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Creating Value and Impact through the Alternative Workforce

Crafting a Compelling Rewards & Wellbeing Strategy for the Alternative Workforce

Preface

COVID-19 considerations for rewards and the alternative workforce

The COVID-19 pandemic has caused a considerable number of changes and created concerns and uncertainties for organizations, individuals, and markets throughout the world.

For workers, the global pandemic has caused major disruptions in daily life.

For some, this means acclimating to virtual working arrangements to continue supporting business operations and delivering work they were doing previously. However, for many others, the impact has led to the displacement of jobs and the need to seek opportunities elsewhere.

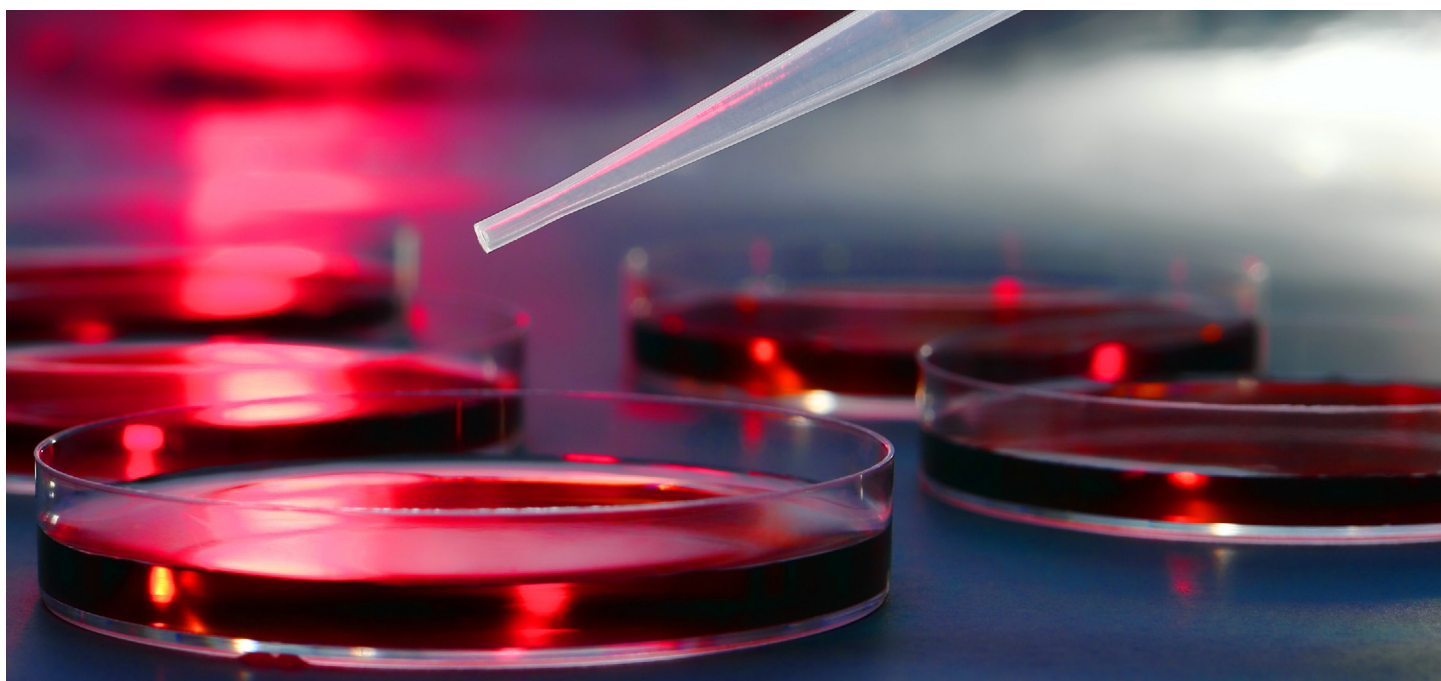
For organizations, the new environment has led to drastic adjustments in daily operations to adapt, deliver value, and maintain business operations. As a result,

many organizations have come to realize the disruption means they won't be returning to "business as usual", and have escalated the need to rethink their short, medium, and long term strategies when it comes to the talent needed to achieve the goals of the enterprise.

