

# The Future of the Workforce Ecosystem and Regulatory Intervention

October 17, 2023

TODAY'S SPEAKERS



**Karen Weisz**

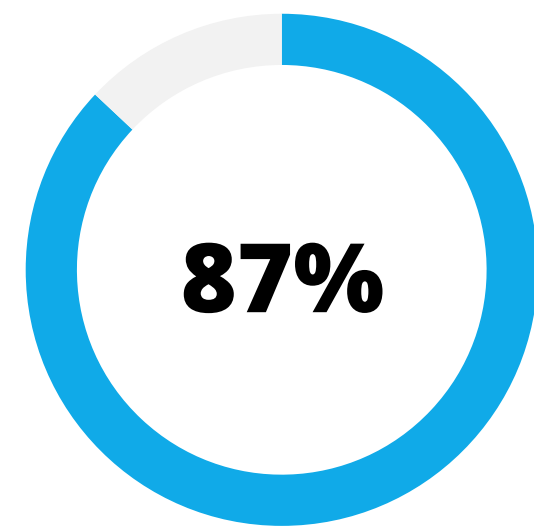
*Managing Director  
Workforce Ecosystems Leader*  
**Deloitte**



**Reem Janho**

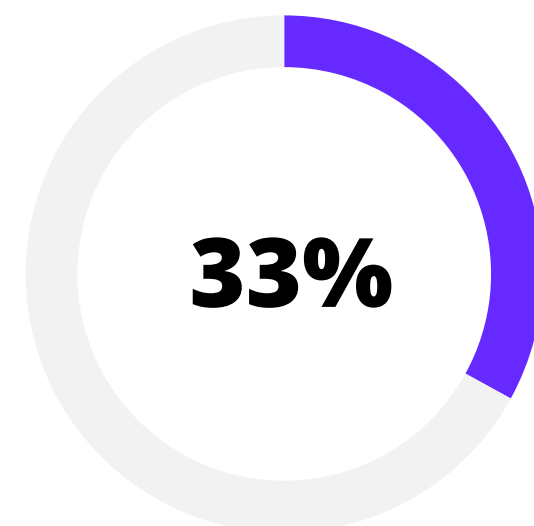
*Principal  
Workforce Risk Leader*  
**Deloitte**

# The definition of **“workforce”** is expanding.



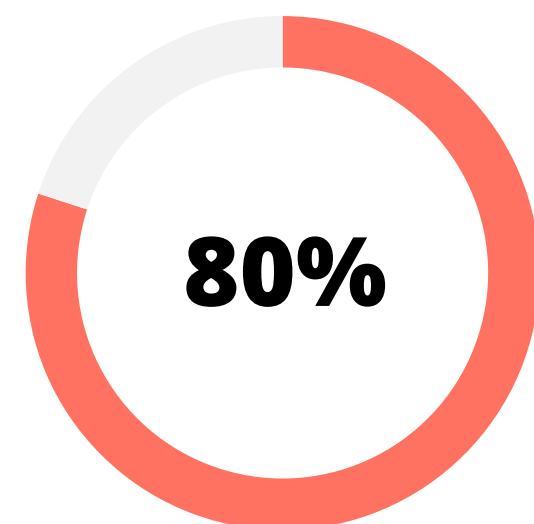
**87%**

of organizations consider the workforce to include **more than just their employees**<sup>1</sup>



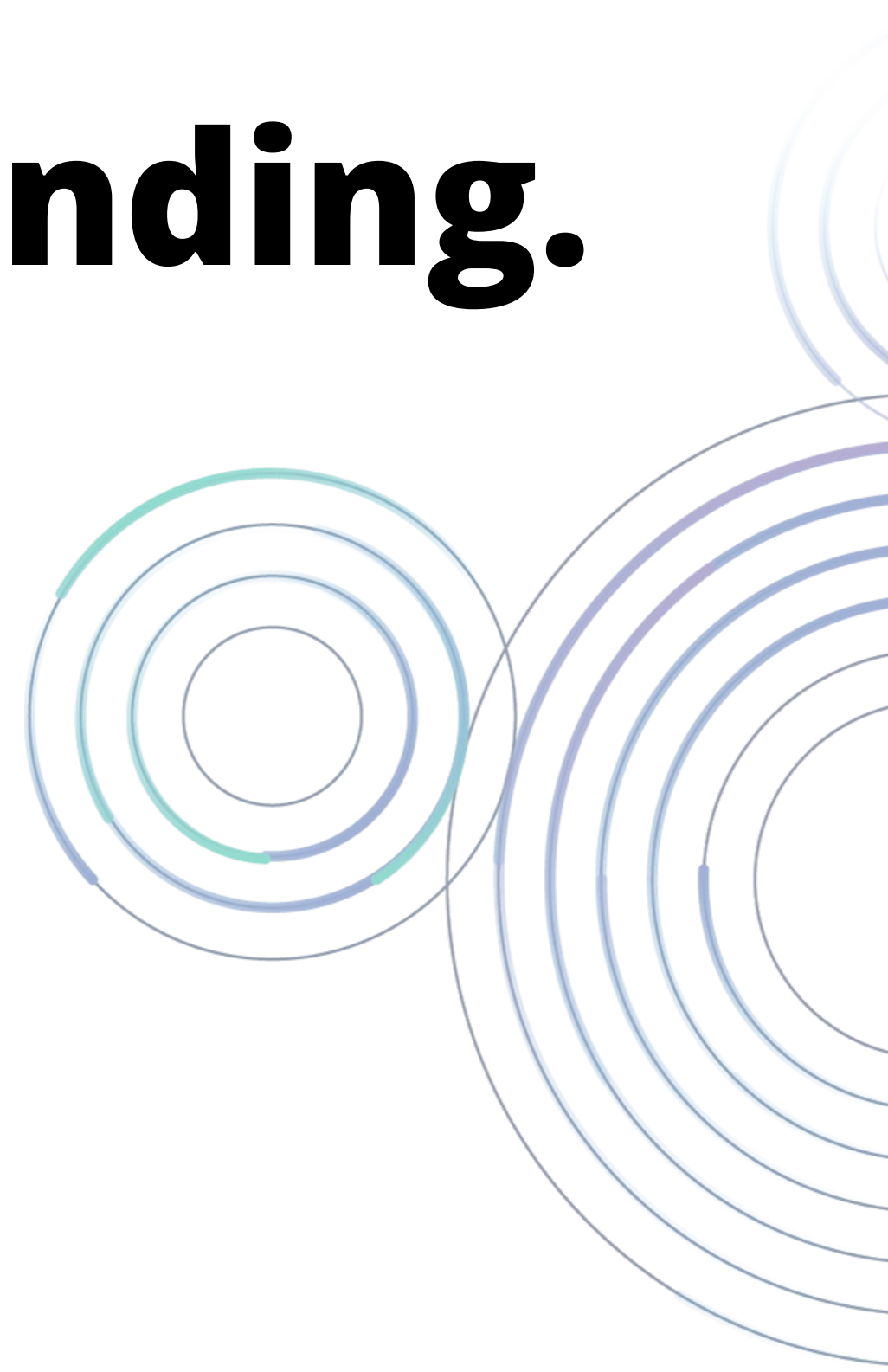
**33%**

of organizations **expect to increase their dependence** on external workers<sup>1</sup>

