



The Flexible Workforce Strategic Planning Guide

9 Steps to Creating a Strategy Which Attracts
Scarce Talent and Drives Cost Savings

The Sky's the Limit!

Driven by seismic changes in today's workforce, unprecedented business change, and economic uncertainty, the world of work is changing rapidly.

Flexible workers (also known as independent contractors, freelancers, temps, SOW workers) are rapidly becoming a key ingredient of many companies' success, and for good reason. An increasing number of highly skilled and experienced knowledge workers are choosing to work independently so that they can design a flexible and interesting career path for themselves.

An ever-growing number of organizations in nearly every industry are deploying contingent workforce models to gain access to this highly skilled talent, and to unlock the many benefits of a variable workforce cost structure.

It's more important than ever to devise a strategy to **stay ahead of rapid changes** in the workforce — and be able to match the best workers with the work your company needs done.

If you're unfamiliar with the concept, it's more important than ever to devise a strategy which will enable your organization to stay ahead of rapid changes in the workforce — and be able to match the best types of workers with the work your company needs to get done.

Every company is unique, and one-size-fits-all solutions don't cut it. This step-by-step strategic planning guide was designed to help your organization craft its own unique strategy for safely engaging independent workers alongside your full-time employees.

Matching the right workers to work

The independent workforce is diverse, and flexible workers are referred to by many names. As you can see in the graphic below, these valuable resources have some unique attributes. For simplicity, we can classify them in a few major categories.

The Total Talent Continuum

FLEXIBLE WORKERS

Category	Employee	Temporary	Freelancer	Independent Contractor	Consulting
Description	FT, PT employees	Agency temps, staff augmentation, payrollees, retirees, interns, company alumni	Non-agency workers engaged for task or piece work	Qualified independent contractors, and small service providers	Boutique, specialized service providers, and large consulting firms
Objective	Steady-state capacity. All functional areas.	Flex capacity. Typically low to mid-level talent.	Supplemental talent, for point-specific tasks	High-level flexible talent. Address specific needs.	Lead projects. Re-occurring activity.
Work Basis	Salary, hourly	Hourly	Task, deliverable	SOW/Project	SOW/ Services/ Contract
Payment	W-2	W-2	W-2/1099 (?)	1099	Direct payment
Sourced By	Company, or outside recruiters	Agency, or self-sourced by company managers	Company managers via network, or online marketplaces	Company managers via network or referral	Procurement, company managers
Engaged By	Company	Temp agency, or employer of record payroll	Company, or intermediary	Company, or agency of record	Company
Risk	Employer; performance	Indemnification; co-employment	Worker misclassification; Co-employment; Delivery	Misclassification; Co-employment; Delivery; Indemnification	Delivery

While flexible workers' share of the U.S. private-sector workforce has dramatically increased to 40 percent in 2016,¹ another significant trend cannot be ignored — an increasing number of enterprises are directly sourcing these workers themselves versus using staffing agencies or third-party consulting firms.

40% flexible workers' share of the U.S. private-sector workforce in 2016

When companies directly source independent workers, they frequently consider the following types of workers:

- **Known Contractors** — proven consulting resources such as freelancers, independent contractors, consultants, or temps who have successfully done work for the company in the past
- **Retirees** — Baby Boomers are leaving the full-time workforce in record numbers, yet they have a vast amount of institutional knowledge and experience, and might be interested in earning some consulting income in their retirement
- **Interns** — younger workers who have proven themselves to be valuable and are interested in freelancing instead of a full-time employee (FTE) role with the company
- **Silver medalists** — vetted runner-up candidates for FTE roles who are interested in consulting for the company
- **Boomerangers** — departed employees who want to return, but not as an FTE employee

Start at the Beginning

Whether or not your organization has decided to use a variable workforce model, the process of getting started, and seeing measurable success from your program, can sometimes be daunting. Where do you begin?

At TalentWave, we have helped hundreds of enterprises navigate the complexities of creating and implementing their own variable workforce models. As a result, we've found there are nine common factors for success that we often recommend to our clients.

¹ Source: Jobenomics (2016). *Jobenomics U.S. Contingent Workforce Report*

1 Map your current organizational structure

The logical first step in creating a variable workforce model is to map out your current organization by department or team. During this step, it is very important to list all employee and non-employee resources — essentially everyone who is doing the work, whether they are considered to be “inside” your company or not. This should include all full-time and part-time employees, contractors, freelancers, consulting firms, etc.

