



STAFFING INDUSTRY ANALYSTS  
**CWS Council™**

# Lexicon of Contingent Workforce-Related Terms

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## Reference

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**STAFFINGINDUSTRY**  
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# 1. Introduction

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One of the major challenges facing contingent workforce program managers and executives focused on this area is ensuring that a common language is used. Particularly when talking with suppliers or benchmarking contingent workforce programs across organizations, a lack of common definitions can cause severe communication problems. To help alleviate the issue, the following lexicon suggests a set of “working definitions” for contingent workforce program managers to use.

Some of these terms are used differently by sectors, or have definitions that are subject to some debate. In these cases, we have endeavored to provide multiple definitions to clarify the issues. While we trust that this document will be useful in bringing new employees up to speed and enabling a common understanding among parties, it is not meant to provide a complete set of legal or operating definitions.

This is meant to be a living document. We encourage CWS Council members to suggest additional terms or to submit corrections and clarifications to the existing set of definitions. As we receive and compile new additions or clarify existing definitions, we will make periodic updates to this lexicon. If you have corrections, clarifications or questions, please send them to us at [basin@staffingindustry.com](mailto:basin@staffingindustry.com)

## 2. Definitions

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**1099 worker** – See Independent Contractor.

**Accruals** – The accounting basis that brings items to account as they are earned or incurred (and not as cash is received or paid) and includes them in financial statements in the related accounting period. Accrual-based accounting can provide improved visibility into a company's cash flow and financing requirements. For example, companies that "draw down" from purchase orders as services are used can use accrual-based accounting to help understand how that usage is impacting the company's finances overall.

**Administrative Fee** – The additional fee charged to a client (subscriber) by a service-providing organization (such as an MSP or a VMS provider) to cover selling, general and administrative costs over and above the costs of contingent worker salary, taxes and benefits provided. This fee is often, but not always passed on to suppliers.

**Agency** – A shorthand term that has come to apply to any staffing firm providing temporary or direct hire services. (See also: Employment Agency.)

**Agency Contractor** – A term used to refer to temporary employees provided by a staffing agency. Often used in contrast to independent contractors. (See also: Temporary Employee.)

**Alliance** – A business relationship between a supplier and a customer, or among two or more suppliers, usually involving joint product development or joint marketing efforts.

**Alternative Staffing** – A very imprecise term that describes the gamut of nontraditional work arrangements available to organizations other than regular, direct and full-time employment. Alternative staffing arrangements include temporary help, leased worker arrangements, home-based work and contract employment. Alternative staffing arrangements may be made through a third-party contractor or directly negotiated between an employer and an employee.

**Applicant** – An individual seeking employment (with a temporary help firm, technical services firm, through an employment agency or directly with a company). Note that after hiring, a temporary worker is an employee, not an applicant, of the temporary help company.

**Applicant Paid Fee (APF)** – The applicant pays the fee to the employment agency upon placement in a permanent job. APF business was common in the early years of permanent placement, but now accounts for a very small portion of total placement revenue. (See also: Employer Paid Fee, Employment Agency.)

**Applicant Tracking System** – Software application that enables the electronic handling of corporate recruitment needs. Most incorporate a company Web site, enabling companies to post jobs onto their own Web site, as a way to attract candidates. The ATS solutions store these candidate data inside a database to enable effective searching, filtering and routing of applications.

Applicant tracking systems developed with recruiting and staffing firms in mind differ somewhat from those with a corporate HR orientation. The former typically include more reporting features, and more comprehensive tools for managing contacts, clients and candidates.

**Application Service Provider (ASP)** – An ASP manages a software application for a client, typically hosting, maintaining and updating the application as part of a standard per-user monthly fee. ASP applications can be off-the-shelf or involve some degree of customization, and often enable users to access the application via a standard Web browser.

**Assign** – The act of deploying a temporary employee on a specific work-engagement.

**Assignment** – A task or duty being performed by a contingent worker (i.e., a requisition for a temp, or each onboarded consultant associated with a consulting engagement). Assignment may also refer to the period of time that a temporary employee is working at an organization’s facility—however, change orders such as extensions, do not count as separate assignments. (See also: Place.)

**Bureau of Labor Statistics (BLS)** – The U.S. Bureau of Labor Statistics is the principal fact-finding agency for the federal government in the field of labor economics and statistics. The BLS is an independent national statistical agency that collects, processes, analyzes and disseminates essential statistical data to the American public, the U.S. Congress, other federal agencies, state and local governments, business and labor organizations. The BLS also serves as a statistical resource to the Department of Labor.

**Business Process Outsourcing (BPO)** – A outsourcing relationship in which a third-party vendor is hired to take over and run a client’s business processes. In such cases, the BPO provider takes full responsibility of the business process and does not just supply technology to facilitate the processes. Specific examples of business process outsourcing include Human Resource Outsourcing (HRO), in which a third party takes over all or part of the HR function, and Recruitment Process Outsourcing (RPO), in which a third party takes over just the candidate recruiting function for HR.

**Candidate** – An applicant for a job who has been pre-qualified for temp or full-time consideration. Also used to distinguish an individual from a pool of unqualified applicants.

**Casual Labor** – See Day Labor.

**Clerical/Office Support** – The second-largest market segment for temporary help, which includes secretaries, general office clerks, typists, word processing operators, and data-entry requiring no professional training. The standard definition also includes telemarketers, cashiers, product demonstrators, and other related office occupations.

**Co-Employment (Co-Employer)** – Legally referred to as a “Joint Employer” relationship, co-employment is often used to describe the relationship among two or more organizations that exert some level of control over the same worker or group of workers. Co-employers often share some degree of liability for shared employees. (See also: Joint Employment.)

**Co-Employment Risk** – The specific legal and financial risk to employers arising from co-employment situations. These risks can include, but are not limited to pay, benefits or unemployment claims, discrimination claims, harassment claims, and workers’ compensation claims. Many experts view co-employment risk as a fact of life, particularly in dealing with contingent workers and staffing agencies.

