

The New Multi-Dimensional Talent Force: Multi-Contractual Differences

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Introduction

This article is the fourth in a series on the multiple dimensions of today's modern work force. The first three articles described the multi-generational, multi-cultural, and multi-local characteristics pervasive in today's work force. This article addresses yet another aspect of the multi-dimensional talent force in the modern digital age – multi-contract – the plurality and changing nature of modern employment conditions and contracts.

There is no question that the nature of the "employment contract" between the worker and the enterprise has changed over the decades. In the past, workers from the Silent Generation (born between 1925 and 1945) – the parents of the Baby Boomers – joined a company for life. They dedicated their lives (both personally and professionally) to the company, and, in exchange, the company provided them with job security and a decent living. However, in recent years, with the newest generation – the New Millennials – just now entering the work force it is now widely expected that workers will hold between 15 and 20 different jobs throughout the course of their working careers. The source of stability and commitment has shifted from the "company for life" to the "individual for now" – the "all about me" movement. As a result of these shifting demographics and changing expectations, there are now a plethora of different types of employment contracts and arrangements in the workplace.

The goal of this article is to describe the multi-contractual aspects of today's modern talent force and provide a framework for HR professionals to embrace and cultivate the new contingent work force of the future in the same way as they have nurtured and supported the traditional salaried work force of the past. By leveraging workers across all segments of the work force, HR can bring greater business value to the organization – particularly important in the challenging times of an economic downturn.

Background

Over two decades ago, in his book *The Age of Unreason*, Charles Handy described different work force organizational structures and the growing trend toward "contracting out." Handy depicted the work force of the modern organization as a shamrock – or four-leaf clover – demonstrating four different bases on which people are "employed" and work together in an organization – each with differing job expectations, management needs, and pay structures and rewards⁴ (see Figure 1).

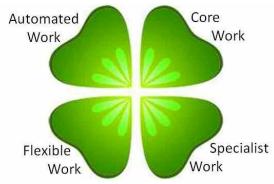


Figure 1.The Modern Organization - Handy's Shamrock. Source: Charles Handy, 1989

Core Work – This is the central part of the organization where professionals, technicians, and managers work together on daily basis using their intimate knowledge of the organization – its goals, culture, customs, and practices – to bring commitment and continuity to the company. In traditional HR terms, these are the "regular employees" as they are compensated based on a standard 35-40 hour work week via a regular, monthly or semi-monthly paycheck.

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Specialists Work – This is the work done by contractors and consultants performing specialized activities, such as advertising, catering, research and development, systems programming, and so on. These individuals generally work on an hourly, daily, or commission basis and are compensated via time and materials or fixed price contracts for the services rendered. Traditionally, management of this type of specialized expertise has been done in the business, outside of HR's purview.

Flexible Work – This is the work done by part-time, temporary and seasonal workers. These "casual workers" generally appear on the periphery of the organization (except perhaps in large agricultural or retail organizations where they are core) performing both skilled and unskilled tasks on an as-needed basis. In HR terms, these are the hourly, non-exempt employees who can be scheduled to work more or fewer hours depending on business needs.

Automated Work – This is the work in an organization that is automated, such as activities performed through manager and employee self-service and through automated approvals and work flow processes. With the increased digitization of the world, more and more work in our organizations has been automated; hence this component of work is now fundamental in helping organizations achieve greater work force flexibility while reducing labor and processing costs.

More than 20 years later, Handy's model is even more relevant today. With changing work force demographics, ever-increasing globalization and digitization, and the world's turbulent economic situation, leveraging all segments of the work force effectively has never been more vital to a company's success. Considering the multi-contractual aspects of today's modern, digital, mobile, global, remote worker, we can extrapolate two key components from Handy's model: the concepts of worker Expertise and work force Flexibility.

