



# **2017-2018 TOP 5 WORKFORCE TRENDS**

**AND THE ONGOING *war for talent***



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**1-866-564-4222**



# TOP 5 AND WHAT THEY MEAN FOR YOUR BUSINESS TRENDS

The current labor situation has changed dramatically since the Great Recession and financial crisis of 2008 - 2009. With the state of the economy beginning to turn around, as evidenced by the latest employment figures and recent rate increase by the Fed, there are a number of workforce trends we can expect to see emerge or gain momentum in 2017-2018.

The overarching meta-trend, of course, is the war for talent: fierce competition among organizations vying to attract the bright minds and skilled hands as businesses cope with increased demand, shifting skill sets and a shrinking domestic talent pool.





# WORKFORCE TREND **BABY BOOMERS MASSIVELY EXIT THE WORKFORCE.**

2016 marked the beginning of a seven-year demographic bulge during which millions of Baby Boomers will reach retirement age.

Despite the uptick in economic activity, Boomers will continue to be encouraged to retire at age 65 and as they do, new and wider employment gaps will be created. In 2017 and beyond, organizations will find it increasingly challenging to source enough talent to fill these gaps.

Add to this the fact that jobs held by these retiring Boomers were generally long-term management positions for which the younger generation of highly specialized and technology-focused workers are ill-prepared.

As a result, companies faced with this generational talent gap will be forced to re-engage retiring Boomers as consultants or independent contractors. The “retired” Boomers will continue to do the same work, but for more money.

Although this approach may seem attractive and, in fact, often the only viable option, businesses who wish to retain their retirees as consultants take great care to properly manage the manner in which these workers are retained in order to ensure that they are properly classified as true independent contractors. Failure to do so can have very serious consequences.

# HOW TO PREPARE YOUR BUSINESS

Start to pro-actively examine your workforce to clearly identify which positions will need to be filled over the next seven years.

## DO YOU HAVE THE SKILLS TO FILL THEM INTERNALLY?

If **so**, set up a formal grooming, training and mentoring plan to ensure that the Gen X talent, that is poised to follow in the Boomers' footsteps, are prepared to step in and step up.

If **not**, organizations need to design a clear strategy around how they intend to fill the gaps:

- Start pro-actively looking at the marketplace to identify talent that will have the potential to step in;
- Look at current workers approaching retirement and understand which ones would be willing to continue beyond mandatory retirement.

## RE-EXAMINE RETIREMENT AND PENSION POLICIES.

Do existing policies bar retirees from being rehired as a consultant or result in loss of pension? If so, you'll need to modify these policies **or end up scrambling to find quality talent on the open market – where such talent will be in very high demand.**

One way or another, it's going to cost you more unless you start planning today.



# WORKFORCE TREND **THE RISE OF THE FREELANCE ECONOMY**

No 2

Despite the rise in full-time job opportunities, a significant and growing proportion of the workforce will continue to prefer contingent employment. What may have started out as a necessity, for many has turned into a preferred way of life.

## **Increasingly a preferred way of life**

In fact, the majority of freelancers would probably turn down an offer of full-time employment, even if it offered a large salary. This is particularly true of the younger generation of knowledge workers who are in high demand because of their unique and specialized skill sets.

These contingent workers would tell you that they prefer a one-year contract at lower pay rather than a permanent job with higher pay. Why? Quite simply because the tax rate paid by a full-time employee is almost three times greater than for an independent contractor.

