

Deloitte.



**Creating Value and Impact through the
Alternative Workforce**

The Alternative Workforce and Diversity &
Inclusion as Disruptors in the Future of Work

A photograph showing a person's legs from the side, wearing dark trousers and dark shoes, walking on a light-colored tiled floor. The floor is covered with numerous colorful paint splatters in shades of blue, green, yellow, and red. The lighting is dramatic, with strong highlights and deep shadows.

The alternative workforce and diversity & inclusion: Powering the future of work

The rise in contingent work and growing diversity of the workforce are two of the seven key disruptors driving the future of work. These powerful forces are shaping how and where work gets done and who does it, making it imperative for organizations to utilize these forces as strategic levers.

Until recently, “alternative” work was synonymous with contractual work—different from traditional full-time jobs. Now, “alternative” has evolved, expanding to include work performed by outsourced teams, contractors, freelancers, gig workers, and the crowd (outsourced networks). The individuals who comprise this evolution embody the continuously growing alternative workforce, inherently necessitous to the future of business and increasingly diverse by virtue of its ever-expanding definition.

Economic and social forces suggest that alternative workers are now essential for organizations to be successful in the future. Yet, simply hiring alternative workers isn't enough. Organizations seeking to be leaders in the marketplace should evolve their talent strategies to effectively utilize the alternative workforce to achieve their business outcomes—including enablers of talent success (technology, workforce operational excellence, and strategic communications); talent strategy creation; talent acquisition; talent engagement; rewards and wellbeing; learning and development; and performance management.

For an alternative workforce—and the talent strategies in place to support that workforce—to be successful, organizations should first understand the forces that have led to the future of work. Then, foundational to any talent strategy, organizations should unleash the power of the newly diverse workforce by fostering systems and cultures of inclusion.

Alternative workers are becoming essential in the future of work

There has been an upsurge in contingent work with a distributed talent pool, helping organizations improve productivity and speed. This explosion is one of the seven disruptors (Figure 1) that have led to the future of work. It is both a contributor to and outcome of the changes that have led to the Fourth Industrial Revolution, helping to transform the fundamental nature of work and leading organizations to design strategies to strategically manage disruption.

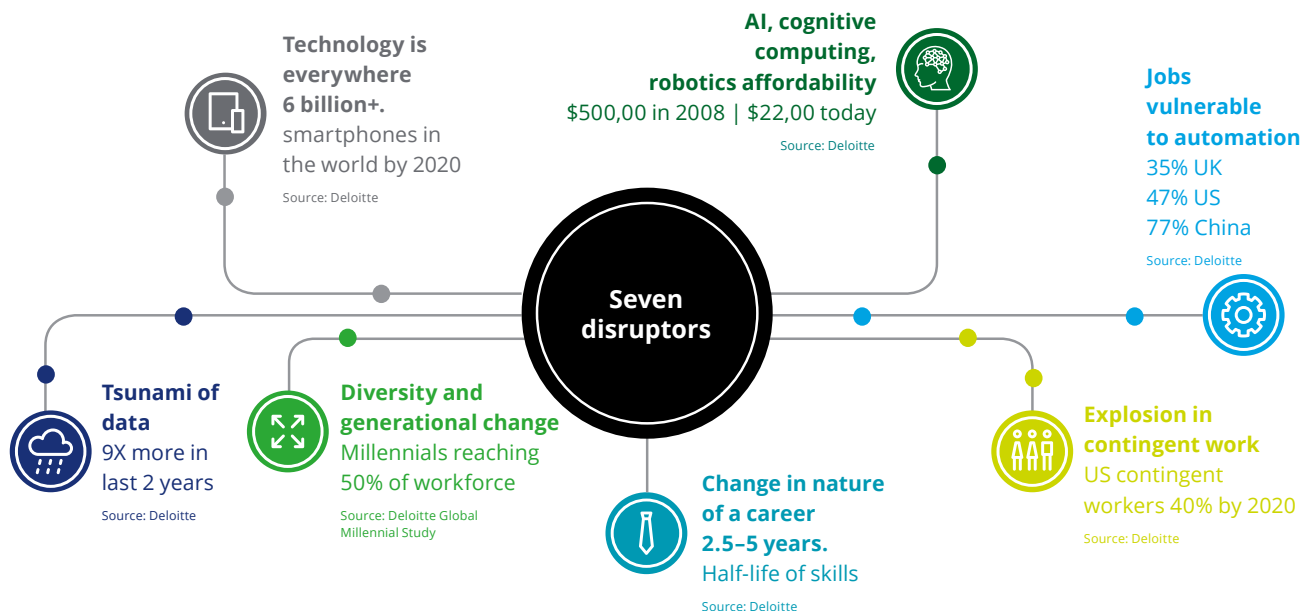
The future of work (Figure 2) includes, but is about much more than, robotics and automation, encompassing changes in work (the “what”), the workforce (the “who”), and the workplace (the “where”).¹