2 Define all of the work

As an extension of Step 1, after you have mapped out all of the people that do work for your organization, you should define every piece of work being done, and who does it. Again, make sure to include everything, including the work that is currently performed by outside, non-employee resources.

3 Establish roles required for the work

If the work is sensitive in nature or absolutely core to your business, it may need to be done by an employee of your company, or an expert third party.

Some work can easily be performed by experienced independent workers who come from outside your company. If the work doesn't require a higher level of experience or certification, it can be performed by traditional temporary workers.

The decision matrix here, which is based on a definition of core work, illustrates how an enterprise can determine the category of worker required for work.

	Non-Core Work	Core Work
Internal IP	X Temp, Freelancer	✓ Employee
External IP	O ←→	? Consulting

In the matrix, IP refers to intellectual property, or the skills and knowledge required to do the work.

Core work in this model is that work which is either proprietary to your organization, or mission critical to delivering your value proposition. If your organization does not add any differentiated value, then you should evaluate if the work could be performed more efficiently by someone outside of your organization.

Note: Depending on your perspective, you might choose to substitute Strategic/Tactical, Variable/Steady Workload for the matrices.

In this model:

- Core work, which relies on internal IP, should be done by full-time or part-time employees of the company.
- Non-core work, which relies on internal IP, should be done by temps or freelancers which are under the direction of the company.
- When you look at work that relies on external IP (i.e. knowledge or skills that you don't have in-house), there is a spectrum from non-core to core work.
- On the non-core side, you can often rely on independent contractors who bring their hard-won knowledge and experience to perform work.
- As you slide over to core work, you might rely on traditional consulting firms who may bring proprietary knowledge and experience that your firm will benefit from.

Once you have determined what category of worker is most appropriate to do each type of work, you can begin to rationalize your organizational structure and allocate workers to each category.

4 Estimate the workers you need

Based on the decision matrix shown in Step 3, and how you have allocated workers, you can now begin to create a preliminary estimate for the number of workers needed to staff current and projected workloads. Remember that there is no right answer – the mix will be different for every organization.

5 Process and workforce re-engineering

At this stage, it is important to take a step back and think about the potential for doing things differently. You might begin to think about shifting some (or more) of your company's work to non-employee resources, in which case it will be critical to also consider how doing so will impact your internal processes.

To get you started on this exploration, here are some suggested questions to ask. Remember that every business is unique, and therefore, so will be the answers to the questions below:

- Does all of the work we're doing still need to be done?
- Can it be done more efficiently or cost effectively?
- Can any of it be outsourced?
- Can it be packaged differently or "projectized"?
- What is the ideal structure of the team(s) doing the work?
- Will a different mix of workers provide more flexibility, better access to talent?

6 Decide on the appropriate workforce mix

Next, you should decide on the best mix of full-time employees and flexible workers for your organization. You can define this a variety of ways, by:

- Role
- Department
- Group
- Project
- Other

Use the decision matrix in Step 3 as a guide to decide between full-time employee, temporary worker, independent contractor, consultant, etc.

7 Discovery

Now that you've defined your desired workforce it's time to identify who you already have on your team — and want to keep! This will lead you to defining where you have gaps in your workforce and where you'll want to make changes. A few questions to ask:

- Do you have the right people on the bus?
- Are they in the right seats?
- Where are the gaps today? Anticipated in the future?

8 Identify your sources of talent

At this point, you should now have a much clearer picture of where and when your organization will use non-employee resources, or flexible workers, to get work done. In this final step to building a strategy, you'll need to determine the best sources for this talent, and how you will engage those workers once you've matched them up with a project.

For workers that are not provided via a staffing agency or consulting firm, you'll want to think about your direct sourcing strategy, and how you will safely and efficiently engage those workers once you've identified them.

What relationships should you nurture right now to build a bench of qualified candidates for future non-employee roles? Should you consider building a proprietary talent community of independent workers for your organization?

As mentioned previously in this guide, non-employee workers can be directly sourced by your company, and they can be found in a variety of categories:



Current or prior contractors



Retirees



Interns



Silver medalists



Boomerangers

Once you begin selecting workers from your bench of qualified candidates, you will need to establish the working relationship between those workers and your organization. This is a crucial, and often overlooked, part of engaging flexible, non-employee resources.

Independent contractor or employee?

A common mistake many organizations make is considering anyone that isn't a traditional full-time employee as being outside the realm of a W-2 worker — and therefore exempt from withholding payroll taxes and providing benefits — while still treating them as an employee.