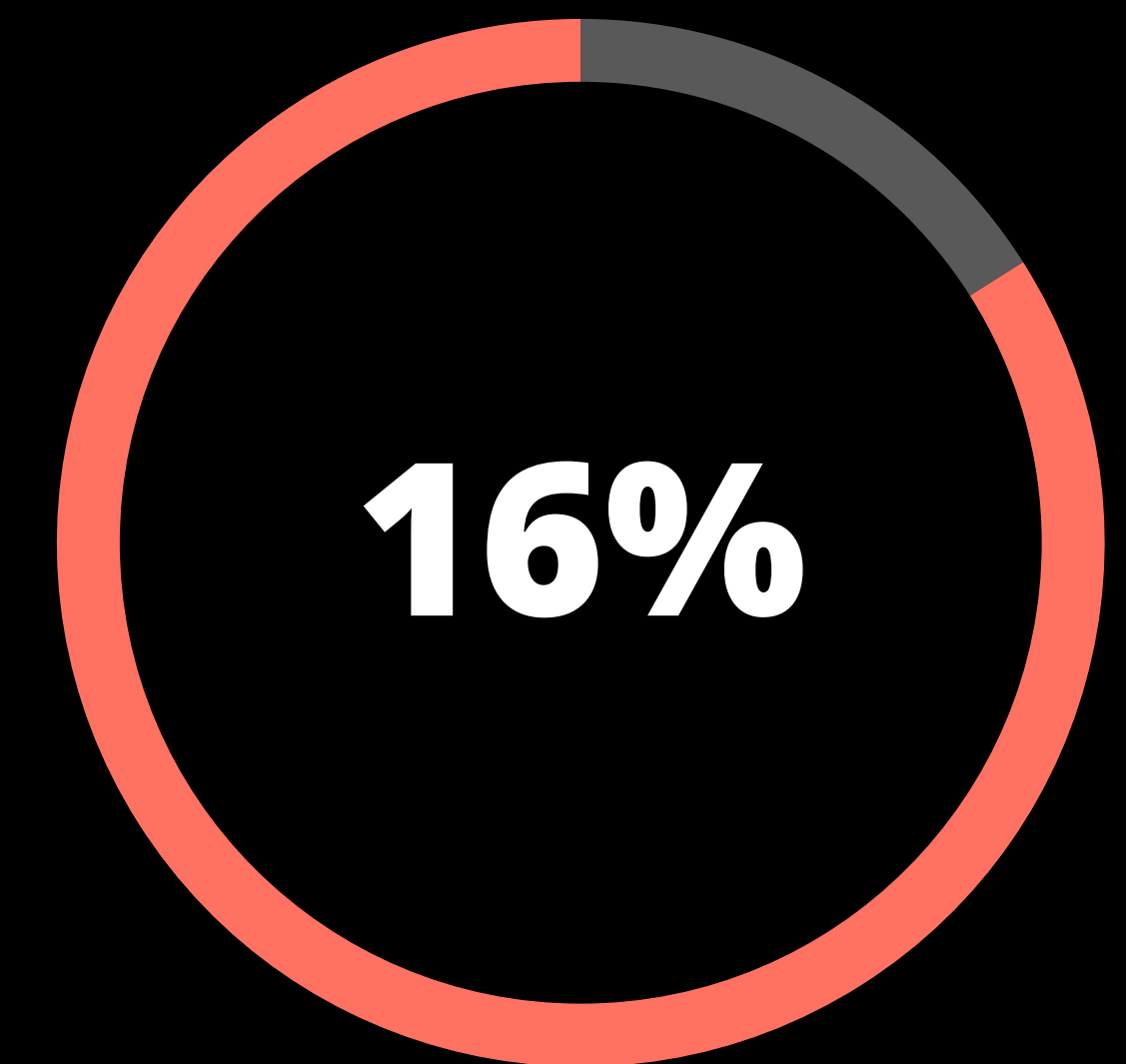


**80%**

of organizations say they **need to do more** to manage both employees and their extended workforce in an integrated way<sup>2</sup>



**But many organizations are unprepared to navigate this change.**



**16%**

of organizations say they are **ready to manage these complexities** and capitalize on the trend<sup>3</sup>

<sup>1</sup>E.J. Altman, J. Schwartz, D. Kiron, R. Jones, and D. Kearns-Manolatos, “Workforce Ecosystems: A New Strategic Approach to the Future of Work,” MIT Sloan Management Review and Deloitte, April 2021

<sup>2</sup>E.J. Altman, D. Kiron, R. Jones, and J. Schwartz, “Orchestrating Workforce Ecosystems: Strategically Managing Work Across and Beyond Organizational Boundaries,” MIT Sloan Management Review and Deloitte, May 2022

<sup>3</sup>S. Cantrell, K. Weisz, M. Griffiths, K. Eaton, “Deloitte Human Capital Trends Report 2023 – Unlocking the Workforce Ecosystem,” Deloitte, January 2023



To seize the opportunities inherent in this extended workforce, organizations must intentionally orchestrate their workforce ecosystem

## work·force ec·o·sys·tem

*A mix of humans and machines inside the organization and beyond, comprising a constellation of internal and external workers who create value for the organization.*

# The extended workforce ecosystem includes many familiar actors...and some fresh faces



**Part- / Full-time Employees**



**Long-term Contractors**



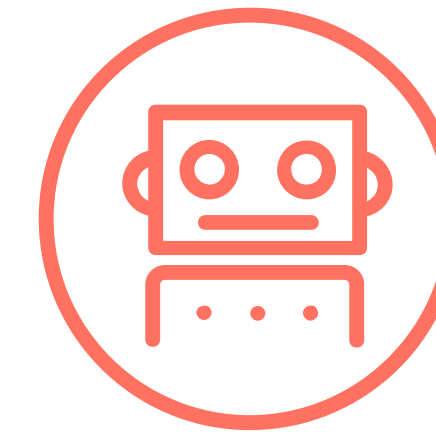
**Freelancers / Gig Workers**



**Service Providers**  
**(ex: management consultants)**



**Complementors**  
**(ex: app developers, accessory providers)**



**Bots**  
**(ex: chatbots, robots, other)**

# This “workforce” reframing **is fueled by:**



## **Business Drivers:**

### **Need for increased agility.**

Organizations need the ability to change directions quickly — and adjust their talent accordingly.

### **Cost optimization.**

Organizations are looking for the optimal mix of worker types, balancing skill needs and cost.

### **Access to key skills.**

Organizations are struggling to find the talent and skills they need.

### **Increased innovation.**

The pace of innovation is accelerating; where and how that innovation is captured depends on preparedness for change.



## **Changes in the Workforce and Workplace:**

### **Rise of worker agency.**

Workers of all kinds are gaining the power to influence how and where they work, and for whom.

### **Digital technology and nontraditional workplaces.**

Technology advances are making it possible for people to work productively from an anywhere-anytime-any-workforce model.

### **Reduced information costs.**

Value can now be created from anywhere, reducing the need to be organized around a central organization of production

### **Use of technology as a “digital worker.”**

Integration of technology, such as AI, is becoming more common place to support and augment work.



Successfully orchestrating the extended workforce is **inherently complex, leading to several widespread challenges.**

- 1 Inability to Access.**  
Lack of access to needed skills and lack of visibility to skills available, thereby stymieing total workforce planning
- 2 Inconsistent Processes.**  
Inconsistent procedures across worker types, no strategy to allocate work accordingly, and lack of standards to ensure ethical / responsible sourcing practices
- 3 Poor User Experience.**  
Sourcing and onboarding complexity, driving low manager satisfaction and poor candidate experience
- 4 Risk.**  
Low understanding or integration of country-specific legal and tax policies to ensure compliance
- 5 Inconsistent Contracts.**  
Lack of standard contracts or agreements, producing unnecessary manual work and inconsistent relationships
- 6 Outdated Systems and Tools.**  
Lack of integrated, dynamically updated technology solutions that meet modern business requirements
- 7 Supplier Suboptimization.**  
Not picking the best suppliers or getting the most leverage out of supplier relationships
- 8 Unequal Treatment.**  
Lack of equity in terms of total rewards, workforce experience, and transparency for the extended workforce compared to FTEs

## Common Challenges with Extended Workforce

- 9 Inconsistent Job Architecture.**  
Misaligned titles and levels across the extended workforce and FTEs
- 10 No Talent Strategy.**  
Not holistically considering how the extended workforce plays a role in culture, performance management, and DEI goals
- 11 Confusing Governance.**  
Lack of clear ownership over workforce ecosystem management
- 12 Undefined Worker Categories.**  
Inconsistently applied definitions of extended worker types
- 13 High Costs.**  
Overpaying for talent, unclear ROI, and weak reporting / planning capabilities (skills and financial), including inability to compare employee to extended worker pay rates

# To orchestrate the extended workforce successfully,

organizations should build strong capabilities across the following areas:



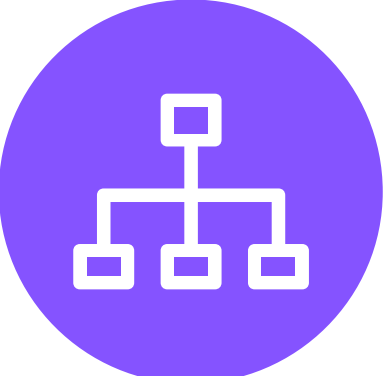
## Strategy

Align business strategy, WFE strategy, and orchestration approach.



