



PEOPLE & ORGANIZATIONS

How To Harness The Talent Of The On-Demand Workforce

OVERVIEW

There's no better time to get something than at exactly the moment you need it. The rapid growth of the "on-demand" economy, where goods and services are ordered online and delivered promptly, has meant a new way of doing business – and working.

In the U.S. and EU, 162 million people – around 20 to 30 percent of the workforce – are now working in the on-demand economy, according to research from the McKinsey Global Institute. This workforce encompasses a wide spectrum of professions – with everyone from consultants, coders and designers finding on-demand work via platforms such as Upwork and Toptal, to handymen, plumbers and carpenters finding clients through TaskRabbit and Rated People. If companies are looking to utilize this workforce and retain the talent they need, they have to understand why and how people become on-demand workers.

The on-demand economy has fundamentally changed the nature of the employer-employee relationship with the "employees" consisting of a pool of affiliated workers, from which the firm either draws or simply connects customers directly.

This new structure has far-reaching implications. Firstly, if the definition of "employee" changes, so does the very idea of engagement. "It's no longer about engaging an employee long-term," says Pete Sanborn, Managing Director, Human Capital Advisory, Aon, "but instead ensuring that the individual is excited by and outperforming on a specific project."

A flexible, on-demand, workforce has certain advantages over the traditional full-time staffing model. "It improves workforce planning as companies can more easily budget for assignments and projects," says Sanborn. "And it encourages workers to continually improve their own skillsets." This, in turn, enables firms to acquire highly specialized skills as and when needed without having to increase headcount.

However, with these advantages there are also concerns over the motivation and welfare of the on-demand workforce.

In part two of our series examining the on-demand economy, we look at the opportunities and the challenges presented by this transformation of the way we hire and work.

IN DEPTH

While the on-demand economy brings benefits for workers, like the ability to be their own boss and work the hours they choose, it also poses challenges. These include ensuring they have the right retirement benefits, and protecting themselves against loss of income due to illness or – in certain sectors such as ride-sharing – from legal liability. These, after all, were concerns that were normally answered in a traditional employer-employee relationship.

For employers, understanding the dynamics of their relationship with this new breed of workers is also important. If managed correctly, on-demand labor can allow a company to reduce fixed payroll overheads, become more flexible and possibly even broaden its service offering.

There are four kinds of on-demand worker:

- Carol is a **free agent**. A highly skilled, 32-year-old computer coder, she was formerly employed by a Silicon Valley tech company and now works freelance six months of the year for high-paying clients. She chose to work on-demand and values the independence to travel that her new schedule allows.

- David is a **casual earner**. A 27-year-old teacher, he is a permanent employee of a local school. To supplement his income, he teaches online language classes in the evenings and weekends.
- Jane is a **reluctant**. She used to work as an in-house designer for a startup, but since the company was acquired, she has been working freelance for a range of clients, which she engages via several online platforms. She is only an on-demand worker as a necessary fallback while she seeks permanent employment elsewhere.
- Michael is **cash-strapped**. He is a 40-year-old mechanic who works during the day. However, his shift pay isn't covering his expenses, so he also works as a driver outside of his regular shifts to help make ends meet.

When On-Demand Becomes Just-In-Time

The on-demand model is being embraced by workers and companies alike. Technology is enabling the extension of the "just-in-time" manufacturing model – whereby components and raw materials are not kept in stock but delivered at the moment they are needed – to be used to deliver "just-in-time skills."

Millennials are particularly open to this model of working. "There are qualities this generation holds that makes the on-demand economy more attractive to them than previous generations," says Sanborn. "They value flexibility and are open to embracing a technology-enabled 'gig' career."

Addressing Skills Shortages: Just-In-Time

Being able to draw on a pool of freelance labor allows businesses to tailor specific teams for specific jobs, rather than adding headcount. It also allows those businesses to price individual projects more accurately. "Being able to pick talent like this also means geography doesn't always matter – you can multiply your access to talent manifold," says Neil Shastri, Leader of Global Insights & Innovation, Aon.

By the very nature of freelance work, the most successful, highly skilled "free agent" workers tend to update their skillsets regularly to meet the changing demands of the employment marketplace. This is also good for in-house business costs. Because an on-demand worker is improving their skills on their own time and dollar, organizations will have to rethink how they train and develop staff.

Redefining Culture And Employee Engagement

However, while businesses gain access to a highly-skilled and flexible labor pool, they'll struggle in other areas, particularly engagement and culture. "Culture will be another casualty in the on-demand economy – how do you define culture when employees are not your own?" asks Shastri.

Global rates of engagement are declining, and this is going to be exacerbated when companies have few permanent employees. It's difficult to instill a sense of common purpose within a diffuse body of contract workers – each operating from their own location. They are largely disconnected from physical workspaces and colleagues, and inherently without a traditional sense of loyalty to their employer. "How can you measure the engagement of an employee who has no intention of staying with your firm, and may already also work for one or more of your competitors?" asks Shastri.

As employee engagement tends to correlate strongly with overall business performance, this will become a serious issue for employers. There are also other unknowns: the on-demand economy is a large departure from traditional ways of working and therefore it's difficult to predict what its impact on some areas will be.

Reassessing Organizational Skillsets And Roles

While the new on-demand economy provides access to new pools of talent – HR and hiring managers will require new skills when it comes to a constantly evolving just-in-time workforce. Sanborn explains the shift that traditional hiring managers will need to understand and connect with a new breed of worker: "Leaders will need to understand the shifting requirements of this talent, work to consistently assess the business needs requiring new skills, and quickly connect with qualified contractors for critical jobs."

There are significant upsides for companies who successfully utilize the growing on-demand workforce, but it also brings new challenges to the employer-employee relationship. Are on-demand workers eligible for health care and benefits? How will they go about saving for retirement? And what will the implications be around legal liability if something goes wrong? It is the companies that find the answers to these questions who will reap the benefits offered by this new breed of worker.

TALKING POINTS



"A flexible labor force is one of the UK's strengths, and key to driving competitiveness and productivity, but it needs to be a win-win for both employers and workers. Our research shows that while many workers are open to the idea of gig working, for many their concerns over job security and being able to generate sufficient income still outweigh the benefits this type of work can offer." – Julian Sansum, Employment Partner, PwC



"We're starting to see that these gigs are filling in the gaps for a lot of people – a little bit of extra money here for a student loan payment, or a few hours of work there to create additional income. But bigger picture, you also see that people are having to work two or three jobs to make ends meet." – Catherine New, Senior Editor, Earnest

FURTHER READING

- Here's How Much Money Americans Are Making From The Gig Economy – CNBC, June 20, 2017
- How The Freelance Generation Is Redefining Professional Norms – LinkedIn Profinder Blog, February 21, 2017
- The Truth About The Gig Economy – Bloomberg, June 23, 2017
- The Gig Economy Is A Boon For Boomer Retirees – CNBC, July 3, 2017
- How To Launch A Successful Portfolio Career – Harvard Business Review, May 4, 2017

