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## Risk Vs Value

Rebalancing the approach to contingent worker  
integration

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## Introduction

The future of work is changing. We are currently seeing a rapid shift from traditional, permanent employment towards a workforce mix that is more heavily populated by non-permanent workers. To ensure that their companies respond to this it is imperative that executives revisit the existing approach to engaging with their entire workforce: regardless of whose payroll the workers sit on.

Companies tend to focus on their permanent employees when it comes to looking at the 'how' - the culture and behaviours that are in place to get work done. Companies rightly spend a significant amount of time creating, maintaining and disseminating that 'how' to their permanent workers. In a world where people are increasingly the competitive advantage it is crucial workers understand and adhere to the 'how'.

### **The How**

In this paper the term 'how' is used to describe the way in which work is performed. If we assume that work is made up of the 'what' (the tasks and the outputs) the balance is the 'how' (the behaviours, the interactions, the collaboration and the culture of work in a company). The 'how' must not include development of the non-permanent workers' skills. Instead it should focus on how those skills and behaviours are brought to bear in their assignment

That focus on permanent alone needs to change.

When the percentage of non-permanent workers was small it was a viable approach: core staff (the permanent workers) were the dominant element. The workforce is now much

more fluid: Ardent Partners' 2015 report 'The State of Contingent Workforce Management' found that 35% of the workforce is now non-permanent.

Now that the non-permanent percentages have become material the question becomes: is it still acceptable to allow the 'how' to be unstated to non-permanent workers?

This paper will argue it is not. It will consider some of the underlying, historic decisions that have created the existing approach. It will argue that there is another way to approach engagement that does not materially increase risk to an organisation but will create conditions where non-permanent workers are more closely aligned to the behaviours their permanent colleagues are expected to exhibit.

With the increasing number of non-permanent workers, the often used statement 'if you always do the same thing you will get the same results' no longer holds true. Doing the same thing in this space will see worse results. So, there is a need to change, or at least to consider change, and to weigh the challenges of change against the risk of inaction.

## Where are we now and how did we get here?

Traditionally the approach to non-permanent workers has been one of exclusion. This approach has led to many barriers being built, typically organically and over time. These barriers are rarely dismantled as they are there to address a perceived or actual risk. Little attention was given to the impact of these measures as the number of workers impacted was low and the work those workers performed was, in the main, not of strategic importance.

The focus in terms of the approach to non-permanent workers has been on 'what' is being done. This is typical of a non-permanent engagement: the company has a specific need, engages a worker with the required skills on a defined term basis to perform the task that meets that need; once completed the company then disengages the worker.

In practical terms, this has meant that a non-permanent worker faces one, many or all of the following barriers. The following were observed during a number of interviews conducted for this paper:

Company	Barrier(s)
A	Suppliers prohibited from using the company name to attract candidates Non-permanent workers wear a different coloured badge Assignment duration limits of 12 months
B	Non-permanent workers explicitly excluded from company meetings
C	Assignment duration limits of 18 months
D	Non-permanent workers excluded from collaboration sites (i.e. SharePoint)

In contrast, the same companies had little or no planned approach to foster better collaboration with their non-permanent workforce.

All these measures have been implemented with one aim: making it clear to all parties that the non-permanent worker is not part of the organisation. This approach can be summarised as:

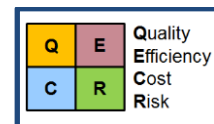
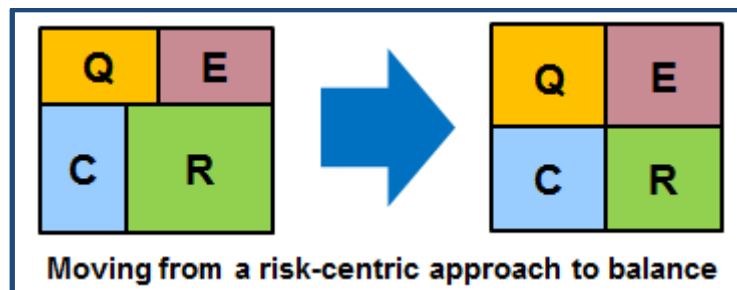
**Typical response: Exclude.** Distance yourself, take a purely risk based approach

Based on this imbalance in approach it is clear there is a focus on addressing risk at the potential expense of operational efficiency.