About this Series: Exploring the Alternative Workforce

To prepare for the future and continue to grow, organizations should build talent models that enable them to access and engage the full spectrum of talent, from traditional employees to alternative workers to robots. In particular, alternative ways of working are no longer anomalies, but mainstream and increasingly indispensable parts of how work gets done. This series explores topics essential to effectively tapping into the alternative workforce over the course of seven releases:

- The Alternative Workforce and Diversity & Inclusion as Disruptors in the Future of Work
- Enablers—Technology, Workforce Operational Excellence, and Strategic Communications
- Talent Strategy, Acquisition & Engagement
- Rewards & Wellbeing
- Learning & Development
- Performance Management
- In Conclusion

Figure 1
Seven key disruptors driving the future of work



1. Jeff Schwartz et al., What is the future of work? Redefining work, workforces, and workplaces, Deloitte Insights, April 2019, https://www2.deloitte.com/us/en/insights/focus/technology-and-the-future-of-work/defining-work-workforces-workplaces.html?cid=dcom_promo_standard|us;en.

Given these shifts, the sheer numbers and ongoing growth of the alternative workforce are impressive and empirically evident. A 2018 study estimated the US freelance

workforce at 56.7 million people, growing by 3.7 million people from 2013–2018.² By 2020, the number of self-employed workers in the United States is projected to be 42

The alternative workforce plays a pivotal role in all three aspects of the future of work: what work is being done, by whom, and where

Work

How does the upsurge in the contingent workforce cause the nature of work to change?

With the rise of automation, augmentation, and changing business needs to compete in the marketplace, the need for new skills and capabilities has required organizations to re-think how work inputs (work activities) and outputs (work products) should change as well. For example, some work performed by humans may now be performed by robots, allowing humans to focus time and energy in new ways; work previously performed by one person can now be distributed among multiple individuals with specific skills; and work previously performed in one sitting may now be performed over time.

Workforce

How does the upsurge in the contingent workforce lead to the need for new talent platforms and models?

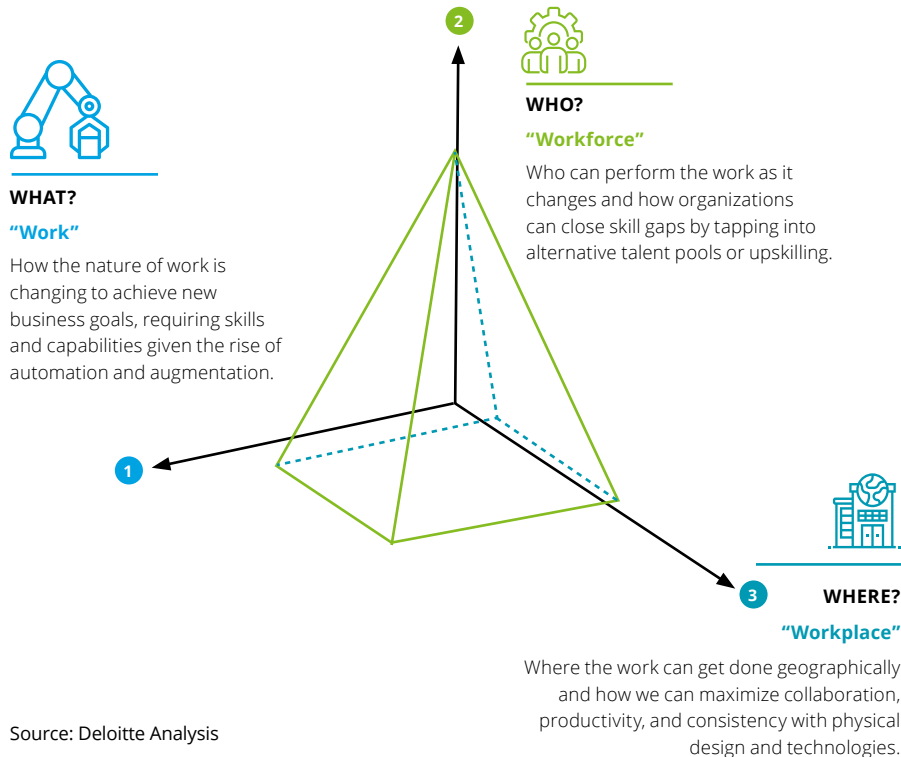
Workforce preferences indicate the workers of the future embrace opportunities to design unique career paths that do not fit in traditional talent models. Contingent work allows workers with an increased diversity of education level, geographies, skills, experiences, aspirations to access opportunities they would not have had otherwise.

