grasp the amount and type of workers supplied to individual locations, and ultimately, the level of spend. That said, should remain a basis for information, approaching depot managers for verification and confirmation.

HOW YOU SHOULD DO IT

Gaining visibility of spend is a labour intensive process, but once complete, can equip your organisation with a wealth of knowledge for improving management of spend in this area. You will need to appoint a project team, with clear objectives and most importantly set a time frame so as not loose impetus. Many organisations are happy to outsource this process, on the basis that fees are only taken when savings are secured.

WHEN YOU SHOULD DO IT & HOW LONG FOR

We recommend analysing your temporary agency workforce usage as soon as your business will allow it. Obviously, when you're looking to make cost savings and increase efficiencies within the business is as good a time as ever. We also advise that you carry out the analysis over a minimum of a 13-week period. That said - you may need to take account of trading patterns and economic trends during this time. Also, the length of analysis will depend on the resource and knowledge within the project team and the number of locations to be analysed.

Tips on what to do with the information .....

All the information needs to be inputted onto a spreadsheet, and information needs to be broken down by:

- Supplier
- Region
- Location
- Skill set/job
- Standard pay rate
- Overtime pay rate
- Agency margin
- NI contributions
- WTR
- Other pay deductions
- Standard rate calculation

Reviewing the previous years' spend combined with performance should provide you with a forecast for the future but this is only relevant if the spend and forecast can be regularly monitored.

Step 1: Gaining visibility and control

CONTROL

Gaining control also includes two main processes:

1. **Implementing control**
2. **Maintaining control**

Implementing control

The main way for an organisation to implement control of spend is to improve internal reporting functions. This creates opportunities to oversee, approve and authorise weekly, monthly and yearly expenditure, in turn providing chances for better budgeting at both a national and regional level in the future. Introducing reporting systems to ascertain a clear picture of the amount and cost of supply in the past also allows companies to predict and forecast for the years ahead.

In today's era of technology there is no excuse to be operating a paper-based system. The best system for gaining control over temporary agency labour spend is a timesheet and invoice-processing system.

Tips for introducing timesheet and invoice-processing systems:

- Ensure you choose a software system which is web-based, to remove the need for software installation and create easy training opportunities.
- Check the web-based software is compatible with your back office system and the appropriate support is available.

There are several software packages which you can use to replace the inaccurate, time-consuming and uncontrollable format of paper-based invoices and timesheets, but the most popular and cost-effective system on the market is de Poel's own system e-tips®, which is unique, web-based, compatible with internal systems and available exclusively to de Poel clients.

Maintaining control

Implementing control is not enough on its own. Control needs to be maintained by continually monitoring spend and supply, as well as any savings made. Whilst constant examination of spend and supply allows you to keep tabs depots and agency suppliers, reducing indirect costs associated with poor performance, monitoring savings creates opportunities to further savings, as you can see which practices are working well. Timesheet and invoice-processing systems are again, the best way to do this.

Tips for maintaining timesheet and invoice-processing systems:

- Ensure the reporting facilities match your requirements. All elements should be monitored by supplier, location, spend, number of placements, standard and overtime work. You will also need to be clear on which is the main indicator of control.
- Check compliance to the system. If spend is not being recorded your control is weakened, so ensure you have a method of checking how the system is being used.
- Ensure the information is real-time management information, which, if using a web-based system it will be. It's always an idea to circulate the reports on a regular basis to enhance visibility across the organisation and let depots and agencies know that you will be overseeing the whole process.

Step 2: Optimising and standardising rates

Gaining control also includes two main processes: Setting a standard and optimum matrix of pay and charge rates is the second step in managing your temporary agency workforce spend. Arguably the most important phase as you seek to leverage your expenditure, it allows you to balance and regulate worker and agency payments in the absence of an official Government ombudsman.

The key point to remember is that spend management through rate optimisation and standardisation, is specific to the recruitment industry. With a total of more than 17,000 agency suppliers in the UK, all operating under varying, verbally-agreed, informal terms of business creating a fragmented and unscrupulous marketplace, rate optimisation and standardisation is unavoidable as a means of managing spend.

