

The **Procurement Strategy** to Stay Competitive in a Tight Labor Market

Understanding the driving factors, impacts and strategies to overcoming the talent shortage + how a group purchasing organization (GPO) can help you mitigate market challenges.



Procurement Leaders Take Action as Labor Shortage Intensifies

Organizations across the country are dealing with the tightest labor market since the 1950s. For the eighth month in a row, a record number of workers quit their jobs. The most recent U.S. Department Labor quit [data](#) reveals 4.5 million workers resigned from their positions in November 2021, which again hit a record high. Though the extraordinary rate of people leaving their jobs has the largest impact in hospitality, food services and health care, the shortage is widespread affecting all industries, organizations and departments. People drive companies. People do the work. How does a business continue its operations with a chunk of its talent missing? The search for workers has elevated to the c-suite where the CFO and other executives are involved in determining the best route to address this workforce issue to avoid a disadvantage in the marketplace.

At the same time people are leaving their jobs, millions are still getting hired. In fact, there were 2.2 million more people hired than those that quit during record high November. The problem is this number of new employees does not fill the void created by the sustained rate in which professionals quit for the majority of 2021. Industry insiders don't envision this shortage going away in 2022 and predict a metered improvement where supply won't catch up with labor demand

until 2023. A significant response to the labor shortage and Great Resignation—the term industry experts have coined for this phenomenon—is the rare and welcomed leverage that workers now possess allowing them to secure higher pay and better benefits. Something they've fought for over the course of several years is now an almost guaranteed part of their negotiations.

The compounding workforce issues present an opportunity for procurement professionals to step up as problem solvers, and we've already seen it happening as they become even more valuable at their organization. Before the talent shortage became so prominent on a company's list of challenges, the human resources (HR) department managed talent strategy. Now industry insiders see HR teams turn to their procurement colleagues for assistance in sourcing. Procurement managers have the exact expertise needed to get creative and leverage resources, such as [a group purchasing organization \(GPO\)](#), to find talent and HR solutions quickly and at a lower price. More and more procurement, purchasing, sourcing and supply chain managers are securing seats at the table next to c-suite executives while traditional borders surrounding the procurement function continue to move in an advantageous direction.

With over 30 years in the procurement industry, Joshua Glazer is the Assistant Vice President of Procurement at Credit One Bank in Las Vegas. Glazer explains that the current labor challenges have



magnified the tight labor market that already existed in Las Vegas, especially for the positions his organization is looking to fill.



"We've had challenges getting qualified people especially in the area of IT," says Glazer. "Some of it is related to the market—we're seeing higher salary demands and certainly a tighter market to attract people. We're already in a tough labor market in Las Vegas for these types of roles because

1-3

Procurement Leaders Take Action as Labor Shortage Intensifies

4-5

Origins of Labor Shortage

5-7

New Approach to Talent Acquisition & Retention

7-8

Procurement & HR Team Up

9

GPO Opens Door to Key Solution: Contingent Labor

10

Technology's Function in Sourcing & Managing Talent

11-12

Redesigning HR Spend with a GPO

there are fewer banks to pull from and the casino industry is very strong here.”

As casinos dominate in attracting and retaining talent, the supply chain issues have presented obstacles to Glazer’s bank specifically in their core product, credit cards, due to the global microchip shortage. They can’t provide customers with their credit cards without a chip so supplier relationships have been key to ensuring supply chain inventory.

“I’m seeing the strength of supplier relationships help tremendously,” says Glazer. “During these challenging supply chain times, it is not enough to share forecasts, pay on time and lock in contracts. Customers and suppliers need to communicate and collaborate more often and closely to plan options, such as partial deliveries, certify alternate components, manage changing short and long term component availability, and even discuss additional sources of supply. These additional qualities help establish a better relationship with your suppliers, and in turn, can improve availability of supply to your organization.”

A strategic way procurement teams can succeed in strengthening supplier relationships is through group purchasing. GPOs have been a best practice in the public sector for several years and are strengthening among private businesses recognizing the immense value in group buying power along with resource and time savings.

“Although we’re a fast-growing company, our spend isn’t that large and the leverage of the GPO is so much larger that we’re able to realize much more favorable pricing than we could ever achieve on our own,” says Glazer.

Now that access to talent is top of mind for organizations across the nation, the associated pressures are placed not only on human resources, but procurement’s shoulders too, meaning there’s never been a time prior to now where HR and procurement’s roles have been more vital to the company.

Speaking to labor industry insiders and group purchasing advisors, we’re taking an in-depth look at the driving factors, impacts and strategies to overcoming the workforce shortage along with ways that procurement teams can leverage a GPO to mitigate market challenges.



