

MANAGING YOUR HR: THE COMPASS OF THE CONTINGENT WORKFORCE

The role contingent or contract talent in the workforce mix is leaving many employers unsure of how to best utilize, manage the varied talent. An evolving trend is forcing HR Leaders to re-evaluate their approach to this emerging fact of corporate life.

According to Cindy Lubitz, Managing Director of inTalent Consulting Group contingent labor has become a sizeable part of the labor market and is maintaining steady growth.

Lubitz offers some insights and suggestions on how best to internally manage the process.

A company's labor pool is comprised of both employees (full- or part-time) and non-employees (freelancers, independent professionals, temporary workers and consultants at all skill levels who are frequently employed by a third party provider).

Lubitz calls this latter group Contingent Labor in her analysis of where these individuals fit in the labor mix.

According to a recently released study by KPMG International[i], 55 percent of survey respondents have hired more contractual or temporary workers in the last three years; 41 percent are even using former employees as contractors. These trends are set to continue, since 72 percent of respondents maintain that their companies should increase the use of both virtual and flexible workers.

Companies tend to manage employee and non-employee workers independently and in different ways. Amy Lewis of the Human Capital Institute (HCI)[ii] blogged on the topic earlier this year and referenced HCI's 2010 research[iii] on the organizational integration of the contingent workforce. The resulting report concluded that the most common practice among organizations polled was that integration of non-employee workers, by and large, stops after acquisition.

An inTalent associate, Kay Colson, and her business partners conducted an extensive study on ways organizations can integrate their talent management practices and further explored the need to extend those practices to include non-employee workers. All the providers (organizations that supply non-employee workers in the market place) they spoke with agreed there is a significant increase in this type of practice, some even refer to it as their biggest growth area.

In these discussions, the concept of varying types of non-employee workers emerged. These

three stand out:

- **Gap Filler.** This is typically a contractor (temporary) filling in for a designated period of time. This individual may be also looking for full time employment; or this could be a retired payrollee with requisite specific knowledge and willingness to work temporarily. Their commitment and loyalty to employer and buyer is limited to short term.
- **Value Add.** This is often a career contractor or non-employee who possesses unique skills, enjoys contract work and does not desire permanent employment. They could work as a contractor, payrollee, 1099 or through an SOW/PPP program. Their commitment and loyalty is connected to their interest level in the work, the value of their relationship with the client, and their rate of pay.
- **Leading Edge Skills.** These are highly skilled freelance operators with no interest in full time employment with a single company. They possess creativity, skills and knowledge to help maintain a company's competitive edge. They generally prefer to work on important projects with companies they consider to be market leaders.

These descriptions lead to questions about how to leverage varying types of non-employee workers. Each is a valuable asset whose needs must be understood, deployed in the right place, and managed in ways that fully leverage their capabilities.

CONTINGENT VARIANCE:

Senior HR leaders at national and global companies are piloting different versions of the same platform. It is clear there's little uniformity when it comes to managing a contingent labor force. Here are some differing and similar views as shared by workforce leaders (names and companies have been withheld).

- “Kimberly” is a senior HR executive who has worked at international retail companies and entertainment organizations for many years. She suggests that for a contingent labor force to be most effective and operate as an integral part of the team, they need to be regarded and handled much like a permanent hire. “An important contingent workforce strategy is to be clear on the nature of the relationship. For example, an IT contractor is very different than someone on the recruiting team for a set amount of time. Our IT staffers work more autonomously, but I manage my temporary recruiters just as I do my permanent staff. Managers need to understand the company guidelines around their contingent workforce.”
- Kimberly supports including contractors in most every aspect of the business – as it relates to their business. They should be in the office at least some of the time, attend team meetings and strategy sessions. But it all is under the scope of clearly written,

pre-determined guidelines that have been disclosed and discussed in detail upon the hiring of each contractor. In regards to benefits, she shared that typically high-level consultants are not necessarily seeking a position that offers benefits, while mid- to lower-level consultants are more apt to ask for them.

- Conversely, a different approach to managing contingent workers was outlined in a conversation with “George,” an executive HR professional at a global consumer goods company. “We absolutely treat them differently.” His organization has made a conscious decision to not hire contingent workers directly, but to go through an external firm to supply that talent – even though it is a more expensive route. External contingent staff management maintains a clear legal separation between employees and non-employees. Contractors are not granted benefits or performance reviews; they have different work spaces and generally are not included in employee engagement programs.
- A 14-year veteran of his company, George has seen much in the shift to contingent labor, and, he says, it’s not going away. “Contingent labor has its place, but is frequently misused to off-set recruiting failings. If a company develops a strong talent acquisition strategy that includes contractors in the mix, both employees and non-employees will be utilized to their full potential. Our goal is to hire more people for short-term project work, and while ideally we eventually bring that function in-house, it would require a significant infrastructure shift.” He still thinks this is a future opportunity for the company, however.

CONTINGENT A STRATEGIC ADDITION:

The assimilation of contingent workers into a company culture should be viewed strategically. Just like anything in HR, the end result is to provide the organization with a sustained organizational advantage. What is the benefit of filling this particular position with a contractor versus a permanent employee? Is it just about money or ease of filling the position immediately? How does this add to our employee mix? How will the position be viewed by FTEs? What are those long-term effects?

Lorrie Lykins^[iv] of the Institute for Corporate Productivity (i4cp) wrote: “Organizations must be able to expand and contract the workforce as needed and knowing how to do that without losing efficiency and effectiveness is critical. This means striking that critical balance of deploying and managing contingent workers strategically while also keeping permanent employees engaged. This is much easier said than done.”

According to Lubitz, contingent workforces offer organizations of any size and shape a way to optimize their talent strategies. It is a practice that keeps overhead down, lets the company be agile to changes in the marketplace, and gives it access to the most contemporary skills without having to invest millions in developing employees. But like

anything that gains a bigger footprint and becomes more prominent, there are sometimes more questions than answers.

She adds: “Whatever route your company determines as its guiding policies for contingent workers, be transparent in its delivery and consistent with its implementation. This can head many issues off among employees and non-employees alike.”

Cindy Milburn Lubitz is founder and managing director of inTalent Consulting Group. She may be reached at cindy.lubitz@consultingintalent.com.

[i] KMPG International, Economist Intelligence Unit study: Rethinking Human Resources in a Changing World, 2012

[ii] Amy Lewis, Talent Strategy and Acquisition Evangelist, Human Capital Institute (HCI) 2012

[iii] HCI: Contract Talent: Are Contractors Included in Strategic Talent Management Initiatives?, 2010

[iv] i4cp Trendwatcher, 2012

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