

## Rules of Engagement: Harnessing the Potential of the Contingent Workforce



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The current economic crisis has changed the employment landscape forever. Employers have learned hard lessons about the need to transform their talent-acquisition strategies in the face of growing global competition. Now, as the business environment begins to improve, employers must be poised to respond quickly to a rapidly changing marketplace and growing disconnect between where labor is needed and where it is available. That means developing more flexible workforces and keeping fixed costs low—to do more with less.

Yet employers no longer have either the confidence or the resources to hire more permanent employees.<sup>1</sup> Instead, they must develop the capability to find, hire and retain the talent needed to support their overall business strategies, in ways that allow them to increase their flexibility and that address the growing mismatch between their needs and where the best talent can be found.

As the recession recedes, employers will rely more and more on external talent or contingent workers—whether they are temporary employees, contractors, outsourced workers or consultants—to achieve business goals in a more strategic, flexible way. In a recent survey of 41,000 employers in 35 countries and territories, more than a third of respondents said they view contingent labor as a key element of their workforce strategy. Among respondents in the Americas, that figure rose to nearly half of the total.<sup>2</sup> In the coming upturn, however, the reasons for employing contingent workers will move beyond simply keeping permanent payrolls in check.

According to our research, the most common reason worldwide for employing contingent workers is to meet peak seasonal demand. Yet fully 14 percent of employers across the globe now turn to contingent employees for more strategic reasons—to try out candidates prior to hiring for permanent positions, to provide longer-term flexibility, to quickly find talented people possessing specialized skills, and to outsource non-core business functions.<sup>3</sup> Demand for specialist contractors and outsourced workers will rise, especially in knowledge-driven areas where technology allows talented people to work from anywhere in the world.

As more and more companies understand how to leverage a contingent workforce to gain strategic value, that percentage will only grow.



### In This Article

- In the coming upturn, employers will rely more and more on a flexible mix of permanent and contingent workers to reach their strategic goals and better manage risk.
- Survey data shows 14 percent of employers worldwide are leveraging a contingent workforce to derive greater strategic value. Strategic uses of contingent workers include: gaining access to people with scarce, specialized skill sets; outsourcing non-core business functions; trying out candidates for full-time positions; and providing longer-term workforce flexibility.
- To maximize the value of contingent workers, companies must fully engage them, making sure they are committed to the company and its business goals and overall strategy.

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# Unlocking Potential

Contingent workers can indeed improve a company's talent level, strategic options and productivity. Yet their contributions are by no means a given. Employers shouldn't assume that contingent workers will perform like company veterans after just a few hours on the job. Making sure contingent workers will perform up to expectations requires, first, that employers find the right person, with the right skills, matched to the right job. And making that match can be a challenge. Whether an organization is hiring its contingent talent directly, or sourcing it via an employment services firm, having a proven process in place for assessment and selection is critical.

The second requirement for maximizing contingent workers' ultimate value, and for retaining the best individuals, is *engagement*—the degree to which workers are committed to the company and its business goals and overall strategy. Companies looking to fully engage their contingent workforce must understand how to successfully integrate, train, manage and encourage these workers.

Engagement matters. Study after study has shown that workers who stay engaged are more productive and more likely to recommend the workplace to others. And engaged contingent workers are more likely to stay or to accept a repeat assignment, and more willing to accept a permanent position at the company should one become available. Perhaps most important to the pending recovery, engaged workers improve the bottom line. Conversely, disengaged employees erode the bottom line and drag their colleagues down with them. One study estimates this cost to the bottom line to be more than \$300 billion in lost productivity in the U.S. workforce alone.<sup>4</sup>

Our research suggests that contingent workers typically feel more loyal to the host companies where they are working than to the employment agencies that pay them. Indeed, contingent workers, we have found, *want* to be engaged and to feel that they are part of the host organization and are making a real contribution. Thus, keeping contingent workers motivated should be easy, so long as the host organization:

- Integrates them successfully into the workplace
- Works to keep them committed throughout their assignment, whether it lasts a week or a year
- Demonstrates to them that they are contributing to the company's overall performance

Still, far too many companies struggle to engage their contingent workforce, primarily because they treat them

as outsiders. More than a quarter of employers worldwide, for instance, do not expose their contingent employees to the same induction and assimilation processes as their permanent employees receive, a key cause of lower engagement levels.<sup>5</sup>

## Levels of Engagement

The utilization of contingent labor varies worldwide. In Spain, for example, people working with temporary contracts make up about 30 percent of the workforce, as compared to five percent in the U.K. and two percent in the United States.<sup>12,13,14</sup> Just as national labor markets vary in the use of temporary labor, the categories of contingent workers themselves tend to vary in their degree of engagement. To ensure that every worker, no matter his or her status, stays fully engaged and contributing, companies need to optimize their engagement strategy to suit each type of worker.

**Temporary employees** performing generalist tasks are typically, and unsurprisingly, the least engaged. Their efforts are not as clearly linked to overall performance, and they are less likely to be made to feel part of the team. To engage them, they must be treated with respect, and made to understand clearly what they're expected to do and how their job contributes to the organization's goals—regardless of how basic their tasks and functions might be.

**Contractors**, who most often have specialized niche skills, often feel a lack of engagement unless their performance is linked clearly to the company's. Promoting their engagement involves making sure they have the tools they need to do their jobs, and are given honest feedback on their performance. This should be particularly important to employers in France where its CDD (Contrats à durée déterminée) contractors comprise approximately eight percent of the total workforce—even more than its temporary workers (*Intérim*) who make up two percent of the workforce.<sup>15</sup>

**Outsourced workers**, especially those hired directly by the outsourcing firm, often feel strongly engaged, but workers who have been transferred from the host company to the outsourcing firm may not. In both cases, maintaining their sense of belonging is key, as is making sure they receive recognition for the work they do.

