



Human Capital Management Strategies for a Blended Workforce





Why You Need a Holistic Approach to Human Capital Management for All Workers

Human capital management (HCM) is about hiring the right people, managing your workforce effectively and optimizing productivity. At its core, it is the process of recruiting, managing, and investing in your most vital asset — your people. Having a broad perspective on HCM trends and strategy allows companies to reimagine their talent management based on business goals combined with the latest technologies. A key segment, often overlooked, is the gig economy and the major influence it plays in companies' holistic approach to their HCM. Couple that with labor disruptions brought on by the global pandemic, and it is easy to see why change is so desperately needed.

Shift Towards a Blended Workforce

In recent years, the gig economy and telecommuting have accelerated workforce trends. Companies have responded by rapidly shifting towards a blended workforce. Bringing on freelancers with specialized skill sets allows businesses more flexibility in times of change, speeding up time to market, enabling innovation, and more importantly providing access to talent the way it wants to engage with you. These workers can be selective in who they work with and the type of work they take on. An advanced HCM strategy is the solution to not only compete but thrive.

"It's critical for business leaders to understand that large-scale shifts are changing how people work and how business gets things done. Leaders who respond effectively to these HR trends can ensure their organizations stand out from competitors."

Brian Kropp,
Vice President for
Gartner Research



Adapting to using an on-demand workforce means a different way of working while quickly responding to the peaks and valleys of business demands.

Changes in how we work are being driven by several HR trends:



Changing Demographics

Changing perspectives that come with the bulk of workers from Generation Z and Millennials who have different expectations of what constitutes a work-life balance than previous generations.



Gig Worker Boom

MBO Partners reported that the number of independent workers, or gig workers, rose by 34% from 2020-2021, indicating that this trend is growing rapidly.



HR Data Explosion

The amount of data most organizations have on their workforce, from both internal and external sources, means organizations have a wealth of information to analyze and consider to continue to be an employer of choice and leader in their respective industries.

It is apparent that the talent landscape has undergone a significant shift in how workers are procured and managed, and the “old way” of doing things is no longer effective. **Companies need to assess their current way of managing their holistic workforce and how that will look in the future.**



A Key Component of Your HCM Suite: A Freelance Management System (FMS)

Just as in the early days of HCM technology, there is a new gap being uncovered in today's holistic workforce strategy that overlooks the importance of contingent workers (contractors, 1099s, and other independent workers). This gap often has organizations taking a siloed approach to managing talent and relying on manual processes that are time consuming and hard to scale. Without a centralized way of managing your contingent workforce, this fragmentation can lead to loss of data control, reduced visibility across the organization, and encourage business units to operate independently rather than collaboratively. It is time for dedicated technology that can proactively prepare you for the impact of the gig economy.

A freelance management system (FMS) is a key component of any complete HCM solution where a large number of contingent labor is used. With 50% of the workforce projected to be freelancing by 2050, according to Forbes, it's important to understand how contingent workers pose a unique set of challenges from onboarding to payment. They also come with new requirements for reporting and compliance that are different from traditional W-2 employees.

Engaging contract workers is a multi-step process...



Technology via a freelance management system is an effective way to automate the end-to-end 1099 process.

There are 3 different types of workers that can be utilized in a blended talent model:



Traditional W2 Employees

- Majority of the workforce
- Shift from lifetime employment social contract to transient employee populations
- Baby Boomers retiring



Temporary W2 Employees

- Either employed by the organization, or by a staffing firm ("temps")
- Often cyclical / seasonal
- Can be a step in the recruitment cycle ("temp to perm")



Independent Contractors (1099)

- Independent workers, engaging on contract basis for specific jobs
- Outside the "control" of the company
- Can be referred to as freelancers or gig workers

Traditional

Contingent

Freelance management systems are designed to meet the unique needs of managing a workforce comprised of freelancers, contingent workers, gig workers, and anyone who falls under the 1099 worker label. With an FMS, automation can be applied to help you identify qualified labor, conduct background checks, manage workers, pay for completed jobs, and rate performance. In addition, enhanced reporting capabilities, specific to your 1099 workforce, provides visibility into utilization and spend for better decision making and fiscal planning.



