Virtual Working Group:
The Employment Landscape - Contingent Workforce

Key Takeaways

October 2020

1. Most companies want to centralize their contingent workforce management processes in at least some form. What companies can gain from centralization depends on the maturity of their contingent workforce program. Where they are centralized within a company varied as well: procurement, talent management or global business services were all mentioned.

2. Stakeholders often need to be shown the value of contingent workers. For some companies, this means demonstrating that contingent workers can be a value add. For others, this means managing unrealistic expectations from full-time employees, minimizing redundancies, and budget management. It can also mean educating other leaders on the financial tradeoffs between all-in fixed headcount and variable labor costs.

Participating Companies
American Express
Amgen
Ecolab
General Mills
Medtronic
Polaris

Contingent workforce management is a complex, multidimensional component of modern workplaces. The presence of such a workforce can blur organizational boundaries and have enormous implications for how work gets structured and how people are managed. Despite these complexities, all participating companies expect to hire more contingent workers in the next two years. Working group participants unanimously agreed — COVID- 19 has caused a shift in the emphasis on leveraging contingent labor, and contingent workforce management is now a strategic imperative and business necessity.

The working group participants expressed interest in a range of topics such as how to increase managerial efficiencies, how to improve program consistency across business units and geographies, and best practices for eliminating out-of-date processes and quickly responding to changes in the employment landscape.
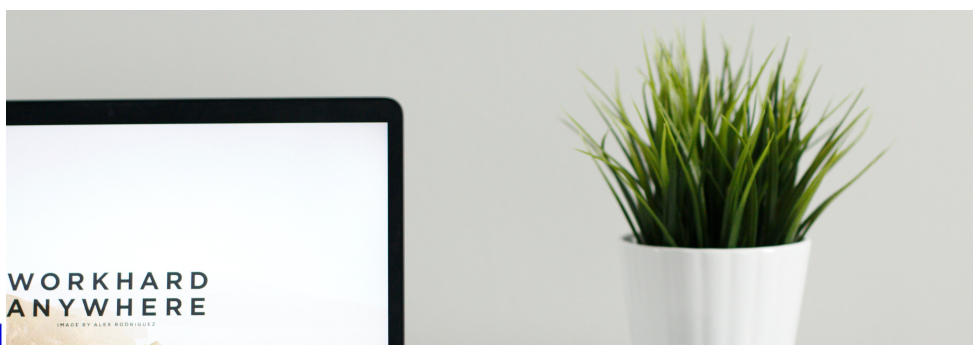
Centralizing Contingent Workforce Management Process

Working group participants had vivid memories of March 2020 when their companies notified them of the lockdown. As leaders overseeing their companies' contingent workforce management programs, it fell on them to notify contingent employees not to show up to work—sometimes with only a few hours advance notice. This proved problematic as communications were often handled by managed services providers (MSPs) or project managers who, often in charge of their own budgets, worked with MSPs directly.

The pandemic forced program heads to consider questions that until then were not necessary to ask. How many layers exist between program heads and contingent workers? How can program heads communicate with these workers?

CAHRS companies realized that, from a safety perspective, businesses fall short of their obligations if they do not have the systems, technology, programs, processes, or infrastructure to quickly react to changing workforce needs. Fortunately, most of these companies have honored their obligation by creating new communications and management processes and refining old ones. Notable solutions included:

Identifying essential and non-essential contingent workers. Assignment reviews clarify exactly what workers do, what important projects or processes they accomplish, and the potential impact of their contract termination. One partner company reported it was able to save several million dollars of excess spending by doing an assignment review.

Maintaining an emergency contact list. Information might include names, phone numbers, emails, current projects or clients, whether they work onsite or offsite, and to whom they report. This information allows program heads to circumvent labor suppliers and reach contingent workers within relatively quick timeframes. For some companies, this process required identifying existing manager-MSP relationships and working with both parties to obtain the necessary information.

Creating program centers. While it may be acceptable for project managers to find necessary talent by approaching MSPs directly, some companies decided contingent work arrangements should be finalized through a single company-owned program center. Creating and maintaining a formal program center provides companies with the necessary information to manage their contingent workforce and send quick communications. It varied from company to company who owned these programs, with global business services, procurement and HR/talent management all mentioned as options.

Gauging and Communicating the Value of a Contingent Workforce

Some industries or work environments naturally lend themselves to contingent work. For example, in manufacturing, plant, or industrial contexts, the need for the right talent profile may be easily understood because workers can often see the value that contingent workers can add. Still, the pandemic highlighted

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the need for effective contingent workforce management.

In other contexts, like with knowledge work and similar professional settings, stakeholders may question the need for hiring or managing contingent workers. Many noted a compliance-oriented rationale helped justify contingent workforce management, especially in light of the pandemic. Additionally, even the most apprehensive companies are becoming comfortable with the idea of a contingent workforce now that so many are working remotely.