The impact on organizations and workers alike due to COVID-19 has resulted in two key outcomes for the alternative workforce. First, the alternative workforce, which was growing at a rapid pace even before the pandemic, is likely to experience accelerated growth due to a new stream of workers entering alternative talent pools resulting from worker displacement from traditional full-time jobs. Second, some organizations have increased the demand for alternative talent in order to both flexibly meet their

short-term needs and achieve their long-term business objectives.

Increased competition for the best alternative workers means that organizations are likely going to have to work harder than ever to identify the right alternative workers to meet their talent needs, and ensure they are well positioned to attract the high talent of tomorrow to their organization. To attain that goal means that now, more than ever before, organizations should have a total rewards program in place that is grounded in worker perspectives and that addresses their personal and professional goals and wellbeing needs to become an attractive and desirable destination for all forms of talent in this new environment.



A man with a beard and styled hair, wearing a grey suit jacket, a red and white checkered shirt, and a dark tie with small white dots, is riding a bicycle. He is smiling and looking towards the right. The background shows a city street with modern buildings, a traffic light showing green, and a 'No Right Turn' sign. The scene is brightly lit, suggesting daytime.

Rewards and wellbeing: Strategic levers for attracting and engaging alternative talent

The growth of the alternative workforce, coupled with rapid changes in the global economy, has prompted many organizations to access and utilize alternative workers in new and expanded ways. Now, as organizations shift their talent structures to achieve their business objectives, they should look towards creating a differentiated workforce experience to attract and engage alternative workers best suited to their talent needs by addressing the needs of their current and potential talent. Those organizations that can create and implement a total rewards program based on workers' preferences that addresses their personal and professional goals and aspirations and supports their wellbeing needs can set themselves apart as an irresistible destination for all talent types.

As discussed extensively early on in our series, the growth of the alternative workforce is one of several large-scale disruptors that are driving today's organizations toward the future of work.¹ As the size and impact of the alternative workforce continues to grow, so too does the number of organizations that are beginning to understand the importance of distinguishing themselves as desirable destinations to work with under an alternative work arrangement.

This ongoing shift in workforce talent models means that rewards leaders can no longer afford to ignore responsibility for these "off-balance sheet" workers within the alternative workforce ecosystem² and presume their colleagues in procurement or finance, or that the vendors that supply the workers or otherwise enable their work arrangements, are caring for their rewards and wellbeing needs. Rather, it is time for rewards leaders to work collaboratively with procurement, finance, and business leaders to actively address the complex task of attracting and motivating alternative talent.