Exploring the Differences Between Core HCM Technology and an FMS

Let's explore some of the key tasks an organization likely needs to manage with its current full-time workforce and how an FMS compares to traditional HCM technology:

| Function | Traditional HCM Technology | FMS Differentiation |
|--|--|--|
| Worker Onboarding & Screening | Strong new hire onboarding/screening workflows built with long-term W-2 hires in mind. Employee must be hired by the practitioner before they can be fully onboarded ("HR Actions"). | Tailored for onboarding 1099 workers giving them the ability to self-onboard as an independent freelancer. Automate prescreening process to help ensure workers meet pre-defined business requirements. |
| Managing Workers | Manage workers at the employee level — weekly check-ins, career planning and performance reviews. | Manage workers at the project level to: <ul style="list-style-type: none">• Create, route and track jobs in real-time• Engage, communicate, and collect deliverables via mobile app from the worker — across large geographical regions |
| Compliance Guardrails | Built for W-2 tax deductions and compliance requirements. | Built for 1099 worker compliance with guardrails to help mitigate the risk of worker misclassification. Automated workflows to verify worker's tax ID with the IRS and electronically submit 1099 forms to the IRS. |



| Function | Traditional HCM Technology | FMS Differentiation |
|-------------------------------|---|--|
| Payment Capabilities | Dedicated payments defined at time of hire and leverages traditional pay cycles and benefit/payroll deductions. | Payment type is defined on the project level. Built-in flexibility and payment can be made on any frequency (hourly, flat, unit & blended rates) required. |
| Invoicing Capabilities | N/A. | Automatic invoicing upon completion of the assignment. |
| Reporting/ Analytics | Robust reporting on W2 data; No reporting on assignment level project work. | Dynamic, real-time reporting at an assignment level for visibility into your 1099 worker utilization and spend. |



Effectively and compliantly managing a 1099 workforce with the right technology allows for **greater consistency, compliance, and visibility.**



The Future of Work — Thriving Together

An HCM strategy is not complete if it does not address the needs of all worker types. Without an FMS, you are likely trying to manage with spreadsheets, manual processes and software that is not designed specifically for independent workers. This creates inefficiencies, inaccuracies, and compliance risk. By deploying an FMS, you can onboard, organize, manage and pay your gig workers more effectively. It also means you can more accurately classify and pay workers, track tax forms and help avoid governmental penalties for noncompliance.

As an ADP company, [WorkMarket](#) understands both the HCM and FMS worlds. Our team of industry experts predict that the current HR trends discussed in this paper will hold and intensify over the coming years. It's time to manage your total workforce as one single talent pool, whether they are contingent workers, full or part time, on-site or remote.

How can your company flourish in the working world of tomorrow?



Adopt and Thrive

Employing a blended workforce of full-time W-2 and 1099 contingent talent to help your business thrive



Leverage the Right Technology

Use technology to optimize your end-to-end freelance management needs



Maximize Worker Engagement

Create a differentiated worker experience that maximizes engagement and satisfaction

With critical labor shortages, radically changing worker expectations, and a highly competitive business climate, there's never been a better time for a health check of your human resource management systems. It's time to get proactive to ensure that you have an updated and comprehensive approach to HCM that includes all categories of workers.

HR Takes Notice of Contingent Workers

A report by Ardent Systems found that 60% of organizations do not have full insight into their contingent workforce as they are not accounted for in the financial planning, forecasting, and budgeting process of the organization. A part of this challenge is that most freelancer management is done at the department level and not through HR, resulting in little organization oversight on 1099 management and spend. As a result, [many organizations are choosing to implement processes that bring HR](#) into the picture, and technology, like a freelance management system, will be vital to helping HR manage a blended talent model.

With an FMS, department heads can source new talent to be inserted into the network and provide HR with an intake form with all the information HR might need, such as payment information, credentials, work history, and certifications. HR can still maintain the database and administrative information with the freelancer, while the department heads can access the contingent worker when needed, assign and approve the project and send it over to HR or accounting for final processing.





About WorkMarket, an ADP company

WorkMarket was founded in 2010 and in 2018, was acquired by ADP, a global provider of HR technology and services. With ADP resources, WorkMarket continues to be focused on providing enterprise technology to help companies unlock the power of their extended workforce.

[WorkMarket.com](https://www.workmarket.com)

© 2022 WorkMarket, Inc. All rights reserved. ADP, WorkMarket and the WM logo are registered trademarks of ADP, Inc. or its affiliates.

