

Public Sector Recruitment: How To Get Full Visibility Of Spend And Tighter Control Of Costs



Client Insight For HR And
Procurement Professionals

Introduction

“Control of agency worker spend has become an urgent priority for local government. This has led to a conundrum for every council: how to resource increased demand for their services and at the same time achieve steep cost savings targets.

This challenge isn’t new but after seven years of cost cutting, there is little fat to trim. It is becoming increasingly clear that councils cannot continue with the same approach and meet new financial targets.

For almost a decade local authorities have relied on agency workers to keep essential services going in the belief that this was the more cost effective solution long term than hiring more permanent staff.

Over time, a power imbalance has developed between councils and supplying agencies, in which the commercial interests of the agency supplier take precedent. Unless councils can change the terms on which they engage with the supply chain they won’t be able to leverage further savings or deliver the local agenda.

Among leading councils, a new approach to recruitment is well established that has redefined the relationship between councils and the supply chain, putting power firmly back in the hands of the council. This approach, coupled with the technology to report detailed management information across multiple agencies, has shown the true cost of agency spend and changed the direction of travel toward hiring permanent staff.

Notwithstanding this trend, the need for agency staff will always remain a reality. The challenge for councils today is to justify the decision to hire agency staff within the context of a wider recruitment strategy that aims to deploy staff effectively in order to respond flexibly to ever changing needs. Such a decision requires detailed data on what the council is spending, where, why and how and the impact on service delivery.

In this report leading councils that have risen to this challenge share their stories of how and why they adopted a new approach to recruitment in order to get complete visibility of costs and tighter control of recruitment, and how doing so has enabled them to make significant cost savings and innovate year on year to deliver local and national agendas.”

— **Chris Grimes**, Head of Public Sector, Matrix SCM



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What Stops Local Authorities Getting Greater Control Of Agency Spend?

Simply put, without full visibility of what you are spending, where you are spending it, and why, it is impossible to control agency costs. Here are the most common barriers:

Inconsistent Data From Multiple Agencies

It's hard to get a clear picture of spend using traditional approaches to recruitment. In situations where hiring managers have a direct relationship with agencies or recruitment is managed through a preferred supplier, it is time consuming to gather reports across multiple agencies and almost impossible to receive data in a consistent format in order to build a clear picture of spend. A lack of data prevents Finance from making accurate forecasts, HR from having difficult conversations with finance about where best to spend money and both from justifying decisions to corporate members.

Lack Of Internal Controls

Without a clear idea of where, why and how money is spent on agency workers it is impossible to take a step back and identify what protocols might be put in place to reduce and control spend. This internal inconsistency increases the risk of hiring managers recruiting off-contract, making distress purchases and inefficient deployment of existing staff.

Recruitment Agencies Have A Vested Interest To Control Worker Supply

As a business it is in the commercial interest of an agency to negotiate the best deal for themselves rather than put the needs of the council first. Practices such as holding back workers lead councils to make costly distress purchases at the eleventh hour. It is not uncommon for Managed Service Providers to put less suitable candidates forward ahead of better qualified and more experienced candidates from other agencies where the opportunity to earn commission is diminished.

Jumpers

In areas where several councils border each other it is common for agencies to entice experienced staff in hard to fill roles, such as social care, to break their contract early and 'jump' to a role at a neighbouring council for a higher pay rate.

Local Authorities that wish to get a tighter grip on recruitment will find it helpful to first gather a panel of internal experts, hiring / business managers, HR, Procurement and Finance to identify those aspects of your current approach to recruitment that support greater control and those that prevent it. Mapping out inconsistency in policy and practice will give you a clear idea about what you can improve.

We have seen councils adopt a greater collaborative approach through initiatives such as the memorandums of co-operation agreements within Social Care.

Client Insight: Learning From Leading Councils

On the surface, the prospect of getting better control over spend and visibility of processes looks challenging. In practice, it is not as hard as it seems. Many councils have gone down this road already, providing substantial cost savings and improvements to the resourcing.

In this section HR professionals share from the front line, their story about how they got a tighter grip on recruitment and how it helps them achieve better outcomes for their local authority.

Wakefield Metropolitan District Council

Bringing Together Recruitment, Spending And Contracts Through One Platform Provides Control And Insight For HR And Finance

Before partnering with Matrix, hiring managers had free-reign to recruit agency workers. This presented several challenges for the hiring manager, the workers themselves and Wakefield's internal Finance and HR teams.

Under the old arrangement hiring managers spent a considerable amount of their time liaising with agencies over every application, negotiating fees, pay rates and terms and conditions, conducting compliance checks, processing timesheets and pay, all of which varied from one agency to the next.



Hard-to-fill roles were even more time consuming and stressful to fill. Some agencies held back workers, forcing managers to make costly distress purchases rather than close vital care services. Others encouraged experienced social and care workers to leave their contract early for a higher pay rate at a neighbouring council.