## Sourcing

Decide how to quickly and proactively access all types of preferred talent.



## Structure

Determine right structure, leadership alignment, process ownership.



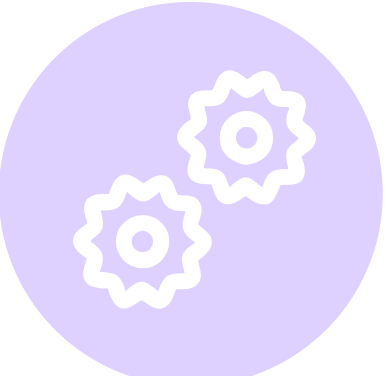
## Systems

Identify systems and data strategy for organization's workforce ecosystem.



## Standards

Match risk exposure to preferred tolerance level and geographic regulations.



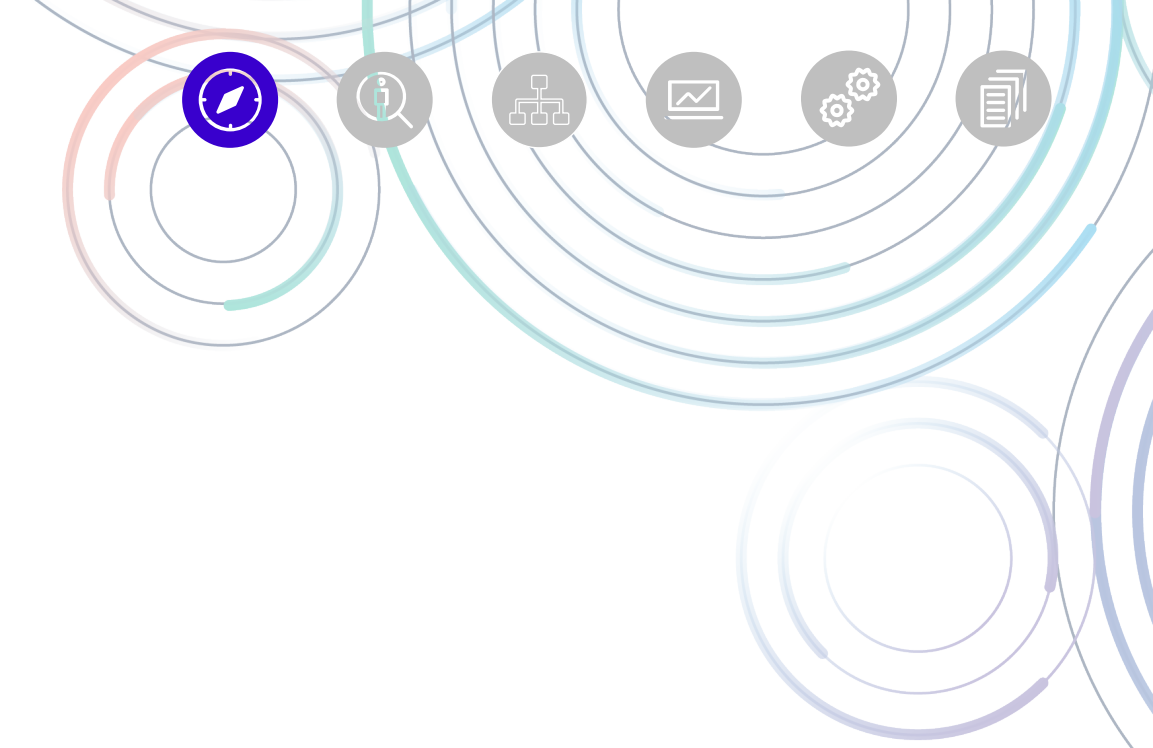
## Shift

Enabling transformation through organizational and people solutions, powered by analytics and insights to drive sustainable and effective change.



# Strategy

Align business strategy, WFE strategy, and orchestration approach.



## COMMON TRIGGERS & TRENDS

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- Need to **reduce costs**
- Need for **increased talent Access** due to:
  - Talent / skills shortages for existing capabilities
  - Different / new skills needed to support new business strategy or business model

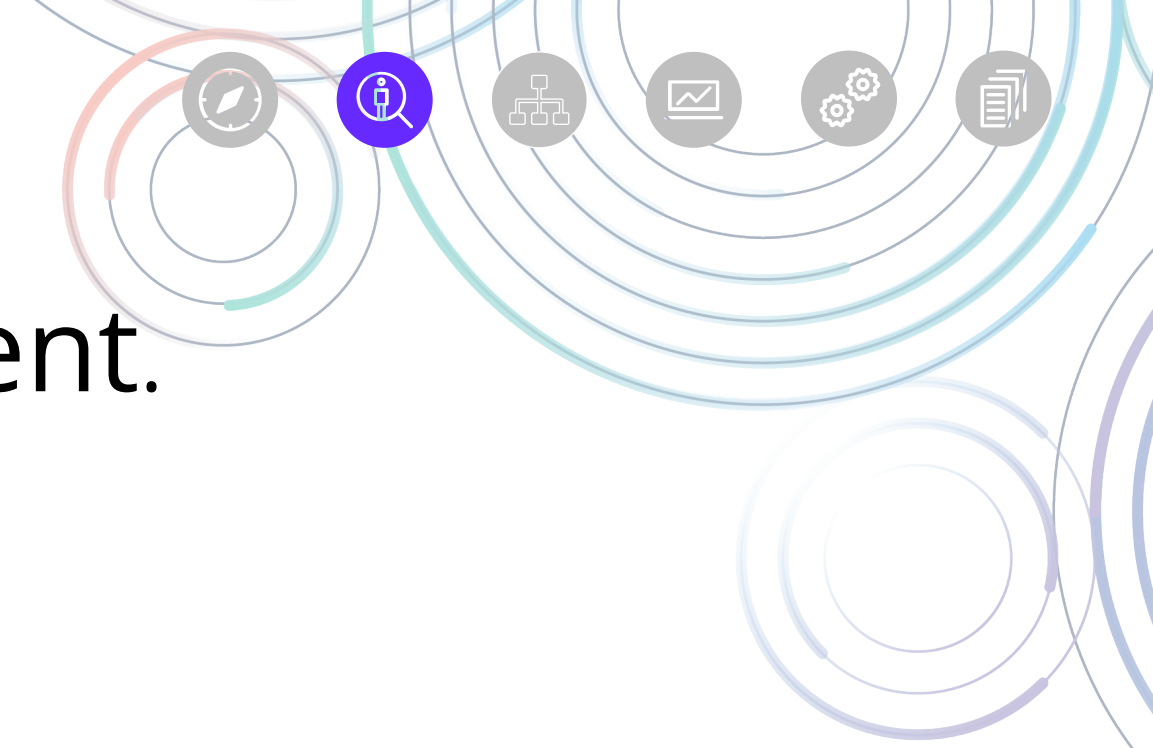
## KEY QUESTIONS

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- What are your organization's **short/long term vision and goals for the workforce ecosystem?**
- What **skills and capabilities** does your organization's external workforce management team have to **sustain its workforce ecosystem vision and strategy?**
- How is the organization **prioritizing headcount management versus cost management?**

# Sourcing

Decide how to quickly and proactively access all types of preferred talent.