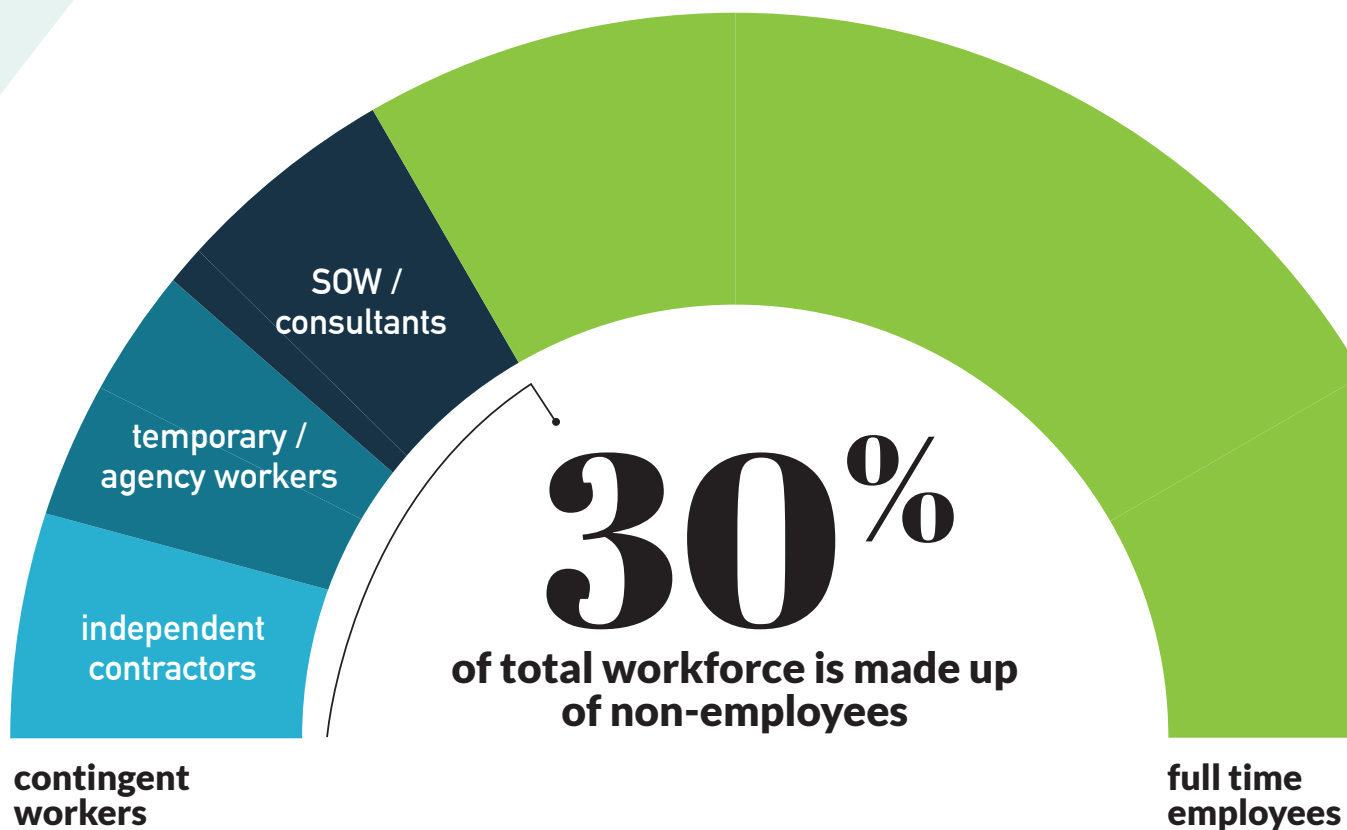
# 15.2M

**self-employed workers**

in the US in Feb 2016 source: Bureau of Labor Statistics

Add to this the fact that in fields such as IT, there is a very significant advantage to the diversity of experience that comes from working in different fields on different platforms with different tools. For these knowledge workers, employment mobility is an effective way to broaden their skill sets, increase their value, and put themselves in higher demand.

The growth of the freelance economy is not only fueled by financial motivations, It is also closely linked to the values and priorities of the younger generations. They will begin to dominate the workforce in the coming years as Boomers exit the workforce.



### Changing work ethic and values

Whereas Boomers valued the stability of long-term employment within the same organization, Millennials are prepared to work hard but they strongly value a work-life balance.

Their attitude is: "I know what needs to be done and I'll do it. I don't need someone to tell me how to do it." These individuals are not looking at a job as a long-term opportunity. They see it as something that is good for them now and when it's done, they want to be able to move on to the next opportunity.

