

# Case Study: Adding Value to a Tier One Automotive Supplier



“ I am very impressed that Randstad has such a detailed knowledge of our company. I never thought of this solution to save costs. ”

General Manager

## Client Company Overview

This Randstad Inhouse Services (RIS) client is a tier one supplier to the automotive transportation industry in Franklin, KY. In operation since 1991, the plant produces fuel system components, which includes throttle bodies, fuel injectors, engine valves and charcoal canisters.

## The Challenge

The global financial crisis in the automotive industry resulted in a significant production decline for this tier one supplier. These conditions forced them to rethink their cost structure – starting with their labor spend. The shift in their HR strategy began with the announcement of a hiring freeze. As the national economic slowdown continued, the first production shutdown followed five months later. To avoid layoff of their full-time workforce, the client announced that they would discontinue their usage of Randstad contingent workers in their operation. The reduction was incremental as follows:

**Month 1:** 95 workers reduced to 45

**Month 2:** 45 workers reduced to 20

**Month 3:** 20 workers reduced to 0

Over the last seven years Randstad Inhouse Services (RIS) has played an integral role in the client's success, providing an adaptable and flexible workforce solution to accommodate changes in their business demand. Making this radical change in their staffing model posed significant risk for the client, including:

- Diminished productivity as a result of releasing top performers in the Randstad pool
- Inability to minimize the financial impact of business highs and lows through the usage of a flexible pool of workers
- Loss of dedicated onsite HR professionals poised to respond to their immediate and future needs

The client was challenged with achieving immediate cost savings, but not at the risk of sustaining long-term success.

## The Solution

The cost associated with having a full-time workforce can be staggering (the cost of hiring, training, benefits and layoffs) – especially in a soft economy. RIS conducted a cost analysis by position to underscore the savings the client could realize by merely changing their workforce mix to include temporary talent.



#### The cost analysis included:

- Investigating the status of previously classified as temporary positions
  - Of the original 77 temporary positions, 37 remained active and staffed by full-time employees
- Comparing the cost-per-hour for a full-time employee versus a temporary employee
  - The fully-loaded hourly cost ranged from \$17.71 to \$17.89 (based on shift) for a full-time employee, which is significantly higher than the cost of a temporary worker
- Quantifying the savings potential, as indicated below:

	Savings per hour	Savings per month	Savings per year
37 positions staffed by Randstad based on a 32 hour work week	\$310.13	\$43,002.63	\$516,031.51

#### The Results

Laying-off a portion of the full-time workforce based on seniority proved to be highly problematic for the client. Workers compensation claims and absenteeism increased, which had an adverse impact on productivity and, ultimately, the client's profitability. Clearly, a change in strategy was required.

The client implemented a ranking system, grouping full-time employees based on performance level. Employees with the lowest performance were the first to be laid-off, followed by average performers, and if necessary top performers.

Performance rank	Performance level
A	Top performers
B	Average performers
C	Below standard performers

Given the savings potential identified through the cost analysis, the client moved forward with RIS's cost management advice.

Let Randstad Inhouse Services help you achieve flexibility and operational efficiency.