## COMMON TRIGGERS & TRENDS

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- Lack of understanding of **vendor ecosystem** (which vendors do what, how well vendors are performing)
- Uncertainty around **vendor performance**
- Need to identify and **engage the right channels/suppliers** for the required talent
- Outdated vendor agreements (MSAs / SLAs)

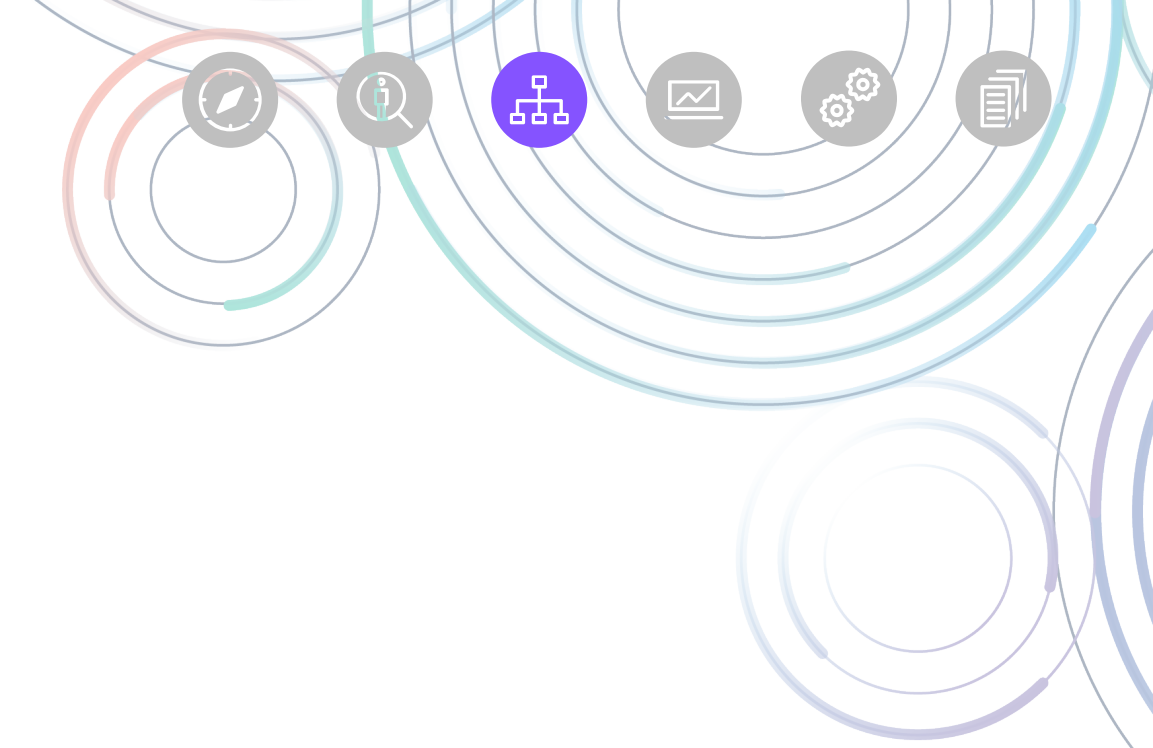
## KEY QUESTIONS

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- Is your organization **optimizing efficiencies** across suppliers / vendors?
- Does your current portfolio of vendors/suppliers **align and support the proposed organizational vision** and skill needs?

# Structure

Determine right structure, leadership alignment, process ownership.



## COMMON TRIGGERS & TRENDS

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- **Poor manager experience** that causes managers to **source outside** the official WFE strategy / process requirements
- **Multiple processes** that could be consolidated under **fewer owners**
- **Poorly planned process** that could operate more efficiently with a new structure
- **Lack of clarity** on current process structure and ownership of actions
- **New ways of sourcing** to access different types of talent (ex: direct sourcing to re-hire retirees)

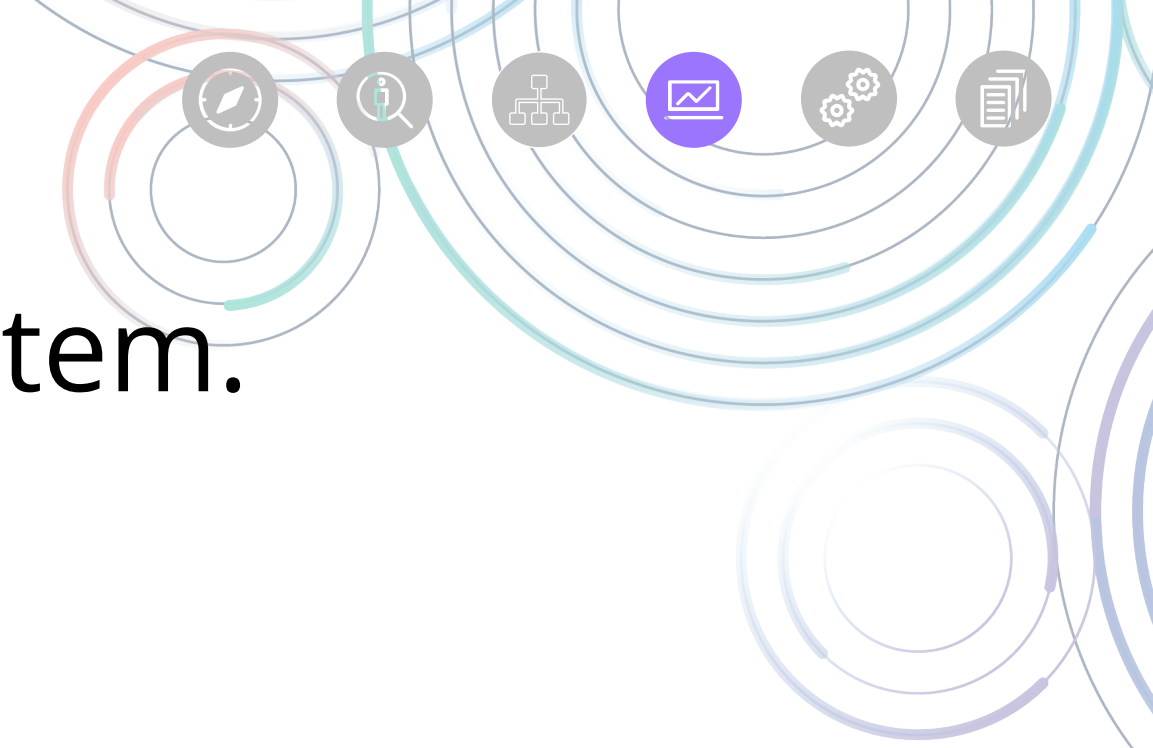
## KEY QUESTIONS

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- What should the external worker lifecycle look like? Who should **own their interaction with the organization?**
- How should your organization structure its external talent team to **enable the business** while proactively **streamlining and centralizing** the process of managing external workers?

# Systems

Identify systems and data strategy for organization's workforce ecosystem.



## COMMON TRIGGERS & TRENDS

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- **Multiple systems** must be used in the process (reduce cost by consolidating functions into one system)
- **Lack of visibility into worker headcount** and work being done by each segment of workforce ecosystem
- **Poor manager experience** that causes managers to source outside the official program / process (higher cost)