**Commercial Staffing** – A segment of temporary staffing that includes, but is not limited to, workers with the skills, knowledge and training required for occupations in light industrial, office/clerical and general labor categories.

**Compressed Workweek** – A standard workweek of 35-40 hours that has been compressed into three or four days of 9-12 hours. Sometimes referred to as “four-tens,” meaning four 10 hour workdays.

**Consolidated Invoicing** – The combination of invoices from multiple staffing suppliers into a single invoice.

**Consultant** – A term often used interchangeably with “temporary employee,” though typically one performing professional-level work in areas such as IT or Engineering. (See also: Temporary Employee.)

**Contingency Placement** – The practice of charging a fee to either the applicant or the employer only after a successful referral of the applicant to the employer for employment. (See also: Retained Search.)

**Contingency Recruiting (Search)** – Refers to exempt-level recruitment or executive-level searches, with payment of all (or most) of the fee contingent on the hiring of a referred candidate into a traditional employment role.

**Contingent Work/Worker** – Used to describe work arrangements that differ from regular/permanent, direct wage and salary employment. Contingent workers most often include temporary employees provided by an outside staffing agency and independent contractors/consultants. Contingent workers may also include temporary workers from an internal pool, and others (such as summer interns) employed directly by an organization for an intentionally limited time period. They do not include work done by consulting firms or by part-time regular employees, and are primarily distinguished by an explicitly defined tenure.

Self-employed individuals should only be defined as contingent workers if they provide themselves as contract labor to other organizations. Otherwise, they should not be lumped in the contingent workforce, because they may have stable occupations or careers that are clearly not conditional. Workers in PEO arrangements are not contingent workers, because the relationship is by definition ongoing. Outsourcing also falls outside of the contingent work definition, because it defines a vendor-supplier relationship, not an employer-worker relationship.

The “contingent worker” label applies to all workers of any skill type or experience level who meet this definition, including those in professional, blue-collar, or office/clerical roles.

**Contractor** – An individual hired to deliver a specified service as laid out in a contract. In some organizations this term is used interchangeably with “temporary employee” to refer to individuals employed by a temporary staffing firm, typically at a professional level. (See also: Independent Contractor.)

**Contract Services** – Well-defined services delivered by an individual or organization as laid out in a contract.

**Customer Relationship Management (CRM)** – Software that enables users to track and manage customer or prospect contacts and information centrally. Ideally, all customer contacts are captured by the system and then made available to the organization through pre-defined or ad-hoc reports.

**Day Labor** – The provision of temporary workers to clients on a daily-pay, daily-availability basis, often on a multiple-worker basis. Day labor offices typically provide unskilled labor and may include transportation to and from the job site.

**Direct Employment** – A two-way direct employment relationship between a worker and an employer, with no third-party broker or co-employer involved.

**Direct Hire** – A term commonly used to refer to services provided by a staffing agency related to helping an organization obtain an employee to work on their payroll as opposed to temporary staffing relationship where the employee is typically working on the staffing firm’s payroll. (See also: Permanent Placement, Placement.)

**Diversity Supplier** – A minority- or women-owned staffing supplier. Organizations often find that using diversity suppliers as part of their staffing supplier base is a good way to meet their diversity spending goals. (See also: Women and Minority Business Enterprise (WMBE)).

**Employee** – Whether full- or part-time, exempt or non-exempt, the term employee is generally accepted as one who receives a W-2 (or equivalent outside the United States).

**Employee Leasing/Staff Leasing** – At times a technical and legal term. Defined as a contractual relationship under which (1) the leasing company assigns workers to client locations and thereby assumes responsibility as an employer of the leased workers assigned to the client location; (2) direction and control of the leased employee are the right and responsibility of the leasing company and may be shared with the client consistent with the client’s responsibility for its product or service; (3) the leasing company pays and reports wages and employment taxes of the leased employee out of its own accounts; (4) the employment relationship between the leasing company and its leased employees is intended to be long-term and not

temporary; and (5) the leasing company retains the right to hire, reassign and fire the leased employees. (See also: Professional Employer Organization, Professional Employer Services.)

**Employer Paid Fee (EPF)** – The hiring organization pays the fee to the employment agency for a permanent placement. The fee may be based on the salary of the position or a flat fee. (See also: Applicant Paid Fee, Employment Agency.)

**Employment Agency (Private)** – A for-profit, private entity that brings together a job seeker and a prospective employer, for a fee, for the purpose of effecting a traditional employment relationship. In the vast majority of cases the fee is paid by the new employer. This term is also frequently applied to temporary staffing firms. (See also: Applicant Paid Fee and Employer Paid Fee.)

**Executive Search** – Refers to the process of recruiting for exempt-level managers or professionals to be employed as traditional employees. It is usually done in a “retained” capacity, where the search firm is paid a fee regardless of the success of the search.

**Facilities Management** – The ongoing management of an entire facility, function, or department at a customer site, usually including responsibility for hiring, training, and management of staff, as well as the provision of equipment and supplies necessary to perform the contracted function by an outside vendor. Assigned staff are usually permanent employees of the service provider, though temporaries may also be used in a routine or supplemental way. Responsibility for the product or service rests completely with the supplier, so these are (ostensibly) not temporary- or leased-employee arrangements. (See also: Employee Leasing, Sole Employer.)

**Facilities Staffing** – The provision of temporary workers to handle a particular facility, department or function for an organization. Although first-line supervision of these workers is sometimes managed through the temporary employer, ultimate supervision and management responsibility for the product or service of the department, or the outsourced function, is retained by the customer. Typically, these are considered to be “temporary help” arrangements, even though they may be for an indefinite period. Facilities staffing is often sold as a way to maintain high productivity in high-turnover, high-burnout positions such as telephone work, data-entry operations, or repetitive assembly work.