# THE IMPACT ON YOUR BUSINESS?

Start to pro-actively examine your workforce to clearly identify which positions will need to be filled over the next seven years. The most skilled of classes of workers **will not be available for permanent purchase** to support organizations' internal structures. Freelancers, consultants and independent contractors will become the norm with **obvious consequences on the long-term stability of the workforce**.

## HERE ARE A FEW AVENUES TO CONSIDER:

- Look to emerging staffing firms who have the ability to leverage technology in order to **deliver in-demand skills, sourced globally**.
- Consider the creation of a **proprietary talent pool of alumni workers** that would serve as your preferred source of skilled workers with proven track records and a good understanding of your business.
- When retaining freelancers, contractors and SOW workers, always remember to structure the relationship appropriately and ensure that these workers do in fact qualify to be classified as 1099s. Otherwise, the consequences can be significant and sometimes even devastating to your business.

**The shortage of talent will only continue to grow. How you deal with this trend will impact your future growth and success.**





# WORKFORCE TREND **INCREASED LITIGATION**

As the contingent workforce continues to grow, so will government litigation focused on misclassification of employees as independent contractors. Expect to see more of it in 2017.

No 3

The IRS has become acutely aware of the impact of the freelance economy on its tax base and will continue to take aggressive steps to protect tax income as the trend grows.

## **Striking a balance**

At the same time, their enforcement efforts are in essence hindering retired Boomers' search for work as consultants: work that would also generate tax income while helping businesses to grow. The IRS will sooner or later need to strike a balance in how they view independent contractors and to what degree they put pressure on this essential workforce. In the meantime, care must be taken not to put yourselves at risk.

## **Bigger than you think**

With 30 to 35 percent of the workforce currently comprised of contingent labor, government recognizes that this segment of the workforce represents a substantial source of federal income taxes, social security premiums and Medicare taxes. What will this litigation look like? The lawsuits against FedEx and Uber in 2015 are two high-profile examples.

At the end of their legal battle, FedEx settled a misclassification claim by its 2,000 workers for 228 million dollars after a court ruled that the logistics giant had misclassified its drivers as independent contractors.

## **CRACKDOWN STATES**

Alabama  
Alaska  
California  
Delaware  
District of Columbia  
Georgia  
Idaho  
Indiana  
Iowa  
Kansas  
Kentucky  
Louisiana  
Massachusetts

Mississippi  
Missouri  
New Hampshire  
New York  
North Carolina  
Oregon  
Pennsylvania  
Rhode Island  
Utah  
Vermont  
Virginia  
Washington  
Wisconsin



## Many high-profile cases

More recently, Uber drivers have filed a class action lawsuit claiming they have been misclassified as independent contractors and are entitled to receive the mandatory benefits of employees. In its defense, Uber argues that it has properly classified every driver as an independent contractor. The company claims that it is not a taxi service that hires drivers directly, but rather a technology platform that simply matches drivers to passengers.

In addition to potentially requiring Uber to pay a large settlement to its drivers, this precedent-setting legal battle threatens the core of Uber's business model. The outcome of this landmark case could reshape the on-demand economy built around companies that serve as marketplaces where people who provide a service connect with people who will pay for it.

# 228

**million** dollar  
settlement

for misclassification of FedEx drivers

## Protect your organization

Given this growing trend, organizations that retain the services of independent contractors would be well advised to create an arms-length relationship between themselves and their ICs to avoid any risk of misclassification litigation. Such a relationship can be created through independent contractor payment service providers who can even give certain levels of guarantees against misclassification lawsuits.

**"THE FREELANCE  
ECONOMY IS A  
STRONG SOURCE  
OF HIGH-QUALITY  
TALENT THAT YOUR  
ORGANIZATION  
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AND TO SURVIVE."**



# THE IMPACT ON YOUR BUSINESS?

Given the rise of the freelance economy and the mass exodus of Boomer from the workforce, like it or not, independent contractors must become a vital part of your workforce. However, because of the country-wide crackdown, organizations must be smart about how they retain their independent contractors:

## BE SMART ABOUT HOW YOU RETAIN YOUR INDEPENDENT CONTRACTORS:

- Take a **holistic view of your workforce** where the freelance workforce works side by side with your permanent workforce;
- Bring in the **right people at the right time** to do the work that needs to get done;
- Structure the relationship to **ensure that you're not at risk** – which may mean creating an arms-length relationship through a staffing firm or workforce management company;
- Ensure that the people you're working with **are actually qualified to be classified as 1099s**.

