

Total Talent Management and the Contingent Workforce Paradox

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Executive Summary

For most organisations, the contingent workforce is growing. A greater percentage of the people supporting the business are not permanent staff. Since there are advantages for both the organisation and the workforce, this trend is not likely to reverse.

Yet this shift is driving a paradox. Organisations realize they must consider the contingent workforce similarly to how they manage internal staff – in the search for talent, in managing performance and even in retention or exit. At the same time, the contingent workforce is different, and thus requires different processes and management, from the permanent group. The current regulatory environment, while not the only driver, means that governments will increasingly require careful management of the contingent workforce if organisations are to stay within the law and avoid reputational and financial risk.

In this paper, we will examine the similarities and differences between managing the permanent and temporary workforce as we consider “total talent management” (TTM).

Why the Contingent Workforce Is Growing

One of the strongest trends in business and society over the past 30 years has been the growth of the contingent or independent workforce: freelancers, independent contractors, consultants, interims, self-employed and on-call workers. Not too long ago, most of the people engaged in doing direct work for an organisation would have been full-time employees. Today, the population could be made of a potentially large proportion of independent contractors or people found through agencies and outsourced service providers.

What has driven this growth? It's a two-sided equation, with both individuals and organisations seeing advantages.

- **Organisations** are keen to convert fixed costs to variable while being more flexible in their cost structures. They want to move quickly as demands change, and a flexible workforce supports that. Contingent staffing also has advantages when there are short-term needs or the organisation requires scarce or expensive skills. In these cases, contingent rather than permanent labour may be the best option. Looking at cost, labour-related legislation in some countries has also made the employment of non-permanent staff more cost-effective.
- **Individuals** are also taking a different view of their working lives. This may not apply to the less-well-rewarded end of the contingent labour population, but many people are seeking different and flexible ways to work. Some still prefer to be permanent employees, but growing proportions do not. Millennials are an especially interesting example – they are likely to work for many organisations, change careers often or pursue several different interests at once.

There's also greater geographic flexibility: witness the movement from Greece and other southern European countries to Northern Europe. Workers are more savvy about the arbitrage on what they can earn, so skilled project managers or engineers have realized that they can move between sectors easily as contingent workers and follow the money as demand changes.

Even the permanent workforce is becoming more volatile, at least in rapidly growing and younger sectors. The median employee tenure at Google is just over a year, according to the payroll consultancy PayScale and [reported by Bloomberg](#).

Total Talent Management

Total talent management is an increasingly used expression. Here is one definition:

“The concept of TTM integrates and engages the full range of talent sources, from traditional employees to a wide variety of non-employee workers including temporary workers, independent contractors/consultants/freelancers, volunteers, outsourced resources and even non-human options such as robots, drones and cognitive computing applications.”

- Staffing Industry Analysts

The contingent workforce covers a huge span of activities, from blue-collar to high-powered intellectual roles. This discussion relates mainly to the white-collar element, although much of this analysis is relevant across the board.

The perception of the contingent workforce and the different elements involved are in theory similar to those applied in managing employed staff, especially around recruitment, accreditation, performance management, retention, exit, and motivation and reward.

Managers need to understand the capabilities of both staff and contingent workers to manage performance and motivate individuals. That is true even for more mundane, unskilled tasks, and critical once we consider skilled contingent workers. But total talent management is not simply a value argument about getting the best out of the workforce and every individual, whether they are permanent or contingent. There's also the risk side.

Mitigating the risks around hiring the wrong contingent person is just as important as it is for recruitment of permanent staff. Too often, hiring managers may be tempted to cut corners when carrying out due diligence on contingent staff – particularly where employees work in sensitive areas, have access to customers or clients, carry out critical tasks or have access to confidential information.

