



Orchestrating the Alternative Workforce to increase business agility and create impact

Introduction

Defining what the “workforce” consists of can be a difficult task in current times. Crowd workers, freelancers, gig workers – would all of these be considered a part of it? Most managers say “yes” - 87% of respondents of a recent global survey include some external workers when considering their workforce composition.¹

For organizations to adopt a strategic approach to the future of work around the concept of workforce ecosystems, MIT Sloan School of Management and Deloitte collaborated to challenge the traditional closed-off workforce definition and conceptualized -

“A workforce ecosystem includes both employees and external parties that don’t work directly for an organization yet may be integral to its success.”² Individuals, companies, and technologies are all considered members of a workforce ecosystem.

In this article, our focus is on the Middle East workforce trends and specifically the ‘human element’ of workforce ecosystems – the employees, and to bring attention to the individuals who aren’t directly employed by the organization yet the business is ever-increasingly more dependent on them. The term that best describes this group of people is “Alternative Workforce”.

In recent times, we have seen upwards of 30%-50% of an organization composed of alternative workers,³ with an increasing reliance on them for skills and activities that are high-value and strategically important. Yet, organization workforce strategies and practices are still designed for traditional workers. Even now, alternative workers are often treated as outsiders, typically not included in organizations’ workforce planning, unable to access development opportunities, and not effectively recognized for their contributions to the business, all impacting productivity and personal engagement.⁴

Organizations need to revisit the way they think of their workforce; as an all-inclusive, boundaryless ecosystem where different workers have different needs and contribute in different ways while effectively collaborating with each other to deliver value. With the market disruptions, to prepare for the future, they need to review and remodel themselves to include workforce strategies, processes, systems, and programs that maximize the unique potential of different worker types while supporting them all in a more consistent way. This will not only improve business agility and scalability but also ensure expanded access to talent, skills and improved worker experience, productivity, performance and collaboration.

Evolution and Adoption of the Alternative Workforce

The composition and definition of workforce has evolved over the years and today many types of workers and working arrangements coexist in the same environment: temporary employees, part-time, freelance, supplemental, gig workers, contractors, etc. This outlook of the workforce is not slowing down and is instead rapidly accelerating due to the fact that qualified employees are becoming increasingly more difficult to find; as seen for the largest futuristic city gig-project in KSA that relies heavily (more than 65%) on alternative workforce for some of their key business verticals.

Alternative work comes in many shapes and sizes

- **Alternative workforce:** Includes contractors, freelance/independent workers, gig and crowd workers.
- **Freelance/independent workers:** workers who extend the core employee workforce and are typically paid by the hour, day, or other unit of time.
- **Gig workers:** Workers paid by the task (or microtask) to complete a specified piece of work.
- **Crowd workers:** Workers who compete to participate in a project and are often only paid if they are among the top participants in a competition.

Organizations have tried to adapt but have had to design solutions around the boundaries of the traditional workforce models and policies. Even now, most leaders deploy alternative workers tactically to “fill slots”, rather than strategically to fully capitalize on their workforce ecosystem as a driver of innovation and growth.⁵ The relationship is often transactional; with few to no business processes in place for sourcing and managing alternative talent and as a result – impacting productivity and personal engagement.

There are already some shifts in the mindset wherein 93% of global managers consider external workers to be a part of their entire workforce⁶. Moreover, their niche skills and talent have paved way into integral business functions such as IT, operations, marketing and R&D⁷; and their contribution is projected to only increase in the future.

Although adoption has increased, organizations are yet to integrate alternative workers into their workforce and culture which suggests a readiness gap. This is evident by the recent Deloitte 2023 Global Human Capital Trends survey, where 84% of global business leaders recognize the importance of inclusively leading an expanding workforce, including those inside and outside the organization. However, only 16% of those business leaders across global and Middle East organizations, believe they are very ready to do so, representing a low readiness score (figure 1).

We're now at a point where duct tape and baling wire aren't good enough and fundamental changes are required. With an ecosystem mindset and open workforce platform those traditional boundaries are removed enabling leaders to maximize the contributions of their alternative workforce.

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Limited

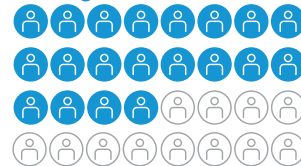


Organizations utilize alternative workers for specialty, point-in-time services that are in demand during a defined period of the year

Functional areas:

- Finance
- Sales
- HR
- Supply Chain / procurement

Growing



Organizations' beginning to become reliant on alternative workers as their business and customer needs are changing

Functional areas:

- Customer Service
- Innovation/R&D
- Marketing

Critical



Organizations business model is built almost entirely on services provided by alternative workers, irrespective of seasonal and cyclical demands

Functional areas:

- Operations
- IT

Source : Deloitte

Figure 1: The varying degree to which organizations are using alternative workers to support their business operations

The future outlook of the Alternative Workforce

Among the many challenges leaders have faced over the last decade, one that remains constant is sustaining a competitive workforce, which imperils not only an organization's financial and operational performance but also its reputation and brand⁷. With workforce risk ranking second on organizations' top priorities, alternative workforce has been leveraged predominantly as a solution to the prevailing talent shortage problem faced by most industries.