Independent contractors should not be viewed as a convenient way to avoid paying taxes, benefits and overtime, but rather a strong source of high-quality talent that your business needs to thrive and to survive.





# WORKFORCE TREND **THE DRIVING FORCE OF TECHNOLOGY**

No 4

Keeping pace with staffing technology is vital to the growth and competitiveness of your organization and its ability to stay at the forefront of staffing technology revolution. The impact of technology on the workforce will continue to grow in a critical area: sourcing and procurement.

Procurement and sourcing technologies are becoming essential for companies to stay competitive and access talent in an efficient way.

**Supplier aggregation** - Staffing supply technology and the associated analytics offered by managed service providers (MSPs) and vendor management services (VMS) are becoming ever more sophisticated and provide ever more information. Applicant tracking systems allow them to broadcast job openings to a multiplicity of job sites simultaneously and with little effort. The technology is also becoming increasingly better at pinpointing the successes and shortcomings of the recruitment process.

**technology means**  
getting qualified resumes  
on a hiring manager's desk  
in as little as

**24h**

Analytics is now predictive and can elevate the quality of the talent supply. An MSP or VMS solution means that a company can broadcast its jobs to a wider audience, amass more qualified candidates in a shorter timeframe, make hires more cost-effective, and start designing processes to acquire staff at a lower rate.

## "HIRING MANAGERS THAT ARE HAVING LOWER SUCCESS AT FINDING AND ACQUIRING CANDIDATES ARE THE ONES WHO DON'T REACT FAST ENOUGH."

**Greater accessibility** - And while in the past, MSPs and VMS technology have been traditionally reserved for large enterprises, these powerful tools are now within reach of smaller to mid-sized organizations.

**Near real-time sourcing** - Now within hours or even minutes of a candidate becoming available, you're able to have a job opportunity presented to them. Technology will enhance nimbleness and without it, you won't have access to the same talent pool and you definitely won't have access to the talent pool at the speed at which your nimbler competitors will have.

That means the best talent will be going elsewhere and that top-quality talent will be increasingly harder to find.

### **The need for speed**

With a VMS, every step of the process is measured and mapped. So if a hiring manager has been sitting on resumes, you know it right away. Typically, hiring managers that are having lower success at finding and acquiring candidates are the ones who don't react fast enough. Sitting on resumes on their desk. Not moving on the candidates means by the time you get around to it the candidate already has a job and has been working for several days.

Managers need to understand the reality of today's labor economy and what's going on. They need to realize that if they have positions to fill, it must become the priority of the minute.





# THE IMPACT ON YOUR BUSINESS?

Businesses that don't adapt and stay current are going to lose access to the best talent (which is in short supply) because they won't have the systems in place, won't be as nimble and quick to find the right candidates.

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**HIRING  
MANAGERS  
MUST LEARN  
TO ADAPT AND  
MOVE FASTER  
THAN EVER  
BEFORE.**

Those who operate without the benefit of technology will find that the most promising applicants will already have found a position or a contract by the time they have sorted through a mountain of resumes, and shortlisted and sent out a request for an interview.

Despite all the technology, it is now evident that the most critical success factors for hiring managers is the speed at which they react when quality candidates are presented to them.



# WORKFORCE TREND **THE WAR ON TALENT GOES GLOBAL**

No 5

In recent years, outsourcing globally was viewed essentially as a way to reduce costs. In 2017, the benefits are far more profound.

## **Domestic talent in short supply**

Finding skilled labor here at home can not only be cost-prohibitive, but it is also increasingly difficult to find the right people with the appropriate skill set in a timely fashion. A lack of skilled workers is already impacting many businesses' ability to meet current requirements, much less ensure the growth that shareholders demand. Such businesses have no choice but to recruit offshore to fill skill gaps in the marketplace.