The increasing importance of alternative talent

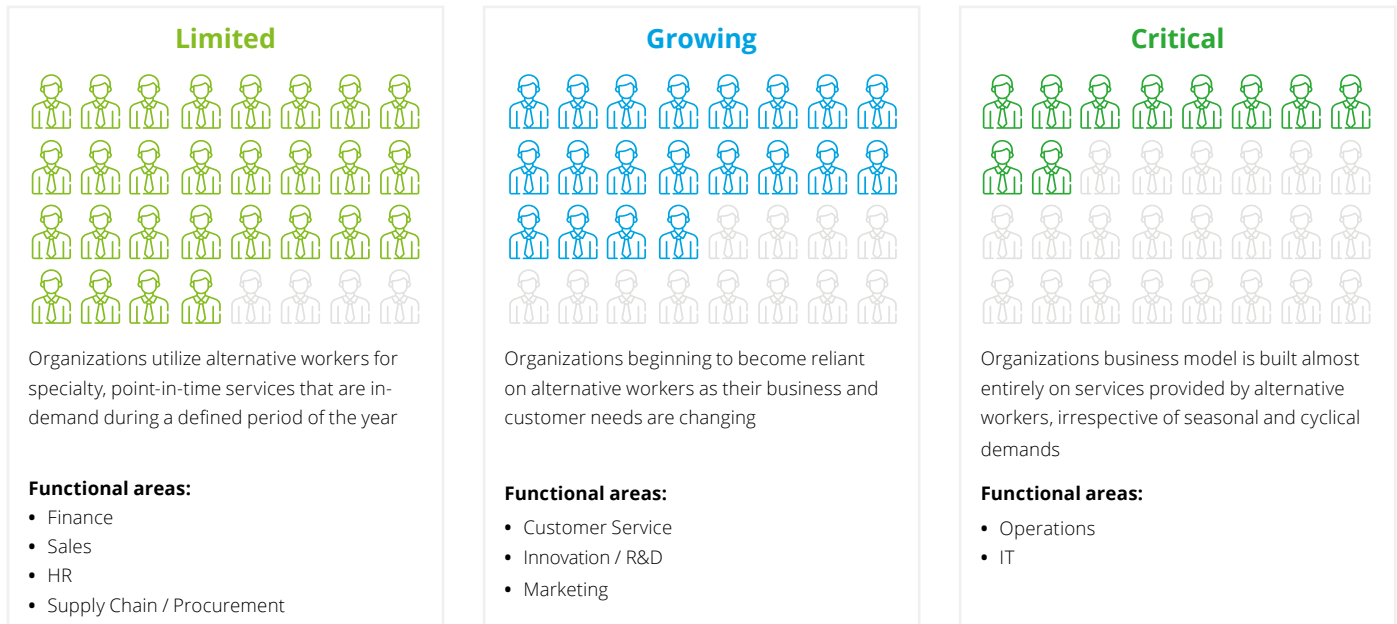
In the previous release of our series, we identified alternative workers as an increasingly critical component to enhanced talent models.³ While more organizations are getting comfortable with and recognizing the importance of alternative talent models and work arrangements for their business, a 2020 Deloitte survey revealed that only 45 percent of organizations are actually prepared for this shift in the workforce ecosystem.⁴ Considering that many organizations expect alternative work models will have the greatest impact on HR models in the next 12-18 months⁵, those lagging behind should consider embracing and taking advantage of the change, or instead, risk going the way of the dinosaurs in the business world. Now, more than ever, is the time for organizations to think and act more strategically and intentionally about how they will compete for and engage with the best and brightest off-balance sheet workers – alternative talent that can create the most positive impact and help to meet and exceed the goals of the enterprise.

For business leaders, this means developing a greater understanding of why non-traditional working arrangements may be preferable for certain workers, especially those that have skills critical to the needs of the organization. At the same time, rewards leaders should work in parallel to develop a differentiated proposition for why the best of those workers should want to work with your organization.

80 percent of organizations view the radical shifts in work, careers, and jobs due to AI and new employment models as critically important.

Deloitte 2020 Global Human Capital Trends Report

There is a varying degree to which organizations are using alternative workers to support their business operations:



Source: Deloitte

1. The Alternative Workforce and Diversity & Inclusion as Disruptors in the Future of Work. <https://www2.deloitte.com/us/en/pages/human-capital/articles/alternative-workforce.html>
 2. Aligning Technology, Strategic Communications, and Workforce Operational Excellence to Enable the Alternative Workforce. <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/human-capital/us-creating-value-and-impact-through-the-alternative-workforce.pdf>
 3. Implementing New Strategies to Acquire and Engage Alternative Talent. [https://www2.deloitte.com/content/dam/Deloitte/us/Documents/human-capital/Implementing%20New%20Strategies%20to%20Acquire%20and%20Engage%20Alternative%20Talent%20\(1\).pdf](https://www2.deloitte.com/content/dam/Deloitte/us/Documents/human-capital/Implementing%20New%20Strategies%20to%20Acquire%20and%20Engage%20Alternative%20Talent%20(1).pdf)
 4. Deloitte 2020 Global Human Capital Trends Report
 5. Deloitte 2020 Global Human Capital Trends Report

Along with this mindset shift from participating to competing should come a rewards approach of curating over offering. That is to say, based on the knowledge organizations have about their current and future alternative talent, crafting a total rewards package that makes working with the organization as attractive as possible. Organizations should first consider the extent to which they are able to personalize rewards, accounting for financial spending capacity and regulatory compliance requirements, and take the necessary steps to create a program that accommodates workers' preferences, addresses their personal and professional goals and aspirations, and supports their wellbeing needs. This approach to rewards is grounded in the idea that curating rewards offerings and workforce experience is far more valuable than simply presenting a generic set of plans and programs, and avoids the pitfalls of falling into a "this is what we offer – take it or leave it" mentality.

