



# CONTINGENT WORKFORCE MANAGEMENT

*December 2016*



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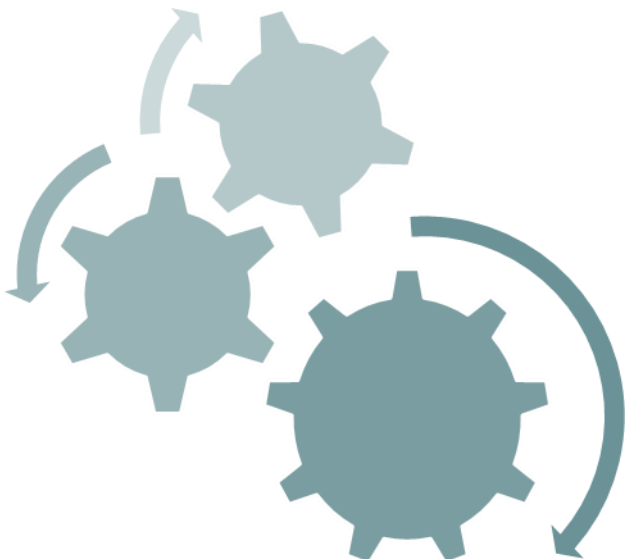
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# Introduction

A contingent workforce is comprised of various types of non employees who are not legally employed by the companies they work for.<sup>1</sup> Traditionally contingent labor has been used for seasonal or absence related needs, but it is now used as part of companies strategic direction to cut costs, reduce risks, and create a flexible workforce. In fact, adapting flexible staffing models presents an opportunity to create competitive advantage through increased organizational agility and acquisition of critical skills.<sup>2</sup> As the contingent workforce continues to grow, Human Resource departments need to be well equipped with the unique needs and challenges non employee labor presents.

# Future of Work: Contingent Labor

The global talent landscape is rapidly evolving to meet the shifting ways of doing business. From the rise of the “gig economy” which completely transforms the way employers engage with talent to the increasingly competitive, fast-paced, global pressure felt by all organizations, companies must adopt their talent strategies.<sup>3</sup>

As a result, organizations are increasingly relying on contingent labor : **35%** of today’s workforce is comprised of CWs with forecasts of **50%** CW utilization by 2019. <sup>5,6</sup> Not only is the use of CWs steadily rising, but these workers are increasingly being used in expanded operational roles as a part of organizational talent strategies.

At the same time, the desires of workers are also shifting as some wish to engage in non traditional employment relationships which may offer more flexibility, job transition opportunities and/or unique career opportunities.<sup>4</sup>

**35%** of today’s workforce is comprised of contingents<sup>5</sup>

**51%** of global executives plan to increase use of contingents<sup>5</sup>

Almost **50%** of the global workforce will be contingent by **2019**<sup>6</sup>

# Understanding Contingent Labor

## Temporary Assignment

- “Temps” are employees of staffing agencies often used to meet seasonal needs

## Independent Workers

- Includes contractors, freelancers, consultants, etc. who contract directly with organizations

## Project Workers with SOWs

- Contract under specific Statement of Works (SOWs) to carry out key projects

Correct categorization of contingent labor across the above categories is critical to meeting compliance requirements as well as to optimize labor strategy.<sup>2</sup> Each category presents unique requirements from sourcing practices to compensation models, but when categorized and utilized correctly the following benefits can be reaped:

► **Cost Savings Potential:** Large saving can be realized by paying only for productive time, reducing benefits spend, avoiding certain payroll taxes, and cutting time spent on administrative tasks.<sup>8</sup>

► **Flexibility:** Organizations can quickly respond to seasonal and cyclical business forces by adapting their staffing levels and enhancing overall agility.<sup>2</sup>

► **Focus Strategy:** By turning over entire functions (cafeteria, certain administrative, etc.), companies can focus on key organizational objectives.<sup>2</sup> Additionally, CWs can be used to meet skills gaps or staff strategic projects to achieve these key objectives.

# Risks to Consider

While the use of contingent labor can provide organizational benefits, there are also unique risks associated with utilizing non employee talent:

## ► Legal

Correct classification through a well managed process is essential in meeting all regulation requirements. Misclassification can result in expensive fines, legal costs, and reputational damage.<sup>7</sup> Organizations must stay current with changing global regulations.