**Flexible Staffing** – A generic term used to convey the use of various nontraditional work approaches, such as contingent employment arrangements, planned staffing strategies or flexible work arrangements.

**Flextime** – Work schedules that permit flexible starting and quitting times, usually within limits set by management.

**Franchise** – An independently owned local unit of a staffing supplier that acts as a franchisor. A franchise agreement usually includes an authorization to sell staffing services in a particular place. As typically executed among staffing suppliers, in a franchise relationship, as opposed to a licensee relationship, the temporary employees are usually employed and paid by the franchisee, not the franchisor. Staffing companies with franchises typically include in their revenue only the fee they earn from franchisees, not the total system sales of their franchise network. (See also: Licensee.)

**Freelancer** – A term used to refer to an independent contractor, usually focused on creative or writing work. (See also: Independent Contractor.)

**Full Service** – Historically this refers to the provision of both temporary help and permanent placement by a single staffing agency. Today, as staffing services provide an ever-broader array of human resource consulting and strategic staffing options, full-service also has a much broader connotation, implying a complete set of staffing solutions that may also include executive search, career consulting, PEO arrangements, vendor management, on-premise responsibilities, contract employee management, and HR consulting.

**General Employer** – A legal term, usually referring to the staffing company employer, in a co-employer or joint employer relationship, that is maintaining the employee on a payroll. (See also: Special Employer.)

**Gross Margin** – The difference between the bill rate for the temporary services and the direct costs of employment (pay rate plus mandatory benefits such as workers compensation, unemployment insurance, employer’s share of FICA and state or local taxes, optional benefits and travel/housing expenses) for each temporary employee on assignment. This term is often incorrectly confused with markup. (See also: Markup.)

**Group Buying Network** – Currently in its infancy, corporate procurement departments are beginning to purchase goods and services via networks that purchase and/or contract for goods and services in bulk and re-sell them to its members. Network members, mainly European and large multi-national corporations, are beginning to purchase staffing services via these networks. Inroads have been seen in hospital associations in the United States.

**Headcount** – A measure of workforce size that counts all people equally, as individuals, regardless of their hours of work or number of assignments over the course of the calendar year.

**Healthcare Staffing Services** – Within the temporary help sector, this segment includes supplemental staffing to medical facilities (hospitals, nursing homes and outpatient clinics), as well as the provision of licensed personnel (RNs, LVNs), trained (medical technologists), and unlicensed staff (home health aides, homemakers, personal assistants, etc.) to home healthcare agencies.

**Human Resource Outsourcing (HRO)** – An example of Business Process Outsourcing. (See also: Business Process Outsourcing.)

**Hybrid Program** – A contingent workforce program management strategy that involves blending different sourcing model attributes. Typically, a hybrid program would include elements of vendor-neutral as well as master-supplier programs. For example, a buyers might engage a single provider to act as the sole supplier for its Light Industrial job requisitions while having multiple providers competitively bid on IT positions.

**Indemnification** – An indemnification contract requires a staffing company to be responsible for various potential legal claims involving temporary workers. These could include indemnification from staffing companies for claims filed by temporary workers who felt they were harassed by full-time company employees; sexual harassment complaints filed by temporary employees against customers; destruction of the client’s facility; violent crimes committed by a temporary employee as well as other acts or omissions committed by the temporary employees working on the client’s site.

**Independent Contractor (IC)** – A self-employed individual performing services for a company under contract rather than as an employee, either on- or off-site. The )(Also referred to as freelancers, consultants, and “1099s,” which is the designation of the IRS form that companies use to report the money paid to independent contractors.) Unlike an employee, an independent contractor is free to perform their work as he or she sees fit. The IRS formerly used a twenty factor test to determine IC status, but now has a simplified three factor test consisting of examinations of behavioral control (does the client direct or control the manner in which work is performed), financial control (of the timing and method of payment), and relationship of the parties (is the worker free to pursue other clients or in a binding relationship with the company). (See also: IRS Three Factor Test.)

**Industrial Staffing** – The blue-collar segment of temporary help and permanent placement, which includes manufacturing personnel, factory workers, logistics/distribution staff, shipping and receiving clerks, materials handlers, and related occupations. “Light Industrial” often is used to refer to positions not requiring heavy labor, such as electronic assembly.

**Information Technology (IT)** – A sector of business services that includes IT staffing, IT solutions consulting and IT project management. Typically higher-margin programmers, systems engineers and applications experts.

**In-house Temporary** – A temporary employee hired directly by a company, rather than through a staffing firm, to perform various “temporary” assignments at that company as part of an “in-house pool.” (Note that these positions may provide permanent, full-time work to specific individuals.)

**In-house Work** – Unlike the usage above, “in-house work” describes a situation in which a technical services firm conducts projects for customers at the technical services firm’s own facility.

**Insourcing** – This term is sometimes used to define outsourcing from the reference point of the new vendor service provider, which imports employees to a customer location to handle a customer’s outsourced function. More recently, it has been used by some technical services companies to refer to the provision of computer staff and its immediate supervision at a customer site, where responsibility for the data processing facilities, hardware, and overall systems remains with the client. This is essentially the same concept as “facilities staffing.” In some cases, the staffing supplier “insources” its computer operators to sites that have been “outsourced” to other vendors.

**Interim Executive** – A high-level professional or executive temporary with managerial responsibilities.

**IRS Three Factor Test** – A simplified test of independent contractor status that replaces the old IRS Twenty Factor test. The test considers behavior control, financial control and relationship of the parties. Behavior control requires an independent contractor to be free from client control of how they complete their work. Financial control focuses on the business aspects of the relationship, such as whether the worker has a significant investment in their business, has an opportunity for profit or loss and how they are paid. Relationship of the parties focuses on how the parties perceive their relationship and considers such factors as the presence or absence of a contract, access to benefits and ability to terminate the relationship. According to the IRS, the Three Factor Test is only an analytical tool. The legal test of whether an individual is an employee or an independent contractor is whether there is “a right to direct and control the means and details of the work,” which the Three Factor Test attempts to make more explicit. (See also: Independent Contractor.)