## Where next?

This paper explores moving away from this traditional approach. In doing so it will look at the potential benefits that can be realised from a balanced approach: focusing on the operational efficiency and effectiveness of more integrated teams. It will also look more closely at risk. This paper does not seek to replace a risk based approach but seeks to bring risk into balance with the other three quadrants (quality, efficiency and cost) we talk about alongside risk when we talk about mature programmes. The suggested approach can be summarised as:

**Potential response: Include. Responsible integration,** take a balanced approach



Reducing the emphasis on risk by bringing risk in line with quality and efficiency will improve the productivity of the non-permanent workforce as a whole. In the event a mandate to improve engagement in this population is secured the company's non-permanent workforce programme can explore ways to improve productivity instead of focusing predominantly on reducing and eliminating risk.

## Permanent good, temporary bad

Historically contingent work – non-permanent work that is limited in duration, where the worker typically does not sit on the payroll of the company where the work is being performed – has been done in the absence of permanent work. Permanent work is preferable but if it is not available contingent work will do until permanent work can be secured. This is changing: Mercer's 2017 Global Talent Trends Study found that 77% of full-time employees would consider non-permanent work. Contingent work of the less desirable nature does still exist: the European Union's Agency Workers Directive is evidence of that and is designed to protect workers from being disadvantaged versus a worker performing the same work as a permanent employee.

Over the last fifteen years there has been an increase in performing contingent work as a choice, especially in the United States and the United Kingdom. Workers are increasingly seeing contingent work as a way of leveraging their skills and managing their own careers without having to make a long-term commitment to a single company. In MBO Partners' '2016 State of Independence Report' 60% of respondents said the choice to work as a non-permanent worker was theirs entirely. In the same report 78% of the respondents planned to remain in non-permanent work. Companies too are embracing contingent workers as a competitive advantage: there is a benefit to being able to engage workers who acknowledge and accept that there is no long-term requirement for their services and there is no expectation for training and advancement. This shift, alongside the increasing utilisation of this type of worker does mean that there are increasingly teams that are made up of workers from a variety of different backgrounds. It is now not uncommon for teams to include:

- Permanent employees of the company
- Non-permanent workers from outsourcing companies
- Non-permanent workers on statements of work (deliverables based)
- Non-permanent workers on a time and materials basis

To date only the first of these has had the 'how' applied to them.



## Defining risks and risk appetites

Risk is a very broad term. In terms of risk pertaining to non-permanent workers it can be split into seven main risk categories. For the purposes of this paper these risks will be discussed purely as they apply to non-permanent workers.

Risk Type	Risk Description
<b>Intellectual Property</b>	an ongoing risk in the use of non-permanent workers.
<b>Legal</b>	by far the most commonly cited risk in terms of non-permanent workers, legal risk is highly variable and has driven most of the barriers that have been put in place.
<b>Operational</b>	the most overlooked risk. The barrier approach increases operational risk as it keeps the non-permanent worker at arm's length during their engagement.
<b>Reporting</b>	often the driver for use of non-permanent workers as chief financial officers are keen to report lower headcount numbers in their quarterly updates. Non-permanent workers are often used to ensure portions of the company's total workforce is discrete.
<b>Safety</b>	often a driver for more effective integration of non-permanent workers.
<b>Strategic</b>	currently limited but increasing as larger percentages of companies become non-permanent. In some instances, companies are now reliant on non-permanent workers to deliver their business.
<b>Tax</b>	potential tax liabilities relating to utilisation and misclassification are the most detectable and quantifiable risk type. Mitigations for these risks are very well understood in developed markets with effective controls available.

Overall risk appetite has tended to be low regarding non-permanent workforce management, with companies focused on creating the most conservative approach possible.