Workplace

How does the explosion in the contingent workforce change where work is and can be done?

Contingent work models have required organizations to embrace workplace dispersion across time zones and physical locations, inviting new types of teaming through technology to help maximize collaboration, productivity and consistency.

Figure 2
The future of work encompasses changes in work, the workforce, and the workplace



million people³, and in the US, 60 percent of employers plan to hire more freelancers than full-time employees by 2020.⁴

And it's not just a US phenomenon: For example, 1 in every 4 global freelancers is from India, a majority of who are under the age of 40.⁵ Meanwhile, a 2018 Deloitte survey of more than 15,000 respondents from 10 European countries found similar results, pointing out that the workforces in Italy, Switzerland, Germany, and the Netherlands have a high percentage of alternative workers.⁶ Even more broadly, traditional contingent staffing firms, along with new talent networks and specialized staffing segment networks, make up over \$2 billion in

outsourced activity, employing hundreds of millions of people in every geography of the world.⁷

Given the growth and changes within the alternative workforce itself, organizations should consider focusing on how to best access, engage, and curate experiences for this new workforce in order to be successful. Therefore, one of the biggest questions facing organization is: How do the changing nature of work; the changing face of the workforce; and new technologies, workplaces, and work practices each create opportunities for the contingent workforce (and therefore organizations) to be most successful?

2. <https://www2.staffingindustry.com/site/Editorial/Daily-News/Number-of-US-freelancers-rise-earn-more-and-log-1-billion-hours-per-week-Upwork-47943>
 3. “Erica Volini et. al., “The alternative workforce: It’s now mainstream,” Leading the social enterprise: Reinvent with a human focus, 2019 Deloitte Global Human Capital Trends, Deloitte Insights, 2019.
 4. <https://www.irishtimes.com/sponsored/deloitte/the-seven-disruptors-to-managing-talent-could-the-future-of-hr-be-the-answer-1.3634215>
 5. Business World, “How The Gig Wave Is Democratizing Workspace In India,” 2019.
 6. Michela Coppola et al., Voice of the workforce in Europe, European Workforce Survey, Deloitte Insights, 2018.
 7. Erica Volini et al., “The alternative workforce: It’s now mainstream,” Leading the social enterprise: Reinvent with a human focus, 2019 Deloitte Global Human Capital Trends, Deloitte Insights, 2019.

The alternative workforce is increasingly diverse

The alternative workforce has not increased the size of the available talent market, but, importantly, evidence shows that the alternative workforce is more diverse than traditional (or non-alternative) talent pools:

- Members of Generation Z (“Gen Z”) are eschewing traditional talent models and entry-level jobs to join the gig economy; 53 percent of Gen Z ages 18-21 completed some sort of freelancing work in 2019.⁸ Meanwhile, Gen Z is (in the US) the most racially and ethnically diverse generation ever, and on pace to become the most educated.⁹
- 70 percent of Gen Xers in a UK survey said they considering part-time work, starting side businesses, and engaging in the gig economy.¹⁰
- Among US workers aged 55 and over, between 5 and 7 percent are gig workers who use platforms to find work.¹¹

- The alternative workforce of EMEA countries is comprised of workers that are 67 percent females; 76 percent are white collar workers, and 75 percent have more than 10 years of experience.¹²
- Workers who are marginalized or underemployed are more likely to seek productive work, even if it isn't full-time employment.
- 46 percent of freelancers agree that flexibility is critical to their ability to work¹³; thus, the flexibility of alternative work (remote/virtual, on-demand) increases the diversity of the individuals with access to take part in alternative work.

