



Future of Work Series | Reimagining Workforce and Workplace Mechanics: Who Will Do the Work?



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Introduction

The COVID-19 pandemic has been an event of unprecedented proportions, with the world experiencing a complete collapse of supply chains, businesses, and industries, as social distancing norms and global lockdowns were implemented around the globe. Healthcare systems collapsed, unemployment increased, and cashflows disappeared – all in the span of a single year.

2021 started on a more optimistic note, with the expected availability of vaccines. While major economies such as the US, the UK, and the European Union inoculated large parts of their adult population, many regions including the UK, Europe, and South Asia have experienced severe second/third waves of infection.

Organizations worldwide have had to overcome unprecedented challenges to sustain business activity in the last 18 months. American author and crisis management expert Judy Smith once said, “There’s always an opportunity with crisis. Just as it forces an individual to look inside himself, it forces a company to reexamine its policies and practices.” Given the drastic events of the last 18 months, there is an increasing need for organizations to relook at their workforce and the mechanics of work and the workplace afresh.

This report is the second in a series of three reports on the future of work. The research leverages existing intellectual property and data from a survey of 200 senior HR leaders across various geographies, industries, and organization sizes. In this study, we examine the three key questions confronting the workforce and workplace mechanics:

- Where will the work be done?
- Who will do the work? **(covered in this report)**
- How will the work be done?

As organizations increasingly look at ways to support and grow their businesses in an environment characterized by extreme uncertainty, HR leaders will need to be at the forefront of such work management efforts. This research provides practical advice to HR leaders and organizations on how to navigate the next normal for their organizations.

Disruptions in work and the workplace

Organizations worldwide have had to overcome unprecedented challenges to sustain business activity in the last 22 months. The COVID-19 pandemic's onset in 2020 was followed by an almost complete collapse of supply chains, businesses, industries, and healthcare systems. In contrast, 2021 was marked by the optimism accompanying the wide availability of vaccines and the reopening of major economies, but subsequent waves of infection continued to pose a challenge. In this report, we explore two changing dynamics in greater depth:

- **The need to rapidly improve Diversity, Equity, and Inclusion (DE&I) in the workplace:** Many events in 2020, especially in North America, forced organizations to think about DE&I in a more holistic way. The COVID-19 pandemic and remote work impacted different parts of the workforce differently. Women, who usually shoulder a larger share of domestic work and childcare responsibilities, were disproportionately impacted by the pandemic. Globally, there are 13 million fewer women in the workforce in 2021 as compared to 2019¹. Also, workers from ethnic minorities were severely affected by the pandemic-induced job losses². More than ever before, employees and customers expect organizations to be responsible members of the larger community. As economic recovery gathers pace in 2021, it is important for organizations to attract, hire, and retain workers from diverse groups
- **The need for more flexible and scalable talent models:** The COVID-19 pandemic altered many industries' business models. As organizations shifted from pandemic-driven uncertainties to gradual economic recovery, the limitations of the traditional talent model became more pronounced. The last 20 months have given workers the chance to acquire new skills and change career paths often as freelancers / gig workers. Gen Z workers are increasingly looking at contingent work to upskill. These shifts underscore the need for organizations to embrace more scalable and flexible talent models, such as contingent workers, gig workers, and independent contractors

Workforce design principles for future of work

The pace and impact of the changes mentioned in the previous section make it imperative for **organizations to radically relook at their workforce and workplace mechanics to answer the following questions:**

- Where will the work be done?
- **Who will do the work?**
- How will the work be done?

The first question was discussed in detail in the first study in this series. In this report, we answer the second question, while the third question will be explored in the final paper in this series.

To operate in the post-pandemic future, organizations need to create a future-ready workforce using six design principles, as exhibited on the next page.