"Hiring managers, finance and HR are able to get real time reports on what is being spent on agency workers."



With different agreements in place, across multiple agencies, it was impossible for Finance to get a grip on agency spend or forecast budgets with accuracy since they had no way of knowing how long an agency worker would be in role. At that time the direction from central government was to reduce spending which resulted in a reduction in the permanent workforce and an increased reliance on agency workers for short term support. Without visibility over agency spend it wasn't clear that this approach was costing more.

HR and Finance lacked the necessary management information to inform difficult conversations on how best to provide services, or justify difficult decisions to corporate members.

Tackling The Challenge Head On

At Wakefield we realised that we needed to take a radically different approach to recruitment in order to meet cost savings and deliver against the local agenda and achieve business goals.

We decided to appoint Matrix, since, as a Neutral Vendor; it has no commercial interest in which agency suppliers a particular worker. We work as a consortium with four other councils. All recruitment across the consortium has to go through Matrix, who standardised pay rates, and terms and conditions for every contract, across the supply chain. This removed the incentive for agencies to hold workers back in hard to fill roles, or entice workers to jump contract early for higher pay rates.

Hiring managers, finance and HR are able to get real time reports on what is being spent on agency workers, where the spend is occurring, why and how long the contract will last, as all recruitment across the entire supply chain is driven, end to end, through the Matrix SCM portal. While this gave us 360 degree sight of spend we decided to put other measures in place to tighten our control over recruitment.

We amended our protocols so that hiring managers cannot go off contract without explicit approval from the highest level. A business case must be made for every agency worker which is considered alongside alternative options such as offering additional hours to part time workers or using employees from the redeployment pool. And we've built in review points at set weeks to ensure contracts are not extended unless absolutely necessary.

We built efficiency into the hiring process by configuring the portal so that hiring managers can only see candidates with experience relevant to their business area and pay scale. The Matrix system ensures all workers are 100% compliant before taking up post, and processes timesheets, and payment, saving our managers further time.

Matrix Has Helped Us To Achieve More Than Cost Savings

Over the past three years agency spend has dropped by nearly two thirds and off contract spend to almost nothing. Hard-to-fill roles are filled faster and social workers have stopped jumping contract, freeing HR time to focus on initiatives to attract a pool of relevant, interested applicants ahead of need.

The Matrix team has built relationships with our supply chain and strengthened it. Through our expert knowledge we are able to quickly fill roles in emergency situations.

"Agency spend has dropped by nearly two thirds and off contract spend to almost nothing."

Finance report tighter control and the ability to report spend in real time and forecast future need.

At a strategic level, management information generated by SCM helps HR and finance anticipate trends in demand for services and flexibly deploy agency and permanent staff in line with need, the local agenda and wider business goals. In turn this makes easier, difficult conversations between HR and Finance around spend, especially where there is a conflict between cost savings and meeting service levels.

— **Craig Wood**, Team Manager, HR Direct and Business, Wakefield Metropolitan District Council

St Helens Metropolitan Borough Council

Bringing together procurement, spending and contracts through one platform provides control and insight for HR and Finance.

We've partnered with Matrix since 2010, renewing the contract after four years. What prompted us to appoint Matrix was the realisation that despite managers acting under the financial regulations the council had at that time, we couldn't get a grip on what agency workers we had, or what they were being paid. Plus it was time consuming for managers to deal with multiple agencies, each with variable pay rates and terms and conditions.



Off contract spend was high, services with hard to fill roles, such as adult live in care were under resourced, and a high percentage of experienced social workers were jumping contract early for a better pay rate with a bordering council.

On appointing Matrix we realised that while a Neutral Vend approach to procurement would guarantee initial cost savings in the first year, we had to build greater control into the system to build a workforce that can respond flexibly to changes in service demands, and deliver on the local agenda and business goals.

In response, we introduced several protocols to tighten control. All procurement requests have to go through Matrix and are routed through an online portal called Matrix-CRNet. The system is configured around an approval process that makes it impossible for a hiring manager to go off contract without approval, or to hire an agency worker without the relevant approvals.

Strengthen Our Hand As A Consortium

To strengthen our hand with the supply chain we signed up to work as a consortium with other 5 Greater Merseyside councils. Together with we capped pay levels, standardised fees and pay percentages as well as terms and conditions for workers across the entire supply chain and reduced fees over the life of the placement. We also agreed with the other North West councils to cap pay levels for qualified social workers. This enabled us to engage with agencies in a more constructive way as well as stopping them from playing workers and councils against each other.

"Despite all the rules, we couldn't get a grip on what agency workers we had, or what they were being paid."



As a result of these measures we only went off contract two or three times in eight years, and had clear evidence to justify the decision to finance and corporate members on the rare occasions that it was necessary to do so.

