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EXTENDED WORKFORCE SYSTEMS

THE NEW ERA OF TOTAL TALENT MANAGEMENT

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The modern workforce has changed significantly over the past year as companies adjust to new pressures and realities. According to Aptitude Research, 80% of companies are leveraging contingent workers this year, and one in three companies plan to increase that investment. Companies are thinking beyond permanent full-time roles and looking more broadly at their entire workforce to help navigate change and achieve business objectives. Filling critical skill gaps, providing more flexibility, and preparing for the future of work all play a role in accelerating this shift to an extended workforce.

An extended workforce includes anyone a company relies on to get work done. Extended workforce includes full-time employees, contractors, freelancers, SOW-based workers, independent consultants, gig workers, and alumni. A strategy for an extended workforce provides complete visibility into total talent so that companies can stay prepared for both current and future talent needs.

Most companies understand the value of total talent management and having one strategy for their entire workforce. In fact, 62% of companies are giving HR more influence and ownership of the extended workforce. Companies are taking action to rethink their processes and structure to support this model. Unfortunately, most of the technology solutions in the market cannot keep up. Many companies still rely on outdated solutions designed for either traditional workers (talent acquisition solutions) or contingent workers (vendor management systems, aka VMS) and lack capabilities and visibility into the entire workforce.

As companies look to the future of work and align talent and business priorities, they need to rethink their technology stack. They must consider solutions that will allow them to attract, develop, engage, and retain all workers. This report, based on data collected in June 2021, will look at the role of technology in supporting both traditional and contingent workforce. It includes the following areas:

Current State of Contingent Workforce Management: As companies increase their use of contingent workers, they face the same challenges with visibility, spend, and engagement. What are some of the trends in contingent workforce management today, and how is HR playing more of a role?

The Role of the VMS: Companies rely on traditional systems, including VMS and talent systems to manage contingent workers and traditional workers separately. These systems are not integrated, and companies have little insight into the complete workforce. What are some of the frustrations with these systems, and why are they not supporting an extended workforce?

The Impact of Extended Workforce Systems: Companies have better options for their total talent needs. What is the value of an extended workforce system (EWS) and the impact it has on business success?



OVER

62%

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and ownership of the
extended workforce.

Research Methodology

Quantitative Research: 420 responses from Talent Acquisition Director level and above across all industries and company sizes.

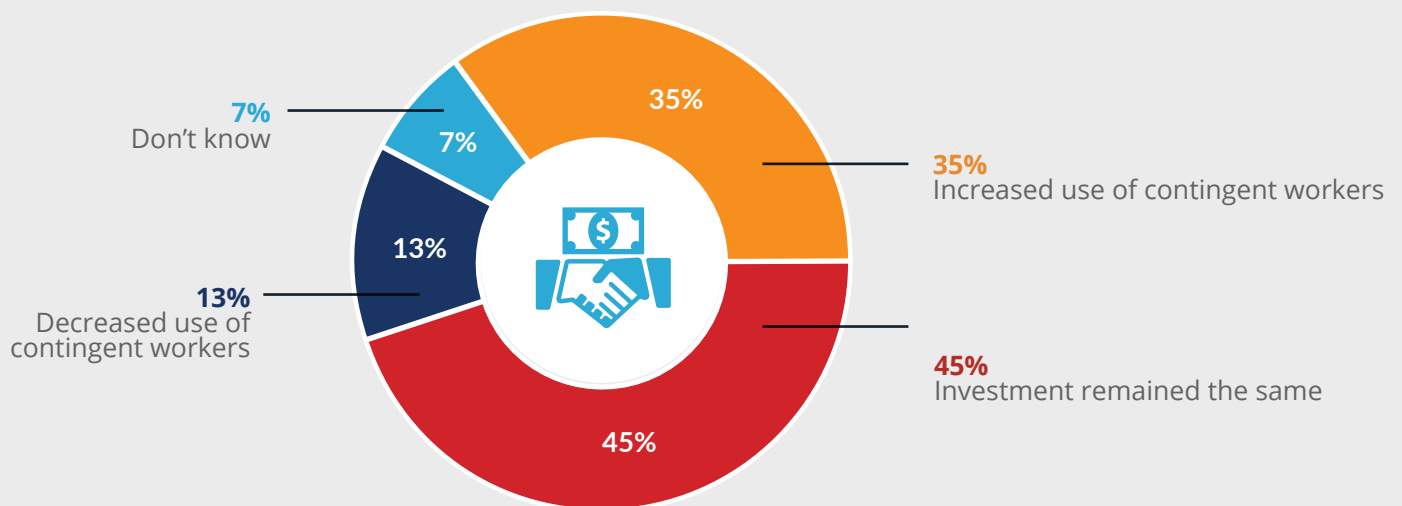
Qualitative Research: A series of interviews with companies from December 2020 - July 2021.