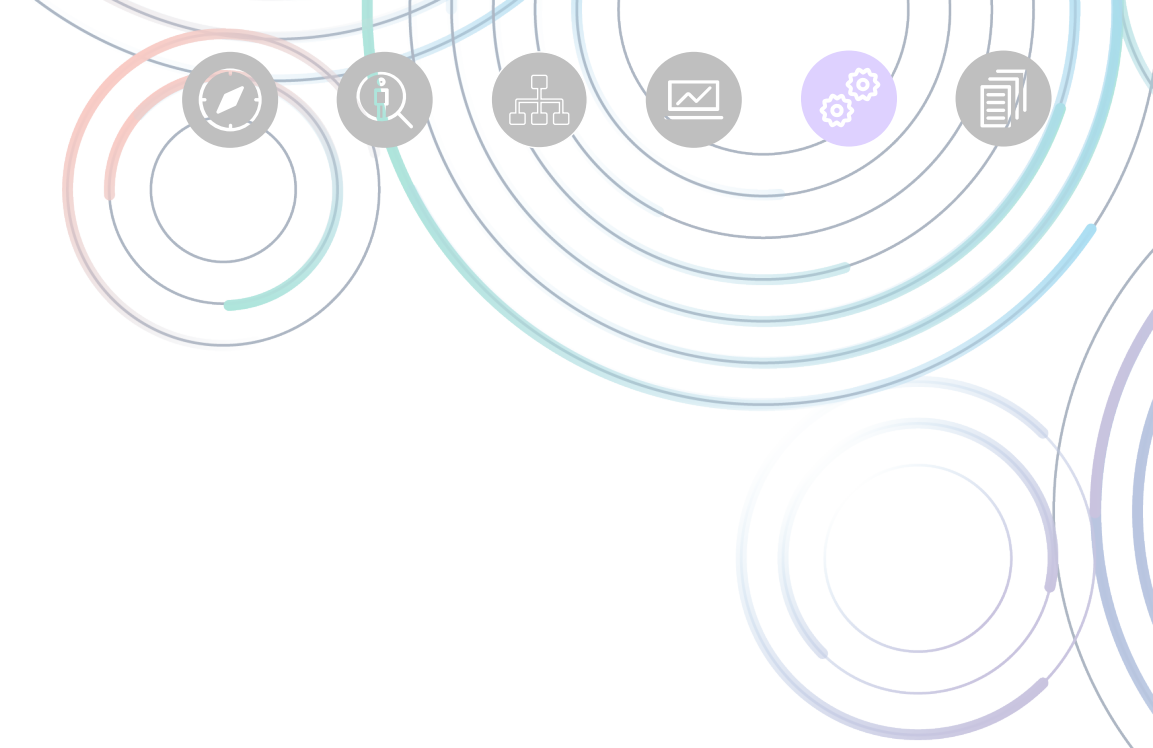
## KEY QUESTIONS

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- What are your **key technology capability needs** based on your priorities and worker classifications?
- How does or will your **VMS** align and integrate with your other technology systems to **streamline processes and reduce friction?**

# Shift

Enabling transformation through organizational and people solutions, powered by analytics and insights to drive sustainable change.



## COMMON TRIGGERS & TRENDS

---

- **Shift in business strategy** and operating model
- **Poor stakeholder engagement** and lack of relevance to employees, leading to **resistance, confusion, and uncertainty about upcoming changes**
- Launching organizational change initiatives but **failing to gain traction** and momentum, leading to **change fatigue**
- **Lack of consistency** and efficiency in the transformation approach

## KEY QUESTIONS

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- What are the key **organizational and talent management changes** for the workforce ecosystem?
- How will the extended workforce be **impacted** by the **new structure or operating model**?
- What **communication strategy** and channels should be used in the transformation process?

# Standards

Match risk exposure to preferred tolerance level and geographic regulations.



## COMMON TRIGGERS & TRENDS

---

- **Lack of governance and oversight of workforce management** necessary to ensure adherence to **regulations and compliance**
- **Confusion** surrounding current and/or **changes to regulatory requirements**
- **Lack of clarity** on current **risk exposures**, especially around independent contractors and external workers
- High risk of **co-employment**, leading to **potential financial penalties** and damage to brand/reputation
- Uncertainty about **employment taxes** in relation to external workers

## KEY QUESTIONS

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- How does your **organization's understanding of your workforce-related risks** inform decision-making?
- What **internal controls** are in place to ensure that **talent policies and procedures comply with regulations across geographies?**

# Workforce Risk Framework



## EXTERNAL RISKS

- Amplified Voice of Individuals**
  - Increasing unionization
  - Worker activism
  - Customer complaints related to workers
  - Negative media attention
  - Position on social / political issues
- Skills & Talent Availability**
  - Access to talent to meet business needs
  - Use of alternative sources of talent
  - Reskill and upskill workers
  - Retain critical talent
- Changing Workforce Expectations**
  - Social responsibility
  - Work-life balance
  - Compensation and benefits
  - Workplace location flexibility
- Location of Workforce**
  - Remote and hybrid working models
  - Location of critical workers
  - Socioeconomic / political factors (e.g., war, economic crisis, social unrest, etc.)
  - Global workforce mobility
- Regulations & Compliance**
  - Evolving regulatory and compliance requirements
  - Changes to workforce disclosures and reporting requirements
  - Complex multi-jurisdictional tax requirements

## OUTCOMES



## INTERNAL RISKS





- Culture, Trust & Mission**
  - Foster an inclusive and engaging culture
  - Workers' trust in leaders and institutions
  - Sense of purpose, mission, and loyalty amongst and between workers and org
  - Ethically address stakeholder expectations
- Workforce Planning & Deployment**
  - Workforce planning
  - Succession planning
  - Ability to deploy skills to priorities
  - Ability to fill / replace critical roles
  - Optimize workforce agility and mobility
- ESG & DEI**
  - Diversity, Equity, Inclusion & Belonging
  - Environmental, Social & Governance
  - Ability to promote and achieve sustainable business practices
  - Impact of environment on workers
- Compensation, Benefits & Well-being**
  - Provide competitive rewards programs (e.g., living wages, benefits, etc.)
  - Support workers' physical, mental, financial, and purpose-driven well-being
  - Ability to support workers' professional growth
- Data, Technology & Metrics**
  - Responsible use of workforce data, emerging technologies, and AI
  - Cybersecurity and data privacy
  - Workforce composition, engagement, and performance metrics and management

## Extended Workforce Considerations

There are various rules and tests for joint employment under Federal and State regulations. It's important to validate against the Fair Labor Standards Act, Title VII of the Civil Rights Act of 1964, National Labor Relations Board and across state specific regulations to mitigate potential risks and ensure a compliant and ethical work environment

### RISK MANAGEMENT CONSIDERATIONS & LEADING PRACTICES

***Organizations can position themselves to effectively manage and limit exposure to risks associated with utilizing and engaging the extended workforce by:***

-  Understanding and conducting ongoing monitoring to safeguard adherence to global, country-specific, federal, state, and local regulatory requirements for the extended workforce
-  Reviewing policies and procedures, and establishing overarching governance structures, to ensure proper administrative processes and controls are enacted in compliance with regulatory standards
-  Assessing and refining necessary contract and SOW language with 3<sup>rd</sup> parties to minimize the potential for coemployment risk
-  Establishing tools, accelerators, and leading practices to support ongoing operations and ensure employees follow proper protocols when engaging the extended workforce (e.g., ways of working, communications, team meals, etc.)



# We work with clients to holistically integrate these six pillars for a seamless workforce ecosystem approach



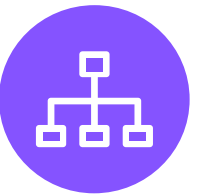
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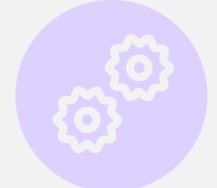
- WFE Vision, Strategy, Experience and Brand
- External Workforce Vision and Strategy
- Program Metrics and KPIs
- Market Analysis
- Work Activity Analysis + Worker and Leader Skills / Capabilities Classification
- Worker Classification
- Roadmap Development, including integration with Talent programs
- Culture Strategy
- M & A Strategy
- DEI Strategy and Metrics

- Supply & Demand Analysis
- Critical Skill Identification
- Workforce Planning Strategy and Approach
- Strategic Sourcing
- Tracking & Reporting
- Talent Marketplace Strategy
- Cost Optimization
- Vendor Selection and Optimization

- Operating Model Design Principles
- Capability Map
- Delivery Model
- Operating Model
- Interaction Models
- RACI
- Process Flows
- Persona-based Walk-Throughs

- Technology Landscaping and/or Requirement Dev
- Non-FTE Integration to Core Systems
- VMS Selection and / or Implementation
- Related Talent Tech Solutions (Talent Marketplace, Workforce Planning Tech) and Integration of Access Points
- Vendor / External Skills Repository
- Data / Analytics Enhancements

- Country-specific Employment Regulatory Considerations
- Risk & Governance Exposure Assessment & Recommendations
- Policy and Procedures Assessment & Recommendations
- Tax Considerations



## Shift

EW Program Branding, Stakeholder Assessment & Change Strategy, Communication Plan & Messaging Content, User Adoption Training, Change Evaluation & Metrics, Workforce Listening