The entire end-to-end procurement to pay process is managed through Matrix-CRNet, which captures data every step of the way, from the initial request to hire to the decision to end or extend a contract, as well as compliance and payroll. As a result the system can generate detailed management information reports that enable HR, Finance and hiring managers to make better decisions both for the council and its workers.

Management Information Supports Better Decision Making

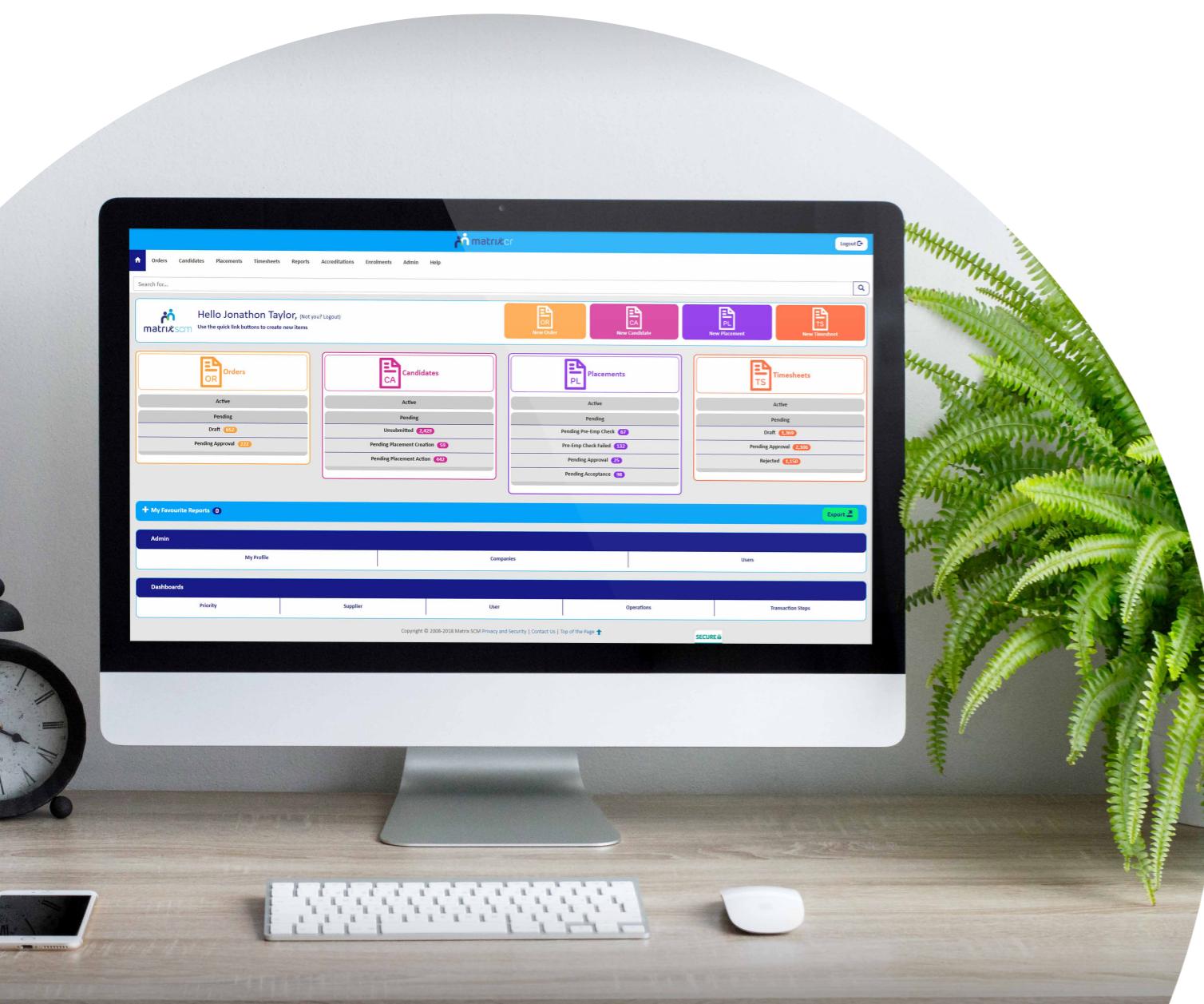
For example, when faced with a shortage of live-in adult carers, the data helped us to see that it would make better financial sense for the council, and its workers to make changes to the way staff are rostered, and offer part time workers more hours, increasing their benefits and holiday allowance in turn.

The strain has been taken out of the hiring process by CR.Net and our Matrix Account Manager, freeing up HR and hiring managers to focus on strategic issues such as being a great employer and giving employees, especially experienced staff in hard to fill roles, a compelling reason to stay and grow their careers.