Thanks to technology, employers can now recruit globally through technology driven companies that operate as talent marketplaces. These sourcing companies amass a database of freelance candidates in countries all over the world. This is, truly, the brave new world of contingent labor.

## "MANAGERS MUST LEARN HOW TO MANAGE COMMUNICATION IN A CULTURALLY DIVERSE WORKFORCE, AND TO KEEP THEIR REMOTE WORKERS CONSTANTLY FOCUSED AND ON TASK"

### MEDIAN ANNUAL SALARY FOR A SOFTWARE ENGINEER

	USD
USA	\$79,357
India	\$5,882
Romania	\$20,988
Russia	\$13,804
China	\$20,995
Malaysia	\$11,785
Mexico	\$15,143
Indonesia	\$6,664
Thailand	\$24,843
Philippines	\$7,683
Brazil	\$17,035
Bulgaria	\$23,257
Egypt	\$7,311
Poland	\$21,936
Vietnam	\$15,195
Chile	\$24,998
Lithuania	\$14,724

source: Payscale Human Capital

### Global sourcing gains momentum

Businesses operating on a global scale will increasingly be sourcing talent abroad to compensate for domestic shortfalls in talent supply and will rotate specialized teams of resources from country to country as projects arise.

Even organizations operating domestically will need to consider hiring abroad to fill gaps in skills that are in high demand.

This is particularly true in IT where the shortfall is painfully obvious. The skills gaps can now be met by the high-caliber talent being produced in India, Russia and Eastern Europe as well as in parts of South-America.

### Outsourcing and labor arbitrage

Labor arbitrage will continue to be a very real option, but businesses are getting smarter about which functions can and cannot successfully be outsourced.

### Remote workers become mainstream

It's not uncommon now to find project managers, sometimes working from home, managing a large team of specialists in disparate locations halfway around the globe.

These managers are dealing with the challenges of having teams spread out in different time zones, coming from different cultures, and with widely diverse backgrounds.

# THE IMPACT ON YOUR BUSINESS?

Managers increasingly need to understand how to work in such a complex environment, how to manage the cultural diversity, how to effectively communicate with a complex team and keep them focused and on task.

## MANAGING TEAMS IN REMOTE LOCATIONS REQUIRES FAR MORE ON-GOING SUPERVISION.

Quality assurance is particularly challenging with remote workers since you can get a true sense of how work is progressing by osmosis that you get in a physical location.

Managers need to be ever more present and on top of things to make sure that things are progressing and that the work quality is there.

Even though you have the ability to engage with resources globally, you have to realize that management and supervision of these resources is going to need to be far more intensive than would normally be required.

Of particular concern is the fact that in case of misperformance, there is very little real recourse. This can have significant repercussions not only on project delivery timelines, but also on systems integrity and security as well as governance. It's not for the faint of heart.



# INCREASE VISIBILITY

## REDUCE COSTS AND COMPLEXITY OF YOUR CONTINGENT WORKFORCE

As a Contingent Workforce Management company, we provide the expertise, the technology and processes to help you to increase your visibility, reduce your costs, mitigate against misclassification and co-employment risks and increase the efficiency and timeliness of your contingent recruitment process.

Our managed services program or MSP is a combination of process, practice and technology that allows you to centralize and consolidate all your temporary workers, from both staffing vendors and directly sourced.

An MSP enables you to easily streamline, simplify and manage the contingent workforce supply chain from requisition to payment and everything in between.

### THE RESULT IS:

- Better visibility on Contingent Labor headcount and spend
- Simple, streamlined, usable data at your fingertips
- Greater control over the hiring, on-boarding and off-boarding process
- Fair market rates from your staffing vendors
- Protection from misclassification risks that arise from the reliance on temps, consultants and independent contractors
- Best of all, its 100% vendor funded

**Request a 30-minute Discovery Call to learn more:  
1-866-564-4222**

They say the best things in life are free.  
**A managed services program from  
HCMWorks comes pretty close.**  
Because it's 100% funded by your  
staffing vendors, there's no cost to you.