# Qualification | Contingent Worker Operational Redesign

Strategy

Sourcing

**Structure**

Systems

Standards

Shift

## ISSUE

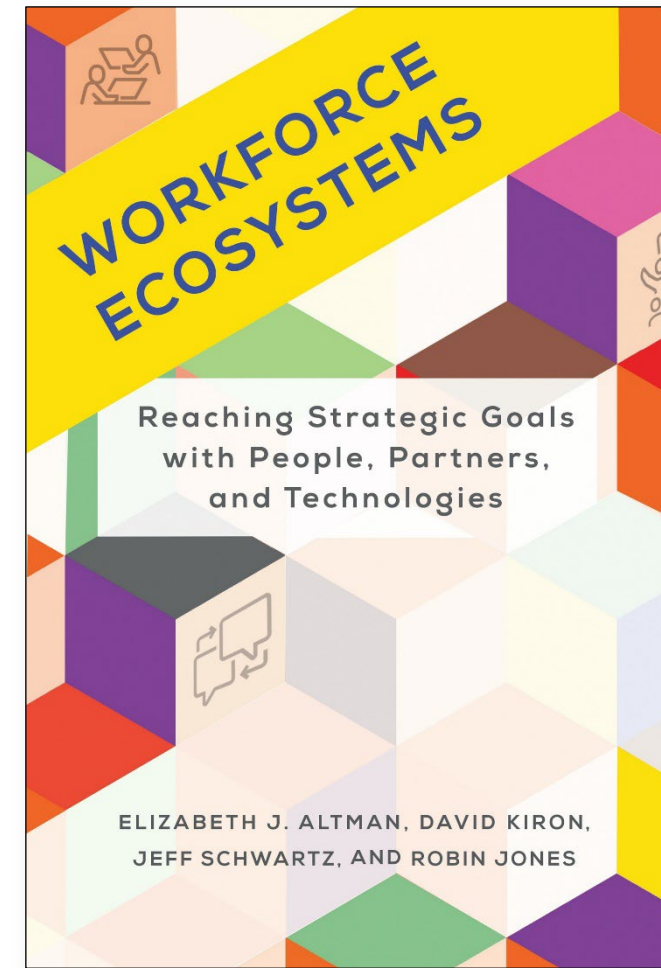
The client is a **large, multi-national media organization** that was seeking integration of two distinct legacy contingent workforce programs. With multiple processes for hiring contingent workers and two instances of the same legacy VMS, the client felt there was room to optimize and capture efficiencies in the newly-merged organizations. The client was seeking assistance designing a unified future state operating model and process flows; the client also sought expertise on how to approach change management for this future state. Lastly, the client needed to update their contingent workforce policies to mitigate emergent risks posed by the changing regulatory environment.

## SOLUTION & IMPACT

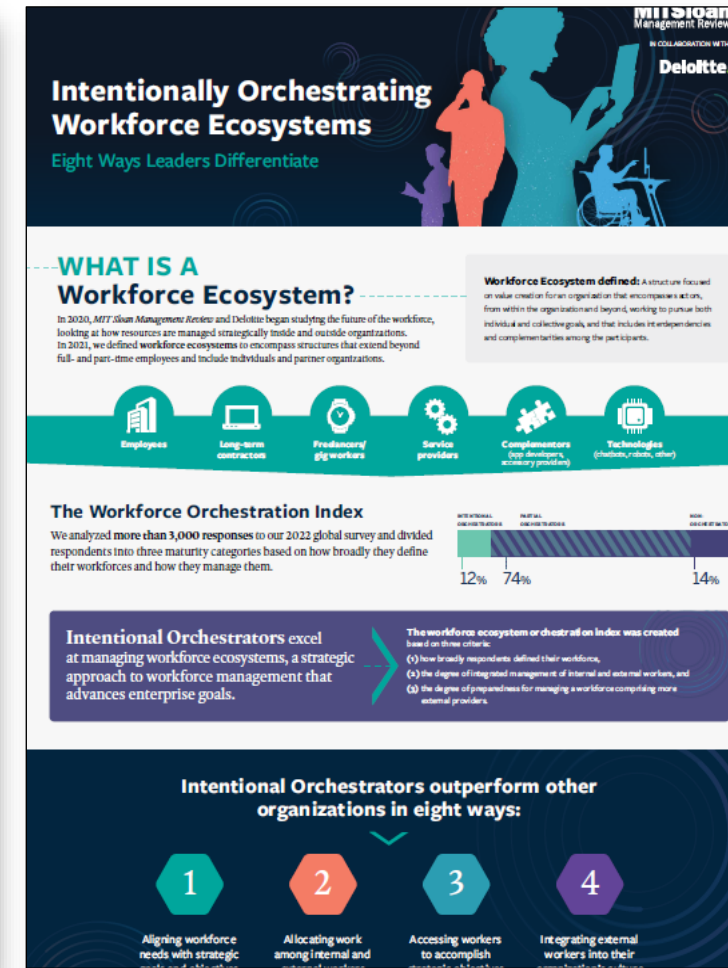
- **Operating Model:** Defined the client's new operating model and governance structure to support future state needs
- **RACI Matrix:** Identified in-scope activities performed in each legacy organization's contingent workforce program, as well as desired future state activities, and assigned owners within the future state operating model
- **Cross-Functional Process Flows:** Drafted and validated process flows visualizing the activities on the RACI, allowing the client to confirm assigned owners, highlight key decision points, identify nuances among worker types, and add further detail where valuable
- **Current State Risk Assessment, Considerations, and Exposures:** Examined client policies in detail, assessing against standard policies, and identified several areas of risk exposure. Prioritized key considerations and made recommendations on how to re-write the policies to protect the client's interests
- **End to End Process Design:** Redesigned the end-to-end process flow for seven worker types through a series of global and local / regional design workshops to outline global standardization and local customization

# Want to learn more about Workforce Ecosystems?

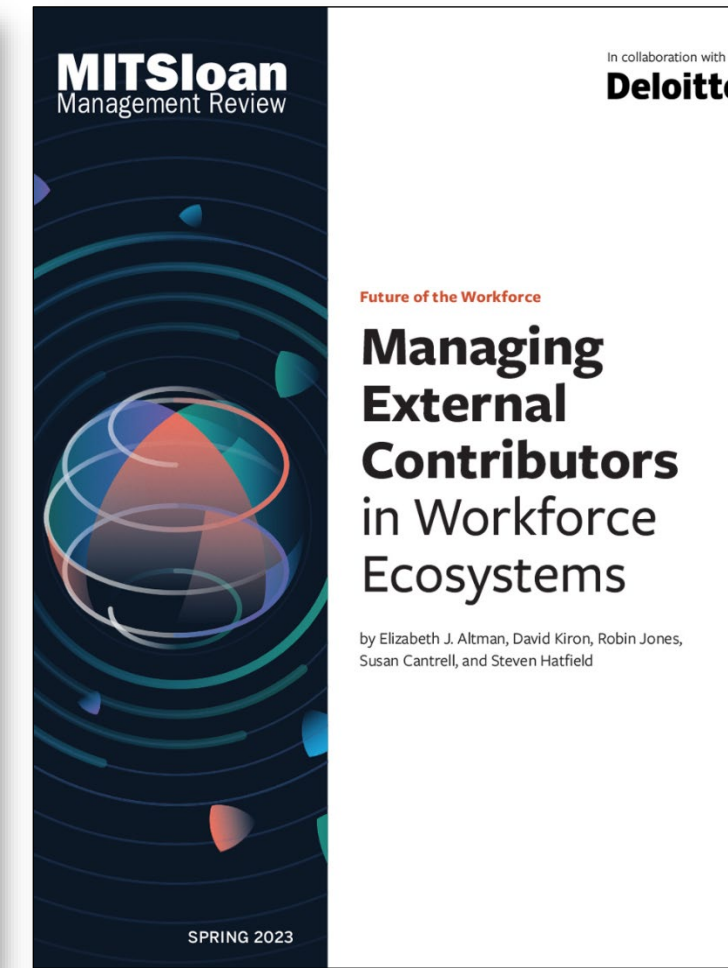
The following releases are pioneering Workforce Ecosystems.