Worker as customer

A key mandate of the modern rewards professional is to listen, learn, and design offerings for their "customers" – the

organization's workers – and to do so based on an understanding of the characteristics, needs, and preferences of those customers. This means creating a purposeful strategy and approach to help support workers' personal and professional objectives of today, and their known and unknown personal and professional aspirations of tomorrow.

To enable this vision, organizations should expand their definition of customers to include the entirety of the workforce ecosystem contributing to the attainment of current organizational objectives and future organizational aspirations – meaning both on-balance sheet and off-balance sheet workers. Making this shift has become critical for many organizations, as off-balance sheet workers increasingly perform a significant percentage of the work, take on particularly impactful roles, or possess hard to locate skills and experiences. Thus, the stakes have become too high to ignore these workers and the potential value they can bring to leading organizations.

Forward-thinking organizations ready to take the next step should begin to develop their understanding of the characteristics,

needs, and preferences of their workforce. When they do, they will likely find that these results do not necessarily conform to a "one-size-fits-all" model. However, those that are able to use the information they've gathered effectively to make real and impactful change can realize advantageous results for both the workforce and the workplace. Organizations that have captured input from their workforce that goes beyond rewards program preferences to include the actual structure of their work and their wellbeing needs, and subsequently used that information to enhance programs and make operational changes to address those needs, reported experiencing positive effects on their corporate culture, increased collaboration across the organization, and improvements to work quality and the health of their workers.⁷

Organizations looking to emulate such results may find that the needs and preferences across each segment of their workforce can be highly differentiated across cohorts, and potentially even more so for alternative talent pools that are often composed of individuals with a wider variety of opinions and perspectives.

Establishing meaningful relationships with the workforce means fostering a sense of belonging through comfort, connection, and contribution

Regardless of the talent type, organizations are ultimately looking to attract and engage workers that will help them achieve their business objectives of today, and the business aspirations of tomorrow.

Similarly, many workers from across the workforce ecosystem are looking to engage with organizations that support their personal and professional objectives of today, and their personal and professional aspirations of tomorrow.

By collaborating together, both workers and the organizations they work for can establish meaningful relationships and develop a workforce experience that helps to achieve each other's objectives and aspirations.⁶

Building relationships also means that organizations should foster a sense of belonging amongst the entirety of their workforce through three key areas of focus:



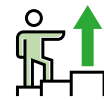
Comfort

workers feel respected and treated fairly



Connection

workers have strong relationships with their co-workers



Contribution

workers can see the impact of their contributions

Source: Deloitte 2020 Global Human Capital Trends Report

By ensuring a sense of belonging in all these areas, both worker and organization understand and appreciate one another's value and impact towards achieving underlying goals.

6. <https://www2.deloitte.com/us/en/pages/human-capital/solutions/employee-rewards-to-employee-relationships.html>
 7. Deloitte 2020 Global Human Capital Trends Report: Designing work for well-being: Living and performing at your best, 2020

Nuanced preferences

Importantly, not all members of the alternative workforce became alternative workers out of necessity. Rather, some organizations have found that many of their alternative workers want to operate under such arrangements.⁸ For instance, some alternative workers may appreciate the flexibility of choosing their assignments and having more decision rights over the terms and conditions that they may be bound to (as compared with to an on-balance sheet worker). Others may seek the variety of

working for different organizations and appreciate the notion of collecting career experiences along the way as they move from project to project. Some may be looking to support short-term engagements until they find something with more stability or better alignment to their professional aspirations. Finally, others may be looking for a “foot in the door” or operating under alternative work arrangements out of necessity due to certain factors such as fluctuations in the job market, but do not view this as a long-term and sustainable talent model for their personal and professional needs.