## ► Operational

Poorly managed CW programs

As serious as the legal, operational, and competitive risks may be to using non employees within an organization's talent mix, these risks can be abated by strategic management. By bringing together both employees and non employees on key business projects with strategic operational efforts, maximum rewards can be obtained.

may provide managers with avenues to work around organization headcount by contracting contingent labor instead.<sup>7</sup> Strategic management understanding and decision making must occur at every level.

## ► Competitive

CWs may expose trade secrets, intellectual property knowledge, or even just general operational information.<sup>7</sup> Companies need to be especially cautious with non employees who consult on high level projects.

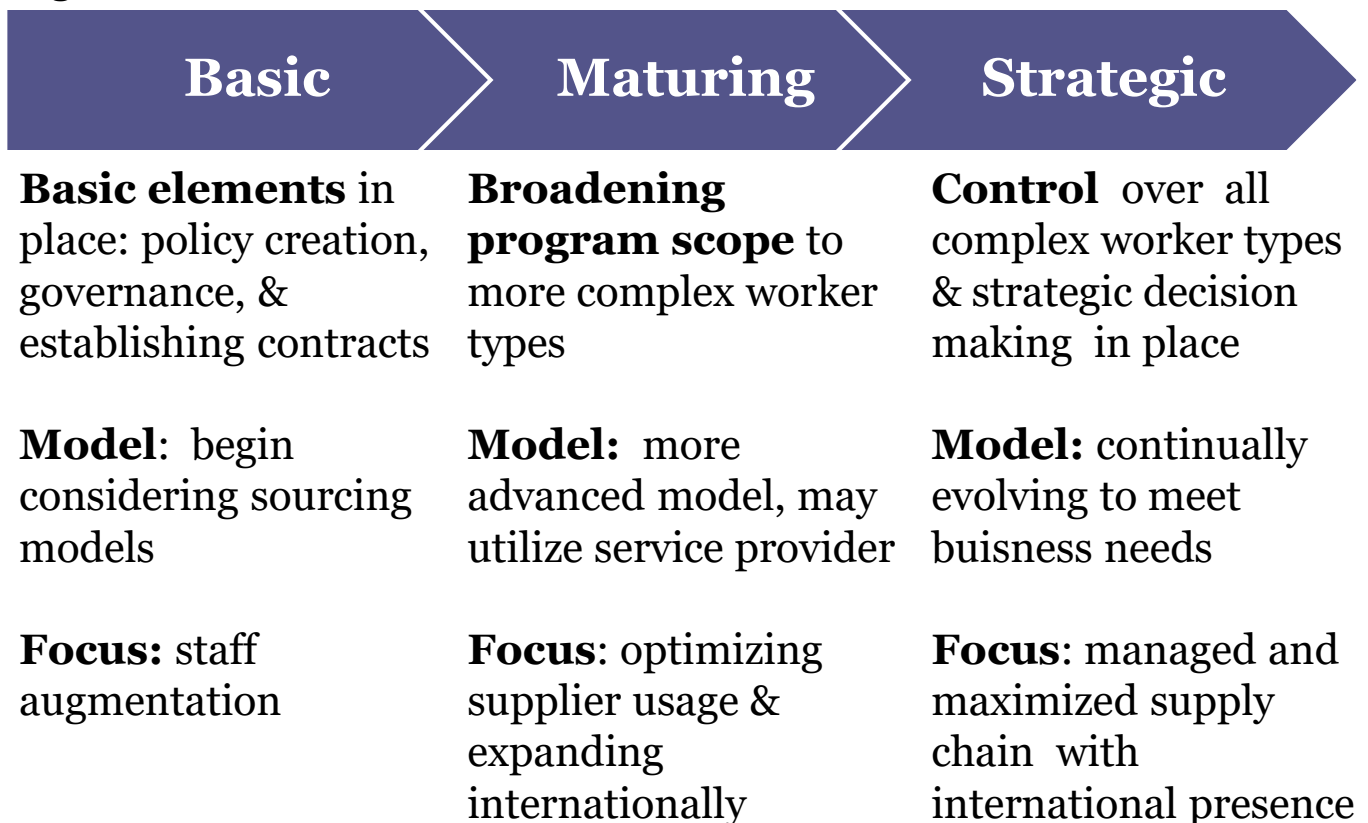


# Strategic HR Practices

Contingent labor process models may take many forms to suit an organization's needs particularly with respect to varying levels of internal vs. external management; however, all organizations should ensure that they follow these four basic guidelines.<sup>6</sup>