Expertise

The first fundamental aspect of the modern, multi-contractual talent force is Expertise – having the "right skills at the right time and in the right place." Obviously, there are many types of expertise which stretch along a continuum from Generalist to Specialist. Expertise can range from broad, general industry and business knowledge to highly specialized skills and competencies, such as rapid/accurate data entry skills, excellent customer relationship skills, strong executive leadership skills, and so on.

Generalists – These are the workers who bring a broad base of industry, business, functional, and technical knowledge and expertise to the organization. These individuals are critical for looking at the big picture, providing strategic vision, solving problems, managing the day-to-day business, and providing stability and continuity for the organization.

Specialists – These are the workers who bring highly specialized technical and functional expertise to the organization in both core and non-core areas and on a full-time, part-time, or as-needed basis. These individuals provide depth of knowledge in specific areas and are critical team members in supporting the daily business, as well as carrying out new initiatives.

Flexibility

While work force expertise is critical, in today's business environment it must be accompanied by Flexibility or agility – the ability to hire/ fire, contract/ subcontract, insource/ outsource/ crowdsource⁵ at will in response to changing market and economic conditions creating a nimble, just-in-time human resource management capability. The radically changing economic environment and the rapidly shifting technology paradigm have spawned the creation of what is generally now called the "contingent work force." Row Henson, in her article entitled "Contingent Work Force – Beyond the Four Walls," defined the contingent work force as those with "employment contingent on some additional condition" beyond wages for work performed. Wikipedia further adds that contingent workers are those with "alternative work arrangements," conditions that differ from the standard arrangements with the core, salaried work force.

The types and numbers of contingent workers available to an organization offer considerable flexibility in allowing the company to quickly scale the work force up or down in response to changes in market, business, and/or economic conditions.

Henson outlines seven types of contingent workers, each with differing contractual constraints on the employee-employer relationship:

Temporary Employees – workers hired for a specific period of time and may be paid on a salaried or hourly basis.

Part-time Employees – workers who work less than the traditional 35-40 hour work week and may be paid half-time, quarter-time, or on an hourly basis.

Interns – workers who receive on-the-job training for a specified time period, such as students or high-potential talent in developmental roles.

Consultants – workers "hired" for their specific knowledge who are frequently part of a consulting firm and are generally paid on an hourly or daily basis.

Independent Contractors – workers hired to complete specific, well-defined tasks, often sole proprietors or freelancers, paid on an hourly or daily basis.

Outsourced Workers – workers paid and managed by a third-party that bills the company for the workers' services, either on a per head or per transaction/activity basis.

Offshore Workers – outsourced workers who are situated in a location outside the company's offices, generally in another country with lower cost of labor.

The types and numbers of contingent workers available to an organization offer considerable flexibility in allowing the company to quickly scale the work force up or down in response to changes in market, business, and/or economic conditions. As a result of the economic, demographic, and technological changes in the modern world, the contingent work force is growing. Increased globalization, outsourcing, and offshoring are major factors contributing to this growth. Peter Drucker maintains that "the driving force behind the steady growth of (the contingent work force) is the growing burden of rules and regulations for employers" driving companies to embrace the temporary – contingent labor approach.

The U. S. Government Accountability Office (GAO) claims that contingent workers make up about a third of the U.S. work force; however, depending on how workers are categorized and on the country where the worker resides, contingent workers could represent closer to 50 percent. There is no question that the increasing burden of employment laws and regulations in developed countries around the world is driving organizations to seek other approaches – and contingent labor – whether insourced or outsourced – provides an attractive alternative.

Modern Talent Force

Taking these two critical components of the talent force – Flexibility and Expertise – and plotting them along two axes creates a graphic representation of the multi-contractual workplace as shown in Figure 2. Similar to that depicted by Handy's shamrock, the modern, multi-contractual talent force consists of four segments: Core Workers, Knowledge Workers, Back-Office Workers and On-Demand Workers.



Figure 2. Multi-Contractual Talent Force. Source: Jeitosa Group International, 2008

The On-Demand work force is the faster growing segment today, primarily due to the globalization and digitization of the business world – the ability to work anywhere, anytime, anyhow.