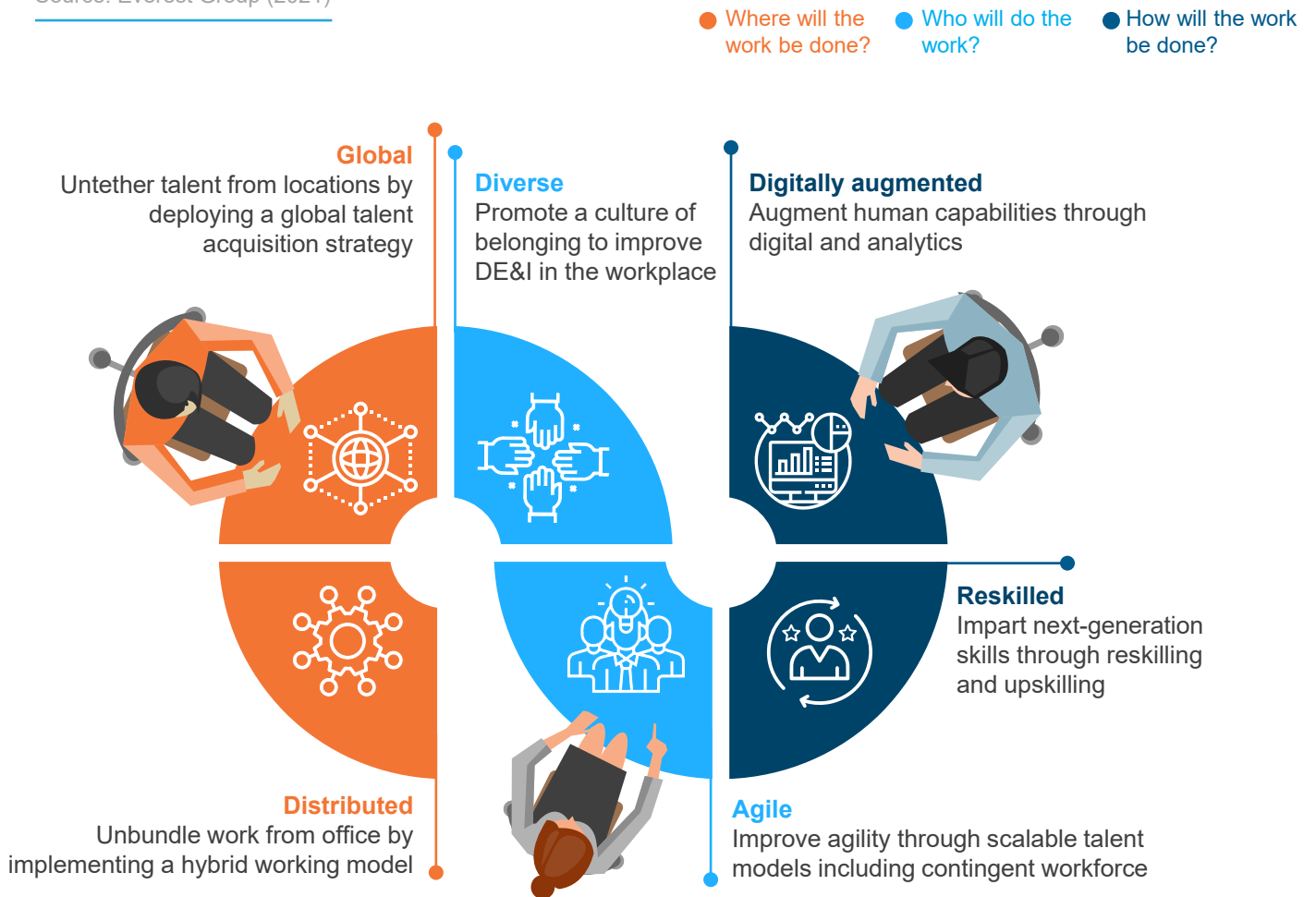
1 Source: International Labor Organization, 2021.

2 Source: Economic Policy Institute, 2020.

EXHIBIT 1

Six design principles to create a future-ready workforce

Source: Everest Group (2021)



The next-generation workforce will be distributed, global, diverse, agile, reskilled, and digitally augmented. In this research, we explore the creation of such a diverse and agile workforce through a culture of belonging and a scalable talent model.

Creating a diverse workforce: improving DE&I in the workplace

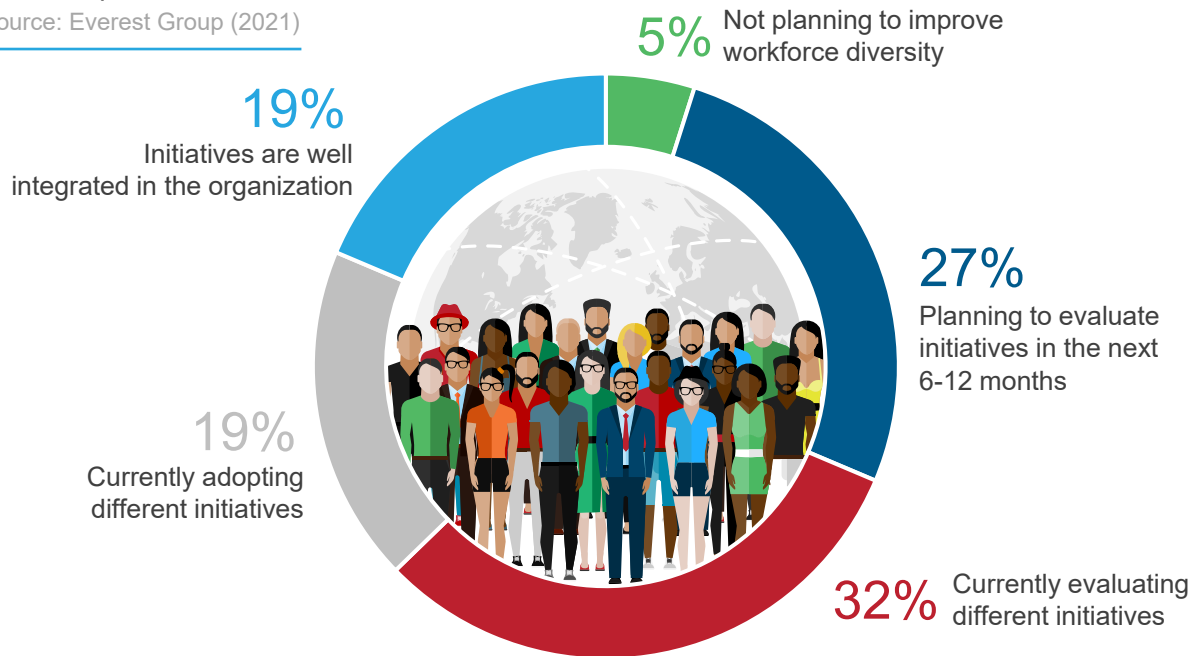
Almost 92% of organizations believe that a diverse workforce is more beneficial, while 95% want to improve their workforce diversity over the next 12-18 months.¹ While the consensus is to improve DE&I, different organizations are at different stages of the journey as showcased in the exhibit 2.