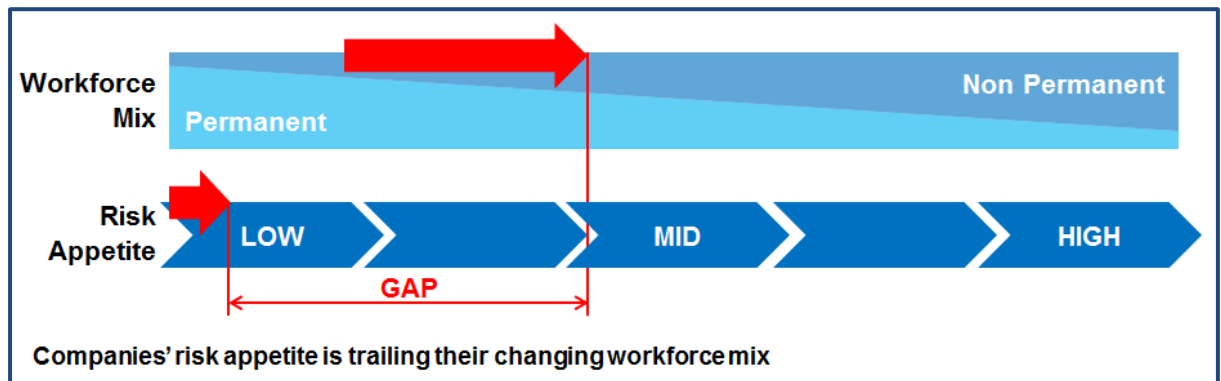
Increasingly we are seeing new companies emerge that have a greater appetite for risk regarding their engagement of non-permanent workers. These companies are proving very

useful in helping to determine what the future engagement of non-permanent workers can look like. They are demonstrating that a very aggressive approach can be taken regarding utilisation of non-permanent workers. Uber are demonstrating an aggressive approach to workers' status in their business. Uber argued in the October 2016 UK employment tribunal that they do not employ workers, instead acting as a market place matching clients needing a ride with independent workers able to fulfil the clients' needs, Uber maintain that they are simply a broker. As of April 2017, Uber have been granted the right to appeal the October 2016 decision. Deliveroo, for whom non-permanent workers are similarly core to their business model, were reported in The Guardian in 2016 as having inserted clauses into their supplier contracts prohibiting workers Deliveroo deem as freelance from bringing an employment claim via the supplier. Both Deliveroo and Uber are examples of companies with an aggressive approach to engagement of non-permanent workers.

This paper does not recommend moving to a high-risk approach, instead it seeks to highlight the broad, viable risk, spectrum that now exists and how there is the ability to move away from the traditional risk approach: both Uber and Deliveroo have non-permanent workers at the very core of their business model, for them non-permanent work is not augmentation, it is their business.

In terms of risk, large companies are becoming more sophisticated in their management of third-parties. During the research for this paper we encountered a number of companies that have developed (mostly since 2014) a framework for grading any third-parties with whom they conduct business by the nature of the risk associated with utilising that third-party. As non-permanent workers are inherently part of a third-party that is providing a good grounding for seeing a truer reflection of the risk posed by these relationships. As such we suggest that any approach to non-permanent workforces should look to build on the work that is performed by those risk gradings. Ideally the owner(s) of the non-permanent workforce of an organisation should also be able to input into the process for creating and maintaining the grading framework.

In moving away from organically grown barriers that address risk as a monolithic block to addressing identified risks that are responsive to the reality of the relationship, companies can free themselves to improve their non-permanent worker integration without creating additional material risk to the organisation. By having an input into the third-party management framework, the owner of the non-permanent workforce can also ensure that there are clearly established risks relating to engagement of non-permanent workers and improve detection rates for those risks.