Last year, the ManpowerGroup reported a 16-year high talent shortage with 3 in 4 employers globally facing difficulties finding the talent they need⁸. A leading industry research estimated an 85.2 million talent shortage of skilled workers by 2030 in three major knowledge-intensive industries – financial and business service, TMT, and manufacturing⁹.

Across the Middle East, the majority of employees surveyed believed that there is a shortage of people with specialized skills. However survey results show that Middle East organizations prioritized upskilling (47% response rate) and salary increase (38% response rate) to retain skilled workers¹⁰. Through our engagement with clients across industries, we have observed an increasing tendency of employers, especially in Saudi Arabia and the UAE, to raise salaries rather than hire scarce and therefore expensive foreign talent to address skills and labor shortages. In the last few years, it has become evident that the Alternative workforce is here to stay and is now getting recognized as a fundamental growth pillar and driver of innovation by the government agencies as well. Countries across the Middle East are reviewing and updating their legislations to facilitate multiple employment types including freelancers, gig workers, digital nomads etc. Per capita, the UAE has one of the highest percentages of freelancers in the world, only behind Hong Kong, USA and South Korea. This high rate of alternative workforce can be attributed to several factors, such as the large expat population, the presence of a thriving startup ecosystem, and the government's efforts to promote entrepreneurship, gig economy and innovation.¹¹

Additionally, for many organizations, digital workplace and flexible working arrangements have become the saviors when faced with talent shortages and ever increasing reliance on alternative workforce. A combination of the right digital workplace technologies that are designed, implemented and supported appropriately is key to facilitate flexible working, enhanced employee experience and well-being¹². A robust digital workplace architecture will enable modern ways of working while ensuring data security, as the adoption of hybrid working and cloud continue to increase.

Finding better ways to integrate non-traditional workers into the workforce, enhance their experience and embed them into the culture will provide organizations increased access to crucial skills and talent. It will also help unlock the full potential of that talent while improving the organization's ability to scale up and down or shift focus more rapidly in response to changes in the marketplace.

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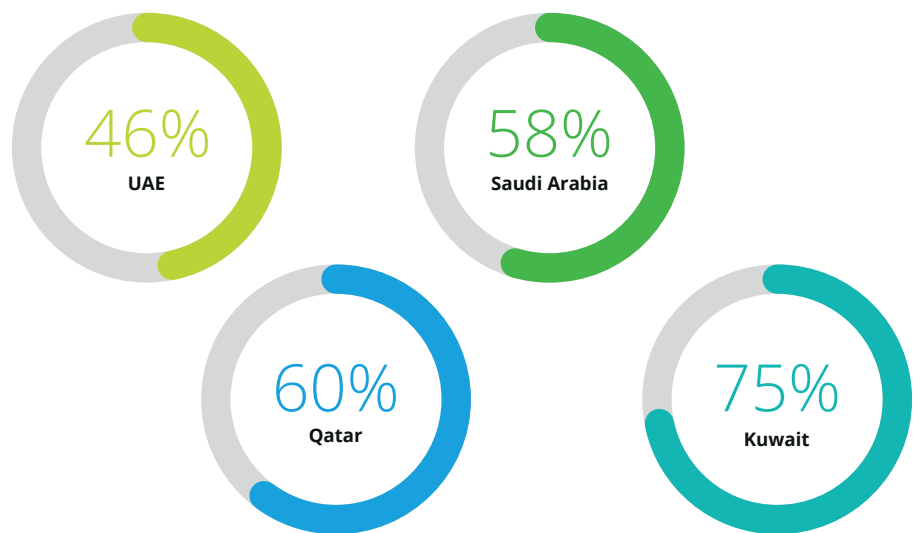


Figure 2: Respondents who believe their country has a shortage of people with specialized skills

Integrating and leveraging the Alternative Workers

While most organizations are just realizing the strategic importance of the alternative workforce, leading global organizations have already started paving the way to integrate it, enhancing its experience across the lifecycle and establishing a strong foundation for future success. These include new sets of management practices, HR policies, leadership approaches, and other changes; where companies fall on a spectrum from Established to Aspirational (see Figure 3). When we say established, we mean that practices are widely adopted and accepted by most organizations. The term Aspirational means that practices are just making their way into workforce strategies involving independent workers. And as we studied companies, we found that the effort to reach toward aspirational solutions takes investment. Some companies understand the reason for this investment, others do not.¹³

