Contingent labor—perhaps 30–50 percent of a typical energy company’s entire workforce—may be under-managed, under-utilized and under-optimized.

Contingent laborers—indirect, independent contractors, service teams, supplier—provided maintenance, engineering and technical teams—constitute a large part of most organizations’ workforces. At many energy companies, 50 percent of all workers might be contingent labor. But how well are all those outsiders being managed? Are health, safety and liability issues handled consistently across various groups? Does the company have specific strategies, standards, certifications and contracts for contingent labor? Are contractors’ individual and collective contributions tightly measured? Are contingent labor rates normalized regularly, with cost-reduction and productivity-enhancement opportunities routinely identified?

Few companies can truthfully answer yes because few organizations have a strategic, global approach to contingent labor management—a cross-functional way to understand, integrate and optimize their external workforces. Instead, their programs are usually confined within business units. Upstream operations, refining, chemicals, maintenance and corporate services may handle external staffing in different ways, without the benefit of business-wide policies, shared insights or scale-related opportunities. According to one global petroleum company, “We manage by accident.”

Few organizations have a strategic, global approach to contingent labor management—a cross-functional way to understand, integrate and optimize their external workforces. The upshot

How do these un-integrated and often-muddled approaches affect energy companies’ ability to improve safety and productivity, reduce liability and costs, and mitigate risk? And what might a focused, cross-functional methodology—designed specifically to manage and optimize contingent labor’s special contributions and circumstances—accomplish that existing policies cannot?

First consider some actual numbers. A US oil and gas company recognized that its labor-acquisition and management capabilities were insufficiently robust and that it was overspending on contract
workers. The business responded with a category-managed program geared to reducing costs and improving contract-service delivery, health, environment and safety assurance and supplier utilization. Global, cross-functional processes were designed for managing contingent labor, along with global training regimens and change management programs. Outcomes included significantly clearer insights into contractor performance and spend amounts, as well as a 9 percent reduction in the direct cost of hiring.

A global financial services company recently launched an advanced contingent labor management initiative. The organization’s most pressing objectives were to streamline contingent labor oversight, raise contractor compliance, and improve security and workforce reporting. All of these goals were accomplished. However, documented results also included a 90 percent reduction in staffing suppliers and invoices, and a nearly 15 percent drop in the cost of hiring external workers.

The above-mentioned benefits—clearer insights, stronger oversight, lower costs, less risk—all resulted from the implementation of advanced contingent labor management solutions. These programs generally include six elements:

1. **Labor procurement**: Advanced technology for understanding true labor costs and ensuring a single point of reference for sourcing all labor, regardless of type.
2. **Engagement/development**: Ongoing assessments of contingent labor’s overall effectiveness: “Is the business getting what it needs?”
3. **Knowledge management**: Systems and processes for accessing, storing and utilizing intellectual capital developed by the complete contingent workforce.
4. **Performance management**: Methods and tools for taking regular snapshots of contingent workers’ performance.
5. **Talent relationship management**: Formalized collaboration between the business and the contingent workers associated with major projects.
6. **Contingent labor management Analytics**: Methods and metrics for quantifying the program’s success.

Cleared insights, stronger oversight, lower costs and less risk all resulted from the [companies’] implementation of advanced contingent labor management solutions.

**The basics of advanced contingent labor management**

Advanced contingent labor management solutions can achieve the results noted above because they help companies’ contingent workforces become more efficient, more productive, safer and better organized—models of operational excellence. These programs generally include six elements:

A workforce for good

Most companies have observed that contingent labor contributes much to their success. But not many envision the extent to which a global, holistic strategy and a disciplined approach to managing an external workforce could help reduce costs, improve productivity and mitigate liability and other forms of risk. Implemented with the assistance of an integrated services provider, an advanced contingent labor management solution could help those companies “see black.”

Contact us

Lucia Bosworth  
Senior manager—Energy  
lucia.d.bosworth@accenture.com

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 266,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$27.9 billion for the fiscal year ended Aug. 31, 2012. Its home page is www.accenture.com.