Confusion and Paradox

This point about risk adds to the confusion around managing the contingent workforce. Many line managers look at it as simply hiring a person. On the surface, a temp seems easier and quicker to acquire than a permanent employee. The manager may skirt due diligence on such a worker, with speed often being the driving factor. But once the individual is in place, the contingent worker is then treated very much as a core member of the workforce.

As discussed earlier, think about managing contingent workers using the same parameters as for permanent staff. That being said, there can be dangers. Many countries have strict rules and regulations in terms of the differences between an employee and a temporary worker. There are often different tax implications and treatments applying to both the individual and the employer. Hiring managers who disregard these issues can cause serious problems.

To complicate these matters further, regulations vary across countries. Even in Europe, where in theory much regulation should be harmonized at EU level, there are different national regulations regarding temporary staff and the status of individuals working in that manner – covering tax, employment rights, the process for dismissals and so on.

The definitions of what makes an individual a genuine contractor or contingent worker are also complex and somewhat vague. When the authorities consider a person's status, they may look at factors such as:

- How long workers are engaged on a particular assignment
- Whether workers have multiple clients
- How much freedom of action they have – whether they can sub-contract, for instance
- The level and nature of supervision, direction and control over their work
- Where they work and who provides any equipment they use

In the U.K., there have been a series of moves to try and stop individuals exploiting the tax system by claiming to be independent contractors when, really, they are working as de facto employees. In the 2015 Budget, the Chancellor, George Osborne, announced the latest clamp-down, saying, *“We’re consulting today on how to deal with the increasing abuse of the rules around disguised employment when working through a personal service company.”*

The consequences for the individual and the employer can be serious if, for instance, the authorities decide taxation has been avoided. That can run beyond recovery of past money owed into fines and even criminal prosecution. As governments increasingly struggle in a mobile and digital world to raise the tax revenues they want and need, they are likely to look harder at the contingent workforce as a source of increased revenue. Clearly, this increases risk for the hiring organisations.

One recent development that has caused some excitement is the growth in “freelancer management systems” and other tools, which encourage hiring managers to engage and contract with contingents directly, without an intermediate staffing agency. Those individuals may be the usual contingent workers, although some platforms specialize in handling a particular sub-set of the population – perhaps alumni (ex-workers from the organisation), specific subject-matter experts or retired people.

But it is vital to remember that whether the worker is unknown to the hiring manager, comes from an agency or is someone who retired from an organisation recently after 20 years of service, they are all considered in the same way from a legal perspective. The same questions will be asked to establish their status as contractors or employees, and the individual and the organisation run the same risks if the proper processes are not followed.

This is the paradox: In many ways, good practice requires permanent and temporary staff to be considered, treated and managed in a similar way. However, any organisation that forgets about the fundamental and inherent differences is putting itself at financial, operational or reputational risk.

Conclusions and Recommendations

The concept of total talent management – looking to get the most out of everyone who is engaged in supporting the organisation's activities – is solid, but needs to be treated with a note of caution. It is important to understand where best talent management practices relating to the permanent workforce can and should be applied to the contingent workforce. It is also vital to understand the differences and the legal issues around employment of contingent workers.

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In order to get the most out of the contingent workforce in particular, that means:

1. Having a strong administrative grip on the organisation's use of contingent workers. If there are no records of contingent workers, their skills or accreditation, where they work or how long they have been in the organisation, then there is a high probability that the employer is working outside the regulatory framework and not getting the most out of this resource.
2. Managing the engagement of contingent workforce through a robust and controlled recruitment process, which in an organisation of any size probably means a systemized approach, making use of appropriate technology.
3. Continuing the management focus on contingent workers during the delivery phase. Performance management of the contingent workforce is one area where there are close parallels to management of permanent staff, and effective management of both populations is vital, all the way through to a controlled exit process where appropriate.

Organisations should consider managing contingent workers in many of the same ways they think about getting the most out of permanent staff. But they also need to remember that there are fundamental differences. Be aware of this paradox and manage each group accordingly and appropriately.



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