Given this great variety of potential preferences, it only makes sense for organizations to get to know their alternative talent and work collaboratively to help meet workers’ needs while supporting the achievements of the organization in the process. Making the paternalistic assumption that alternative workers are

21 percent

of organizations expect the growth of the alternative workforce to have the largest impact on their compensation strategy.

Deloitte 2020 Global Human Capital Trends Report

21 percent

of organizations say their wellbeing strategy includes alternative workers.

Deloitte 2020 Global Human Capital Trends Report

angling for in-house roles and can be treated as if they are in a disadvantaged position will almost surely backfire. Organizations can avoid the pitfalls of assuming they know what their workers want and need by taking a simple first step – by asking them!



8. https://adqiro-content-prod.s3-us-west-1.amazonaws.com/documents/19-0919_r3_Freelancing+in+America+2019+Infographic.pdf

Total rewards considerations for the alternative workforce

Many organizations are taking steps to include the alternative workforce as a critical input to achieve their optimal talent mix. With more and more organizations shifting their talent strategy, it is has become crucially important to establish a total rewards strategy that helps your organization stand out as an irresistible destination for the high-talent workers of tomorrow.

For organizations, this means assessing each element of your total rewards program and, based on your alternative talent needs, coming to an understanding on how you are currently treating alternative workers with respect to total rewards, and making decisions about what changes may need to be made in order to attract and engage the right alternative talent.

Compensation



— Remuneration

- How are you determining the “value” of alternative roles for compensation purposes?
- Do you pay by the hour, day, project, piece, etc.? How often do you pay and what is the lag time?
- Do you pay an hourly or other premium for alternative workers compared to full-time workers?

— Variable Pay

- Are any pay components at risk? Should they be?
- Is there a mechanism to reward superlative work performance?

— Equity

- Are key roles be eligible for long-term compensation? If yes, what vehicles are used (cash, equity, phantom shares, etc.)?

Experience



— Learning

- How might you assist alternative workers with their continued learning (formal and informal) and development?

— Diversity & Inclusion

- How are you promoting personal connections in the workforce, and creating a diverse, inclusive, and accepting environment for a fulfilling experience?

— Environment & Workplace Design

- How easy are you to do business with? Are your contracting processes and legal and insurance requirements reasonable and appropriate to attract alternative workers?
- Are you adequately supporting your alternative workers when they are in your workspaces?

— Recognition

- Are your alternative workers participating in your recognition program / platform? If so, can they also provide recognition?

Wellbeing



— Physical

- How you can help your alternative workers manage their physical health and wellness through work and personal efforts?

— Financial

- Beyond compensation, how can you help increase your alternative worker’s financial acumen to deal with debt, manage ongoing financial needs, and prepare for post-employment?

— Mental

- What level of support are you providing your alternative workers to realize their potential, manage their stress, and develop resilience?

— Social

- Are you helping to create real connections between and among your workforce, such as “on-balance sheet” employees and alternative workers?

Benefits



— Health & Welfare

- Are you providing alternative workers with access to health and welfare coverage options? Why or why not?
- If you are not, are there ways in which you could support, fund, or otherwise provide provide alternative workers with access to these programs as a means of talent attraction and engagement?

— Retirement

- How might you provide alternative workers with access to retirement savings vehicles?

Getting started

The alternative workforce is an increasingly critical element of leading talent models. Organizations seeking to access the best that the alternative workforce has to offer should be more intentional about how they are designing and delivering rewards offerings for this segment of the workforce. Moreover, they should look to develop and implement a rewards strategy that provides a differentiated workforce experience through continuous engagement.

Given significant administrative and regulatory complexities, it is essential for rewards professionals to work closely with their tax and legal advisors to understand any legal and tax implications related to implementing rewards, wellbeing, or other benefits programs for their alternative workers.

Here are some key considerations for organizations looking to develop a rewards and wellbeing strategy for the alternative workforce:

Know where you stand

Two critical elements to knowing where your organization stands with respect to the alternative workforce are: understanding what role(s) alternative workers play for your organization and capturing the data around how these workers are currently rewarded.