Core Workers – These are the company's regular employees, first-line managers, directors and executives. These workers form the foundation of the company providing stability and continuity and ensuring that company standards are followed and company culture is promoted. Because this group makes up the stable core of the organization, expertise is of a generalist nature and requirements for flexibility are low – stability and continuity are key.

Back-Office Workers – These are the individuals who work either for the company or an outsourcer (onsite or offshore) who handle the back-office, transaction processing, such as invoicing, payables, payroll, call centers, etc. Expertise is also of a generalist nature, but requirements for flexibility are high because this group of workers needs to be able to scale up and down easily and quickly based on business cycle changes and market fluctuations.

Knowledge Workers – These are the individuals who provide specialized expertise in critical and strategic roles for the company, such as benefits and compensation plan design, product design and development, general legal counsel and compliance advice, etc. While expertise requirements are high, flexibility needs are low because this group comprises a small, dedicated, specialized core, often called a Center of Expertise, vital to the needs of the organization – this is the "brain-trust" of the organization, the basis of the organization's unique competitive advantage.

On-Demand Workers – These are the individuals who provide highly specialized expertise in both core and non-core areas of the business and who respond to organizational needs on a just-in-time or on-demand basis, such as certain marketing activities, specific legal advice, project work such as systems upgrades and implementations, etc. As pure contingent workers, both expertise and flexibility requirements are high for this segment of the work force.

The On-Demand work force is the faster growing segment today, primarily due to the globalization and digitization of the business world – the ability to work anywhere, anytime, anyhow. According to Row Henson, "global flattening impacts the contingent work force by setting workers free to be independent contributors to company processes no matter where they are and providing nearly limitless information at their fingertips, thus shortening learning curves and opening vast opportunities in terms of both job selection and performance." ¹⁰

Depending on the industry and strategic direction of the organization, each of these work force segments maybe be outsourced, offshored, or crowdsourced, with the exception of the Core Workers (and some argue they could be as well!). On-Demand Workers, by definition, are outsourced or contracted on an as-needed basis. Back-Office Workers are typically organized into Shared Service Centers that may or may not be outsourced. Similarly, Knowledge Workers may be organized into Centers of Expertise that may or may not be outsourced depending on the strategic direction of the organization. The choice of whether to outsource/off-shore/crowdsource any segment of the work force is based on the organization's culture, industry, function-orientation and management philosophy.

Skills and Competencies

Fundamental to ensuring each of these work force segments are productive components in the organization is an understanding of the skills and competencies required for each type of worker. Synthesizing the work done in several different studies, Figure 3 presents a summary of the top 10 skills and competencies that individuals in the modern talent force need to have to be successful. The top five skills – cultural awareness/global mindset, collaboration/teamwork, communication/interpersonal relations, customer-focus/business advocate, and technology literacy/Internet savvy – are critical for all workers across the organization. Knowledge Workers also need considerable business process/industry knowledge, financial acumen, and data analysis/business intelligence/metrics skills. In addition to these, the Core Workers need Change Management and Program/Project Management skills to effectively manage transformation and new initiatives.

Because of the global, multi-cultural world we now live and work in, cultural understanding, sensitivity, and appreciation for differences are fundamental skills that all workers need to possess.

SKILLS AND COMPETENCIES FOR THE MULTI-CONTRACTUAL TALENTFORCE	CORE WORKERS	BACK-OFFICE WORKERS	KNOWLEDGE WORKERS	ON-DEMAND WORKERS
1. Cultural Awareness / Global Mindset	✓	✓	✓	✓
2. Collaboration / Teamwork Skills	✓	✓	✓	✓
3. Communication / Interpersonal Skills	✓	✓	✓	✓
4. Customer-Focused / Business Advocate	✓	✓	✓	✓
5. Technology Literacy / Internet Savvy	✓	✓	✓	✓
6. Business Process / Industry Knowledge	✓		✓	✓
7. Financial Acumen / ROI & TCO Analysis Skills	✓		✓	✓
8. Data Analysis / Business Intelligence / Metrics	✓		✓	
9. Program / Project Management Skills	✓			✓
10. Change Management / Transformation Skills	✓			✓

Figure 3. Multi-Contractual Talent Force – Skills and Competencies.