Indeed, it seems that rate inconsistency is the chief factor in rendering the relationship between agencies and their clients so unhealthy. According to a report by TalentPuzzle, 76% business owners and HR staff feel “ripped off” and cheated by recruitment agencies, with 77% reporting frustration about the lack of consistency in recruitment rates and rebates, businesses paying as much as 25-30% in placement fees. As a result, recruitment campaigners have been calling time for employers to have more power to set prices according to their finances, especially in light of the recession, which put strain on recruitment budgets.

The other part of the problem is the fact that there are so many aspects to charge rates. This in itself creates plenty of room for rate manipulation as concerns National Insurance, holiday pay and other deductions, as well as the more straight-forward over-charging that comes about from agencies setting high margins. As such, visibility and control of rates is only the first step in managing how much is spent on a temporary workforce per annum - the second involves rate optimisation and standardisation as a way of taking back control.

OPTIMISATION

There are three main aspects to rate optimisation:

1. **Finding the optimum, job-specific pay rate**
2. **Finding the optimum agency margin**
3. **Establishing the most suitable rate calculation for your business**

Step 2: Optimising and standardising rates

Finding the optimum, job-specific pay rate

To start with, it is important to realize that establishing the "optimum" rate for a job does not mean selecting the best or average payment. Rather, it requires finding a balance between a market-driven agency pay rate and a competitive pay rate that will attract high-quality staff. Thus, the best way to find the optimum pay is to carry out a full analysis of your industry. Look at the job in question, what you would normally pay that candidate if they weren't supplied through an agency. Be aware the geographical variations.

Then consider the median pay across those who get the job via an agency. Take into account the current jobs market and economy and analyse employment and unemployment statistics within your industry to gain an insight into candidate availability at that specific time - vital in setting the optimum rates for all job types since the higher the number of available candidates, the less the pay rate is going to need to be. Look at the kind of staff you want to attract - think about whether you'd like to pay slightly more than the average to attract more qualified or efficient workers, whose roles can be stretched, and who, as resources can be maximized to add value to your business and mean fewer members of staff are needed over all.

Alternatively, your business, or aspects of it, may not require highly-skilled workers, and thus you might be happy to pay the average rate for a slightly higher number of workers. Look at the rules behind pay rates for those working via recruitment agencies, and whether they would be best paid over the week or by the hour, whether there will be any over-time, expenses or sleep-ins. This tends to vary across industries, for example, drivers may get paid a standard rate for doing less than forty hours a week and an over-time rate for anything further. Admin workers will be paid by the hour. Care workers may do 'sleep-in' shifts and get paid a set, one-off rate.

Finding the optimum agency margin

The best way to find the optimum margin for a job is to analyse market trends within the recruitment industry. Find out where margins tend to be higher, and for which jobs. Look at specific jobs within job categories and see if some margins are higher/lower than others. Take account of agency over-charging and under-charging, and look at the quality of supply. A margin that is too low will invite poor quality suppliers, whilst a margin that is too high is likely to attract the more unscrupulous agencies. Be aware that geographical location can also affect the pay rate and therefore the margin.

Focus on your industry. The fact that different industries require different jobs and skill sets means that pay rates and margins are likely to vary. It is not necessarily the case, for example, that a nurse will attract as high a margin as a graphic designer or an HGV driver. As a general rule, it is usually the case that the higher the pay rate, the higher the margin, though this is not an absolute truth. After all your research is done, you will need to establish the 'optimum' margin for each individual job. Like pay rates, this is not the lowest margin, but a margin that reflects a good quality supplier without being unreasonably high. This will cut costs initially, and prevent your company paying the price of using a poor supplier in the future. Of course, you may also want to bear in mind that setting unreasonably low margins may impinge on your ability to continue using temporary agency staff – a cost-cutting strategy in itself.