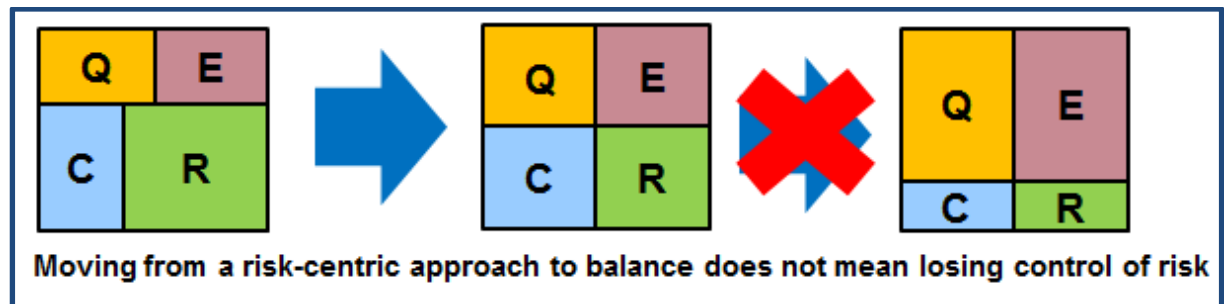


Risk should not be a barrier to change in approach. Companies are lagging behind their operational reality in terms of their risk appetite versus their workforce mix. With a revised approach to engaging the non-permanent workforce companies can ensure they close the gap and in doing so address the currently unmanaged risk of not explicitly stating the 'how' to a significant portion of their total workforce.

With the presence of vendor management systems and managed service programmes the risks are detectable and controllable. Change in approach to engagement can leverage both the systems and the services in place to manage non-permanent workers.

## Differentiation at the right time in the right place

The use of explicit differentiation between permanent and non-permanent workers is, in itself, not an issue. There is little to be gained in having the non-permanent worker feel totally integrated into the company.



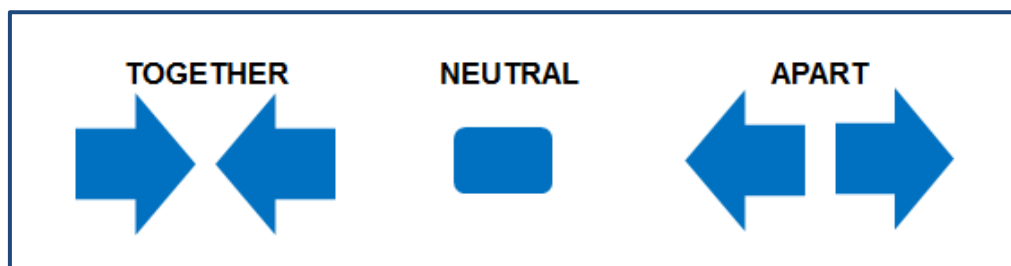
This paper does not recommend that integration for non-permanent workers extend to having them be part of the fabric of the company. For example: if invited to social functions that are paid for by the company non-permanent workers should be asked to fund themselves, nor should they be placed onto the company's recognition platform. There is much to be said for having permanent workers see the value in being a permanent member of a company and see that value in part in action through the correctly differentiated treatment of their non-permanent colleagues.

This paper does not recommend that non-permanent workers are managed in the same way as a permanent worker. Non-permanent workers should not receive performance appraisals or receive developmental feedback. Non-permanent workers should not receive training that is not specifically related to their work. Such actions would materially increase risk for little or no return.

However, there is questionable value, and questionable risk mitigation, in having a non-permanent worker wear a different colour badge or have email IDs appended with the nature of their engagement. Differentiations should be made where they are needed and meaningful: in HR systems and vendor management systems, available to managers and HR professionals

– not to all workers all the time. Day to day interactions amongst peers within and across teams should be agnostic on what type of worker someone is. It is therefore unhelpful to have explicit, continuous differentiation available to all colleagues. It does not mitigate risk effectively – the reality of the non-permanent workers’ engagement and the approach of a company’s managers does that - but it does, by its very nature, ensure that there is a continual differentiation between permanent and non-permanent workers.

The range of explicit differentiation is:



At the very least companies need to move away from Apart to Neutral. Maintaining an Apart position when a material part of the total workforce is non-permanent is to intentionally disengage operationally critical resources: a risk to any organisation.