¹ Source: Future of Work Survey 2021, Everest Group.

EXHIBIT 2

DE&I adoption trends

Source: Everest Group (2021)



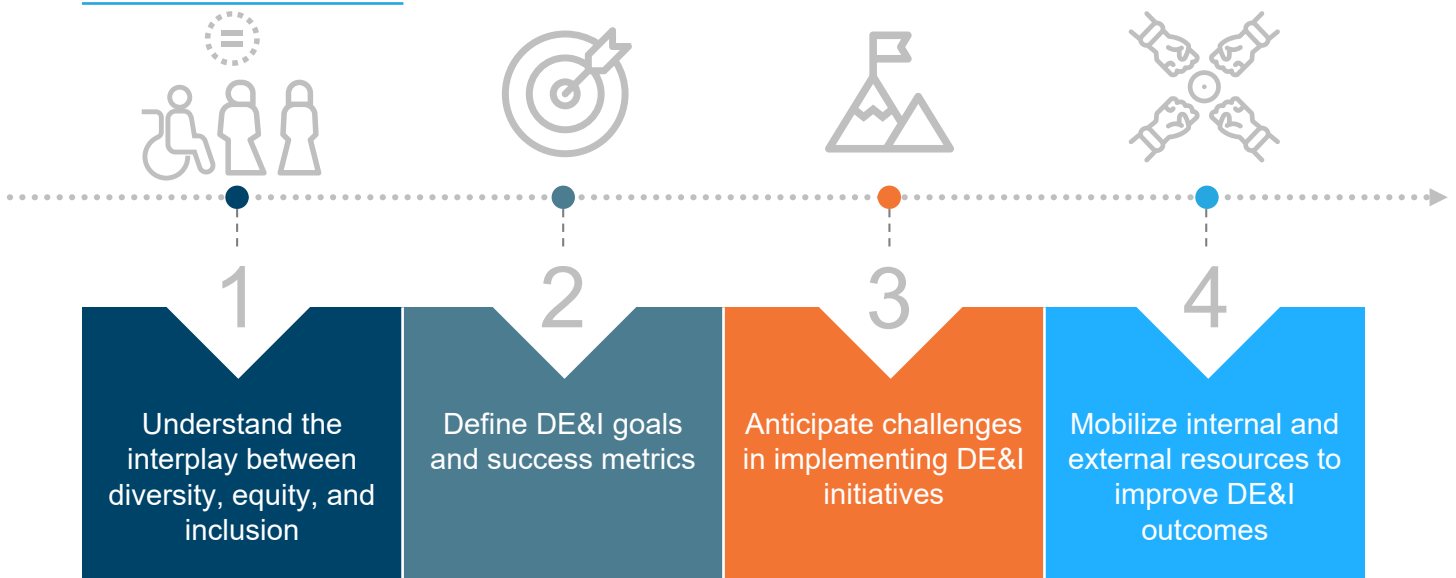
A playbook for creating a diverse workforce

While organizations experience a real urgency to improve their DE&I outcomes, the actual planning and implementation of DE&I initiatives is fraught with challenges. We recommend that organization leaders take a four-step approach to create a truly diverse workforce, as depicted below.