Establishing the most suitable rate calculation for your business

A candidate's National Insurance payments and holiday pay can worker out via any one of two, legal calculations. There is one method which saves more money for organisations by taking into account the threshold for worker free-pay. This may be more suitable for your business if you are under pressure to make high cost-savings immediately, or if you employ a large number of agency workers

Step 2: Optimising and standardising rates

STANDARDISATION

There are two aspects to standarisation:

1. Introduction of preferred agency panel

2. Implementation of standard rate matrix

Introduction of a preferred agency panel

There is one big first step to be taken to allow rate standardisation: The introduction of a preferred agency supplier list, or a 'panel'. A panel is effectively a list of agencies who supply you exclusively. One reason this is significant in the standardization process is because you cannot expect a supplying agency to accept reduced, set pay rates and margins unless there is a benefit to them – a panel of supplying agencies is that benefit. Rather than agencies having to compete with a large number of different suppliers with no guarantee that they will be used at any specific time, a panel reduces competition between agencies and gives key suppliers piece of mind that they are to be used when they have specific expertise or geographical monopoly.

The other reason a panel of suppliers is important for standardization is because it is an efficient way of ensuring that rates and rules are adhered to. Not only would you, the client, have more control over a smaller list of suppliers, but the size of list itself would generate more positive dealings between the agency and your organization, making for a more genuine and efficient relationship.

Traditionally, companies have established preferred suppliers lists with no operational input or have used a master vendor solution to channel all agency placements, though neither approach allows adequately for operational requirements. On this basis, it is best to have all agencies on a level playing field, and to consult your procurement, HR and operational departments for their ideas. The fact that agencies will be competing on service rather than price (following rate set up) means that the supply of workers is also likely to be improved by introducing a panel, creating further cost-savings for your business.

Point to remember .....

When setting up your panel – avoid radically changing you supply base. Agencies who have worked with you for a long time are not only more likely to accept standard rates and take an interest in the new supply arrangement, they also know your business better and will be able to supply you accordingly, saving you money. Instead, try to help them to do what they are currently doing more cost effectively through your powers of negotiation and new industry expertise. That said, if you really believe that they are underperforming, waste no further time and offer new suppliers a chance.

Implementation of standard rate matrix

Given the number of aspects to an agency charge rate (pay, margin, pay deductions, etc.) as a term, Implementation of standard rate matrix refers to the regulation of three main aspects of agency charge rates: Pay rates, job-specific margins and rate calculations. You can only standardise these rates and calculations once you have worked out the optimums. To standardise the rates, and so obtain the trust of quality, supplying agencies, you will need authority within the recruitment industry. Having authority is a result of having a wealth of industry knowledge. And yet, it can still be a struggle to 'win agencies over', especially if they are national companies with a strong position in the market.

Step 2: Optimising and standardising rates

Implementation of standard rate matrix

You will need a strong team of implementation experts who can visit agencies, hold seminars and conduct presentations, to let them know the full details of the new arrangement, how it will affect them, how you plan to monitor the rates as well as the benefits of them coming on board. You will need to make it clear to the agencies that you will have overall control of the rates, but, that you will ensure they are as fair and balanced as possible.

If you are planning to use a timesheet and invoice processing system, (which allows you to control and monitor what agencies and candidates are being paid and ensure that the set rates are being stuck to) you will need to visit every single branch of every supplying agency to train them on how to use the system.

For the best results, ensure your implementation team has a strong industry background and good knowledge of the system, and ensure that the system is web-based for ease of introduction and set up. Be aware that training sessions may need to be held again over the phone and using a webex system, to refresh agencies on its workings.

Also crucial at this point will be to make certain that you have a strong support team in place to hold the online training sessions, set up the rates in the system and to take any calls querying any of these things. This team will be KEY to the process of rate standardisation, as they will be on the front line, setting up new rates in the system as and when you require them. They will also be able to inform any new suppliers of how the arrangement works and encourage them to fill out a panel application form if they are appropriate and have the relevant experience and expertise to supply to you either now or in the future.

Summary of top tips on implementation

- Do your homework on the recruitment industry!
- Approach your supplying agencies with honesty and professionalism.
- Use a web-based timesheet and invoice processing system.
- Have an implementation and a support team in place for the introduction and maintenance of rate control, respectively.

Step 3: Management of indirect costs

One of the biggest complaints we hear from users of a temporary agency workforce, aside from the expense, is the huge number of paper-based invoices and timesheets involved. According to the organisations we have worked with, these occupy valuable staff time, create a heavy administrative burden and most importantly, give rise to further, indirect costings.