**IT Services** – IT services includes both IT staffing and IT solutions. IT solutions includes systems integration, more project-based work where the provider takes full responsibility of the project’s completion.

**Job Boards** – Internet-based aggregations of either local or national job offerings.

**Job Order** – Refers to a bona fide request to a staffing firm or employment agency to refer applicants for a specific position. A job order is the specific set of requirements set forth by an employer for an actual position.

**Job Sharing** – See Work Sharing.

**Joint Employment** – A legal term where two employers exercise significant and simultaneous control over the same employee. For example, when a temporary help or leasing firm exercises control over personnel matters while the client company exercises supervisory and workplace control. Both employers may be liable for payment of taxes, workplace safety, etc. Such relationships are sometimes not thought to be “joint-employment” relationships, because the client company is indemnified from some liabilities; but because control is shared significantly between the general employer and the client workplace supervisor, these may be considered “co-employer” relationships as well. (See also: Co-employment, General Employer and Indemnification.)

**Labor Contracting (Labor Leasing)** – The provision of labor to a third party, usually providing limited or no benefits to the workers and for a limited time. Most commonly used to describe agricultural and construction contract labor arrangements. Sometimes used more broadly to include employee or staff leasing, temporary help, and other business services such as cleaning and security.

**Labor on Demand** – The entire non-employee population, inclusive of Contingent Workers (see existing SIA definition) and SOWs, ICs, etc.

**Licensee/Licensor** – Similar to a franchise relationship in that an independent party operates a staffing company’s business in a designated territory. Unlike a franchise relationship, temporary employees are typically employed by, paid and billed by the licensor. The staffing firm that is the licensor typically counts as revenue the total system sales of its licensees and pays the local operator a fee usually based on gross margin. (See also: Franchise.)

**Liquidated Damages** – Compensation fee paid to a temporary staffing firm for the loss of an employee when the staffing firm’s customer hires the temporary employee on a direct-hire basis. This is also known as conversion fee. (Some full-service firms prefer to charge a “placement fee” rather than liquidated damages when this occurs. Many firms allow the liquidated damages or placement fee to be negotiated over a period of 30 to 180 days on the temporary assignment.)

**Locum tenens** – Latin for “holding the place.” In healthcare staffing, locum tenens is a temporary physician who is substituting for a physician who is absent from his or her duties. This also refers to the segment of the healthcare staffing industry that provides these physicians.

**Long-term** – Usually refers to assignments of more than a year, but in some cases assignments more than six months are considered to be long-term. There is no legal guideline of what actually constitutes “long-term” in relationship to jobs or employment. (See also: Short-term.)

**Malpractice Insurance** – Insurance coverage for a doctor or a lawyer, against liability claims resulting from alleged malpractice due to professional misconduct or lack of skills. Staffing firms providing locums tenens physicians typically provide their doctors with malpractice insurance coverage as part of their service.

**Managed Services/Managed Staffing** – Term used to describe facilities support management and outsourcing services. Refers to the on-site supervision or management of a function or department at a client (customer) site on an ongoing, indefinite basis. In the world of temporary staffing these arrangements are also known as managed services providers (MSPs). (See also: Facilities Staffing.)

**Managed Service Provider (MSP)** – A company that takes on primary responsibility for managing an organization’s contingent workforce program. Typical responsibilities of an MSP include overall program management, reporting and tracking, supplier selection and management, order distribution and often consolidated billing.

The vast majority of MSPs also provide their clients with a vendor management system (VMS) and may have a physical presence on the client’s site. An MSP may or may not be independent of a staffing supplier.

**Margin** – See Gross Margin.

**Markup** – The percentage added to the temporary employee’s hourly pay rate to reach the bill rate. (For example, a \$15.00 bill rate and a \$10.00 pay rate would compute to a 50% markup.) The markup percentage includes all selling, recruiting, general, direct payroll and administrative costs associated with providing temporary help services, plus profit. In the temporary staffing industry, mark-ups can vary even for a single supplier depending on the extent of direct recruiting, training, and other costs associated with providing a specific employee for a specific client assignment.

**Master Supplier** – A staffing supplier that takes overall responsibility for providing clients with temporary staff. In a master supplier relationship, all orders will usually go first to the master supplier to either be filled or distributed to secondary suppliers. Sometimes a master supplier will not only provide a significant portion of the temporary staff working at the employer’s site but also manage an organization’s contingent workforce program. (See also: Vendor on Premise.)

**Medical Staffing Services** – See Healthcare Staffing Services.

**Non-Professional Staffing** – See Commercial Staffing.

**North American Industry Classification System (NAICS)** – The standard industry classification system used by US Federal statistical agencies in classifying business establishments. NAICS is a two- through six-digit hierarchical classification system, offering five levels of detail. Each digit in the code is part of a series of progressively narrower categories, and an increasing number of significant digits in the code signify greater classification detail. Use of the standard provides uniformity and comparability in the presentation of statistical data.

**Off-boarding** – The process of “checking-out” a contingent worker at the close of an assignment. May include final compensation, equipment return, and an exit interview among other steps.

**Off-site** – Business services provided for a client (customer) at the service provider’s location, not at the client premises.

**On-boarding** – The process of bringing a contingent worker into a position with a goal of providing the contingent all necessary tools to be productive as soon as possible. May include training, seat assignments, and other steps.

**On-site** – Vendored or outsourced services provided to the client (customer) at the client site.

**On-site Management** – Management of a department or function by the supplier at the client’s site. (See also: Facilities Management and Managed Services/Managed Staffing.)