Origins of Labor Shortage

It’s important to understand this problem didn’t develop overnight. The labor issues had been brewing before anyone uttered the word pandemic. Let’s rewind to 2019 for a moment. During the pre-pandemic days, there had already been a shortage of talent in the trades, including mechanical and technical professionals and now the worker shortage is across the board. All industries are dealing with a lack of talent. When the pandemic hit in early 2020, the country experienced a major shift in the way people worked with COVID-19 forcing companies to let people go and sending others to perform their jobs from home. Of course, not all professions had that luxury. Healthcare and other front-line workers suited up to continue serving and taking care of the American public.

Now two years after the pandemic began, the same companies who cut staff need help with recruitment. There’s a range of workplace scenarios as some folks are back in their offices, some continue remote work, others do a hybrid of the two, and there are the groups that decided it was time to retire early and parents who left their jobs to tend to childcare needs. Federal stimulus checks and expanded COVID-19 unemployment benefits have also played a role in helping people stay on the sidelines or be pickier about their next employer. As a result, companies are dealing with a low number of applicants, lack of interest and salaries/benefits not competitive within the market. Through a time of heightened anxiety, people across the country are in self-reflection mode rethinking what their career means to them, their family and future. Those resigning are most often in lower paying jobs and in-person offices. The trend that remains constant is that professionals in every field are holding out for **higher salaries/wages, better benefits and more flexibility/work-life balance.**

With different age groups and different interests between the generations, some workers are more likely to go back than others. Baby boomers and working parents are happy to stay remote where they avoid lengthy commutes and feel more productive. At the same time, millennials and gen Z professionals are more likely to miss the social aspects of the office environment with in-person collaboration.

As hospitality, retail, medical and transportation industries have a great need for talent, some high school grads are jumping in to fill the void instead of going to college. School to career vocational training program, Jobs for America's Graduates, [reports](#) a record 82% of its graduating students went directly into full-time employment at the end of their academic year during spring/summer 2021.

Members of the talent pool are also taking advantage of the current employee's market and upskilling, taking their skills and knowledge to a new level through education and certification. This opportunity to learn a different craft, train to obtain a new certificate and become more well-rounded is embraced by those looking for a new occupation as it's a rather quick way for people to double their salary and become more valuable. At the same time, employers are improving their compensation and benefits packages to appeal to prospective employees and build up their workforce.

New Approach to Talent Acquisition & Retention

Across all fields, the labor shortage is forcing companies to create more attractive ways of getting jobseekers to apply and retaining current talent.



This new approach also takes into consideration that candidates have a unique upper hand in negotiations, and therefore, business leaders are listening closely to what employees want and, in some cases, beginning to restructure the workplace. We're seeing some companies increasing their wages and using bonuses and/or tuition assistance as an attraction tool.

As procurement and HR teams focus on labor solutions, the employee experience is of high value. To gain a stronger understanding of how companies can find good talent and keep those employees working for them, we've gathered industry insight from OMNIA Partners VP, Strategic Supplier Relations— Corporate Services Barb Sexton. A go-to subject matter expert, Sexton serves as the Executive Director of Global Women

Procurement Professionals and stays up to speed on what both procurement teams and suppliers face.

Sexton is tapped into the labor market and collaborates with GPO suppliers on strategic ways to solve the talent shortage through key factors in the [human resources category](#), such as medical and pharmacy benefits, human capital management and payroll technologies, financial wellness and relocation programs, and services including background checks and drug screenings. HR can team up with procurement to source these programs to attract, prepare and retain great talent. Part of this process is presenting candidates with options that make them confident they're selecting the correct organization for their diverse needs, families and overall well-being.

"Business leaders are working to empower their people through the employee experience," says Barb Sexton. "Companies are increasing pay rates, providing a better insurance and benefits package, work environment, and I believe this all comes back to people and the value we place on people."



The value of people and personal communication can go a long way as employers handle another issue, candidate ghosting, when a jobseeker has gone through the recruitment process and then stops responding— vanishing. Though technology is a helpful and efficient part of the hiring process, some argue that businesses may rely on it too much. As a result, some prospective employees are okay with ignoring a computer but wouldn't feel the same way when speaking to a human about the job opportunity.

In response, some organizations are personalizing the candidate's journey, providing videos in their messaging and texting the candidate with timely updates to keep them engaged and in the loop. If the recruiter doesn't respond fast enough (within 24 hours) to the initial application/related conversations or the hiring process is too long, the potential employee could lose interest and engage with a different company.

"Candidates aren't willing to wait around right now so creating a more efficient hiring process can help them stick around," says Barb Sexton.