EXHIBIT 3

A four-step approach to creating a diverse workforce

Source: Everest Group (2021)



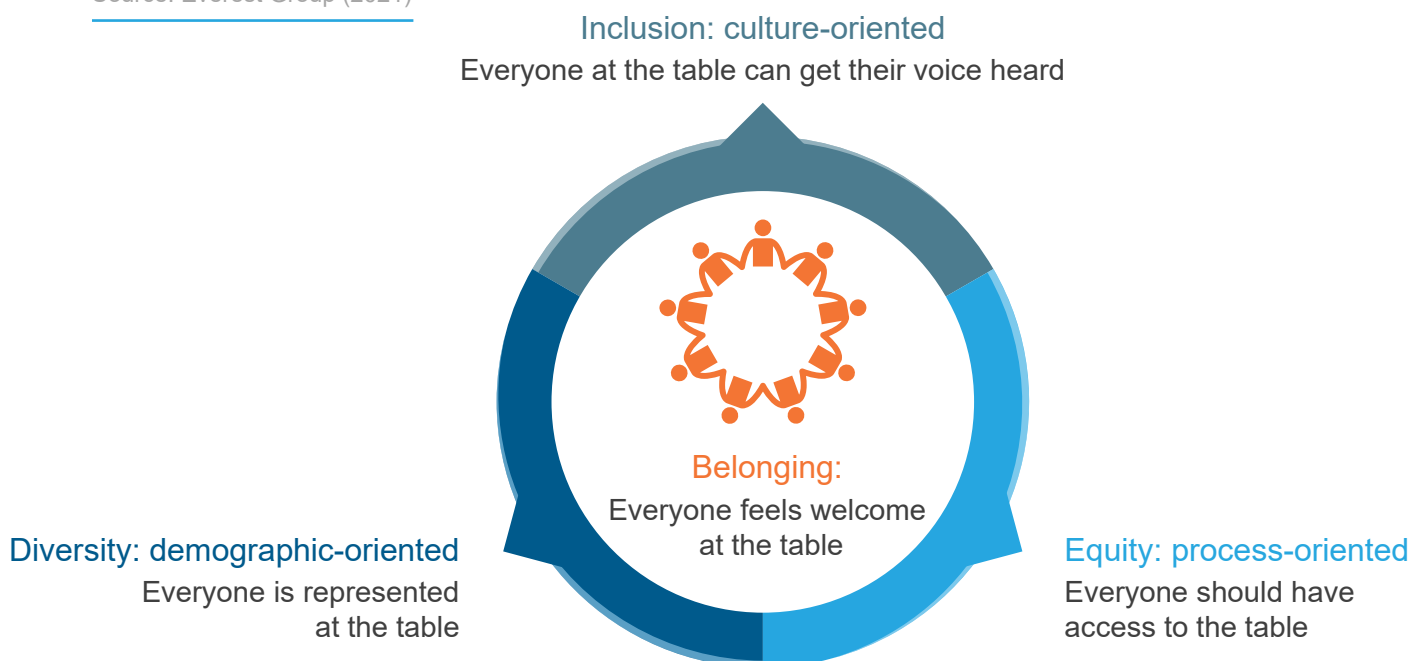
Below we take a closer look at each of these steps.

1. Understand the interplay between diversity, equity, and inclusion: Organizations need to understand the interplay between diversity, equity, and inclusion. Diversity is the presence of diverse demographic groups in the workforce, equity is the fair access to opportunities for all employees, and inclusion ensures that all employees feel valued irrespective of their backgrounds and preferences. Diversity without equity and inclusion may be seen as tokenism. By enabling all three elements, organizations can create a culture of belonging which is necessary for creating a truly diverse workplace.

EXHIBIT 4

Understanding diversity, equity, inclusion, and belonging

Source: Everest Group (2021)



2. Define DE&I goals and success metrics: Every organization's diversity goals depend on its geography, size, and industry. In our survey, 62% of North American organizations stated that improving racial/ethnic diversity was their primary objective, while 65% of European organizations mentioned that their top priority was improving the representation of people with disabilities.¹ While diversity concepts such as ethnicity and gender are well understood, awareness about others, such as Lesbian, Gay, Bisexual, Transgender, and Queer (LGBTQ) and neurodiversity, is evolving. Implementing simultaneous initiatives to improve all diversity types would be highly challenging. Thus, organizations need to contextualize their DE&I goals and define appropriate success metrics. The success metrics need to be quantitative as well as qualitative and based on actual employee feedback. Moreover, while it is important to meet diversity goals at an organizational level and at the board and senior managerial levels, organizations need to embrace diversity as a design principle even at team and business unit levels. The exhibit below showcases the types of workforce diversity that organizations want to improve.