**On-site Supervision** – Supervision by the supplier at the client’s site. (See also: Facilities Staffing.)

**Outplacement** – A service to guide a terminated employee of a company to a satisfactory new position or career through the provision of short- or long-term counseling and support services, on a group or individual basis, most often paid for by the terminating employer.

**Outsourced Personnel** – Outsourcing, whether to domestic, near-shore or offshore third-party firms, is typically a longer-term arrangement with even clearer delineation of methods, culture and degree of process ownership. Outsourced personnel, like SOW consultants, are typically employees of the outsourced provider. Some outsourced personnel are never seen at any of the facilities of the buying corporation; others can be very visible members of an IT, HR, cafeteria or security staff. (See also: Outsourcing, Statements of Work.)

**Outsourced Service Contracts** – A form of outsourcing whereby services are provided by an organization that has expertise in operating a specific client function. The firm contracts with the client not just to provide and supervise staff (as in temporary staffing), but to take on full-operational responsibilities for performing the function—generally peripheral to the client’s core business—on an ongoing basis. (e.g., call center operations, IT help desk operations, food services, janitorial services, guard/security services, facilities management, lawn care services, etc.) Operations of this type may or may not be on client premises.

**Outsourcing** – Use of an outside business services vendor (and its supervised personnel), either on the customer’s premises or off-site at the vendor’s location, to perform a function or run a department that was previously staffed and supervised by the customer directly. (Sometimes, but not necessarily, limited to situations where some or all of the customer’s previous staff performing that function are hired by the outsourcing vendor.)

**Partnering** – Long-term commitments focusing on “win-win” relationships between customers and suppliers (or among suppliers) that add value to both parties through increased sales, reduced expenses, and/or greater productivity.

**Part-time Work** – Work for a single employer that is regularly scheduled and ongoing but is less than full-time – either for less than a full day, or less than five days a week, or for only part of the year (e.g., summer jobs for students). Part-time employees are usually not temporary workers, because part-timers generally work a regular schedule as a direct-hire on an ongoing, indefinite basis.

**Payrolling** – The provision of longer-term temporary workers to a customer where the workers have been recruited (possibly interviewed, tested and approved) by the customer but become, in effect, employees of the supplier providing the payroll services.

This may occur in an instance when only the customer has the proper knowledge and experience to properly evaluate potential workers. Some argue that payrolling occurs only where no benefits are provided – otherwise, it resembles employee leasing. Others say that the payrolling arrangements are temporary in nature and usually only involve a specific client function or position, not all or a significant portion of a

client's workforce as in employee leasing. Payrolling services are typically billed at significantly lower mark-ups than traditional temporary staffing because the staffing firm has not incurred any recruiting costs.

**Payroll Service** – A business service that provides payroll processing, paycheck writing, and payroll tax administration, for a fee. No co-employer or joint employer relationship exists; it is plainly an administrative function.

**Per Diem** – Daily living expenses paid to technical, travel nurses, or other skilled temporary or contract employees while they are employed at a distant location requiring housing away from home, or during a period while they are relocating.

Can also refer to billing by the day (instead of hourly billing) or shorthand for nurses provided on a daily basis rather than a travel basis.

**Perm** – Short for permanent, usually permanent placement.

**Permanent Placement** – The bringing together of a job seeker and a prospective employer for the purpose of effecting a traditional employment relationship, for a fee. Also refers to the process of arranging such a relationship. This term is now falling out of favor because the use of "permanent" can connote a guarantee of employment that is generally misleading for a typical "at-will" employee. (See also: Placement and Direct Hire.)

**Perma-temps** – A colloquial expression used to describe long-term temporary workers who successfully sued Microsoft Corp. in a case that began in 1996. It is an amalgam of 'permanent' and 'temporary.' Microsoft eventually settled with plaintiffs for approximately \$100 million. As a result of the high-profile nature of the case, many companies began looking at their temporary worker policies with much greater scrutiny.

**Phased Retirement** – Gradual retirement brought about by the reduction of full-time employment commitments over a set period of time.

**Place** – The act of placing a job applicant in a traditional, direct-employment role.

**Placement** – The result of effecting a traditional direct employment relationship, usually used to describe a successful referral by an employment agency. "Placement" generally implies the marketing of applicants to employers, rather than the recruitment of applicants for a specific employer position.

**Placement Agency** – An employment agency that seeks to refer applicants seeking employment to employers seeking employees. A fee is charged either to the employer or the applicant (rarely) after a successful referral.

**Placement Fee** – The fee due to an agency when a referred candidate is hired by a direct employer, typically in the range of 15% to 35% of annual salary. Fee calculations are usually based on salary – one month's salary, a fixed percentage (e.g., 20% of salary), or a percentage that increases with the salary level (e.g., 1% per thousand).

**Placement Services** – Services provided by a staffing service to an organization to locate a properly skilled employee with the ultimate goal of a traditional direct hire employer-employee relationship with the client; may include "temp-to-perm" services. (See also: Temporary-to-Permanent.)

**Planned Staffing** – Contracting for the regular use of temporaries to handle peak production periods, seasonal activities or special projects. May involve the supplementation of a customer's traditional workforce, or the provision of a temporary workforce to handle a project that occurs periodically. (The concept of "Planned Staffing" differs from "Facilities Staffing" in that planned staffing refers to cyclical or intermittent staffing needs, while facilities staffing refers to the process of "planning turnover" in a continuous function. However, as might be expected, these terms are often used interchangeably.)

**Primary Suppliers** – Two or more suppliers who have the majority of your spend distributed to them, in lieu of or underneath an MSP arrangement. They may be on-site and they may also be in a competitive bid situation or not.

**Professional Employer Organization (PEO)** – A staffing industry service that assumes, via contract, a significant portion of employer responsibilities and associated risk for either part or all of a client’s workforce. In this situation, employees are typically employed by the PEO but work on an indefinite basis under the control and direction of the client organization. (See also: Employee Leasing.)