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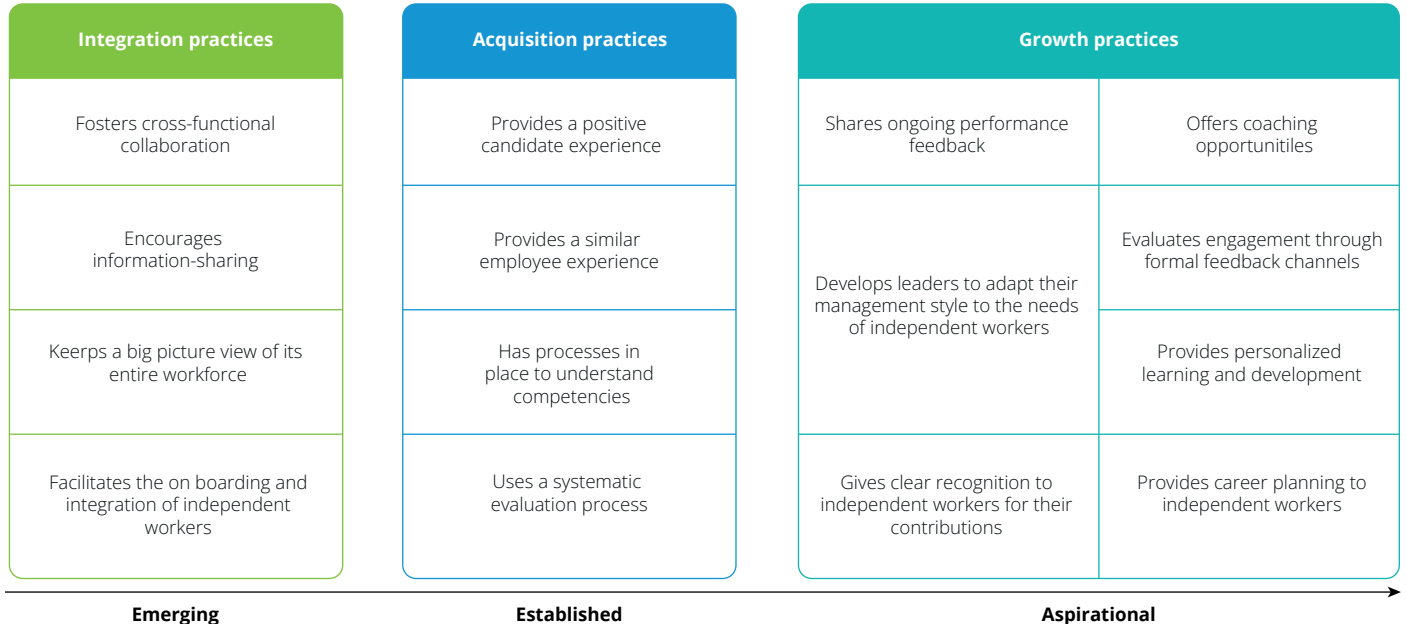


Figure 3: Practices for leveraging the alternative workforce¹³

Focus areas and initiatives as observed by some global organizations consist of:

Inclusive workplace culture: Novartis provides an inclusive workplace culture, by integrating the management of its alternative workforce (which constitutes 1/3 of its total workforce) under the umbrella of its People & Organization function. This promotes them to engage with the company's culture and values. "Our vision is to offer a seamless experience to embrace workforce strategy holistically. We see the value in investing into our HR teams to manage the external workforce even more purposefully," explains the Global Head of Talent at Novartis.¹⁴

Ways of working: Unilever, global FMCG organization, considers the estimated 3 million people, third parties, and agencies an integral part of the company's workforce, and are working to digitize data and insights about the external workforce to upskill and integrate them, thereby creating a more flexible and agile workforce.¹⁵ It has fully embraced the philosophy of "what people produce (outcomes), not where and when they work" for designing options that help people balance work and home life.

Additionally, they provide opportunities for minimum retainer contracts with Unilever and a guaranteed core set of benefits, through the "U worker" program, that further assimilates the alternative workforce into the organizations' ways of working while enhancing their experience.

Health and wellness benefits: The global pandemic prompted many organizations to relook at their 'employee' landscape, and the value proposition to the workforce ecosystem. Nike serves as an illustrative case in point, as it made a deliberate effort to incorporate contingent workers at its distribution centers, into its policies concerning pay continuity, absenteeism, and the provision of leaves of absence, among other important considerations, when defining the optimal course of action for its workforce.¹⁶

Professional development opportunities: The largest professional services firm provides access to the alternative workforce to all learning resources. Deloitte has a robust learning ecosystem with partnerships with leading technology and training content platforms such as Cura, LinkedIn etc., to help practitioners better serve clients through collaboration, knowledge sharing and professional development.

Another shift in integrated workforce management is not only happening in select organizations, but the industry communities are coming together to partner and are challenging each other to rethink workforce management. For example, organizations across the US Energy industry have come together to form the 'Supplemental Workforce Community of Practice' to share challenges and best practices for overcoming them, and ways to engage the supplemental workforce in an appropriate way.¹⁷

Conclusion

While organizations in the Middle East have started making efforts to attract and engage their alternative workforce, are they integrating the workforce into their operating model? Now is the time to relook at the workforce model and make bold moves, re-envision culture and employee experience, integrate work and workforce, facilitate learning and development, to stand out as a compelling destination for the high talent workers of tomorrow.

Let's talk

If you would like to learn more about transforming your HR strategy, management practices, policies and processes to attract, engage, and empower alternative talent for your organization, we'd welcome the opportunity to talk with you.

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