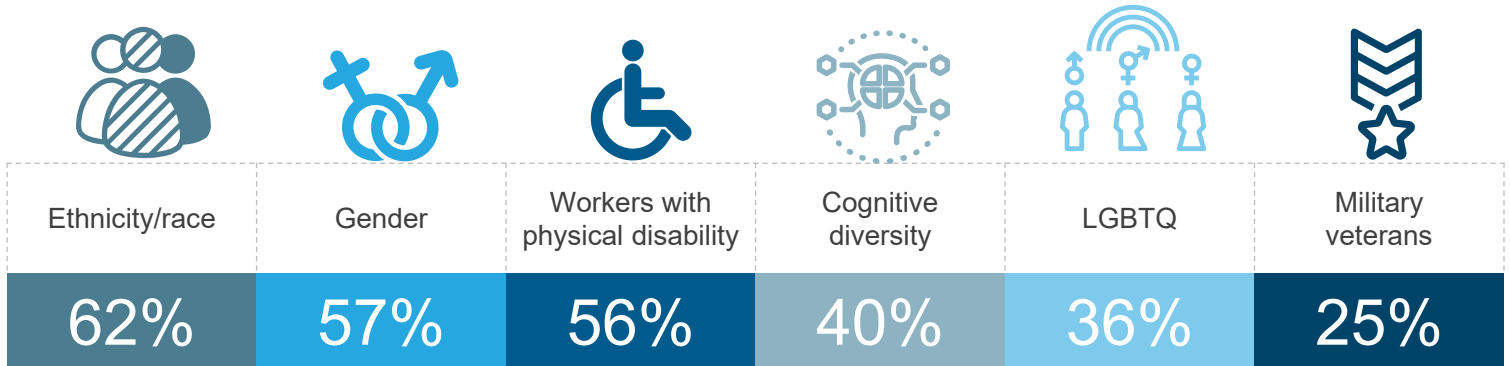
¹ Source: Future of Work Survey 2021, Everest Group

EXHIBIT 5

Types of workforce diversity that organizations want to improve

Source: Everest Group (2021)

Percentage of respondents



3. Anticipate challenges in implementing DE&I initiatives: Despite their best efforts to improve workforce diversity, organizations often encounter challenges, which can broadly be classified into three groups – the inability to attract diverse candidates, the lack of an inclusive organizational culture, and insufficient organizational support structures, including leadership buy-in – as depicted in the exhibit below. HR leaders need to consider these challenges carefully when planning their DE&I initiatives.

EXHIBIT 6

Challenges in achieving workforce diversity

Source: Everest Group (2021)

Percentage of respondents



4. Mobilize internal and external resources to improve DE&I outcomes: While individual DE&I initiatives can provide incremental improvements, the programs’ long-term success depends on promoting a culture of belonging at the workplace, which will involve:

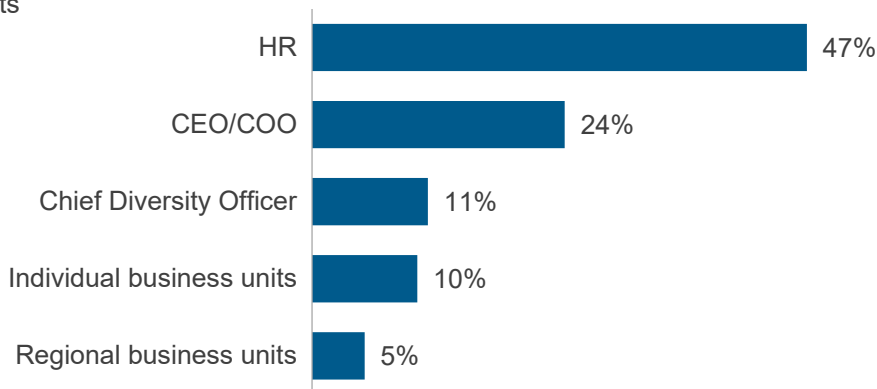
- Reimagining the talent acquisition process:** Organizations can alter their employee value proposition to attract more diverse talent. Specialized tools to rewrite job descriptions, hide demographic information from resumés, and DE&I training for recruiters and hiring managers can help reduce some of the inherent biases in the recruitment process. As companies use more technology to screen and assess candidates, it is important that the Artificial Intelligence (AI) algorithms are ethical and the assessment tests do not unnecessarily filter out neurodiverse candidates, such as those with dyslexia. Use of diverse contingent workers can help improve diversity in the overall workforce
- Creating inclusive policies and support structures:** Organizations need to institutionalize policies that promote inclusion as a foundational pillar for all workplace interactions, including parental and bereavement leaves, dedicated workplace infrastructure such as disability-inclusive infrastructure, dedicated childcare areas, and specialized health and wellness benefits for working mothers, veterans, and persons with disabilities. Organizations also need to encourage Business Resource Groups (BRGs) or voluntary employee-led groups that help diverse employees through career development, mentoring, and networking
- Establishing clear accountability and tracking progress:** Different organizations take varying approaches to drive DE&I initiatives, as shown in the exhibit below. It is important that these initiatives have executive support, clear accountability, and a performance measurement mechanism. Some organizations have appointed a dedicated DE&I leader or a Chief Diversity Officer and have also institutionalized cross-functional inclusion councils to drive cultural change

EXHIBIT 7

Owner of the primary responsibility of DE&I initiatives

Source: Everest Group (2021)

Percentage of respondents



- Engaging external help to ensure successful execution:** Not all organizations are equipped with the people, processes, and technologies to plan and execute DE&I initiatives. Close to 84% of HR leaders are open to considering external help for DE&I initiatives, as highlighted in Exhibit 8 on the next page.¹ Specialized services and technology providers can provide strategic advisory, industry best practices, and purpose-built technology tools to assist in the successful execution of organizations' DE&I strategies.