**Professional Employer Services** – In addition to assuming a significant portion of employer responsibilities for a client company’s workforce, additional services may include many human resource functions such as recruitment, drug testing, etc. However, the PEO does not have accountability or responsibilities in regards to output or results. (See also: Employee Leasing.)

**Professional Staffing** – A segment of temporary staffing that includes workers in IT/technical, engineering, accounting and finance, legal, sales and marketing, and managerial functions, amongst others.

**Purchase Order** – A pre-approval for spending on a specific product or service. Some organizations require the issuance and approval of a purchase order before a contingent worker may be employed.

**Recruiting** – The process of locating and screening a candidate or candidates for an employer as part of a search assignment. Also used to describe overall general efforts to bring in temporary employees. “Recruitment” generally implies the search for candidates who meet specific client specifications rather than the marketing of available applicants to employers. It is also often used by corporate human resources departments.

**Refer, Referral** – The act of sending a specific applicant or candidate from an agency to a client for consideration for employment. Also can refer to one search professional’s sending a candidate to another search professional who may have an open order that fits that candidate.

**Registry** – A listing of persons available for work within a specific occupation, such as nursing or modeling. Most registries charge referral fees to the registrants.

**Regular Part-time Work** – Refers to part-time employment that includes the same rights and prorated benefits available to regular full-time employees of an organization. (See also: Part-time Work.)

**Regular Work** – This term is replacing “permanent work” as a way of describing a direct, ongoing, full-time and non-contingent two-party employment relationship between an employer and an employee. This is better referred to as traditional work.

**Request for Proposal (RFP)** – An invitation for suppliers to bid on a specific product or service. This document typically involves more than the price. It may include basic corporate information and history, financial information, technical capability, product information and estimated completion period, and customer references. RFPs are sent to an approved supplier or vendor list. The bidders return a proposal by a set date and time.

**Request for Quote (RFQ)** – An invitation for suppliers to present a solution or approach to a business problem. Part of the problem definition phase. Typically not binding and often precedes the RFP phase in which a well-defined problem is matched to a solution.

**Requisition** – a formal written request for a particular job or services which has specific and unique requirements.

**Recruitment Process Outsourcing (RPO)** – An example of human resource outsourcing. Typically involves an organization taking on responsibility for all or most parts of an organization’s recruiting process for direct hire employees. (See: Business Process Outsourcing.)

**Retained Search** – Service provided by an executive search firm to locate a candidate for a specific position at a client company. Fee is payable whether or not a hire is made.

**Reverse Auction** – A Candidate selection process in which staffing companies bid on the opportunity to make a placement. The company with the opportunity sets the parameters of the auction (i.e. skill-set requirements, pricing limits, etc) and bids may or may not be blind, or not known to other bidders. Whereas a traditional auction features multiple buyers and a single seller, reverse auctions have a single buyer (the company with the opportunity) and multiple sellers (the staffing companies).

**Rogue Spending** – Spending with staffing suppliers outside of pre-negotiated contracts or the guidelines of the organization’s contingent workforce program.

**Sarbanes-Oxley (SOX/Sarbox)** – The Sarbanes-Oxley Act of 2002 or the American Competitiveness and Corporate Accountability Act of 2002. Sarbanes-Oxley requires that publicly traded companies tighten financial controls and audits; CEOs and CFOs must sign off on the accuracy and truth of financial reports. In particular, SOX Section 404 deals with certifying the sufficiency of controls for detecting fraudulent, questionable, or unauthorized activity that could impact company financial statements. In many cases Section 404 requires companies to take responsibility for the internal controls of service providers in addition to their own. A SAS 70 Type II Audit is one way to accomplish this.

**SAS 70 Type II Audit** – An audit that assesses a service provider’s internal controls over a period of at least six months and conforms to the Statement on Auditing Standard 70 (SAS 70.) A SAS 70 Type II audit is recognized by the Securities and Exchange Commission (SEC) as an acceptable way of obtaining an auditor’s opinion for Sarbanes-Oxley (SOX) Section 404. Furthermore, companies that use service providers such as staffing suppliers or MSPs may request that their service provider conduct a SAS 70 Type II audit of its controls as part of a SOX-compliance effort.

**Search Research** – Any of a variety of unbundled sourcing research services provided to corporate recruiters or third-party executive search firms, usually by sole practitioners, involving identification of potential candidates at competitive firms, pre-screening, reference-checking, and other search-related research.

**Search/Search Assignment** – The process of recruiting a candidate for a specific position with an employer, usually an exempt position. A search may be contracted on a retained or contingency basis. (See also: Contingency Recruiting, Retained Search.)

**Short-term** – Refers to a work assignment of limited duration. The duration implied here is open to some debate. Most would agree that “short-term” means employment of a year or less.

**Single-Source Leasing** – The provision of employees and equipment by a single leasing source, as in the case of a driver leasing company that supplies trucks and drivers to its customers.

**Single-Source Supplier** – The provision of staffing services employees through a single supplier source.

**Sole Employer** – The traditional two-party employer-employee work relationship in which a worker has a single employer, as compared to co-employment relationship or joint employer status.

**Solutions Business** – Most often used when describing the providing of IT services as a total “solution” or package customized to an organization’s specific needs. Solutions work is typically sold on a fixed-fee basis rather than a time basis. Used to distinguish from “staffing,” which is the simple provision of a person or persons to fulfill a specific work assignment. (See also: Outsourcing.)

**Sourcing Model** – The method with which a company identifies, selects, receives, and pays for contingent workers and related services. Companies may employ more than one sourcing model within a contingent workforce program. Sourcing Models can be identified by a company’s position along three independent axes: competitiveness, rate elasticity, and vendor integration. Competitiveness is the degree to which staffing agencies are invited to bid against each other with respect to submission time, candidate quality, and price. Typical options include sole-source, primaries, structured tiers, and open bidding. Rate elasticity is the degree to which CW demand affects rates, with options including fixed rate cards, pay range plus

markup, max bill rates, and open bill rates. Vendor integration is the degree to which a company uses external resources, with options including complete program outsourcing, on-site administrative support, off-site transaction support, and no use at all.

