

HR Insights

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Temp-to-Perm Hiring

Temporary-to-permanent hiring, also known as temp-to-hire or temp-to-perm hiring, can be a successful talent acquisition strategy for employers, especially when they're experiencing labor difficulties. It allows employers to hire workers on a temporary basis without committing to permanent employment, thus reducing the risk of poor hiring decisions. However, implementing temp-to-perm programs differs from standard hiring practices, which presents unexpected challenges for employers.

This article explores temp-to-perm hiring, including the reasons organizations use this model and considerations for implementing programs.

What Is Temp-to-Perm Hiring?

Temp-to-perm hiring allows organizations to hire workers on a temporary basis, generally for a predetermined amount of time, and provide them with a trial employment period before hiring them for a permanent full-time position. Organizations typically inform these workers at the start of their employment that there's an opportunity to be hired permanently after completing the trial period, but there's often no guarantee of this once they complete the trial period. At the end of the trial period, employers can decide whether to offer workers permanent, full-time employment.

Temp-to-perm hiring differs from temporary employment in that temporary employment generally lasts a predetermined amount of time, but there's no intended opportunity for permanent employment. It's common for organizations to rely on temp, contract or staffing agencies to act as an intermediary when relying on temp-to-perm hiring.

Why Do Employers Use Temp-to-Perm Hiring?

Employers rely on temporary workers to address workforce gaps, such as during holidays or busy seasons; perform needed tasks on short-term projects that require additional support; or fill temporary vacancies, like when a regular employee is out on extended medical leave. Temp-to-perm hiring allows employers to address their immediate workforce needs without having to hire permanent employees. It also provides them the flexibility to convert temporary workers to permanent employees if desired.

There are several reasons why some employers rely on temp-to-perm hiring, including the following benefits:

- **Trial employment**—By leveraging temp-to-perm hiring, employers can reduce the risk of making poor hiring decisions. An employer can determine whether a temporary worker is a good fit for their organization and capable of meeting the position's requirements before deciding to hire them permanently.
- **Organizational growth**—Transitioning a temporary worker to a regular employee is relatively simple since the worker is already trained and familiar with the organization and its policies. This allows employers to better accommodate workforce growth without operational disruptions.

- **Cost-effective labor**—Under the right circumstances, temp-to-perm employees can help employers reduce workforce costs. Temporary workers are usually paid less than regular employees and do not receive benefits such as medical and dental benefits, retirement packages and paid time off. Temp-to-perm hiring can also decrease recruiting costs by optimizing an employer's hiring process and reducing turnover. By converting temporary workers to permanent, full-time employees, employers benefit from immediate productivity since these workers are already trained and familiar with their roles compared to traditional new hires. These workers are also accustomed to the organization, its culture and policies before accepting a permanent employment offer, which can help increase retention rates.
- **Workforce flexibility**—Temp-to-perm hiring gives employers more flexibility with their workforces since the opportunity for temporary workers to become regular employees is not guaranteed. Therefore, if an organization's staffing needs change once a temporary worker's trial period has concluded, the organization isn't required to hire the worker for full-time employment.

While employing temporary workers to fill workforce gaps can be beneficial and appealing to employers, there can be certain drawbacks, such as the following:

- **Insufficient training**—Employers relying on temp-to-perm hiring need to train workers without knowing if they'll find one that meets their needs. Temporary workers may not be as productive as regular employees because organizations generally do not put in enough time to onboard and train temporary employees compared to permanent employees.
- **Less committed workers**—Due to the nature of temp-to-perm hiring, temporary workers may be less committed to their employer and have difficulty integrating with permanent employees.
- **Agencies fees**—While temp-to-perm employees can provide cost-effective labor, they can cost more than permanent employees in some situations because employers must pay fees to

the staffing agency that sourced the temporary worker in addition to the worker's wages.

Considerations for Establishing a Temp-to-Perm Hiring Program

There are important considerations organizations need to evaluate when establishing a temp-to-perm program. To help the program succeed, it's critical that employers are clear about the possibility of the role becoming permanent. This will help employers locate individuals looking for possible permanent, full-time employment while setting the expectation that such employment isn't guaranteed. Employers can do this at the start of the employment relationship by being transparent in the job posting and during the interview process that the position is temp-to-perm. Other considerations include the following:

Onboarding and Training

Despite the potentially temporary nature of temp-to-perm arrangements, these workers must be effectively onboarded to perform their responsibilities, similar to regular employees. By dedicating sufficient time and resources to onboarding and training these workers, organizations can set these employees up for success, especially if they are later converted to permanent employees.

Establishing Clear Expectations

Employers can establish clear expectations about the position so workers know what they must do to be offered full-time, permanent employment. Setting clear expectations can help establish trust with employees and motivate temporary workers to be productive and work hard. Employers can use temp-to-perm hiring to evaluate how well workers perform their jobs, meet expectations and integrate into the organization before extending an offer of full-time employment. Cultural fit is a critical component for an organization's success, as a good fit can motivate employees to be productive and improve their job satisfaction.

Avoiding Legal Pitfalls

Hiring temporary workers can increase an employer's compliance costs and potentially expose them to increased legal risks. While temporary workers are typically not entitled to all rights, protections and benefits as

permanent employees, employers who fail to properly classify and account for temporary workers can be subject to fines, civil penalties and attorneys' fees. Employers using temp-to-perm hiring should ensure they properly classify temporary workers and follow all required employment laws, including wage and hours laws, anti-discrimination and anti-harassment laws, as well as workers' compensation and employee benefits requirements. Employers should consult legal counsel to discuss specific issues or concerns regarding their temporary workforce.

Relying on Staffing Agencies

Employers establishing temp-to-perm hiring programs can use temp, contract or staffing agencies to find temp-to-perm employees. These agencies screen potential hires before passing them on to employers. Employers outsource temp-to-perm hiring to these agencies because recruiting these workers can be time-consuming and difficult, and agencies can often provide employers with a wider variety of candidates. However, employers who rely on staffing agencies often do not have control over recruiting processes, including skills and background verification as well as many aspects of the employment relationship. Additionally, staffing agencies often require employers to pay a fee to convert temporary workers to regular employees. Researching staffing agencies can help employers find one that meets their needs, provides the type of workers they need and charges reasonable fees.

Considering Alternatives

If employers need additional help but are unsure about implementing a temp-to-perm program, they can consider these alternatives:

- **Part-time employees**—Hiring employees for part-time shifts can allow organizations to determine whether workers are a good fit without having to commit to full-time employment or permanent employment.
- **Seasonal employees**—Relying on seasonal employees can be a cost-effective way to supplement an organization's regular workforce during peak times, such as holidays or busy seasons.
- **On-demand staffing**—On-demand staffing companies help employers locate workers for

short-term work. Turning to on-demand staffing can help employers find workers quickly to fill their immediate needs; however, staffing companies may charge employers hiring fees.

Summary

Temp-to-perm hiring can be a cost-effective business strategy for organizations experiencing labor difficulties and during periods of growth. It allows employers to determine whether a temporary worker is the right fit and best candidate to be given a permanent role while potentially reducing recruiting costs. By understanding the potential risks of temp-to-perm hiring and establishing best practices, employers can meet their workforce needs and set their organizations up for long-term success.

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