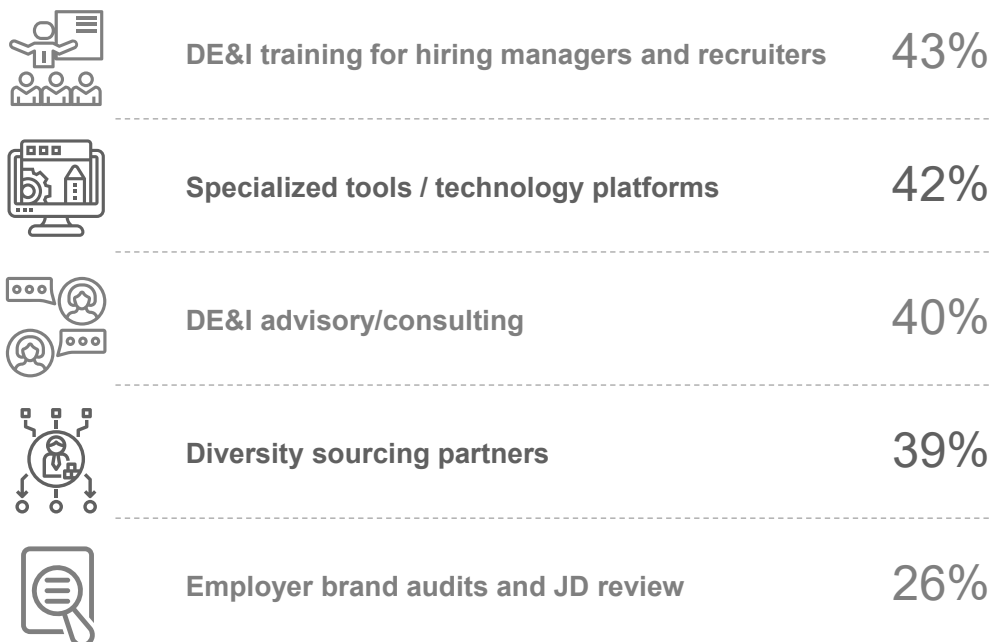
¹ Source: Future of Work Survey 2021, Everest Group

EXHIBIT 8

Types of external assistance for executing DE&I strategies – already leveraging / planning to leverage

Source: Everest Group (2021)

Percentage of respondents



Creating an agile workforce: leveraging contingent workforce

Organizations have been increasing the use of contingent workers over the decades. In fact, 62% of organizations reported that contingent workers form more than 40% of their total workforce.¹

Historically, the cost advantage and associated flexibility were the primary drivers for organizations to use contingent workers. However, after the pandemic, advantages such as access to talent, speed of deployment, and business continuity have become more important factors.¹ At a time characterized by talent shortages, changing business models, and increased economic volatility, contingent workers have become vital cogs in the wheel, with 73% of organizations expecting to increase the leverage of contingent workers in the next 12-18 months.¹

A playbook for optimally leveraging a contingent workforce

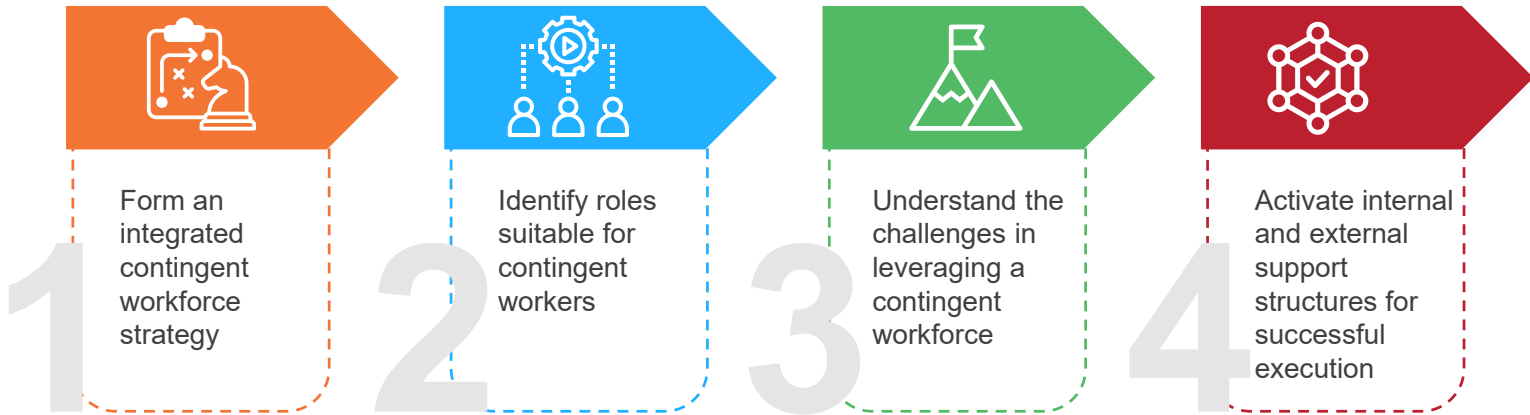
To maximize the benefits they can achieve from their workforce strategies, organization leaders should optimize the use of contingent workers using a four-step approach, as shown on the next page.

