

Perspectives

Facing the facts: The contingent workforce demands your attention

By Hatti Johansson

Rapid technological advancement is revolutionizing the workforce. In this environment, it's essential that corporate leaders take time to understand fully where the future of work is headed — especially as it relates to the growth of the independent workforce, also known as the “contingent workforce.”

A “contingent worker” may be defined as any of the following:

- A provisional worker who works independently for an organization on a non-permanent basis (e.g., freelance, independent professional, temporary contract worker, independent contractor, consultant)
- A worker who is paid according to hours worked or for an agreed-upon fixed fee
- A worker who does not obtain benefits that are commonly available to the full-time employees
- A contract worker who gets paid directly by your organization or who gets paid through an intermediary company (e.g., staffing company, temp agency or talent platform)

Here are three facts about contingent workforces today that deserve extra attention:

1 How, where and by whom work gets done is changing.

As part of the “Fourth Industrial Revolution,” we are seeing a rise in the use of contingent workers for completing certain types of work assignments, including both those that require specialized and emerging, hard-to-find skills as well as those that are routine or repetitive. Jobs are being deconstructed into specific work assignments or discrete tasks that can be allocated or shared between humans and machines based on the most effective and productive ways to get the work done. And over the next three years, workforce automation, including the use of artificial intelligence (AI) — i.e., machine learning and robotics — is expected to surge in organizations throughout the United States.¹

Not only is the independent workforce growing, but we're also seeing an increase in large-scale use of freelance talent by *Fortune* 500 companies. As new skills emerge and old ones evolve, businesses are becoming reliant on freelance specialists who proactively upgrade their skills and can provide the expertise organizations need when they need it.²

Organizations that hire contingent workers can take advantage of the opportunity to inject innovation into their permanent workforces, receive consultation on processes and practices, find support for large-scale projects and gain access to specialized skills for busy periods or as needed.³

2 The workforce is evolving from principally fixed-cost employees to include a larger, contingent population that comes with its own set of challenges.

While contingent workers may be considered the wave of the future for completing certain types of work and bringing highly sought-after skills, at the same time they present many of the same challenges to employers as do traditional employees, such as:

- How do you attract them in a competitive market?
- How can you make the most of their knowledge and critical skills?
- How can you engage them effectively to be committed to your organization's success and ensure they are just as likely to put in extra effort as full-time employees?

The growing use of free agent workers, contractors, consultants and part-time employees creates a new set of HR challenges that only a few leading-edge organizations are prepared to tackle. The implications for HR and talent strategies are immediate.

In order for organizations to adequately address these challenges, the procurement and management of an organization's contingent workforce should shift to the HR function. In this way, HR can align and integrate their strategies for handling the challenges common to both traditional full-time employees and contingent workers. Most importantly, this contingent population should be viewed as an integral part of the workforce — not just as a good or service requiring cost management.

1. The Willis Towers Watson Global Future of Work Survey, November 2017: A total of 909 companies worldwide, including 119 U.S. companies, participated in the survey.

2. Upwork Q4 2017 Skills Index

3. History of Contingent Labor: Welcoming a New, Elastic Workforce from PeopleTicker.com

HR is better suited to manage all aspects of the contingent workforce

According to the latest Willis Towers Watson Data Services market study of existing clients, many organizations are slow to acknowledge changing workforce realities and are not planning accordingly.⁴ In particular, few HR functions are fully prepared to address the organizational change requirements related to managing a contingent workforce. In fact, the study shows that the majority have no plans to change their existing strategies, are slow to react to the trend or see no need to change.

Further, the study illustrates that HR professionals often have no involvement with and limited visibility into the contingent workforce. Hiring managers and project leaders typically decide when contingent workers will be used to accomplish work. These workers are generally acquired and managed by Procurement because they are viewed as a cost item. Though HR may hold authority for posting jobs, organizations may depend on external staffing organizations to set benchmark rates, even though these companies may lack neutrality and could potentially overinflate pay rates. There is much potential for HR to take on a wider role for these functions, and more.

- Make use of available tools to research contingent pay data, such as bill rates and supplier markups, to better negotiate with your contingent workforce and make more informed hiring decisions.
- Understand the changing employment relationship in the new environment and move from an “employee value proposition” to a “talent value proposition” to engage the full population of workers.

Being prepared for the future of work means adopting a new mindset when it comes to your contingent workforce. These individuals understand that their role is changing and have higher expectations from the employers who utilize their skills. Now is the time to ensure your organization is equipped to attract and manage this essential talent.

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3 In the face of rapidly changing workforce automation, the demand for individuals with unique skill sets will continue to grow.

Demand for such skills as blockchain (Bitcoin development), database (Amazon DynamoDB), mobile applications (React Native) and robotics is growing exponentially. In fact, the 20 fastest-growing freelance skills in the fourth quarter of 2017 experienced more than 120% year-over-year growth.⁵ It has become an organizational imperative to keep pace with these emerging skills as they evolve. Organizations need to develop leaders who can orchestrate and drive a radically different and dynamic work ecosystem that makes the best use of contingent workers, while keeping their existing talent fully engaged and focused.

Moving from facts to action

As you develop your labor strategy, be mindful of the need for HR to engage in the following activities to ensure your organization is equipped to handle the contingent workforce of the future:

- At a minimum, develop partnerships with Procurement to understand the real organizational needs and be proactive in assigning new roles and management structures for the contingent workforce. Looking to the future, strive for a full transition to HR to effectively manage the entire workforce.
- Consider what other rewards are part of the “deal” for contingent workers, and monitor the evolving legal landscape to ensure you are in compliance.

4. Willis Towers Watson Global Data Services (GDS) online market research survey of existing clients, December, 2016: A total of 250 U.S.-based organizations, consisting primarily of HR and compensation professionals, participated in the survey.

5. Upwork Q4 2017 Skills Index



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