Procurement & HR Team Up

The U.S. economy has not experienced this type of labor shortage in more than half a century, and to get insider knowledge on what procurement and HR professionals are saying and doing right now, we've consulted with OMNIA Partners Senior Director - Contingent Labor Solutions Tim Holland. With 25 years in the industry, Holland serves in a role that helps GPO members address their unique organization's requirements connecting them to flexible, innovative industry-leading supplier solutions.



Tim Holland
Senior Director, Contingent Workforce
OMNIA Partners

"Making sure you have a quick background check, a good relocation offer and the opportunity to work remotely or in a hybrid scenario are helpful ways for businesses to fill positions."

These key attraction and retention tools can be found through GPO suppliers specializing in [HR solutions](#). As procurement and HR managers search for a strong staffing partner to help their business grow, leveraging the GPO resources can bring solutions faster and more efficiently.

Agility, diversity, quality, speed, savings—both time and money. Procurement teams can achieve these goals by taking advantage of the GPO team's expertise in monitoring the market and suppliers. Though not an overnight fix to the labor shortage, procurement's use of group purchasing is making a positive impact for many organizations through collaboration and creativity.

In daily conversations with GPO members in HR and procurement, Holland says *"Companies are having to address their pay rates, and most have never had to increase pay more than the typical 3-6% raises. Now some may see 20-30% increases."*

The questions keeping procurement and HR managers up at night include: *"What's the magic compensation number? How am I going to address COVID-19 requirements? How can I attract talent if I don't have enough recruiters?"* With the highest inflation rate in 40 years bumping up prices for gas, groceries and more, companies are determining how to best deal with the upward pressure of compensation. *"Procurement leaders are asking to be looped in and engaged early to evaluate the human capital strategy as a whole with both contingent and direct hires,"* says Holland.

A successful procurement strategy typically includes leaning on [GPO advisors](#) for resources in a range of challenges that impact an organization's permanent employees and contingent workers. The group of individuals involves various career stages, seniority levels, backgrounds and demographics. The GPO'S HR procurement [programs](#) help plan strategically and address the diverse needs of staff and contractors. Speed to savings and solutions is important but access is also critical. The GPO provides quick and simple access that is often stronger than an individual company can do on their own.



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GPO Opens Door to Key Solution: Contingent Labor

Rising in importance is contingent labor, workers that provide services to an organization such as independent contractors, freelancers and temporary staff, and are not on the payroll. Almost every company has contingent workers, and many are increasing the use of non-permanent labor and dedicating more spend to the category.

“As this bucket of spend increases, it becomes a higher profile spend in an organization and sourcing and procurement are standing up and becoming more involved,” says OMNIA Partners Managing Director - Contingent Labor Solutions Tim Holland. “The trend of 2 out of 3 workers being contingent is expected to continue due to the current nature of the world with the contingent workforce consistently growing.”

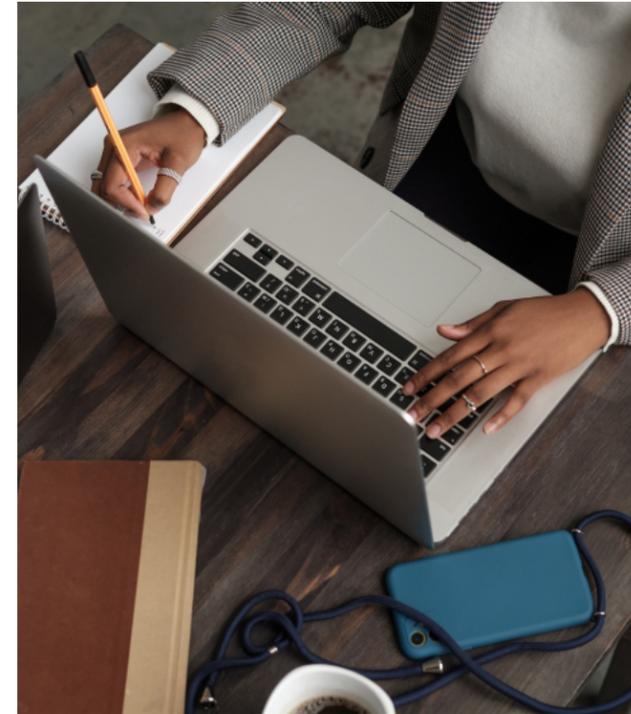
More and more businesses have another organization manage their contingent labor due to the complexity of the solution— keeping track of independent contractors, the statement of work (SOW), temps from a traditional staffing supplier and all the necessary documentation. Together procurement and HR can save 10-20% of topline spend when utilizing a contingent labor solution. This strategic spend presents an even larger opportunity for savings in the HR category if an organization starts to evolve toward an

even higher-level contingent labor solution.