**Consultants** typically feel more loyal to their own organizations, yet that can contribute to a sense of engagement with the host organization as well, as the work they do is typically the most directly connected with the host's performance. The more that connection can be established, the more engaged and productive they will be.

Companies can do much to help boost the engagement of their contingent workers. Consider these three approaches:

### 1 Segment the contingent workforce.

Organizations should develop customized, flexible strategies to accommodate different segments of the contingent workforce, just as they would with their permanent employees. Factors that should be taken into account include:

- **The nature of the job itself.** What engages a professional IT consultant will be different from a factory worker. Are the employee's skills specialized and hard-to-find, or general and readily available?
- **Differences in age.** Younger workers have very different expectations about the workplace than older workers, who may be less familiar with social networking practices and Web 2.0 technologies.
- **Cultural factors.** As the workforce globalizes, different cultural approaches to work matter more and more.
- **Personal goals.** Workers with families, for instance, have very different needs and goals than workers nearing retirement, and flexibility is essential in managing them.

2 **Make them part of the team.** Successfully engaging contingent workers rests largely on integrating them fully into the workplace, and keeping them integrated. Loyalty matters and making contingent workers feel like outsiders is no way to promote it. Every company should work to:

- **Improve induction and orientation processes for contingent workers.** No matter how elaborate the process, the key is to communicate the mission, vision and values of the host organization.
- **Ensure that contingent workers have the tools and resources needed to do their jobs.** Knowledge workers, for instance, must be given the hardware, software and network access they need to become productive as soon as possible. Workers performing manual labor, for example, must receive the job instructions and safety training needed to make them feel that their position is valued.
- **Consider a training program for the permanent workforce to foster better integration of contingent employees.** Managers need to understand the expectations and behaviors of the various segments of contingent workers (see sidebar). Permanent employees need to understand that contingent workers play an important role in meeting company goals. They must be encouraged to welcome contingent workers and treat them as a valued part of the organization.

- **Remove the unnecessary barriers that keep contingent workers from feeling part of the team.** Excluding them from corporate communications, newsletters, company events, etc. can do real damage to morale, and the effects can be easily remedied. [Keep in mind that local labor market policies can determine how an organization interacts with its contingent workers. Make sure to understand local labor rules to avoid any co-employment issues before taking steps to better engage these workers.]

3 **Don't ignore career development.** Even though they are not permanent employees, an ongoing program to improve the skills—and thus the value—of contingent workers will ultimately help the host organization meet its business objectives. By demonstrating the willingness to develop talent across all employee segments, companies can not only build their capabilities but also their employer brand, and thus attract and retain top talent in the future.

## Virtues of Flexibility

While contingent workers give employers needed flexibility, it is important to note that as we emerge from the downturn, flexibility will become just as important to employees for a number of reasons. First, after an extended period of downsizing, employees' loyalty has been tested and they may be more unwilling to make the personal sacrifices for the sake of work. In fact, research from the Center for Work-Life Policy shows that between June 2007 and December 2008, the number of employees expressing loyalty to employers plunged from 95 percent to 39 percent.<sup>6</sup> Another report indicates the number of highly disengaged employees has increased from 1:10 to 1:5 since the first half of 2007.<sup>7</sup>

So in the post-downturn environment it makes sense that many workers, whether they be permanent or contingent, will be looking for better work-life balance. The flexibility that contingent employment offers individuals—along with the support that employers give such work arrangements—can serve to attract key skills into an organization or to retain them.

Second, employers should remember generational differences are also driving the need for more flexibility in the workplace. The younger generation of workers simply doesn't view work the way their parents do. Fewer workers are looking for the traditional 9-to-5 work week and instead seeking to work on their own terms, especially younger workers and downshifting baby boomers. Contingent work offers them the ability to do this.

In one recent study, for instance, three quarters of Generation Y-ers interviewed see no reason to compromise their demands for a good salary, the ability to work flexibly, access to training, the availability of overseas assignments, or a work week of no more than 40 hours—despite the fragile state of the economy.<sup>8</sup> In another study, 73 percent of the Gen Y-ers surveyed said they're concerned about achieving a satisfactory balance between professional obligations and personal pursuits.<sup>9</sup> Thanks to technology, they believe work is something that can be done “anytime, anywhere.” We see no reason for such attitudes to change over the long term.

In fact, we expect the continuing trend toward *virtual working, teleworking or homesourcing* as it's often called—work performed by individuals from home or another remote location enabled by technology—will become more popular as younger generations enter the workforce and others realize the benefits of this more contemporary, flexible work arrangement. Recent research supports this trend with the sum of all teleworkers increasing 17 percent in the U.S. from 28.7 million in 2006 to 33.7 million in 2008.<sup>10</sup> And this isn't just salaried workers. Hourly workers, too, are increasingly working virtually.<sup>11</sup> A similar trend also is reported in Europe; therefore, employers would do well to get ahead of this curve.

In such an atmosphere, more and more workers of all ages are likely to find the flexibility of contingent work more suited to their lifestyle needs—whether that work is performed onsite for a client or virtually. If companies can develop the management processes required to keep their contingent workforce truly engaged and harness their potential, they have a real opportunity to create a workforce designed to meet their strategic business goals.

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## References

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