Source: leitosa Group International. 2008

- 1. Cultural Awareness / Global Mindset Because of the global, multi-cultural world we now live and work in, cultural understanding, sensitivity, and appreciation for differences are fundamental skills that all workers need to possess.
- **2. Collaboration / Teamwork Skills** With the increase in knowledge work and cross-functional, cross-organizational activities, teamwork and collaboration skills have never been more important than they are today.
- **3. Communication / Interpersonal Skills** In concert with collaboration skills are the communication and interpersonal skills that build solid, trusting relationships and make for a more effective, productive working environment.
- **4. Customer-Focused / Business Advocate** Workers today need to understand the organization's key business drivers and be focused on the customer relationship in order to differentiate their services and bring greater business value.
- **5. Technology Literacy/ Internet Savvy** No worker in today's modern organization can be effective without considerable understanding of technology and the ability to leverage the Internet in performing day-to-day activities and enhancing knowledge.
- **6. Business Process / Industry Knowledge** The ability to bring industry knowledge and best practices in designing effective and efficient business processes is a critical skill for both Core and Knowledge Workers, as well as for On-Demand Workers who specialize in the area.
- 7. Financial Acumen / ROI & TCO Analysis Skills Similarly financial acumen and ability to build a business case with ROI (return on investment) and TCO (total cost of ownership) analyses are important skills for Core, Knowledge, and On-Demand Workers.
- **8. Data Analysis / Business Intelligence / Metrics** Business Intelligence and the effective use of data and metrics to support business initiatives, long a fundamental skill for Knowledge Workers, has now become paramount for Core Workers as well.
- **9. Program / Project Management Skills** Program and Project Management skills are vital for Core Workers as they are the individuals, augmented by On-Demand Workers, who are responsible for carrying out and integrating new initiatives across the organization.
- **10. Change Management / Transformation Skills** Core Workers provide stability and continuity, hence they are best positioned, with support from On-Demand Workers, to provide change management and business transformation support for the organization.

Clearly these are not all the skills and competencies needed in the modern, multi-contractual work force, but they form a solid foundation. In particular,

The multi-contractual talent force shows some considerable differences when looked at across the global landscape.

Knowledge and On-Demand Workers are far from a homogeneous work force. As Drucker says, "Because knowledge work is specialized, it is deeply splintered work, even in large organizations." Human Resources' goal should be to build a global competency model that covers all segments of the work force – not just the traditional core – and unites diverse business needs into a global work force development plan.

Global Considerations

The multi-contractual talent force shows some considerable differences when looked at across the global landscape. Different countries have varying laws, practices, and cultures that either promote or inhibit the growth of the contingent work force. Some countries are more focused on worker protection, others have high employment taxes, others are more mobile and global, and still others have highly independent, autonomous cultures. These factors, among others, contribute to a country's predisposition to more highly favor contingent or core workers.

Figure 4 provides work force employment data from the OECD Factbook 2008¹² for 23 countries,¹³ covering the total work force population (ages 15 to 64), the percent part-time and percent self-employed, with a total percent Contingent Workers in that country.¹⁴