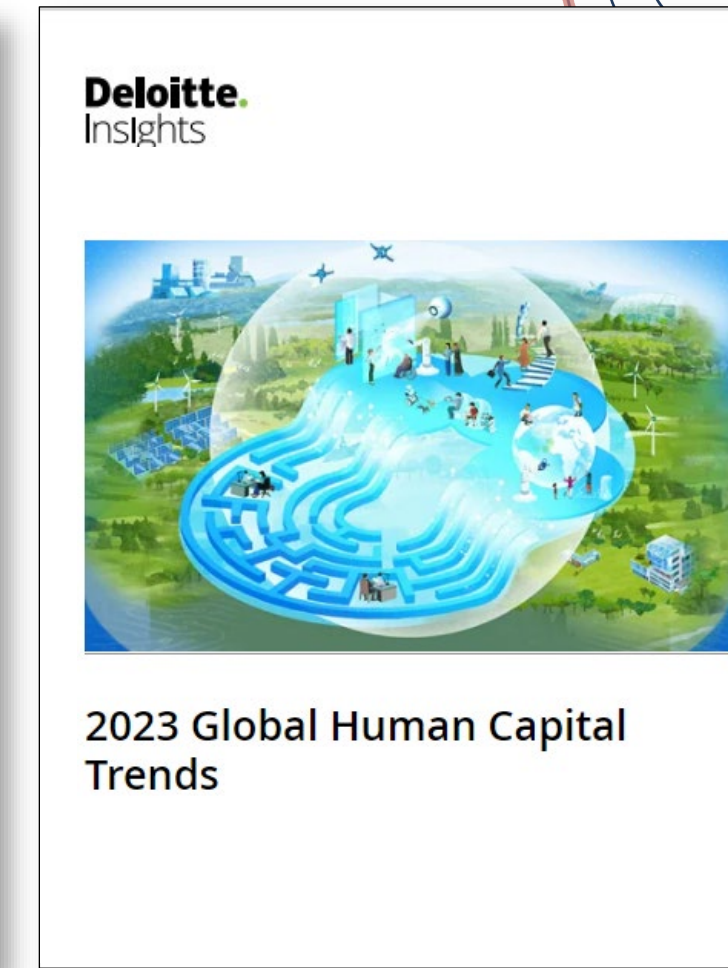
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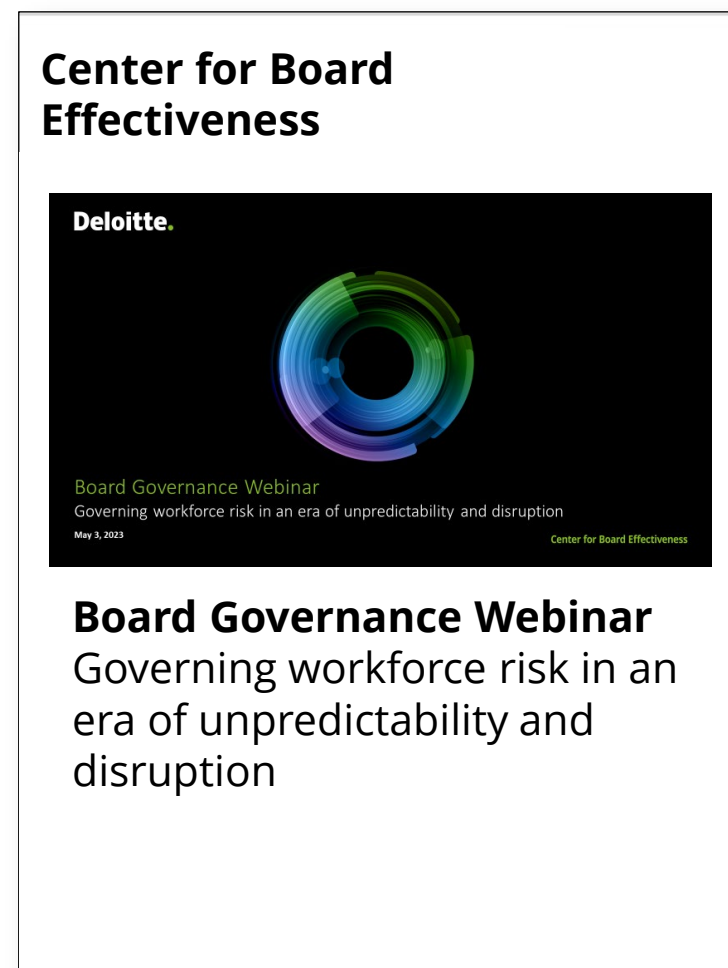
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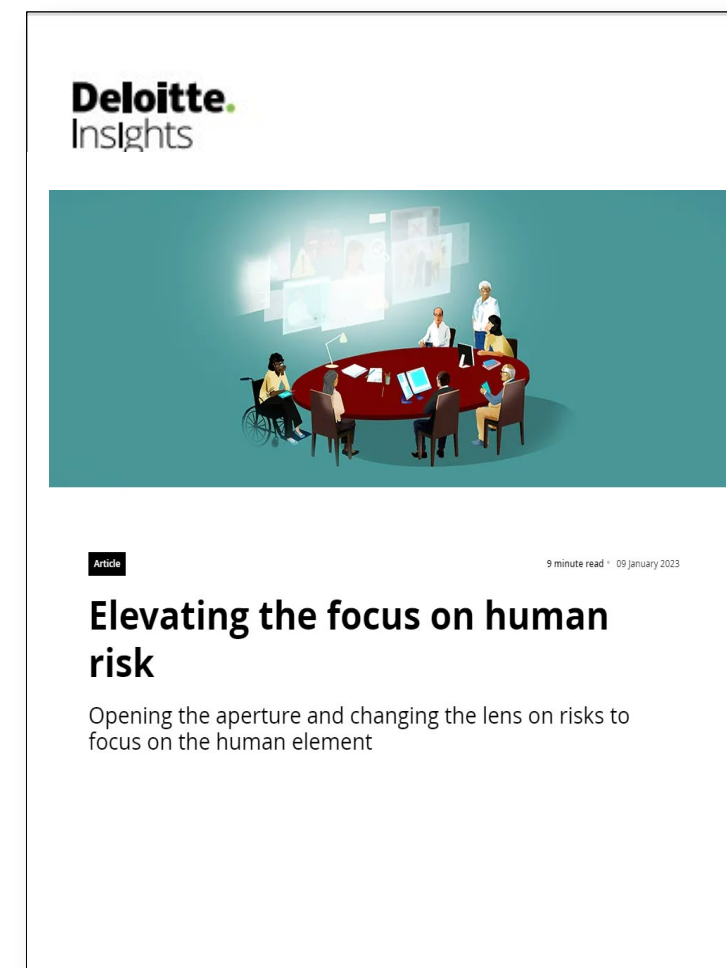
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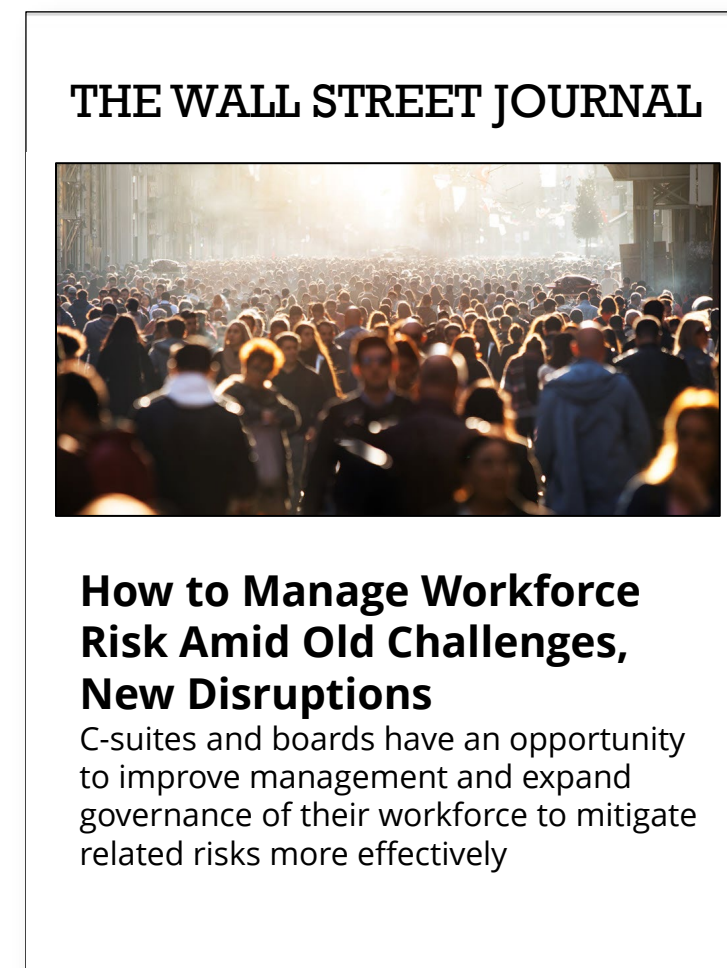