¹ Source: Future of Work Survey 2021, Everest Group

EXHIBIT 9

The four-step approach to optimally leverage the contingent workforce

Source: Everest Group (2021)



1. Form an integrated contingent workforce strategy: While organizations realize the importance of optimally using the contingent workforce, only 23% have an integrated contingent workforce strategy in place, as depicted in exhibit 10. The contingent workforce strategy should define the contingent workforce program’s objectives, ownership, roles and responsibilities, risks, governance mechanism, and performance metrics. Further, the strategy needs to be aligned with the firm’s workforce and business strategy.

EXHIBIT 10

Integrated contingent workforce strategy adoption

Source: Everest Group (2021)

Percentage of respondents

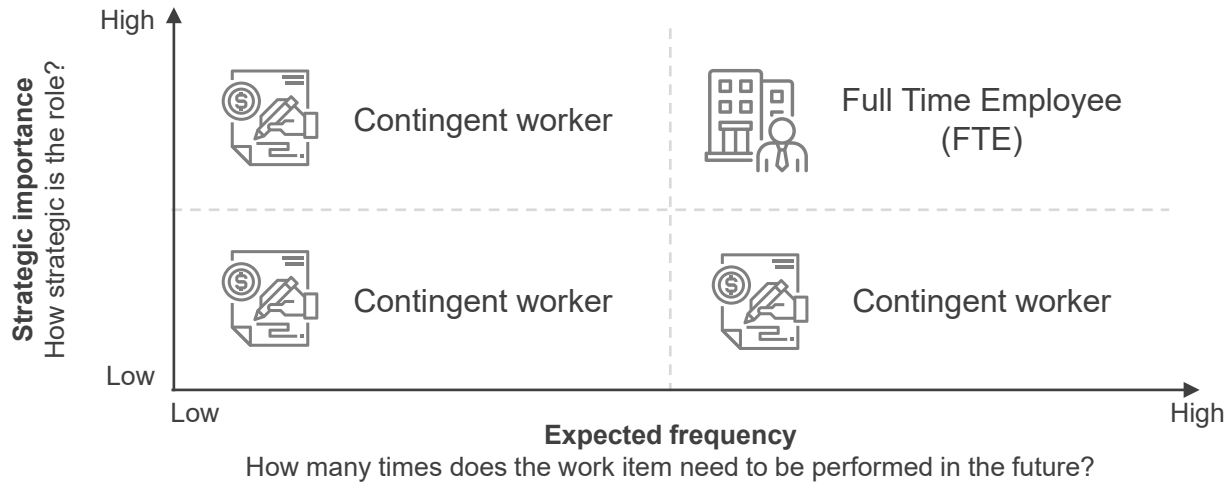


2. Identify roles suitable for contingent workers: HR leaders and hiring managers can determine the suitability of contingent workers for specific roles based on the work item’s expected frequency and the role’s strategic importance. Contingent workers are better suited for roles that have less frequent / point-in-time tasks and low strategic importance.

EXHIBIT 11

Roles suitable for contingent workers

Source: Everest Group (2021)



3. Understand the challenges in leveraging a contingent workforce: While the use of a contingent workforce offers many benefits, organizations face several challenges in practice. As highlighted in Exhibit 12, these challenges can be broadly classified into three categories: challenges related to contingent talent acquisition, challenges in contingent workforce management, and challenges related to overall employee engagement and organizational culture.

EXHIBIT 12

Challenges in leveraging contingent workers

Source: Everest Group (2021)

Percentage of respondents



- 4. Activate internal and external support structures for successful execution:** Organizations will need to make changes to their internal policies and organizational cultures, as well as get external help where required, to address the challenges in optimally deploying a contingent workforce. Such changes should include:
- **Changing the contingent talent hiring process:** The competition for top talent is intensifying even among contingent workers, and organizations need to communicate a strong employee value proposition to attract best-in-class contingent talent. The tools and technologies to attract, engage, and hire permanent talent are becoming increasingly relevant for contingent talent as well. Although staffing suppliers are the biggest source of contingent workers, organizations need to optimally use other channels, such as freelancer marketplaces, Statement of Work (SoW) professionals, and Independent Contractors (ICs), depending on the specific task's/project's requirements
 - **Assigning cross-functional program ownership:** Historically, contingent workforce programs have seen varied ownerships – often with procurement teams but also with HR, finance, and individual business units. Organizations need to break the silos and create a cross-functional ownership, including procurement and HR, for these programs. This is also highlighted by 73% of HR leaders, who expect an increase in their contingent workforce management responsibilities in the next 12-18 months¹
 - **Focusing on contingent talent engagement:** Many organizations continue to treat permanent and contingent workers differently. While organizations want to avoid co-employment risks, they can still deploy initiatives to help contingent workers connect with colleagues and the leadership, get development opportunities, align with a streamlined performance management process, and get hired for permanent roles
 - **Leveraging data and digital to improve program management:** Contingent workforce management programs often suffer from ad hoc, manual processes and lack of relevant data to support decision-making. Specialized digital tools, program performance, and market benchmarking data can help leaders manage the program better. Exhibit 13 on the next page highlights some of the relevant tools that can be leveraged by organizations
 - **Engaging external experts to ensure successful execution:** Not all organizations are equipped with the people, processes, and technologies to hire and manage contingent workers at scale. Providers with a global market presence, local market know-how, access to talent data, and the right technology can help organizations harness the power of the contingent workforce