- In order to get a handle on either element, you should first canvas your organization to figure out where and how alternative workers are being used. Colleagues in talent acquisition and procurement may be involved with independent contractors and employment agencies for alternative workers, while folks in legal and accounts payable may be aware of other alternative worker types and arrangements. In some cases, individual leaders and managers may be aware of arrangements being handled at the local level within their organizations. In others, information about alternative workers may be stored

in core HRIS systems or in separate parallel systems. A key to an effective canvas will be casting as wide of a net as possible, securing and communicating executive support for the initiative, and being fully transparent around why the effort is being undertaken.

- Once you know who your alternative workers are and how they are engaging with various parts of your organization, you can then begin to compile information about the impact they are having on your business objectives. At the same time, you can also learn how you are supporting their physical wellness, emotional resilience, social connectiveness, and financial health.

Talk with your vendors

Getting your arms around how your alternative workers are being rewarded can be straightforward for those with whom you contract directly, since you will already have contract paperwork and accounts payable records to work from. But things can be a little trickier for those alternative workers who come to your organization via a third-party organization. In those cases, you may well know what you are paying the vendor for the service, but at the same time have no understanding of how the individual workers are being rewarded by their vendor. That does not mean that you cannot ask for this information from your vendors.

- While you cannot set the terms of employment for another organization's employees, you can certainly choose to only work with vendors who treat their workers in a way that your organization is comfortable with. Some organizations have taken a stance to support their alternative workers and require that the staffing companies they engage with provide certain benefits above and beyond what may already be required by law such as: minimum compensation, healthcare plans, paid parental leave, annual tuition reimbursement, and paid sick and vacation days.

Partner with legal and tax

The issues of misclassification and co-employment are the elephant in the room for many organizations that are struggling to manage their alternative workforces. In simple terms, part of what makes the alternative workforce an attractive option for some organizations is that these workers are just that – alternatives to your on-balance sheet workforce. These arrangements can afford flexibility to the organizations using alternative workers, and have significant implications for overall talent costs. However, misclassification of workers as independent contractors instead of employees can mean that these workers were denied critical benefits and protections that they were entitled to by law.⁹ In these situations, significant, financial, legal, and reputational risk and liability can result for employers.

- Given the stakes, rewards professionals must work closely with their legal and tax advisors to better understand any implications related to any future rewards efforts. Such collaboration is even more important in light of the shifting regulatory sands beneath this topic¹⁰ that have spurred a spate of legal challenges and potential follow-on legislation.

Set your strategy

Once you know where your organization stands with respect to the alternative workforce – including how important this workforce is to your current and future strategy to achieve your business outcomes – it is time to (re)set your rewards and wellbeing strategy to account for these workers and establish an engaging and differentiated workforce experience. Some key questions to consider include:

- If alternative workers are or will be an important part of your organization's future business strategy, is it time to focus on building your brand as an alternative employer of choice?
- Are you comfortable with how your off-balance sheet workers are treated

9. <https://www.dol.gov/agencies/whd/flsa/misclassification>

10. <https://www.natlawreview.com/article/ab-5-under-fire-2020>

compared with your on-balance sheet workers? How do you think your workers, customers, and other stakeholder groups would (or do) feel if they knew?

- Can or should you set criteria for how the third-party vendors you work with should treat their employees in order to be eligible to do business with you?
- What do you know about the needs and preferences of your alternative

workers and how can you gather more information?

- How are you currently – and how should you be – treating your alternative workers with respect to each of the elements of “total rewards”? (See page 5)
- How will you provide access to rewards for your alternative workers (for example, directly purchase, obtain them through vendors, or provide access access to a

benefits platform or marketplace)?

- How are you positioned to administer rewards across your workforce? Do you have the right technology and processes in place to deliver rewards to each worker type?



Let's talk

If you'd like to learn more about creating a total rewards strategy to attract, engage, and empower alternative talent for your organization, we'd welcome the opportunity to talk with you.

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