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*Executive Search*

## **Workforce Planning and the Role of Contracting**

Although the end of the year is the perfect time to engage in workforce planning, monitoring your workforce planning needs throughout the course of the year is necessary in order to maximize the productivity of employees. This is especially the case during a down economy, but it also pays dividends during good times, as well.

Workforce planning can be defined as a company's efforts to accurately analyze its current staffing situation and then determine what adjustments should be made in order to meet any needs or challenges it might be facing. There are a few major components of workforce planning, which are listed below:

- Ensuring that budget guidelines for employees are met
- Ensuring that there are the proper number of employees on staff
- Ensuring that those employees possess the necessary skills, knowledge, and abilities
- Ensuring that the employees are filling the correct positions (i.e., those that are best suited to their skills)

Regardless of current economic conditions, there are a number of other reasons why workforce planning has become essential for companies in every industry:

1. Advances in technology have created the need for workers with specialized skills.
2. The growth of the global economy has made competition for those skilled workers more fierce than at any time in the country's history.
3. The Baby Boomer Generation, 77 million strong, is beginning to retire.
4. Working for only one company your whole life is no longer the norm. People now work for between five and 10 companies during the course of their career, sometimes more.

Taking all of these factors into consideration, what are your workforce plans for the immediate future? How about a year from now? What kind of changes do you expect in your planning?

### **Assessing your needs**

In order to maximize your productivity, it's critical that you accurately assess your needs. One of the ways in which to do that is to consult the bulleted list above, which details the basic components of workforce planning. As you do this, you might reach the conclusion that **flexibility** is one of your most valuable resources, especially if the economy is particularly challenging. While direct hire will undoubtedly play a role in your workforce planning, there's an excellent chance that contract staffing will also be an increasingly important factor.

In fact, between 70% and 80% of all companies in the U.S. utilize contract workers in one capacity or another. The primary reason is that contract staffing can provide much needed flexibility. Below are some scenarios that help to illustrate the point.



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- A company is under a hiring freeze, but still needs workers to complete a project.
- A company has a direct-hire candidate, but it wants to place them as a contractor before offering direct employment (a “try-before-you-buy” tactic).
- A company has located a contractor for a project, but does not want to add them to its payroll.
- A company wants to bring retired workers back on a contract basis to help with a project or deadline.
- A company needs to convert a 1099 independent contractor to a W-2 employee because of concerns with the Internal Revenue Service (IRS).

And how, exactly, does contracting provide flexibility? *First* of all, contractors can be brought on board quickly, often to meet short-term deadlines. *Second*, companies can reduce layoffs by using contractors to meet increased workloads. *Third*, contractors can offer a fresh perspective on the various issues that companies face. *Fourth*, companies have the option of hiring contractors on a direct-hire basis . . . or just letting them go at the end of their contract assignment. **Flexibility** is the key.

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