## Conclusion

During the interviews for this paper it became clear that, in terms of the approach to non-permanent workers, there were times when companies explicitly spoke to their non-permanent workers. Mostly because they were compelled to do so. Examples of the cause for this explicit engagement included: life safety training (a manufacturing company), regulatory training (a banking company) and anti-bribery and corruption attestations (a multinational). Their approach to ensuring that the required engagement was not misconstrued was simple and consistent: they explicitly defined the rationale for engagement and included a statement that this did not create or imply an employer / employee relationship. In all three examples, they had the non-permanent worker who was the recipient acknowledge that they had read, understood and accepted that rationale and that statement.

In considering these engagements, it became clear that the best approach to more closely integrating non-permanent workers into an organisation is to:

- engage them directly and explicitly
- ensure that the engagement is separate and distinct from that for permanent workers
- explain the rationale for engagement
- ensure that clear statements are made that what is being shared does not constitute an employment relationship

### **In short: overt - differentiated - engaged**

In so doing a company can convey the 'how' behaviours to the non-permanent worker whilst ensuring their risk profile is not materially increased.

In Ardent Partners State of Contingent Workforce Management 2016-2017 report 60% of companies' responses stated that creating 'a corporate culture that embraces non-permanent workers' is a strategy for them. It is telling of the appetite for improving the engagement and integration of non-permanent workers that this was within 2% of the most popular response:

‘improving visibility into financial processes’ – a far more traditional focus for a report where the respondents are 65% non-HR (41% procurement, 12% finance, 7% operations, 5% other non-HR).

In a 2015 Harvard Business Review article ‘your company needs independent workers’ non-permanent workers were asked what they want from their clients: 96% stated that they wanted ‘to have their work valued’ and 83% that they wanted ‘to be treated as a team member’. So even where non-permanent work is a choice, there remains a desire to be part of the team.

Furthermore, the interviews also reinforced how rarely companies were telling their own managers what to do regarding non-permanent workers. Where companies said anything at all it was what not to do. In some cases, companies remained totally silent in terms of what managers should do when managing non-permanent workers. This appears to be a missed opportunity and potentially a risk – as it relies on managers knowing what to do innately. In PwC’s 2016 report focusing on the use of contingent workers in financial services entitled ‘Here today, gone tomorrow’ they identify specific training as ‘an effective way to mitigate risk for employees who hire, manage, or interact with contingent labour’.

Instead of remaining silent on the topic of non-permanent worker management, companies should look to explicitly state to the managers of those workers what is and is not acceptable in terms of management of that worker.

If the concept of improving non-permanent worker integration is an anathema to a company, there is an alternative: stabilize or reduce the number of non-permanent workers in the business. If companies can revert to a position where non-permanent workers are not a large percentage of the workforce and / or are not in strategically important roles, then companies can revert to being unconcerned around the integration of the non-permanent workers. However, all available evidence demonstrates that both companies and workers are electing to use more non-permanent engagements. This is a sustained trend with no signs of

plateauing. During the research for this paper we found no evidence of a reverse in the approach to non-permanent workers. Instead all available signs point to continued growth of non-permanent workers as a percentage of the total workforce. Interestingly, in the case of two large, long established, multinationals: non-permanent workers now outnumber their permanent colleagues.



## Recommended actions

1. Perform an audit of the current barriers in place regarding treatment of non-permanent workers
2. Understand what types of non-permanent workers are in place and which would benefit from a more integrated approach
3. Ensure differentiation between permanent and non-permanent workers is appropriate
4. Remove barriers that are ineffective or have no specific purpose
5. Analyse and determine what material is in place for permanent colleagues that could be leveraged for all worker types
6. Create a specific policy or guideline that states the approach to both the 'what' and the 'how' of working in mixed teams
7. Create and disseminate material and training to empower managers to lead teams of all worker types
8. Ensure the behavioural expectations of the organisation are shared with all non-permanent workers, ideally prior to the start of their engagement
9. Share information regarding behavioural expectations with suppliers to allow them to set expectations with non-permanent workers
10. Include information on the organisation's 'how' in the on-boarding information shared with non-permanent workers prior to their engagement
11. Measure satisfaction levels of the managers engaging the non-permanent workers pre and post implementation
12. Establish road map for longer term potential changes to engagement approach