



## A N A L Y S T C O N N E C T I O N



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### **Managing and Engaging External Talent in a Compliant Way**

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*Today's workforce encompasses individuals who have a broad spectrum of relationships with the employing organization: full- and part-time employees, workers on formal contracts for defined time periods or projects, freelance workers on no set timeline, workers assigned by third parties to support onsite facilities, employees of outsourcing service providers, and more. Total workforce management is the practice of considering all of these varied worker types as part of an organization's total talent ecosystem.*

The following questions were posed by SAP to Lisa Rowan, research vice president at IDC responsible for global research on human capital and talent management software and services, on behalf of SAP's customers.

**Q. Why is the subject of total workforce management growing in importance?**

A. The rising importance of total workforce management is driven by the fact that there are all different kinds of work relationships now. There was a time that most of your workforce was permanent. Now we have individuals on formal contracts and folks in brief, freelance-type activities. We also have industries where the workforce is not employed by the employer (e.g., the Uber-like model where individuals are utilizing their own resources and are loosely brought together by a corporate structure but are all independent consultants).

Some of this movement to alternative work models was accelerated by the bleak job picture following the financial crisis and recession in the past decade. As a result, individuals looked for alternative methods of employment because finding permanent jobs was too difficult. Now, because so many contract and freelance jobs have been created in so many different markets, it appears these kinds of employment arrangements are here to stay. It has dramatically changed the relationship between employers and the folks who do the work.

In addition, many individuals value the freedom and flexibility of project-based or time-limited engagements. Thus organizations might have a better chance of finding a freelancer or a contract worker when they need highly skilled specialists.

**Q. What are the risks to the human resources (HR) function of getting total workforce management wrong?**

A. Until recently, most contract labor was brought to the workplace through the procurement department. Just as procurement would acquire different kinds of supplies and equipment, it also oversaw bringing in temporary labor. Because of that, the HR function typically had very little visibility into this labor, which is not paid through payroll.

The result is that HR is unable to get an accurate head count. HR cannot get its arms around the total cost of the workforce or the different types of labor being used. All this can lead to misclassification and compliance risks.

A big risk of not having visibility into and management of the total workforce is that there are laws in the United States that state if you employ people for more time than the government allows as a contractor, those people start to accrue the same benefits as full-time workers. Obviously, it's important for HR to understand that. Other countries have similar laws that companies must comply with to mitigate risks. Another aspect is that when contract labor is procured in the old manner of a fixed asset, those people tend to be treated as such. That is poor practice and often results in lack of engagement and poor performance.

**Q. What are some best practices in total workforce management?**

A. Number one, I think including contract, freelance, and loosely affiliated labor in your human capital management systems and processes is very important. This leads back to what I mentioned about related risks. Best practices and systems that provide good head count management let you control the total cost of labor.

Other practices are less transactional and more transformational. For example, you want to include contract or temporary labor in your onboarding process so that when people come on board, they're given all the information they need to become productive quickly. You introduce them to the team and provide all company orientation or job training ahead of time. All that ensures individuals become productive very quickly from day one.

Also, by integrating contract and temporary workers into a total workforce management system, you have visibility into the skills, traits, and competencies of those individuals and can properly deploy them where needed.

Lastly, you want contractors and freelancers to collaborate well with your permanent workers. Socializing those individuals into the group makes for a better experience, both for the temporary labor and for your permanent labor.

**Q. What are the benefits of well-defined and well-executed practices in total workforce management?**

A. The biggest benefit is visibility: understanding where those individuals are in the organization as well as where that money is being spent and having the ability to deploy those individuals properly. Next comes mitigating risk. Total workforce management keeps you on top of how long contract workers have been with the organization and when they may need to be separated so they don't become de facto employees.

Another benefit is to maintain employee satisfaction. Employees might be contractors or freelancers today, but it's possible they could convert to permanent employment at some point if it's mutually beneficial. Making sure that contractors are satisfied and happy is just a good business practice and clearly a benefit when it comes time to find good people to fill permanent roles. Similarly, in general, the work that a satisfied contractor does while he or she is part of the organization is more likely to be better and of higher quality.

**Q. What does the future hold for total workforce management?**

A. I think that when we look at the near-term future, we'll see the relationship between employers and employees becoming less defined by so-called permanent, full-time status. HR organizations and senior management will be able to treat their workers holistically, regardless of whether they're permanent or not.

Total workforce management systems will enable managers to tap contract workers for projects for which they may otherwise have been neglected. By having a big, holistic picture, managers will be able to move people around more easily, even on a global level. Workers and managers will think less about who's a full-time employee at the company and more about filling holes in the organization with the best people available.

All this activity will be assisted by systems that are aware contextually of both permanent and nonpermanent employees. These systems will provide visibility into the full talent pool and enable organizations to accommodate all different forms of work relationships.

**ABOUT THIS ANALYST**

*Lisa Rowan is research vice president at IDC responsible for global research on human capital and talent management software and services. Ms. Rowan provides expert analysis focused on the business services and software used to address HR and talent-related dimensions. Her research addresses developments in human capital and talent management applications, HR consulting, and HR outsourcing services.*

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