**SOW Consultant** – (See Statement of Work (SOW) Consultant.)

**SOX/Sarbox** – See Sarbanes-Oxley.

**Special Employer** – A legal term referring to the client employer's legal relationship to the employee in a joint-employer relationship, which usually includes responsibility for day-to-day supervision at the worksite. (See also: General Employer.)

**Spend Under Management** – The approximate amount of currency that was actually invoiced by suppliers (typically in an MSP/VMS relationship) for work performed during a given time frame. This excludes spending that has been identified, but not yet rolled into the program. Suppliers and program managers sometimes describe this spending by breaking it out by job family (professional and non-professional) and by worker classification (contract labor, SOW, outsource service contract).

**Splits** – Splits are formal or informal agreements between staffing firms to "split" a temporary or direct hire placement (and a fee) if one firm has the job order and another has an acceptable candidate. The Web has facilitated this in various ways, with both exchanges and job networks.

**Standard Occupational Classification (SOC)** – The 2000 Standard Occupational Classification (SOC) system is used by federal statistical agencies to classify workers into occupational categories for the purpose of collecting, calculating, or disseminating data. All workers are classified into one of more than 820 occupations according to their occupational definition.

**Staffing Industry** – A broad grouping of staffing- and employment-related services where a staffing firm, supplier, broker, agent, or consultant provides employment or help supply services to an organization that involves its own employees or the client's potential or previous employees. Major sectors of the staffing industry include temporary staffing, place and search, PEO/staff leasing and outplacement.

**Staffing Services** – A generic term that refers to a wide range of employment services, including temporary staffing, employee leasing/PEO services, direct hire/placement services or outplacement.

**Staff Leasing** – See Employee Leasing.

**Staffsourcing** – A concept that seeks to distinguish the HR outsourcing function from the staff leasing co-employment relationship. "Staffsourcing" refers to the provision of various payrolling and personnel administration services without the assumption of a general employer role.

**Statement of Work (SOW)** – A document that captures the work products and services including, but not limited to: the work activities and deliverables to be supplied under a contract or as part of a project timeline. In contrast to a typical temp or contingent work arrangement which is billed based on time worked, SOW agreements are usually billed based on a fixed price deliverable or for hitting specific milestones. Like typical contingent arrangements, they may also be billed based on time, including arrangements where there is a time based billing that is capped at some "not to exceed" level for time and materials (See also: Statement of Work (SOW) Consultant.)

**Statement of Work (SOW) Consultant** – Any consultant performing work on a project under a Statement of Work (SOW) arrangement. In contrast to agency consultants, SOW consultants are typically, but not always given a regular, consistent salary by their employer and continue to receive this salary when off project assignments (i.e., "benched resource"). While SOW consultants are typically employed by consulting firms, a host of technology and other staffing firms have also entered the solutions space for its greater premium margins (the theory being that you are paying for the firm's proven methodology and chemistry of the team). At times "rogue" managers have used an SOW arrangement in order to avoid restrictions on the use of temporary workers or agency consultants (See also: Statement of Work.)

**Statement on Auditing Standard (SAS) 70** – A method established by the American Institute of Certified Public Accountants (AICPA) for telling an auditor how to assess and issue an official auditor’s report about a service provider’s internal controls. Standard 70 focuses on services that could impact a service user’s financial reporting, including payroll services, benefits claims processing, outsourced IT operations or data centers, and vendor management services or software. An SAS Type I audit presents a snapshot of the service provider’s controls at a moment in time, whereas a Type II audit presents those same controls in operation over a period of at least six months and is recognized by the Securities and Exchange Commission (SEC) as an acceptable way of obtaining an auditor’s opinion for Sarbanes-Oxley (SOX) Section 404. (See Also: SAS 70 Type II Audit)

**Strategic Staffing** – The pre-planned use of alternative or flexible staffing strategies by the customer. May include the use of temp-to-perm hiring, planned temporary staffing for work cycle peaks or projects, or payrolling, for example.

**Supplemental Staffing** – The provision of temporary workers to a client company to supplement the current workforce for peak loads, special projects, or planned and unplanned worker absences. Also describes the regular practice of using contract healthcare staff in hospitals and other medical institution settings.

**Supplier Management** – See Vendor Management.

**Technical Services** – The provision of technical and engineering personnel including engineers, computer programmers, systems analysts, designers, drafters, writers, editors and illustrators.

**Technical Services Firm** – A firm that locates, recruits, and hires technical and/or engineering skilled personnel and then contracts with another company to assign its workers at the customer’s location for a specified duration and/or project. (See also: Contract Technical Employee.)

**Telecommuting** – Working at home, or at another off-site (satellite) location, for an organization whose office is located elsewhere, with one-way or (usually) two-way electronic linkage to that organization via phone, fax, modem, and/or the Internet or a company Intranet. Home work may be full-time, occasional, or a scheduled part of the workweek.

**Temp** – Common abbreviation or colloquial expression for temporary worker.

**Temporary Employee (“Temporary”)** – An employee who performs work for an organization with the expectation that the work will be for a fixed duration. The vast majority of temporary employees are W-2 employees on the payroll of a temporary staffing firm and work fulfilling client assignments. May also refer to temporary workers from an internal pool employed directly by an organization for an intentionally limited time period.

**Temporary Help** – The furnishing of employees to meet the short-term and/or project needs of another employer. Originally used primarily as replacements for office or light industrial workers, temporary help has come to be used across a broad range of skills and occupations. Most of the companies delivering this service are now referred to as staffing firms or temporary staffing firms.