Deloitte’s 2019 Global Human Capital Trends research found that the alternative workforce trend spans the entire enterprise: 33 percent of respondents reported extensively using alternative arrangements for IT, 25 percent for operations, 15 percent for marketing, and 15 percent for research and development.¹⁴ Diversity in the

business needs met by alternative workers suggests that organizations are themselves contributing to the diversity of the alternative workforce, but are also perhaps seeking alternative workers explicitly in order to find skills and types of workers not available through traditional models.

Diversity itself then, has begun to become a business imperative through the alternative workforce. Alternative workers often represent a wellspring of valuable talent and a diverse pool of workers in a time when it can be challenging to find the right skills and capabilities. And for organizations seeking to become more diverse, alternative workforce models can be ideal pool of talent to which to look.

And, alongside the upsurge in contingent workforce, diversity is another disruptor that has led to the future of work in the first place (Figure 1).



8. https://adquiro-content-prod.s3-us-west-1.amazonaws.com/documents/19-0919_r3_Freelancing+in+America+2019+Infographic.pdf
 9. https://www.pewsocialtrends.org/2018/11/15/early-benchmarks-show-post-millennials-on-track-to-be-most-diverse-best-educated-generation-yet/psdt-11-15-18_postmillennials-00-00/
 10. <https://www.recruitment-international.co.uk/blog/2017/07/70-percent-of-generation-x-looking-for-major-career-change-research-finds>
 11. Jeff Schwartz et al., No time to retire: Redesigning work for our aging workforce, Deloitte Insights, 2018
 12. Deloitte Insights, “Voice of the Workforce in Europe, Understanding the expectations of the labour force to keep abreast of demographic and technological change”, Future of Work series, 2018
 13. https://adquiro-content-prod.s3-us-west-1.amazonaws.com/documents/19-0919_r3_Freelancing+in+America+2019+Infographic.pdf
 14. Erica Volini et al., “The alternative workforce: It’s now mainstream,” Leading the social enterprise: Reinvent with a human focus, 2019 Deloitte Global Human Capital Trends, Deloitte Insights, 2019

Defining diversity and inclusion

While “Diversity & Inclusion” is often communicated as a single effort or areas of focus, diversity and inclusion are connected, but—importantly—separate. An organization can be diverse, but not inclusive, and vice versa.



Diversity

Diversity refers to a wide range of characteristics, seen and unseen, that people were born with or acquired. These characteristics may include their gender identity, race or ethnicity, military or veteran status, LGBTQ+ status, marital status, disability status, and more.



Inclusion

Inclusion refers to the practice of making all members of an organization feel welcomed and giving them equal opportunity to connect, belong, and grow—to contribute to the organization, advance their skill sets and careers, and feel comfortable and confident being their authentic selves.



Inclusion unleashes the power of diversity

Organizations should acknowledge the diversity that alternative workers bring in the form of backgrounds, skills, capabilities, and experiences, and adopt practices to fully leverage this diversity. As this segment of the workforce grows, so too will the need for organizations to focus on inclusion as a tactic to not only accommodate and support but embrace and ultimately unleash the potential of alternative workers.

There is an urgent business and social imperative. On the business side, research has demonstrated the value of both diversity and inclusion for organizations as a whole; for example, bringing diverse perspectives to the table has been shown to enhance innovation by approximately 20

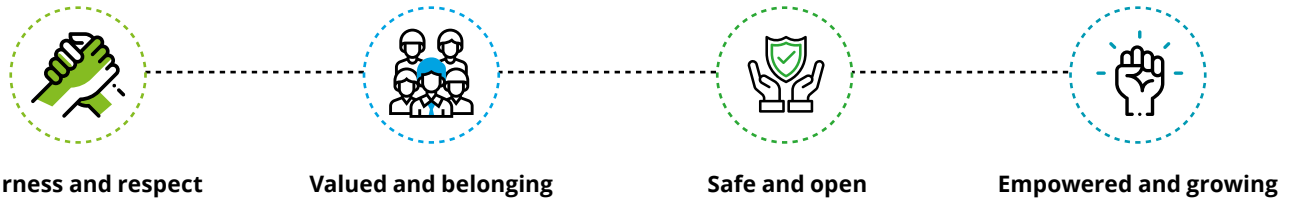
percent while decreasing risk by up to 30 percent, while inclusive cultures are 2x as likely to meet or exceed financial targets, 3x as likely to be high performing, 6x more likely to be innovative and agile, and 8x more likely to achieve better business outcomes.¹⁵ The cost of doing nothing is to likely fall behind.