Organizations need to break the silos and create a cross-functional ownership, including procurement and HR, for these programs. This is also highlighted by 73% of HR leaders, who expect an increase in their contingent workforce management responsibilities in the next 12-18 months.

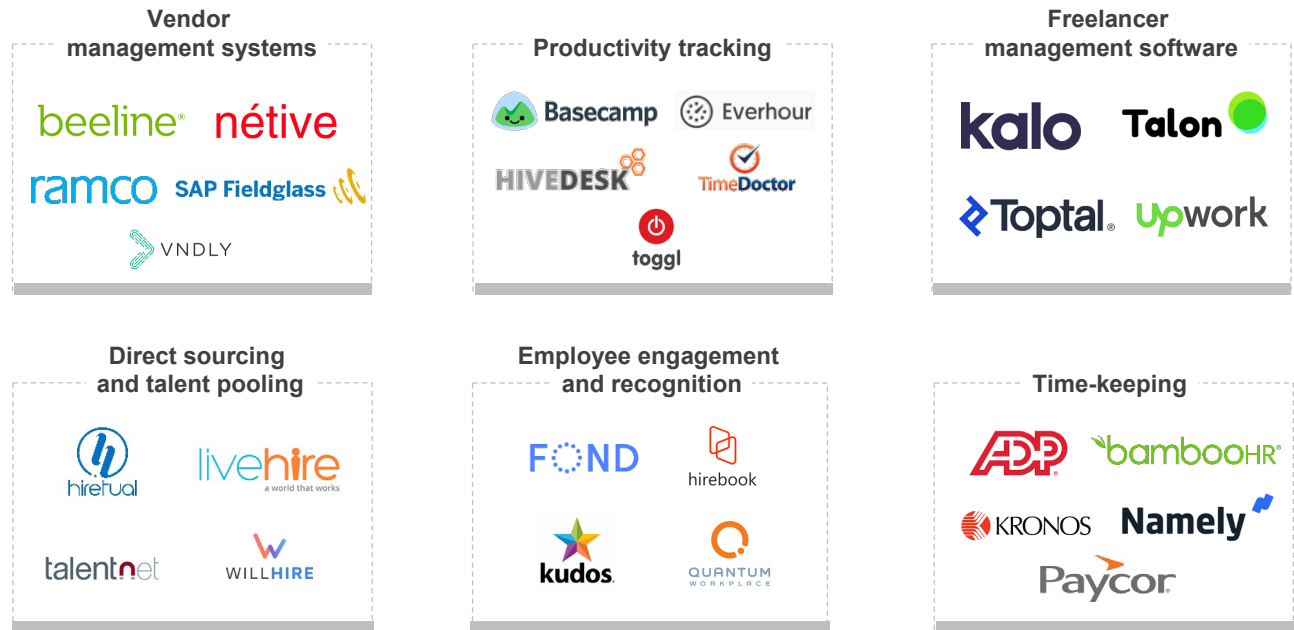
1 Source: Future of Work Survey 2021, Everest Group

EXHIBIT 13

Contingent workforce programs – data and digital interventions

Source: Everest Group (2021)

NOT EXHAUSTIVE



Activating a diverse and agile workforce through flexible work

While improving workplace DE&I and optimally using the contingent workforce may seem like two distinct objectives, they are closely linked. Organizations in developed economies with an aging population can improve their workforce diversity by hiring more Gen Z workers through flexible work arrangements/gigs. At the same time, as organizations look for ways to attract and retain top-quality contingent talent, workplace DE&I can be a true differentiator in the employee value proposition. Thus, flexible work arrangements can be the bridge to achieve the twin objectives of diversity and agility in the next normal.

Conclusion

The COVID-19 pandemic has given organizations a once-in-a-generation opportunity to reimagine their workforce and workplace mechanics. Organizations need to build a workplace that not only accommodates diverse employees, but also makes them feel valued irrespective of their backgrounds and preferences. They also need to shift to a talent model that selects the best talent for each role, regardless of the worker category. For this workforce to succeed, organizations will need to fundamentally transform the way in which work is delivered, a topic that we explore in the last paper in this series. Companies that can successfully reimagine their workforce and workplace will be able to realize the full human potential of their employees and exceed their business goals.



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