- 1 • Establish an external business partner policy
- 2 • Establish clear rules for outsourcing with international considerations
- 3 • Monitor compliance with regular audits
- 4 • Involve HR/Legal teams from the start

Once the fundamental needs (policy creation, compliance, etc.) are being met, organizations can move beyond basic transactional approaches to strategic, integrated program models. The evolution of CWM programs is essential to creating strategic benefits for the organization:<sup>9</sup>



# Strategic HR Practices

## ► **Ensure Compliance: Review all Current Relationships & Future Process**

First and foremost, ensuring compliance should be a top priority before expanding efforts to more advanced practices. Organizations can partner with high quality staffing firms who are industry experts to conduct external reviews of current usage and provide future process suggestions.<sup>6</sup>

**Case study:** A leading German Telecommunications company conducted a legal review of all their existing external relationships. This process resulted in a resolution of their current unlawful relationships and reduction of compliance risks as well as the creation of an improved operating model which included an automated tool for legal assessments for ensured long term compliance.<sup>6</sup>

## ► **Invest in Total Talent Management**

Organizations should extend workforce systems and analytics beyond traditional employee labor only to include all worker types.<sup>3</sup> This increased visibility will enhance decision making abilities to more accurately forecast, budget and plan for talent needs.<sup>4</sup>



**“Currently, 50% of companies possess poor or partial visibility to their worker footprint.”<sup>4</sup>**



# Strategic HR Practices

## ► Build External Talent Platforms

External Talent Platforms are a creative solution to utilize technology to more efficiently find, hire, and manage contingent workers. Successful platforms with automated compliance processes, user friendly design, and integration with other business tools can simplify the entire process for organizations and contingent talent alike.<sup>10</sup>

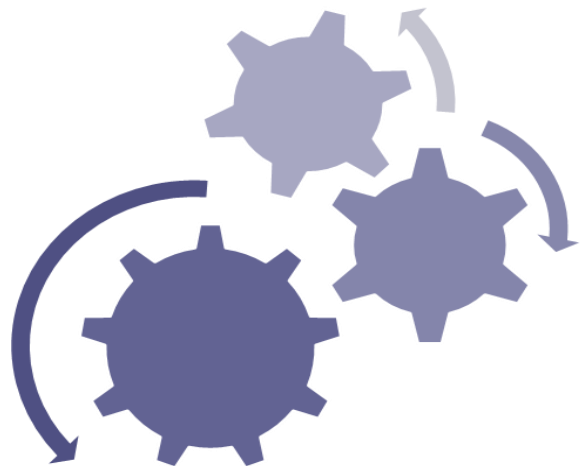
**Case Study:** PwC created their own “Talent Exchange” system to provide direct access to skilled independent professionals to PwC’s teams seeking talent while creating long term relationships with such external talent. As a result, PwC’s teams are empowered to connect with external talent for key projects quickly and efficiently driving business results.<sup>10</sup>

## ► Centralize Program with Expert Insight

An organizations own HR function with the insight of external experts is the best suited to handle the strategic outlook of total talent management. Because the landscape of contingent labor is continually changing, it is critical to engage with industry experts to ensure compliance, benchmark progress, and continue to mature the program model.<sup>11</sup> Managed Service Providers (MSPs) and other consultants are a valuable resource to turn to; however, organizations must couple this support with continued internal HR talent development. Central HR oversight is essential to keep key program management knowledge and decision making within the organization.

# Conclusion

Strategic contingent labor management is a crucial issue for business and HR functions to address. Organizations that can leverage contingent labor models to maximize their total talent strategy will be able to rise as industry leaders. In order to do this, organizations need to discard old notions of talent management and embrace new ways to fill talent needs. By implementing strategic practices that minimize risk while leveraging technology and industry experts, organizations can prepare for the already shifting workforce demographics of the future.



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