According to the Chartered Institute of Purchasing and Supply (otherwise known as CIPS) raising and processing a single timesheet or invoice, (taking into account the average amount of work and time involved, the postage and the typical error rate - which is 15% on paper-based documents), amounts to an average of £50.06 per time.

For big industry players who use a large amount of temporary agency workers to supplement their workforce in response to seasonal and market shifts, there is thus, quite clearly, a gross cost implication before you are even charged for the labour.

Increasing an organisation's overall spend on temporary agency labour by as much as 5% in some cases, these additional administration costs are therefore not to be overlooked when companies look to manage their overall spend.

Luckily, and in line with Government sustainability and efficiency targets, opportunities you to streamline the administration and accounts processes are available through the use of timesheet and invoice-processing systems.

As well as converting paperwork to electronic files, (saving time, removing opportunities for error and reducing postage costs), such systems consolidate invoices down from thousands per year to just one each week, massively reducing processing payments.

Similarly, but less complained about, using agency workers can cause organisations to incur legal costs as a result of leaving themselves exposed to litigation. Last year particularly, Labour introduced a series of employment laws on the back of EU decisions, tightening up health and safety legislation, access to jobs for migrant workers and checks on those working with children and vulnerable adults, not to mention clamp downs on working time regulations, driver training and licencing, and of course, agency working specifically through the introduction of the Agency Workers' Directive.

Notably, it is the users of temporary agency labour, rather than the supplying agencies, who have been fined for evading employment laws, though it remains unclear who is responsible in the majority of cases. Often the reason for illegal recruiting or workplace practices is ignorance of the relevant law in place.

Managing indirect costs therefore involves managing two main business practices: Streamlining your administration and accounting processes and ensuring your legal compliance.

Streamlining your administration and accounting processes

Heavy administrative and accounting chores are an unavoidable side-effect of recruiting a temporary agency workforce. Temporary workers, unlike permanent staff, need to have their hours recorded each day or week, and they need to be paid accordingly. This is the case whether they are working in industries where it may be difficult to keep on top of admin work, such as construction, care and waste management, as well as those where it is often easy, such as financial and business services, or retail.

Step 3: Management of indirect costs

Streamlining the documentation of workers' hours

The main administrative burden involved in recruiting temporary agency labour is the process of recording workers' hours, signing them off and finally authorizing weekly timesheets. Timesheet and invoice processing systems are most certainly the only and best way to do this. Assuming that you and your staff are set up and trained on the system, a member of staff with the correct access will only need to manually type in a workers' weekly or daily hours, before clicking on "save".

A depot manager then has the opportunity to "approve" the hours, before an area manager or senior person "authorizes" them. The beauty of the system is that because it is web-based, none of these managers need to be at any one site. They could be based in different parts of the country and still be able to access the system. And because each user will have their own login details with their own user rights, they will only be able to approve and/or authorize hours with certain settings.

The indirect cost savings associated with inputting hours in this manner arises as a result of a number of factors. Firstly, a reduced error rate. Whilst the system will not allow 'typos' so-to-speak, because hours are typed rather than hand-written there is less room for error on the accounts side of the business.

Second of all, the fact that hours are approved and authorized (checked and re-checked) reduces the chances of mistakes being made, and in turn, further administrative costs. But if, for any reason, a member of staff the wrong hours are inputted for a particular temporary worker, it is simple for managers to either over-write the hours before they are processed, or alternatively, "create an adjustment" on the hours after they have been processed, which automatically re-balances agency payments.

Streamlining the payment process

Whilst logging hours on timesheets can be fairly laborious when it's not properly managed, the real burden of not having a management process in place is for the accounts department. It is also at this stage of the hours being processed that savings can really be made through organizations taking control.

As above, the single most important part of streamlining the payment process is the timesheet and invoice processing system. Once the hours have been inputted and processed, an invoice is automatically generated for the agency to "create" and print off. This removes the timely and laborious process of manually putting together and posting your invoices and using paper and other stationary, taking a heavy weight off your shoulders and reducing costs by as much as £50.06 per invoice.

The number of invoices is also reduced, since each agency will receive one consolidate invoice per week for all the temporary workers they have supplied to your business. Meanwhile, the fact that current and past payments can be checked simply and efficiently due to their being logged electronically, means mistakes or non-payments can be easily rectified and re-issued respectively, in turn saving further time and costs.