As more and more organizations embrace the upsurge in contingent work, alternative workers themselves also have more choice among—and therefore more leverage over—the organizations for which they work. Workers can demand diversity and can demand inclusion; more than ever before, workers are more likely to choose an employer—and, conversely, leave an employer—due to the diversity of the workforce or the inclusiveness of the culture.¹⁶ Thus, to win in the future of work, a focused and strategic approach to fostering

inclusion—via inclusive hiring practices, onboarding, ongoing engagement, culture, and the overall worker experience—has become imperative. Alternative talent models might not be successful without it.

By creating an environment where workers are treated equitably without favoritism or bias, are valued for their contribution, feel safe for sharing their opinions, and are empowered to grow (Figure 3), organizations leverage the potential of both diversity and inclusion to drive business outcomes, while also meeting an increasing social imperative for organizations to serve as stewards of social responsibility. In light of the future of work, in particular, a successful talent strategy is one which prioritizes inclusion at its center.

Figure 3
The science of inclusion: Deloitte's inclusion model



Sources: Deloitte Insights



15. Juliet Bourke and Bernadette Dillon, The diversity and inclusion revolution: Eight powerful truths, Deloitte Review, Issue 22, January 2018
16. <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/about-deloitte/us-inclus-millennial-influence-120215.pdf>

Driving inclusion for the alternative workforce requires an alternative approach

Managing disruptions of this scope and

scale—such as the rise of the alternative workforce alongside an increasingly diverse talent pool—naturally may require a fundamental change to the way organizations approach inclusion.

Organizations should consider issues of fairness, respect, belonging, trust, psychological safety, and growth in new ways for alternative workers.

Factor	Questions for Consideration
Hiring	<ul style="list-style-type: none"> • Similar to hiring a traditional workforce, how can alternative workforce hiring processes promote or inhibit inclusion that impact diversity of hires?
Programmatic inclusion	<ul style="list-style-type: none"> • Should an organization approach the programmatic drivers of inclusive culture—e.g., membership in employee resource groups—differently for alternative workers vs. traditional full-time workers? • In turn, how do these decisions impact (or how are they impacted by) equity and fairness driving through rewards, well-being, learning and development, and performance management?
Managing workers and teams of workers	<ul style="list-style-type: none"> • Given that alternative vs. traditional workers may have different motivations or goals for career mobility, flexibility, total rewards, personal growth, etc.: <ul style="list-style-type: none"> – How can managers successfully lead teams that may include both full-time and alternative workers? – How can managers manage traditional vs. alternative workers differently (if at all)?
Culture	<ul style="list-style-type: none"> • Given that organizational culture is a driver of individual and organizational performance¹⁷, how can organizations manage culture for the alternative workforce, traditional workforce, and the combined workforce? Should there be distinct cultures? How are cultures changing as the workforce evolves?
Worker feedback	<ul style="list-style-type: none"> • How can the organization incorporate worker ideas? What is the imperative for doing so with alternative, as compared to traditional, workers?
Brand	<ul style="list-style-type: none"> • How can the organization engage the alternative workforce in a way that promotes the organization's brand as a social enterprise (e.g., providing career opportunities to those traditionally with fewer opportunities)?
Business priorities	<ul style="list-style-type: none"> • How can alternative workers play a unique role in advancing specific business priorities?
Alternative work product	<ul style="list-style-type: none"> • How can or should alternative work output be evaluated similarly or differently than the work output of traditional workers?
Data collection and goal-setting	<ul style="list-style-type: none"> • What quantitative and qualitative data can be collected about alternative workers to track engagement, mobility, performance management, and other potential indicators of inclusion? • How and when are these workers counted and tracked?
Duration of service	<ul style="list-style-type: none"> • Given that many alternative workers may be transient (though not necessarily so), what impact does this have culturally on both those workers and the organization at large? • How can organizations ensure that top talent accepts an offer to return for the next season or the next project?
Defining “alternative”	<ul style="list-style-type: none"> • Who should be considered “alternative”?

