



Human Capital Management
& Payroll Software/Services

HR challenges when engaging a contingent workforce

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Contingent workforce

With the rise and rise of the contingent workforce, HR needs to step forward and reclaim a process mostly owned by procurement. Where the focus was once on cost/value relationships, it now needs to be on the alignment of talent strategies to the new workforce composition. HR must take the lead to prepare for today and for the future.

According to the 2018 Deloitte Global Human Capital Trends, the workforce composition is changing. Organisations are reporting an increase in the employment of contingent, gig, freelance and contract workers. Respondents indicated a 36% increase in the engagement of such workers over the past five years. Additionally, 50% of respondents indicated a 'significant' number of non-traditional employees in the makeup of their workforce.

Matthew Franceschini, Group MD, Entity Solutions agrees with the findings, "The US, UK and Australia are leading the way, whilst Asian countries are now starting to understand the benefits of using contingent labour. Some research even suggests that contingent workers will make up over half of the global workforce by 2050." This new workforce composition requires HR to studiously review practices and policies to accommodate the changing landscape of employee types.

Traditionally, procurement was engaged by HR to supply contingent workers. Skilled at rate negotiation and contract execution, procurement was well-placed to fill the vacancies that once comprised a minor part of the total workforce. With the shift in workforce composition toward on-demand resources, HR must now take a seat at the demand-labour supply table. Where procurement focuses on best rates and best value, HR must assert the need for best fit to attract and onboard the right short-term talent.

Attracting talent to your organisation over a competitor is becoming a high priority and a significant challenge for HR. According to a recent [MBO](#) Partners Client of Choice report, contingent workers are looking for employers who pay well, embrace them as team members and appreciate their outputs. As Franceschini says, "The professional contingent worker is a savvy and sophisticated person. Of course they want a good rate but aside from that, they are mainly interested in the quality of the project, the professionals involved (as potential mentors) and how it can lead to the next project." The challenges continue for HR as they are faced with creating compelling value propositions to a resource that seemingly has all the advantages.

Differences in how contingent workers are recruited have become apparent. Traditionally, gig workers could work anywhere, anytime, using their own equipment, provided they meet the statement of work. Not all suppliers tracked compliance with work contracts or sought to measure productivity. Historically, the organisation engaging the resource didn't require background checks, such as police clearances or other assessments, but this now raises concerns around privacy. Indeed, 42% of Deloitte respondents worry about the loss of confidential information due to contractor use and 36% worry about what these employment practices will do to their overall reputation.

HR also needs to reconsider how to sell their organisations as employers to the gig worker. A company can no longer promote security and opportunities for internal advancement as reasons for joining; contingent workers don't value such things. According to the [MBO](#) report, these workers are choosing an independent work model, citing a desire for greater work/life balance, more control over their time and an attraction to higher pay rates as the reasons for their choice.

Alongside the inherent challenges in adapting to a contingent workforce, HR needs to understand and report on the composition of such a workforce. Due to the more informal nature of contingent worker employment, it is difficult for HR to gauge the quantum of third-party labour, the location of such labour and the access they have to confidential information. Without good data capture systems and practices, the complete skill set of the contingent worker may not be fully known.



To the other more traditional groups of employees, contract workers are widely known to earn higher fixed rates of pay. It's deliberate, covering them for benefits such as leave that more traditional employees take for granted. However, this can cause disenchantment and disengagement among employees who are only focussed on what they earn compared to what a contractor gets. Such perceived disparity can impact how well a gig worker is embraced and the quality of support they get from their co-workers.

It's clear then that HR has work to do to accommodate the requirements of a workforce that is varied, dynamic and often not well understood. Indeed, 84% of respondents to the Deloitte survey said they had no established policies and practices to manage the variety of worker types that prevail today.

HR must define the process of recruiting contingent workers in the same way they would any other employee type. Policies must make sure that procurement handles vendor search and contracting, but leaves consideration of skill sets, experience, cultural and compliance requirements to HR. Where recruitment is decentralised, training should be offered to line managers engaging the services of contingent workers via vendors.

HR must also begin to consider how they can stand out when attracting talent to their organisation. Questions such as the following need to be answered:

- Are social media and influencers engaged to promote internal culture, talent pool and projects?
- Can you offer training that isn't available elsewhere?
- Are you clear on your suppliers and where they specialise or excel?
- Are gig workers being exit-surveyed to determine how they would speak about you as an employer?
- Are gig workers being used as a pool for referring other gig workers?
- Are you legally permitted to offer independent contractors leave or training in your region?¹
- What makes you special?

¹ In Australia and New Zealand, offering contingent workers such benefits changes their status to employee and obligates the employer to offer all entitlements due to an employee.

As much as freelancers crave independence, flexibility and work/life balance, they equally crave a sense of belonging and clarity of purpose when completing project work. This requires HR to give careful consideration to the process of onboarding. Introduce the person to key team members, share the company vision and how the role fits into it. Don't overlook a cultural orientation. A contingent worker still likes to know how things work and what is going on. Include them in emails and grant them access to chat and other communication mechanisms. You're aiming to embrace a contingent worker as one of your own, who will then become an advocate for your brand when the contract expires.

From a talent management perspective, HR needs to determine how contingent workers are identified in HR systems and how they are measured, trained and supported. Consideration needs to be given to what training a contingent worker may require (remember, it may be a sales tool at the recruitment stage) and to the mechanisms that will enable feedback around performance. Like any employee, contingent workers need to understand not only what has to be done, but what success looks like.

In a world embracing the reality of on-demand workforces, HR must actively involve itself in processes supporting attraction, onboarding, development and review. Of course, such mechanisms likely exist, but are they suited to an emerging on-demand workforce? HR must determine what makes its organisation unique and promote this to a specialised and highly sought after talent pool. By doing so, HR will differentiate their organisation as a brand to which the gig worker will gravitate. By understanding the unique requirements of this employee type and adapting internal processes to cater for them, HR and procurement can reap the rewards of a highly skilled and engaged workforce, while meeting budgetary and headcount constraints.

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