Finance managers in each business area know exactly what is being spent, where, why and for how long, enabling them to better forecast budgets and make more informed decisions, to safeguard costs and deliver services.

— **Phil Leach**, Deputy Head of Human Resources, St Helens Metropolitan Borough Council

"The strain has been taken out of the procurement process, freeing up HR and hiring managers to focus on strategic issues like being a great employer."



How Matrix Helps Clients Add Value To The Recruitment Supply Chain

Since the neutral vend approach caps fees and pay rates across the supply chain it's relatively easy for a Local Authority adopting this approach to demonstrate cost savings in the first year.

In reality, Local Authorities are tasked with meeting multiple and often seemingly conflicting objectives. The harder challenge is to meet year on year cost savings, meet an increasing demand for services, and successfully deliver on local and national agendas.

To provide an idea of what is possible, here are the ways in which Matrix council recruitment supply chain specialists work closely with dedicated clients in order to innovate and drive greater value from recruitment.

Matthew works with Cardiff Works, the HR team that supply temporary workers across Cardiff Council.



Build The Supply Chain

Cardiff has 129 registered agencies in its supply chain. Hiring managers simply don't have the time to build detailed knowledge of every agency. I strengthen the supply chain, by visiting agencies to build relationships and understand their specialism. On these visits I take time to learn about the needs of each SME to ensure we work with them to build the local agenda.

First Line Response To Emergency Situations

Situations arise, often first thing in the morning, where emergency staff cover must be found at the eleventh hour to keep critical services running such care homes and school catering. Organising emergency cover can be time-consuming for business managers. I use my expert knowledge of the supply chain to quickly pinpoint agencies with appropriate workers and work the phones until cover is found.

16 Analyse Weekly Management Information Reports

I run a comprehensive report of recruitment activity by business area, cost code and analyse it to spot danger points, such as, orders that are taking time to fill, requests for extensions, trends that may be cause for concern such as the number of applicants failing pre-employment checks supplied by a particular agency, timely payment of workers. I flag and discuss any concerns with HR, Finance and hiring managers so they have a comprehensive understanding of what is going on with recruitment in the round.

Manage Large-Scale Contingent Events

One-off events such as the Champions League which was held in our City and was staffed by temporary workers from multiple agencies can distort pay due to high demand. I make sure they adhere to controls and standardized pay rates agreed with Matrix on behalf of Cardiff Council.

— **Matthew Tellem**, On-Site Account Manager, Matrix SCM, Cardiff City Council

Lindsey provides strategic business advice to councils across the North West.



Provide Strategic Business Advice

Each local authority has a unique set of needs and these needs change over time. I meet with Finance, HR and Procurement Directors once a quarter to review emerging needs and trends and ensure the council flexes its response in line with those needs. Together we identify initiatives to meet local and national agendas.

Encourage Collaboration Between Councils

While all councils can strengthen their hand by procuring collaboratively this is especially true in areas where several councils border each other. Unless these councils agree standardized fees, pay rates and T&Cs across the supply chain they run the risk of being played off against each other and of experienced hires in hard to fill roles jumping contract early for better pay at a neighbouring council.

Build Diversity In The Supply Chain

A sustainable, responsive supply chain needs a healthy number of diverse suppliers. I ensure the council recruits across a wide range of suppliers and that the chain has a healthy number of suppliers. We work with a large number of SMEs to deliver the local agenda and source specialist staff. A key part of my role is to help smaller businesses understand the commercial opportunity of working with us, how much they would get, and where else they could supply to.

— **Lindsey Norman**, Business Manager, Matrix SCM

Key Points To Achieving Greater Agency Control

1. **A single recruitment dashboard is critical** - without full visibility of spend it is not possible to control costs or justify difficult decisions between cost and service delivery.
2. **Neutral vend irons out inconsistency in contract terms** - councils must switch to a neutral vendor to procure recruitment services to agree standardised fees, rates of pay and T&Cs across the supply chain.
3. **Technology can simplify this process** – by implementing a technology solution which can capture the right data across the entire supply chain you can quickly deliver the insight you need.
4. **Data alone will not control spend** - councils should consider putting policy protocols in place around the decision to hire, find an alternative solution, and extend a contract, compliance and pay.
5. **But using the data can help you anticipate resourcing issues** - regular analysis of detailed management information will enable you to anticipate trends, deploy staff effectively and find alternative solutions to fill hard to fill roles more quickly.
6. **Set targets beyond simple cost management** – these could be around increasing employment from different social or ethnic groups; providing greater access to jobs for people with specific skills or other qualitative measures. Set and manage these so you get more out of your resourcing activity to meet strategic goals.
7. **Understanding your supply chain means you can nurture it** - a supply chain must be nurtured to ensure it is sufficiently large and diverse to support local SMEs, deliver specialist workers and remain sustainable.





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