“One thing that’s remarkable is that in 25 years, I’ve not witnessed this degree of outsourced recruiting over direct hires,” says Holland. “Through what we’ve seen in GPO member companies and deals we’ve been involved in, there is more recruitment process outsourcing (RPO) than in any other given year.”

As it relates to contingent labor spend, staffing companies are notorious for having their agreements slanted toward their benefit. It’s key to be cognizant of the terms and conditions and liability, which is often deferred to the customer. If not managed closely, price creep emerges. The value of group purchasing is that procurement teams don’t have to dedicate time and resources to managing the contract as it’s done by the GPO’s team of experts. Leveraging group purchasing to connect to industry-leading national suppliers to products and solutions to run a contingent workforce program can eliminate any confusion and burden. The GPO’s buying power also provides low prices and immediate access to problem-solving labor solutions.

Another trend related to contingent labor is the demand for [new skills](#) to support continuous innovation and research and development (R&D) of new products and services driving demand for contingent talent databases. The data is increasingly being used to fill strategic roles and find highly skilled temporary workers to help companies meet immediate needs.



Technology’s Function in Sourcing & Managing Talent

When companies have independent contractors, temporary staff and freelancers, there are new people coming and going within facilities resulting in fast-moving and ever-changing factors to track. The ability to oversee service management, all new and non-permanent individuals within your operation— from security guards to landscapers— can be done by leveraging dedicated technology. This fresh and innovative technology goes well beyond temporary employees and encompasses managing the company’s spend and entire workforce.

The managed service provider (MSP) is an outsourced company that provides and manages the IT services and workflow, specifically help in supervising contingent labor. Think of it as the umbrella in which all the software falls under. This outsourced solution manages hundreds of contracts so procurement doesn’t have to. All of this processing and managing is done through the tool designed with contingent labor in mind, a vendor management system (VMS).

It may not be second nature to use this solution but it comes with ease and comfort knowing that experts are managing the workforce. A GPO team also is well-versed in the MSP and VMS innerworkings and provides members with immediate access to programs.

“At no cost, the GPO takes a consultative approach looking at whether a company has a healthy MSP, analyze member data and create useful reports with actionable data,” says Holland. “One of my key suppliers has analytics to help members look at the market and see salaries/wages, number of job openings and more. We’re here to help and provide strategic insight for procurement and HR teams.”

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Redesigning HR Spend with a GPO



Now more than ever, [group purchasing](#) provides a unique advantage to procurement and HR teams. What's typically been a confusing or burdensome spend category for procurement to navigate has transformed to quick and easy access through the use of a group purchasing organization (GPO). GPOs equip purchasers with a team of advisors who have in-depth knowledge in the human resources industry, formerly employed in the HR space and possess a strong understanding of the impact HR has on everything in the company. The subject matter experts working as an extension of the procurement team help rethink the way HR solutions are achieved and introduce new and innovative products or services.

Procurement teams have an opportunity to lean on their GPO partner to guide, advise and connect to the HR programs that help organizations plan strategically and address the diverse needs of staff

and contractors. The value of deeper, stronger relationships with national industry-leading suppliers has opened the door to better solutions, prices through collective buying power, especially when the supply chain faces high shipping rates, delays and shortages.

"GPOs help drive loyalty because they provide existing relationships that are much larger than any individual procurement department can establish," says Assistant Vice President of Procurement at Credit One Bank Joshua Glazer.

"Procurement and sourcing teams are leveraging relationships that OMNIA Partners has already established and cultivated over several years,"

says OMNIA Partners VP, Partner Development – Corporate Services Barb Sexton. "These provide savings, knowledge, and resources. You don't have to hire anyone. You can just consult with us on what we're seeing in the marketplace and at other member organizations."

"The GPO has access to hundreds of world class supplier organizations, the who's who of the Fortune list," says OMNIA Partners Managing Director - Contingent Labor Solutions Tim Holland. "As we interact with those suppliers on a daily basis, part of our process is the confidential sharing of knowledge, data and best practices. On their own, procurement teams don't have access to that wealth of information."

Procurement teams don't have to spend time negotiating contracts on their own, and the OMNIA Partners contracts are negotiated with robust buying power and fully vetted solutions that can be used right away. The prices are lower than an individual can achieve on their own. Effective, quick and low-cost solutions. Through the problem-solving power of a GPO, procurement professionals can be elevated and celebrated within their organizations during even the most challenging situations.

To learn more about OMNIA Partners and the value group purchasing brings to your organization, explore our [GPO FAQs](#).

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