**Temporary Help Company** – An organization engaged in the business of furnishing its own employees (temporaries) to handle customers’ temporary staffing and special projects needs. A temporary help company recruits, trains, and tests these employees, then assigns them to clients for a finite (albeit sometimes very extended) time period.

**Temporary Placement** – A term that is often used to distinguish between the temporary help services of a staffing firm and its “permanent placement” activities. In a legal sense, the term may be used incorrectly, because “placement” refers to affecting an employment relationship, and providing a temporary worker involves the provision of a service by a person already employed by a temporary firm.

**Temporary Pool** – A group of in-house employees hired directly by a company and used to fill temporary job assignments at that company.

**Temporary Staffing** – A segment of the staffing industry that provides temporary help and related staffing services to businesses and other clients. The temporary staff provided are recruited, screened, possibly trained, and employed by the temporary staffing provider, then assigned to client organizations at a markup. Although the customer typically assumes supervisory responsibility for these workers, in certain service arrangements coordination or supervisory functions may be provided by the supplier. (See also: Markup.)

**Temporary-to-Permanent (Temp-to-perm)** – An employment service concept where a client company plans to make a traditional hiring decision during or after a temporary help assignment. In a “temp-to-perm” situation, only temporary workers who are also seeking a similar type of traditional job would be sent on the assignment. The term is falling out of favor due to aversion to the use of “permanent” when referring to a typical “at-will” employment situation (Other terms used to describe this process are temp-to-direct, temp-to-hire, try-before-hire or try-before-buy.)

**Third-party (Web) Exchange** – A developing area of business to business (B2B) that permits the sharing of job orders and candidates among staffing companies through a neutral third party. It is developed on the concept that no single staffing company can fill all of its job orders nor have assignments for all of the candidates in its database.

**Time and Expense System** – A system and method for collecting and recording time and expenses. Time and Expense systems can be stand-alone products or integrated in other applications, such as VMS or ERP software.

**Traditional Employment** – Our preferred term for what previously has been called “permanent” employment. Because no job is truly permanent, traditional employment provides a better contrast to contingent employment.

**Variable Time (V-Time) Programs** – Time/income trade-offs that enable full-time employees to reduce work hours for a specified period of time with a corresponding reduction in pay.

**Vendoring** – The provision of business services by an outside supplier (vendor), where the vendor brings its own employees on-site to perform a specific function, such as running a cafeteria or providing security services, or uses its own employees off-site to perform a specific function that was formerly done by the customer.

**Vendoring Out** – Contracting with an outside business service to provide either on-site or off-site vendored services that may have been previously handled directly by the customer. (See also: Outsourcing.)

**Vendor List** – A list of approved vendors that an organization can use for filling its staffing needs. Organizations typically manage their approved vendor list as a way to control rogue spending with suppliers that have not negotiated a favorable contract with the company.

**Vendor Management/Supplier Management** – A comprehensive approach to managing an enterprise’s interactions with the organizations that supply the goods and services it uses. Vendor management includes both business practices and software (e.g. VMS) and attempts to streamline and make more effective the processes between an enterprise and its vendors.

**Vendor Management System (VMS)** – An Internet-enabled, often Web-based application that acts as a mechanism for business to manage and procure staffing services (temporary help as well as, in some cases, permanent placement services) as well as outside contract or contingent labor. Typical features of a VMS include order distribution, consolidated billing and significant enhancements in reporting capability over manual systems and processes.

**Vendor Neutral** – A term used to describe a model in which a managed services or VMS technology handles its tasks (e.g. order distribution or candidate selection) based on client-defined policies that mandate that all (or a pre-defined set of) staffing suppliers (vendors) be (a) given an equal opportunity to fill each order, and/or (b) selected for each order based on the same criteria. Under a vendor-neutral model, a managed services or VMS provider could not, on its own accord, push orders to itself or any other staffing vendor.

The presumed advantage of a vendor-neutral model is that the best supplier with the best candidate will fill each position.

A common alternative model is a combined MSP/master supplier approach. Here the master supplier also acts as the MSP, and, with the full support and knowledge of the client, pushes a disproportionate share of orders to itself. Orders it cannot fill itself are sent to other staffing suppliers. The presumed advantage of this approach is volume pricing for the client, and potentially a supplier that gets to know the client's needs more intimately.

**Vendor on Premise (VOP)** – On-site coordination of a customer's temporary help services through an exclusive, long-term general contractor relationship with a temporary help company. The designated vendor on premise may enter into subcontracting relationships with other temporary help suppliers, or such relationships may be specified by the customer.

**Vendor Tiering** – Model in which vendors are invited to fill positions in a well-defined order and often with time triggers. For example, an open position will go to Tier 1 vendors first, and then to Tier 2 vendors if not filled within a certain time period.

**W-2 Employees** – Workers who are paid hourly on a regular basis and work with a staffing firm that handles their payroll.

**Women and Minority Business Enterprise (WMBE)** – Suppliers that meet government criteria to qualify them as being women- or minority-owned. (See also: Diversity Supplier.)

**Workers Compensation** – Financial compensation to an employee for work-related injuries, in particular compensation of loss of wages, sometimes also for medical costs. Typically one of the major costs that staffing firms are responsible for, and in occupations such as industrial staffing, the cost of workers compensation insurance is significant in determining profitability.

**Work Order** – Refers to a request from an organization for a specific type of service to be provided by one or more temporary employees for a specific period of time.

**Workforce Mix Optimization** – The practice of using the right percentage of each workforce category (employees or contingent workers) to accomplish corporate objectives as profitably and safely as possible.

**Work Sharing** – The situation in which two or more workers may "share" one full-time position at a company, often for the purpose of schedule flexibility. The workers often stagger their schedule in order to meet outside personal commitments such as family responsibilities. In other cases, an employer, in lieu of a layoff, may combine two jobs into one and retain both workers, each working a reduced schedule.