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Companies clamouring for contract workers

Tighter labour market, hiring flexibility cited

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(SINGAPORE) Shorter business cycles, a tightening labour market and a desire among companies for more flexibility in recruitment is pushing up the demand for contract workers, say recruitment agencies.

Recruiters tell BT that they are seeing increases of 20-30 per cent in the demand for contract placements from companies. For some recruiters, demand for such placements has doubled.

It is coming from a broad range of industries, but the banking and finance, logistics, manufacturing, IT and telecommunications sectors are seeing the fastest growth in the use of contract employees, across all levels of hires, say recruiters. The retail and hospitality industries are also keen on hiring more contract staff.

Contract workers are employees hired for short-term assignments, typically for a minimum of three months to a maximum period of two years.

Recruitment consultancy Manpower Inc said that over the last six months, it has witnessed a 32 per cent increase in the number of temporary workers it is helping companies recruit.

Over at Words & Action, a recruitment consultancy which focuses on the financial industry, general manager Winnie Low said her firm expects to place about 20-30 per cent more contract workers this year compared with 2006. 'It is indeed a sign of a booming job market,' she said.

Andrew Chan, general manager of TMS Asia-Pacific, which specialises in recruitment services for the travel, tourism and hospitality sectors, said that companies are increasingly realising and tapping the benefits of a flexible workforce.

His company has seen the number of contract hires it helped to place 'up two-fold' from a year ago. On average, it locates and secures more than 20 short-term employees on a weekly basis and expects that figure to double in a short time.

And it is not just entry-level positions that are being filled by contract workers. TMS has helped to place even chief financial officers, financial controllers and marketing managers, said Mr Chan.

'Employers have always looked to temporary staff during busy periods, or used them to gauge whether their business is ready to take on extra permanent staff. But more and more companies are also finding that the use of temps offers them much more freedom and the flexibility to manage their business effectively,' said Mr Chan. 'Some companies have become hesitant to employ full-

time staff in what they see as uncertain times, while some find it easier to maintain an ongoing temp from an economical standpoint.' Kelly Services, another recruitment consultancy, agreed that the desire for flexibility against the backdrop of more uncertain economic conditions has driven up the demand for contract hires.

The firm has seen the demand for contract staff from its clients over the past six months increase about 20 per cent over the corresponding period last year.

'Business cycles are getting shorter and companies prefer to offer contract positions. Companies are also engaging more project-based work, and as such, prefer to hire contract employees with specific skill-sets required for the project,' said Kelly Services.

'It is indeed a sign of a booming job market.'

- Winnie Low,
GM of Words & Action, which expects to place about 20-30 per cent more contract workers this year compared with 2006

OCBC Bank, for example, believes hiring contract staff is a 'good source for supplementing (its) existing workforce for ad hoc resource-intensive projects, amongst other reasons', said its head of planning and employee communications Low Sock Cheng, although she added that the bank has not yet significantly increased its number of contract hires.

Another reason for the greater demand for contract staff is outsourcing, say recruitment firms.

Said Manpower Inc: 'Generally, companies are outsourcing their non-core functions to experts in the relevant industries so that they can focus on their core business. And the increased awareness in recruitment process outsourcing and human resource outsourcing has led to an increase in the employment of contract workers.'

Also, the tightening job market, which has led to vacancies taking longer to get filled, means that more employers are resorting to contract hires to fill positions on a temporary basis.

Noted TMS's Mr Chan: 'Some prefer to trial temporary positions to assess their potential viability in the longer term. As the economy grows, the number of permanent positions has grown, as has the number of temporary positions, because there may be gaps in the market on the permanent side.'

Words & Action's Ms Low agreed. 'I believe that employers will continue to rely on hiring contract employees, not just because of an uncertain economic climate, but because this method provides them with the opportunity to identify and hire employees who are a 'best fit' for their companies' culture and job scope.'

Previously, entry to mid-level positions would typically take 2-3 weeks to get filled, but it can now take four weeks to find the right person, said Annie Yap, CEO of recruitment agency GMP Group. For senior and niche positions, the search may take as long as three months.

So companies now typically take on temporary staff - for up to three months - to clear the backlog of paper work for these positions while they look for a 'better fit'.

However, 'with more permanent positions being offered now, it is getting harder to find candidates who are willing to take on contract work for longer periods of time', Ms Yap said.

According to the Ministry of Manpower, about 12 per cent of the total resident workforce - or 172,000 of resident employees - were engaged on short-term contracts in June 2006. Slightly more than half of these were on contracts of at least a year's duration and were mostly higher skilled professionals, managers, executives and technicians.