

Contract Labor: The New Business Standard

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In an [article posted by Staffing Industry Analysts](#) on May 6, 2020, key trends were identified for post-pandemic recovery. Data from Gartner shows that 32% of surveyed companies intend to utilize contract labor to replace full-time staff as a cost-savings measure. While this strategy may seem contrary to standard business beliefs, numerous analyses show that contingent labor is often less expensive on an hourly basis than full-time staff employment. A significant portion of the captured savings come from eliminating the overhead costs associated with employment, such as benefits, paid time off, employer taxes and other direct employment costs, such as annual reviews, and unemployment and leave costs.

In particular, hospitals are looking to contract labor for cost saving measures as their current environment is fueled by the uncertainty of census return, potential new outbreaks of COVID-19 cases and the postponement of reopening surgical services and specialty business lines. Combined, these factors have led to highly varied projections for both immediate staffing needs as well as needs through the remainder of 2020. Where some of the [255 facilities that turned to furloughs](#) continue to do so, or permanently lay off employees, even small changes in census can trigger a demand for clinical staff to meet ratios. But it's extremely difficult to predict for how long and which specialties.

As hospitals seek to meet these needs, healthcare executives have discovered that travel nursing is the most cost-effective and flexible solution. Contracting staff for assignments of 4-26 weeks at set hourly rates allows the facilities to quickly meet the clinical needs of patients, utilizing specialized clinicians, without the added costs of employee overhead and full-time commitments. The immediate results are tangible cost savings, reduced internal burdens and the flexibility to manage the volatility and uncertainty of patient census.

The most engaged healthcare organizations are not only turning to contingent clinical labor — they're enlisting the support of workforce solutions partners or a managed service program (MSP). Taking advantage of the slower pace as they await the census and business rebound, HR and clinical sponsors are implementing centralized programs to help manage costs, standardize rates and offset internal costs for labor management. Utilizing vendor management software provided by the MSP allows for further transparency and visibility into their spend, capturing labor costs associated with COVID-19 care and establishing a process for efficient and rapid deployment of clinical staff in the event of a COVID-19 resurgence. However, the most valuable benefits to these healthcare organizations is that they recognize immediate cost savings and analytics to support future business and financial decisions.

While no one truly knows what the future of this pandemic and the economic recovery will look like, we do know that healthcare services will remain a priority across the nation. Hospital leadership, while receiving partial funding through the CARES Act, will continue to seek out opportunities for savings and ways to drive greater efficiencies in business operations. With labor representing a large percentage of a healthcare system's budget, the immediate impact of contract labor options can yield significant results.