

Selecting a staffing provider

What you need to know about buying staffing services

The best decision a company can make is to pursue activities that generate income, and then delegate auxiliary responsibilities to specialists with learned efficiencies in those areas.

"Today, many companies are finding that partnerships with staffing providers keep the bottom line moving in the right direction," says June Stein, president of Principal Technical Services. "There are many features to consider when selecting a firm that will be used to help provide supplemental staffing."

Smart Business spoke with Stein about how companies can be competitive in today's marketplace for human capital and what to consider when looking for a firm that can give your company an advantage.



June Stein
President
Principal Technical Services

What should a company look for in a staffing provider?

Staffing is not a commodity. There is a wide range of service offerings and specific industry experience among staffing providers.

Look for an agency that has experience and a proven track record within your industry. Agency personnel should have an extensive network, including contact with organizations and societies whose membership consists of qualified potential employees. These types of connections enable the staffing provider to efficiently access the most sought-after talent with the specific skill sets needed to augment your current workforce.

It's also helpful to choose a staffing provider with a high employee-retention rate. The last thing you want is to have a worker assigned to your company and then have him lured away a month later by a more attractive job offer.

What encourages workers to stay with a particular staffing provider?

There is a direct correlation between the

level of employee benefits offered and the staffing provider's ability to attract and retain highly qualified workers. It is important to make sure that the staffing provider offers its worksite employees a comprehensive benefits package comparable to one that your core staff members might receive. Employee benefits most desired by workers include health and dental insurance with employer contribution, 401(k) investment program, direct deposit and paid time off (PTO) for vacations and holidays.

While some staffing providers offer immediate eligibility (i.e., no waiting periods), others withhold benefits for up to a year. An agency that offers immediate benefits is more likely to attract and retain high quality talent.

Staffing providers also differ widely in the types of benefits, such as health plans they choose to offer their employees. Like immediate eligibility, a more comprehensive health plan attracts higher-caliber individuals and reduces turnover.

The worksite employees are also more likely to stay with a staffing provider that consistently pays a market-rate wage.

Who determines the supplemental staff employee's wage rate?

Traditionally, it's been the staffing provider — but it really should be the customer. The supplemental staff employee's skill sets and experiences will be comparable to those of a company's in-house staff only if he receives a comparable wage rate. The client should determine what the wage rate should be and then look for a staffing provider that will offer a competitive bill rate corresponding to that wage rate. Keep in mind that the lowest bill rate is not always the best choice. A quality benefits package will increase the bill rate, but will pay for itself by attracting talented employees and decreasing turnover.

What is the relationship between the wage rate and the bill rate?

The relationship between the wage rate paid to a supplemental staff employee and the bill rate charged to a company is referred to as the multiplier. The multiplier is affected by the wage rate, employer tax requirements, costs of employee benefits and markup for the staffing firm. The lower the multiplier, the greater percentage of the bill rate goes directly to the worksite employees of the staffing company and the lower the profit margin to the staffing provider.

Historically, staffing providers has been reluctant to disclose multiplier information, but in order to know what the wage rate paid to the worker is and how it relates to the bill rate, ask to see a copy of the staffing provider's published rate schedule. This should outline the cost of each component of the multiplier.

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