Useful approaches for gauging and communicating contingent workforce value include:

Creating databases. Oftentimes contingent workers may be approached directly by project managers because of preexisting relationships, removing the need for MSPs. Unfortunately, knowledge of these workers may not extend beyond project teams, so others may miss out on valuable team members. Databases make it easier for managers to see more contingent workforce options, consider better talent rather than convenient talent, and do so without the complications that come with contacting MSPs. One company looked at all contingent workers in their employee management system, then extended an invite to opt into a pool of workers accessible to project managers. This pool was combined with a pool of individuals sourced through MSPs, and workers were given the option to express broad interest in contingent work or interest in particular roles or projects.

Benchmarking with market rates. Some companies noted that HRBPs misunderstand the market value of contingent workers and assume that they are more affordable labor. However, these workers may possess niche skills that command premium rates. Another company with a program to rehire retired employees as contingent workers found that these workers expected to earn the salary they had prior to retiring. In both instances, strong market research helped with determining the market value of each role and ultimately made it easier to manage unrealistic expectations.
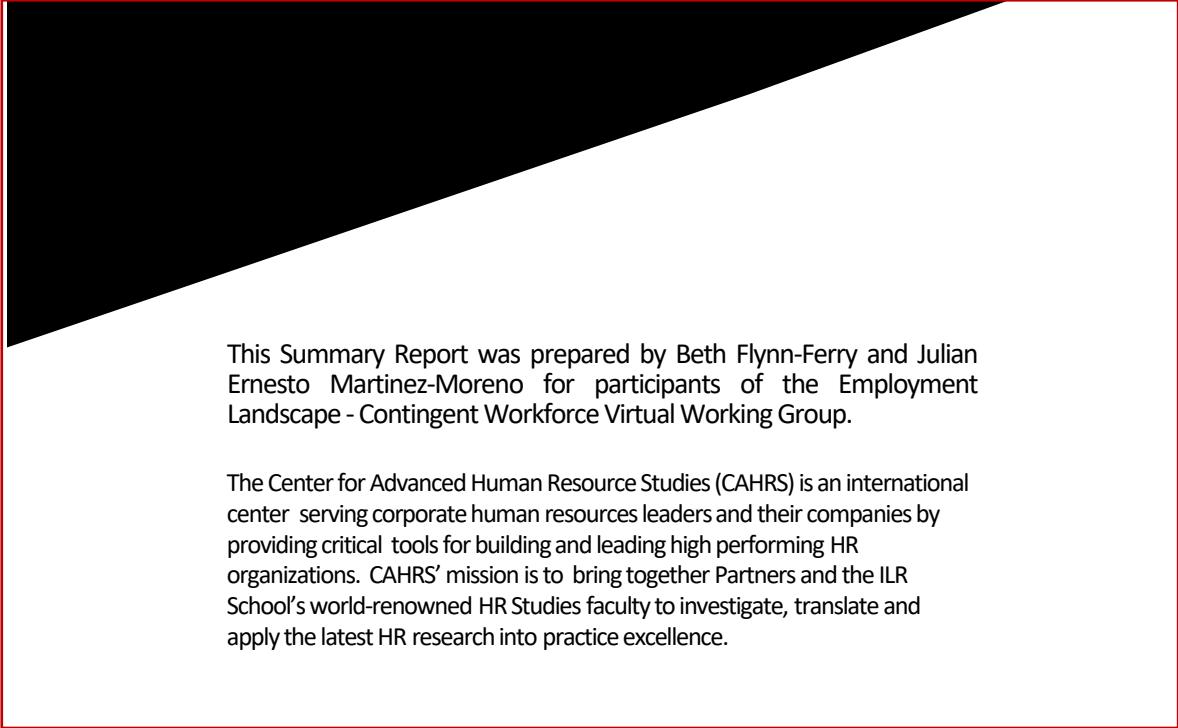
Understanding talent needs. When coupled with knowledge of market rates, understanding talent needs can help companies make the most cost-effective hiring decisions. One company adopted a very disciplined approach to bringing in outside talent and was able to explain to managers the extensive challenges that come with reeducating contingent workers. Additionally, managers were challenged to be specific about why they need full-time employees for jobs that might be better suited to seasonal or part-time work. Companies are also leveraging MSPs to fill their diversity needs as well, going so far as to share their diversity goals with the third party providers.

Budget consolidation. To minimize redundant spending, one company chose to combine its full-time and contingent workforce budgets. This allowed managers to see the true management cost per worker, required them to consider how their contingent workforce fluctuates throughout the year, and acknowledge how that would be reflected in vendor costs associated with managing contingent workers. This approach also encouraged a healthier balance between headcount-oriented and expense-oriented management approaches.

Tenure limitations. Many companies use tenure limitations to prevent overreliance on contingent workers. An alternative approach was to use tenure limitations to identify bodies of work that were likely to stay. For example, if a contingent worker has been used for several years, it may be in the company's best interest to extend a full-time offer.

This Summary Report was prepared by Beth Flynn-Ferry and Julian Ernesto Martinez-Moreno for participants of the Employment Landscape - Contingent Workforce Virtual Working Group.

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