Ensuring company legal compliance

Over the past 5 years the Government has realised the need for tighter legislation as regards employment and has subsequently introduced a number of laws, alongside increased resource to enforce standards and compliance, which are having a costly effect on end-users of temporary agency labour. Indeed, in February 2009, the Government delivered a £1.2million campaign to raise awareness of employment rights among vulnerable agency workers specifically. The aims were to build a higher profile for the Employment Standards Agency (EAS) and to increase awareness of the special safeguards for agency workers. This had significant impact on the volume of calls to the EAS helpline and visits to the Direct.gov website for relevant guidance.

The Government made significant progress during 2008 and 2009 in strengthening their enforcement of employment agency legislation. As part of a shift towards a more risk-based regime, the expanded team of inspectors carried out a series of blitzes on agencies across Great Britain, the EAS uncovering 2,393 infringements of the law in 2009 alone. Thus, companies are now realising the importance of keeping on top of incoming legislation and of implementing formal terms of business as a means of controlling their indirect costs and managing overall spend on a temporary agency workforce.

Keeping on top of incoming legislation

Ensure you are aware of current and forthcoming legislation. Legislation relating to temporary agency workers is constantly being updated and renewed and it is therefore ever more important to be sure that agencies are not cutting corners and perhaps more importantly, that they themselves are aware of any relevant legislation. You can only keep a check on this if you yourself know what legislation is coming out, and when.

Taking into account the Government's determination to ensure compliance to employment laws, it is also essential that you are aware of where the responsibility lies. Whether it be with the recruitment agency or the end user of temporary agency labour, failure to understand could have a detrimental effect on your organisation, resulting in fines or indeed prosecution.

Legislation that you must be clear on, irrespective of industry, includes legislation relating to:

- **National Minimum Wage (NMW)**
- **Agency Workers directive (AWD)**
- **Immigration Points-Based System**
- **Corporate Manslaughter**
- **Driver Certificate of Professional Competence (CPC)**
- **Independent Safeguarding Authority (ISA) checks**
- **The Removal of VAT Concessions**
- **Equality Bill**

You will also need to focus on the legislation which affects the use of temporary agency workers within your specific organisation and industry.

Tips for keeping up-to-date with legislation

- Visit www.depoelconsulting.com for regular updates on employment leg islation relevant across the board and to your specific industry. (You will find a detailed summary for each of the above within in our legislation section, whilst for industry-specific legislation, view the relevant industry sector within the 'clients' section).
- Summarise the key legislation by way of bullet points and circulate it around your HR and finance departments.
- If you are unsure of where the responsibility lies, contact marketing@de poelconsulting.com and we will be able to tell you.

Implementing formal terms of business

Due to a lack of regulation, many recruitment agencies operate under their own terms and conditions. Thus, hand in hand with the strategy of keeping on top of all relevant legislation, we recommend that organisations review the standard terms and conditions and amend them according to their specific industry and business requirements. Companies should always implement formal terms of business between themselves and their suppliers if they are to clarify employer responsibilities and ensure agencies live up to what's required of them.

These new terms should outline a detailed list of expected standards of service, as well as the required amount of insurance cover for:

Employers' Liability
Public Liability
Professional Indemnity
fidelity bonding
Product Liability
Drivers' Negligence
Office Insurance

In addition, they should set out terms in respect of: rate standardisation (stopping agencies from paying lower than the minimum wage), the policy and certification checks that all supplying agencies should have in place (such as equal opportunities and health and safety policies), the legal registration process (demanding that agencies observe and adhere to laws on making temporary workers provide proof of ID and qualifications, references, proof of the right to work in the UK and any relevant licences). As well as inductions (a structured induction process for temporary agency workers ensures they are adequately prepared to start work, adhering to rules on alcohol, drugs, smoking, security, working hours, breaks etc. all of which will limit the risk of accidents).

Formal terms of business or service level agreements, incidentally, can also reduce the indirect costs associated with poor supplier performance. Providing opportunities to outline Key Performance Indicators (KPIs) against which agencies can be measured, these kinds of agreements guarantee the supply of top-quality workers and as a result, allow resource to be maximised and costs to be kept down.