As a result, significant worker misclassification exposure is created, putting the company at substantial risk with the IRS, as well as a number of state and federal agencies who care about proper worker classification.



worker misclassification is a growing concern that can create **substantial risk** with the IRS, as well as state and federal agencies

In the U.S., worker classification falls under a number of overlapping, and sometimes conflicting, federal and state laws which govern the employment relationship and the definition of whether a worker is an employee or an independent contractor.

Independent contractors (ICs) are generally considered as workers engaged in an independent trade, business or profession in which they offer their services to the general public.

The **bedrock definition** of an IC is that he or she is not economically dependent on any one employer. ICs are generally able to control how, when and where the work is performed. They should also have some risk attached with their satisfactory delivery of contracted services.

To determine whether a worker is a bona fide independent contractor, courts use the factors like these to analyze the economic reality of the parties' relationship:

- **Who has the right to control the work?** If the employer can tell the worker how, when and where to perform the work, the worker is likely an employee. The employer's level of supervision or requirement that the worker report to a supervisor is also considered.
- **Is the work an integral part of business operations?** If the worker's services form an integral part of the employer's business, the worker is likely an employee.
- **Did the worker make an investment in his business?** If the worker has invested in his or her own equipment, supplies, facilities, or training, they are more likely an independent contractor. Generally, courts will compare the worker's investment with the employer's investment.
- **Is there an opportunity for profit or loss?** Is the worker's opportunity for profit or loss determined by the employer, or the worker's own managerial skill? For example, if the worker can make a profit by being more efficient or hiring helpers, he is likely an independent contractor. On the other hand, if the worker can increase earnings only by working more, he is likely an employee.
- **Does the work require specialized skill?** This factor is often dependent on the industry and the employer's business. Highly skilled workers can be employees, depending on the nature of the work or the industry.

The bottom line: Do it the right way

Companies that have hastily adopted the on-demand workforce model may find that they have built their business models on unstable foundations. There is more regulatory and legal definition required to properly reflect and enable these new on-demand workforce relationships.

Our advice is to proceed with caution when classifying workers as independent contractors. Using independent contractors in your business is still perfectly legal, and oftentimes can be a really smart business decision, since it provides a variable cost labor model, and ensures cost-effective access to scarce professional talent that wants to be independent.

The trick is to do it the right way.

An independent contractor compliance and engagement expert is often your best solution to make sure you are classifying and deploying independent contractors safely and cost effectively in your business.

Refine the strategy

Just as the work never ends, you will need to fine tune and update your organization's variable workforce strategy on a regular basis. The good news is that as you refine this strategy, you will learn what works well, and be able to gain efficiencies as time goes on.

With a well-planned strategy, your organization can **benefit greatly** from a flexible workforce model, while avoiding risk.

Conclusion

An increasing number of organizations across nearly every industry are seeing measurable benefits, including greater flexibility and cost savings, from a variable workforce model.

It also dramatically increases an organization's chances of attracting and retaining the best talent.

Engaging with flexible, independent workers can be a very smart business strategy. To succeed, business leaders should:

- Map out their current organizational structure
- Define the work to be done
- Establish the roles required to the work
- Estimate the number of workers needed
- Re-engineer internal processes, if needed
- Determine an appropriate mix of full-time and flexible employees
- Identify the resources already in place
- Identify sources of talent
- Refine strategy

About TalentWave™

We are TalentWave. We live at the center of the contingent workforce ecosystem and make it possible for our clients and partners to gain flexibility and grow their businesses through the talent, passion, and expertise of independent workers.

TalentWave was created by the strategic merger of the two leading contingent workforce management solution providers in 2015: ICon Professional Services (founded in 1997) and Synergy Services (founded in 2001); both widely recognized as pioneers in helping enterprise clients and their independent workers to work together—easily, effectively and safely. It's that simple.

As the largest and most experienced independent workforce engagement solutions provider in the industry our clients include many Fortune 1000 companies from diverse industries across the globe. They depend on our innovative technology, expertise, and unmatched customer service to safely and effectively engage their independent workers across the Compliance Continuum™.

TalentWave's proven independent workforce engagement solutions, delivered through the company's award-winning and proprietary iConnect® SaaS technology platform, include:

- ICverify® - Independent contractor vetting and validation
- ICpay® - Agent of record (AOR) services for IC engagement
- Professional payrolling - Employer of record (EOR) services
- Vendor qualification and subcontracting services
- Talent Community - Talent re-engagement solution
- Global services
- Advisory services