Largest Employment Countries in 2006	Major Languages Spoken	Percent Working Age (15-64)	Total Work Force	Percent Part-Time Employed	Percent Self- Employed
China	Mandarin/Cantonese	73.8%	974,798	N/A	52.0%
United States	English	72.0%	215,857	12.6%	7.4%
Brazil	Portuguese	67.4%	127,604	18.0%	34.0%
Japan	Japanese	70.0%	89,433	24.5%	13.3%
Russia	Russian	61.4%	87,938	N/A	6.0%
Mexico	Spanish	61.0%	63,973	N/A	34.5%
Germany	German	67.2%	55,563	21.9%	12.2%
United Kingdom	English	72.5%	43,886	23.4%	13.2%
France	French	63.3%	38,129	13.3%	9.0%
Italy	Italian	58.4%	34,248	14.9%	26.7%
Turkey	Turkish	45.9%	33,495	7.9%	43.5%
Korea	Korean	63.8%	30,813	8.8%	32.8%
Spain	Spanish	65.7%	28,708	11.1%	17.9%
Canada	English / French	72.9%	23,782	18.1%	9.1%
Poland	Polish	54.5%	20,737	10.8%	24.4%
Australia	English	72.2%	14,877	27.1%	13.0%
Netherlands	Dutch	72.4%	11,833	35.5%	11.0%
Chili	Spanish	50.3%	8,266	N/A	23.0%
Portugal	Portuguese	67.9%	7,182	9.3%	24.1%
Greece	Greek	61.0%	6,797	7.5%	36.3%
Sweden	Swedish	74.5%	6,760	13.4%	10.0%
Czech Republic	Czech	65.3%	6,687	3.3%	16.2%
Hungary	Hungarian	57.3%	5,769	2.7%	12.8%

Figure 4. Multi-Contractual Talent Force – Global Contingent Work Force.

Source: OECD Factbook 2008 representing year of 2006

The level and growth of contingent workers in a country is influenced by multiple factors: payroll tax rates, employment legislation, cultural views toward independent work versus "joining a company for life," among others. One common thread is that the countries with the largest contingent work forces are also those with the highest tax basis and, as a result, the highest level of social benefits related to employment earnings: China¹⁵ and Brazil, as well as the European countries of Turkey, ¹⁶ Netherlands, Greece and Italy, ¹⁷ all have payroll withholding tax rates above 40 percent. Other countries with high tax rates, such as France, Germany, Spain, and the Czech Republic have a somewhat smaller contingent work force due to their restrictive employment legislation

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and bias against independent work. But this is changing. The new generation of talent entering the work force is demanding more flexibility, independence, and work/life balance; and the economic downturn is forcing both companies and workers alike to seek more cost-effective compensation and tax structures.

Implications for HR Management

The first challenge for managing the multi-contractual talent force is to reach consensus about who has responsibility for managing each talent segment. Traditionally, HR has supported only the Core Workers, leaving Contingent Workers to be managed by the business or the support function who "hired" them. As a result, contingent workers have often been tagged as "second-class citizens" not getting full access to the information, networks, and individuals they need in order to get the job done most effectively. According to Drucker, "every organization must take management responsibility for *all* of the people whose productivity and performance it relies on – whether they're temps, part-timers, employees of the organization itself, or employees of its outsourcers, suppliers and distributors." ¹⁸ Clearly, HR, as talent steward for the company, is the organization best suited to provide consistent support for all segments of the global work force.

Second, HR must take the lead in building a global competency model that covers the entire work force for all worker segments globally. The global competency model is the basis for building a work force development plan that supports the organization in achieving its strategic and tactical initiatives, both short-term and long-term. Without a plan, HR is like the proverbial blind person, leading the organization into unchartered territories without a map or even a compass.

Once HR has accepted responsibility for the full multi-contractual talent force and put in place a global competency model, the next challenge is to build a strategy that ensures all workers are treated fairly, consistently, and appropriately across the world. This does not imply that all must be treated the same. The global code of ethics and performance model must take into account the varying employment laws, customs, and tax structures that govern workers in each segment. Designing an overarching global umbrella of policies, services, and approaches for the entire work force, with various components that are brought together based on the organization, the business unit, the country, and the type of worker is the best approach for ensuring a comprehensive, consistent, and cohesive approach to the management of the global multi-contractual talent force.