17. Sonny Chheng et al., Beyond office walls and balance sheets: Culture and the alternative workforce, Deloitte Review, Issue 21, July 2017.

The differences—or similarities—in approaches to diversity and inclusion present potential risks and challenges. In an evolving regulatory environment, legal regulatory factors may govern the level of engagement organizations can have with different types of workers (e.g., Can certain programs be offered to alternative workers? Can alternative workers be invited to certain events? May alternative workers participate in employee resource groups (ERGs)?). And organizations should consider the inherent potential for added risk in managing alternative workforce models, while balancing alternative workers' interaction with traditional workers, customers, and external partners.

From a worker's perspective, alternative workers may feel—or, in practice, are—less connected to the organization, and can feel inferior or “less than” traditional employees. As alternative workforce models become more common, organizations should focus on fostering inclusion for these workers with just as much care as they do their employees. How work is assigned among workers may have implications (positive or negative) on both diversity and inclusion. For example, if alternative workers are brought on board to handle special projects, legacy workers who maintain business as usual may feel like they have been disadvantaged. To be truly inclusive, the entire workforce—alternative workers and traditional employees—should be considered holistically in terms of the organization's culture and work assignments.

Organizations that successfully create vehicles through which both traditional

and alternative workers can connect, belong, and grow will be in a better position to access these workforce segments by promoting an employer brand as an irresistible destination for talent. This is a challenge not only for leaders but also for all workers (alternative and traditional) to think and work differently given changes in the work itself and ways of working brought about by the alternative workforce and the other disruptors driving the future of work.

Getting started

Managing a diverse workforce with different backgrounds and cultures to provide an effective flow of alternative workers into the current workforce may be easier said than done. But by developing an inclusive, enterprise-wide approach, organizations can navigate this change—and position themselves to reap the rewards.

Organizations cannot afford to ignore growth of the alternative workforce and its pivotal role in the future of work. This change is here and growing, and those that are already leaning into it or likely be the most successful. Here are a few key considerations—beyond the questions posed above—as you explore your use of the alternative workforce and the role of diversity and inclusion in optimizing outcomes for individuals and the organization.

- Determine the mix: Based on your organization's needs and objectives, consider the workforce mix you'll need to meet them, including full-time employees, alternative workers, and automation
- Enable HR to support sourcing alternative workers through negotiating alternative

working arrangements, benefits management, and onboarding

- Craft and measure the results of specific talent management strategies for the alternative workforce around learning and development, performance management, and employee engagement
- Assess how the organization can foster the inclusion of remote and dispersed workers through enabling technologies such as video conferencing, digital collaborative workspaces, internal portals and communication tools
- Adopt inclusion as a core organization strategy, allowing your organization to leverage the best of both traditional and nontraditional working models to create a diverse workforce positioned for shared success

While organizations need to properly evaluate and determine their optimal mix of talent, those that leverage alternative talent effectively can expect more than just achieving and exceeding the goals of the enterprise. Those that do can set themselves apart as distinct leaders in their industry and the marketplace. Even though there may be hurdles involved, those who are able to navigate them will reap the benefits not only for the organization, but across all of the workers that comprise it.

Let's talk

If you'd like to learn more about the future of work and leveraging the power of diversity & inclusion in the alternative workforce, we'd welcome the opportunity to talk with you.

Authors

Devon Dickau

**Manager, Human Capital
Diversity & Inclusion**

Deloitte Consulting LLP
ddickau@deloitte.com

Steve Hatfield

**Principal, Human Capital
Global Future of Work Leader**

Deloitte Consulting LLP
sthatfield@deloitte.com

Key Contributors

Robin Jones

**Principal, Human Capital
US Workforce Transformation Leader**

Deloitte Consulting LLP
robijones@deloitte.com

Christina Brodzik

**Senior Manager, Human Capital
Diversity & Inclusion**

Deloitte Consulting LLP
cbrodzik@deloitte.com

Zac Shaw

**Senior Consultant, Human Capital
Workforce Transformation**

Deloitte Consulting LLP
zshaw@deloitte.com

Susan K. Hogan

Manager - Market Insights

Deloitte Services LP
suhogan@deloitte.com

Deloitte.

This publication contains general information only and Deloitte is not, by means of this This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.

Copyright © 2019 Deloitte Development LLC. All rights reserved.