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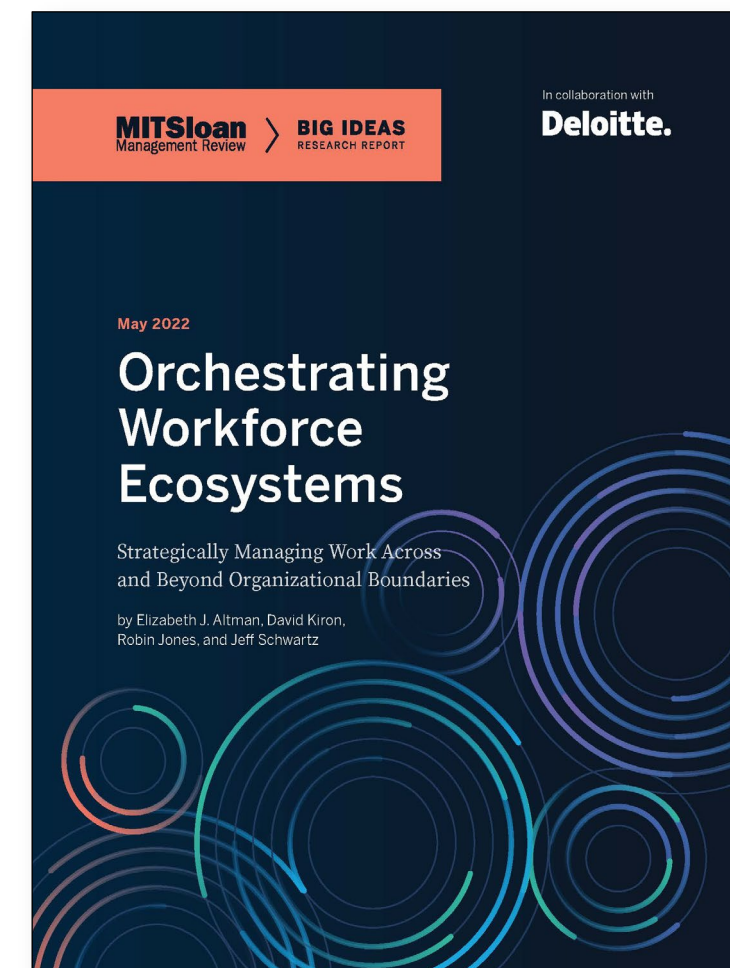
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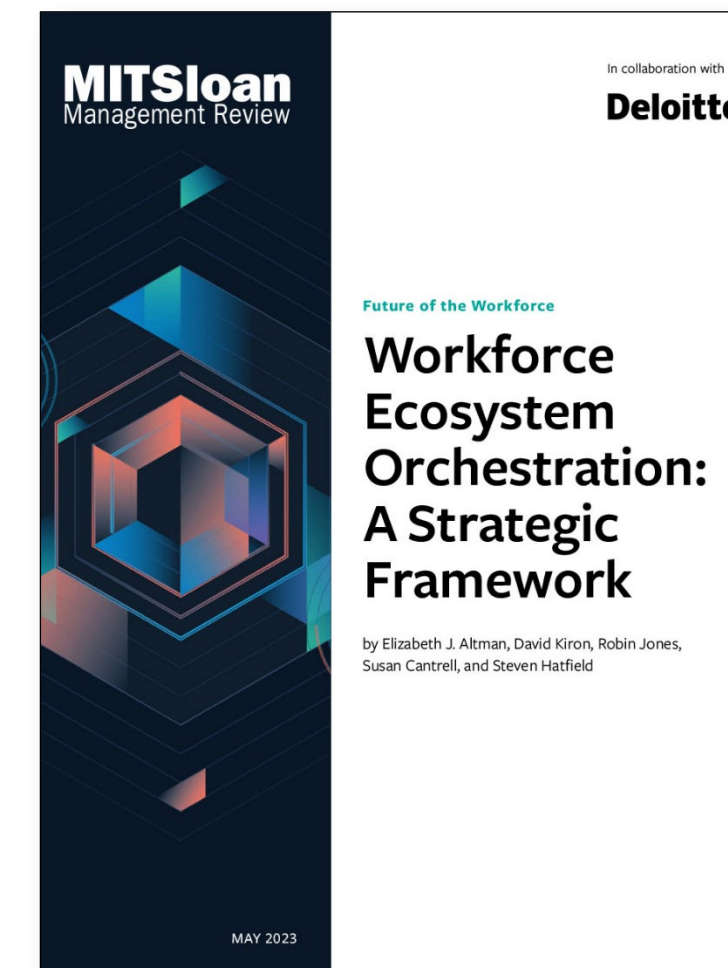
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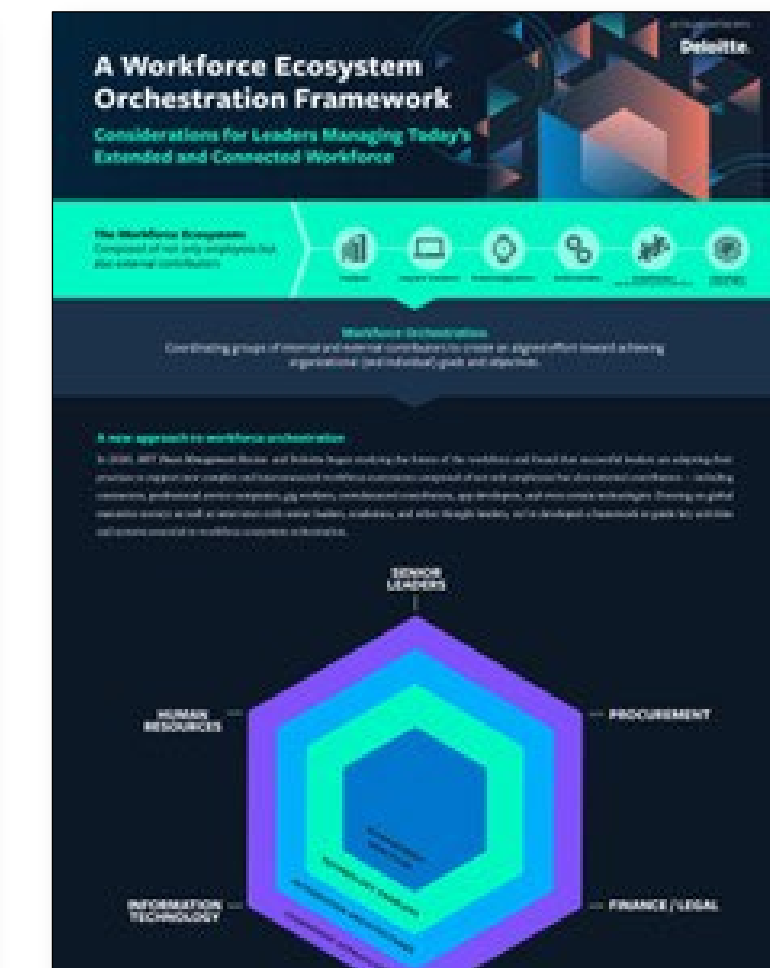
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