Another important implication for HR in the management of the multi-contractual work force is an analysis of the capacity and capability to outsource different segments of the work force or specialties on a full or piecemeal basis. For example, if the company is primarily focused on product development, then outsourcing – or contracting out – marketing and advertising activities to specialists would be appropriate. Similarly for advertising companies with little technical savvy, outsourcing systems support and development work would be effective. Part of HR's strategic plan should include the analysis and selection of a multifunctional outsourcing approach that covers all segments of the work force.

Conclusion

The multi-contractual nature of today's work force is an important dimension of the modern, global organization that HR professionals must learn to embrace and leverage. The opportunities are significant for reducing labor costs and improving productivity, thereby increasing business value, through the effective and appropriate management of the organization's biggest expense element and its greatest asset – its people. Accepting and managing the vital role that the contingent work force plays in today's modern organization will help HR gain and maintain that desired and often elusive seat at the executive table. In the words of Dee Hock, founder and chairman emeritus of Visa Corporation, "given the right chaordic¹⁹ conditions, from no more than dreams, determination and the liberty to try, quite ordinary people consistently do extraordinary things."²⁰

Endnotes

- 1 Beaman, Karen. 2008. "The New Multi-Dimensional Talent Force: Multi-Generational Differences." IHRIM Journal. Volume XII, Number 2. pp 18-21.
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- **3** Beaman, Karen. 2008. "The New Multi-Dimensional Talent Force: Multi-Local Differences." IHRIM *Journal*. Volume XII, Number 5.
- **4** Handy, Charles. 1989. The Age of Unreason. Boston: Harvard Business School Press.
- **5** Crowdsourcing refers to the "act of taking a task traditionally performed by an employee or contractor and outsourcing it to an undefined, generally large group of people, in the form of an open call" http://en.wikipedia.org/wiki/Crowdsource.
- **6** Henson, Row. 2007. "The Contingent Workforce: Beyond the Four Walls." IHRIM *Journal*. Volume XI, Number 1. p. 2.
 - 7 Wikipedia, http://en.wikipedia.org/wiki/Contingent_Workforce.
- **8** Drucker, Peter F. 2002. "They're Not Employees, They're People." Harvard Business Review. February 2002. Boston: Harvard Business School Press. p. 4.
- **9** United States Government Accountability Office (GAO). 2006. "Employment Arrangements: Improved Outreach Could Help Ensure Proper Worker Classification." Highlights of GAO-06-656, a Report to the Ranking Minority Member, Committee on Health, Education, Labor, and Pensions, U.S. Senate. http://www.gao.gov/new.items/d06656.pdf
- **10** Henson, Row. 2007. "The Contingent Workforce: Beyond the Four Walls." IHRIM *Journal*. Volume XI, Number 1. p. 3.
 - 11 Ibid. Drucker. p. 5.
- **12** OECD Factbook 2008. Latest data available is for 2006. http://stats.oecd.org/WBOS/Index.aspx?DatasetCode=CSP2008.
- 13 Unfortunately data is missing from the OECD database on India and South Africa, two countries that are rising in their importance on the global stage.
- 14 This is interesting data that can be used for comparison purposes between countries; however, it should not be taken as absolute due to the widely differing definitions of contingent workers that exist. For example, from the OECD data it is not clear how the OECD counts casual, seasonal, and student workers.
- 15 Taxes in China, http://www.chinaunique.com/business/taxes.htm, as of December 28, 2008.
- **16** Salary Accounting in Turkey, http://www.worldwide-tax.com/turkey/turkey_tax.asp, as of December 28, 2008.
 - 17 Ibid. OECD.
 - 18 Ibid. Drucker. p. 6.
- **19** A "chaordic" organization one that thrives on the border between "chaos" and "order" "chao-ordic" too much chaos leads to confusion and lack of execution; too much order leads to bureaucracy and inertia.
 - 20 Hock, Dee. 1999. Birth of the Chaordic Age. San Francisco: Berrett-Koehler.

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