Planning for change
The future of the contingent workforce
The workforce environment

In 2018 the Department for Business, Energy and Industrial Strategy published a report concerning self-employment and the rise of the gig economy, which estimated that approximately 3 million people across the UK had been engaged in such work over a 12 month period. This figure is set to rise as the gig economy and other contingent worker arrangements and cultures spread far and wide across all industries and hierarchy levels.

Research suggests that 60% of individuals born between the mid 1990’s and early 2000’s do not anticipate remaining in the same role for more than two years. However, this movement towards a more transient career trajectory isn’t merely a millennial trend. People of all ages are moving between roles in search of the right experiences.

It is not only individuals driving the increased flexibility in the labour force. Businesses have dramatically increased their use of contingent workers (i.e. those neither employed nor on the payroll) over the past decade, as they struggle with rising labour costs and the need for a workforce that can quickly adapt to market conditions. Some large companies estimate that up to 30% of their procurement spend is in respect of contingent workers.

3 million
The workforce environment

With the talent market shifting towards an increase in contingent workforce, driven both by talent and businesses alike, it is important to understand and manage this effectively to mitigate risk and reduce cost whilst maintaining quality. The inherent challenges include (but are not limited to) an increasing focus on worker rights, income tax compliance and employment law requirements.

Finance
No more headcount in the P&L please

The Talent Pool
We want flexibility or we’re on our bikes

The Business Leader

The Regulatory Requirements
- REPORTING OBLIGATIONS
- GOVERNANCE
- CONTROLS

The Authorities
Are these people really self-employed?

The Courts

The Deloitte workforce planning team
Governments are investing more in regulatory and investigatory efforts to crack down on companies that they suspect may be improperly categorising workers from a tax perspective or the perception that they are exploiting the “grey space” in regulations.

One such example involves a fundamental tax and social security change pending in the UK. From April 2020 significant amendments to the taxation of contingent workers and specifically individuals operating via personal service companies (PSCs) in the private sector will come into force. These rules will impact large and medium businesses, who utilise PSC workers.

Beyond the UK, Germany and France (as just two examples) possess long histories of regulating labour and employment practices to protect workers and to provide companies with guidelines within which they must operate. This also presents an acute risk in the U.S. via a continued focus on the substance of the engagement relationship, the employee’s rights and the manner and exercise of “control” in terms of the individual’s working arrangements.

Please click here for further information.
A catalyst for change: the legal challenge
Worker rights and the impact of case precedent

One of the key risks is the rise of the legal challenge to self-employed status by contingent workers (or their unions).

Having ‘worker’ or ‘employee’ status at law will afford contingent workers potentially valuable (and backdated) rights to minimum wage, holiday pay and/or pensions contributions. This can carry significant cost repercussions for businesses, not only in the UK but across a number of countries, including the US.

Contingent workers may be encouraged to seek worker or employee status by reference to the number of recent legal cases where such workers have successfully argued that they are not self-employed and therefore are entitled to employment rights. Employment status issues are also under active consideration by the UK government, in its quest to achieve a balance between worker protection and a flexible workforce.
The opportunity: business-wide stakeholders

The impact is wide ranging and many businesses are taking this opportunity to undertake a strategic assessment of how they engage with contingent workers.

What are the exam questions?

- What is your long term vision for your contingent workforce? How are you going to get there?
- How can you optimise the cost of engaging with individuals on an off-payroll basis?
- What does the data tell you about the effectiveness of this population?
- Does your pay and reward package attract the best talent whilst staying on the right side of regulatory compliance?
Our approach to contingent workforce management is always bespoke to your requirements, but typically encompasses three key stages of action:

1. **Understand your external workforce landscape:**
   We utilise advanced analytics to build a picture of your current spend, market position, opportunities for cost reduction and the relevant risk areas.
The Deloitte solution: strategic contingent workforce management

Example outcomes

1. Understand your external workforce landscape

**Procurement**
- Deliver total visibility of comparable spend across business areas, geographies and vendors

**Regulators**
- Determine and drive compliance with tax and legal obligations globally

**Business**
- A clear view of the work being delivered by contingent workers and the associated value analysis

**Finance**
- Establish the numbers of contingent workers that are in headcount, particularly those wrongly classified from an employment perspective

The workforce environment
A catalyst for change: the tax challenge
A catalyst for change: the legal challenge
The opportunity: business-wide stakeholders
The Deloitte solution: strategic contingent workforcemanagement
The Deloitte workforce planning team
Appendix
Our approach to contingent workforce management is always bespoke to your requirements, but typically encompasses three key stages of action:

2. Optimise how you manage your contingent workforce:
   We can assist you in designing and implementing the right infrastructure, cross-function governance and enabling the right technology to improve contingent workforce lifecycle management.
The Deloitte solution: strategic contingent workforce management

2. Optimise how you manage your contingent workforce

Workers
- Enhanced worker experience
- Builds reputation in talent pools

Example outcomes

Procurement
- Competitive commercial arrangements with MSPs and/or suppliers

Regulators
- Additional checks established in on-boarding process, driving controls and governance

Business
- The ability to place the right people with the right skills, for the right price in the right timeframe
- Business units are educated and engaged on standardised processes

Finance
- Revised policies for contingent workers with defined headcount parameters
- Benchmarked rates

IT
- Establish enabling technology to maintain visibility and drive insightful reporting
Our approach to contingent workforce management is always bespoke to your requirements, but typically encompasses three key stages of action:

3. Proactively plan for the future of how work is delivered:
We will help you to review the effectiveness of your infrastructure to wield tools to make swifter, more informed and more cost effective contingent workforce decisions.

Our solution utilises sourcing strategies to focus on proactively incorporating emerging and growing types of contingent workforce categories for example; gig, automation, in addition to more traditional contingent workforce categories such as contractors and consultants. This will help you to take full advantage of the flexible and cost effective nature of a well-managed contingent workforce.

The Deloitte solution: strategic contingent workforce management
The Deloitte solution: strategic contingent workforce management

3. Proactively plan for the future of how work is delivered

**Workers**
- Opportunity to use skills to answer business questions, whilst maintaining high flexibility e.g. crowd sourcing

**Procurement**
- Establish clear understanding of demand for new types of talent
- New category strategies and associated sourcing plans, allowing proactive support to be delivered to the business

**Regulators**
- Policy and processes for new types of talent in place to pre-empt compliance challenges
- Policy and processes in place to respond to legislative change

**Business**
- Access to wider skill sets, which could increase quality and speed of delivery

**HR Strategy**
- The right talent in the right place
- Joint governance in place for total workforce management

**IT**
- Tools, portals and technology in place to allow the business to access talent, whilst maintaining visibility and compliance

**Real Estate**
- Reduced need for physical space in office

**Example outcomes**

The workforce environment
A catalyst for change: the tax challenge
A catalyst for change: the legal challenge
The opportunity: business-wide stakeholders
The Deloitte solution: strategic contingent workforce management
The Deloitte workforce planning team
Appendix
The Deloitte workforce planning team

The Deloitte workforce planning team can assist you in optimising your approach to all aspects of workforce planning, from analysing your current, near term and future requirements to effectively assessing the risk, regulatory and cost impacts of your strategy.

Please contact one of the below or your usual Deloitte contact for more details.

Contact us

Hayley McKelvey
Partner
+44 20 7303 3940
hmckelvey@deloitte.co.uk

Shivani Maitra
Partner
+44 20 7303 7381
shmaitra@deloitte.co.uk

Richard Coombes
Partner
+44 20 7007 5074
richardcoombes@deloitte.co.uk

Harvey Smith
Partner
+44 121 696 8773
hasmith@deloitte.co.uk

Josh Jones
Associate Director
+44 118 322 2642
josjones@deloitte.co.uk

Caron Gosling
Director
+44 20 7007 2594
cgosling@deloitte.co.uk

Louisa Quarry
Senior Consultant
+44 20 7303 4279
lquarry@deloitte.co.uk
Appendix
Summary of the UK tax changes – April 2020

Businesses that are defined as medium or large-sized will be required to:

• Identify all directly engaged PSC workers providing a personal service

• Carry out checks to confirm whether or not Pay As You Earn and social security deductions are appropriate

• Operate Pay As You Earn and social security deductions via payroll where necessary

• Identify PSC workers provided to you via third parties (such as agencies) who are carrying out a personal service for your business and confirm whether or not Pay As You Earn and social security deductions are applicable via that third party.

For many organisations, this will trigger a fundamental shift in the structure, shape and underlying cost modelling appropriate to their workforce.

Any large or medium businesses in which contractors via PSC arrangements are important to the operation of the business will require, in our experience, at least 9 months of planning time to consider the tax, employment law, contractual and relationship issues. This timeline will increase where the number of PSC workers is significant (for example, in excess of 500).

Please click here to return to 'A catalyst for change: the tax challenge'.

The workforce environment
A catalyst for change: the tax challenge
A catalyst for change: the legal challenge
The opportunity: business-wide stakeholders
The Deloitte solution: strategic contingent workforce management
The Deloitte workforce planning team
Appendix