CURRENT STATE OF CONTINGENT WORKFORCE MANAGEMENT

Traditional employment has changed significantly over the past year thanks to changing business needs, globalization, and a new focus on workforce flexibility. Companies have had to adapt their workforce strategies overnight, and a contingent workforce enables organizations to be agile, engage highly-skilled workers, and adapt quickly. The contingent workforce umbrella is expanding beyond temporary workers to include on-call workers, independent contractors, scope-of-work (SOW)-based projects, and freelancers. Aptitude Research found that 80% of companies plan to continue or increase their use of contingent workers in 2021.

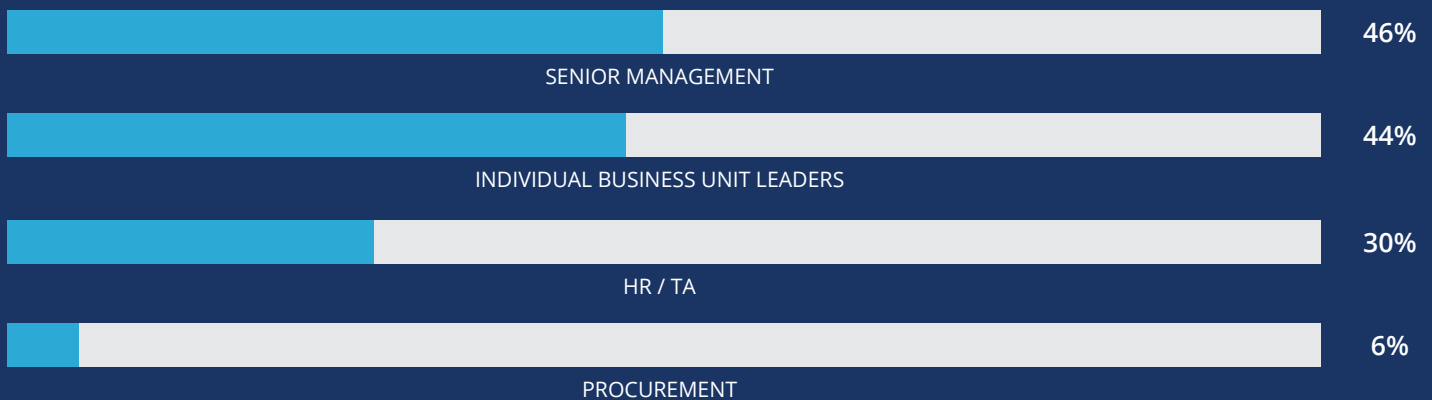
Figure 1: *Investment in Contingent Workers*



Support From Senior Leadership

This increased focus on contingent workers is not a passing trend or a short-term strategy for companies looking to manage uncertainty. It is a strategic business initiative that is driven from the top. According to Aptitude Research, 46% of companies stated that senior leaders are key decision-makers in using contingent workers, and 30% of companies stated HR is the key decision-maker. Only six percent of companies stated that procurement is the key decision-maker.

Figure 2: *Key Decision Makers in the Use of Contingent Workers*



Senior leaders are looking at how to improve business outcomes using non-traditional workers. They recognize the impact of contingent workers on the following:

**Improved Efficiency:**

Companies that leverage contingent workers can't afford to wait for a job requisition to be posted and a position to be filled through recruitment practices that can often take 30 days or more. Contingent workers can start work or begin a project within a matter of days, improving overall efficiency and helping companies achieve goals faster.

**Increased Productivity:**

Companies that use contingent workers cited a 20% increase in overall productivity this year. Many contingent workers are already accustomed to working remotely and do not require the same support or training that traditional workers may need. Further, more companies now have the digital infrastructure necessary to support distributed teams, thanks to this shift to remote work.

**Reduced Costs:**

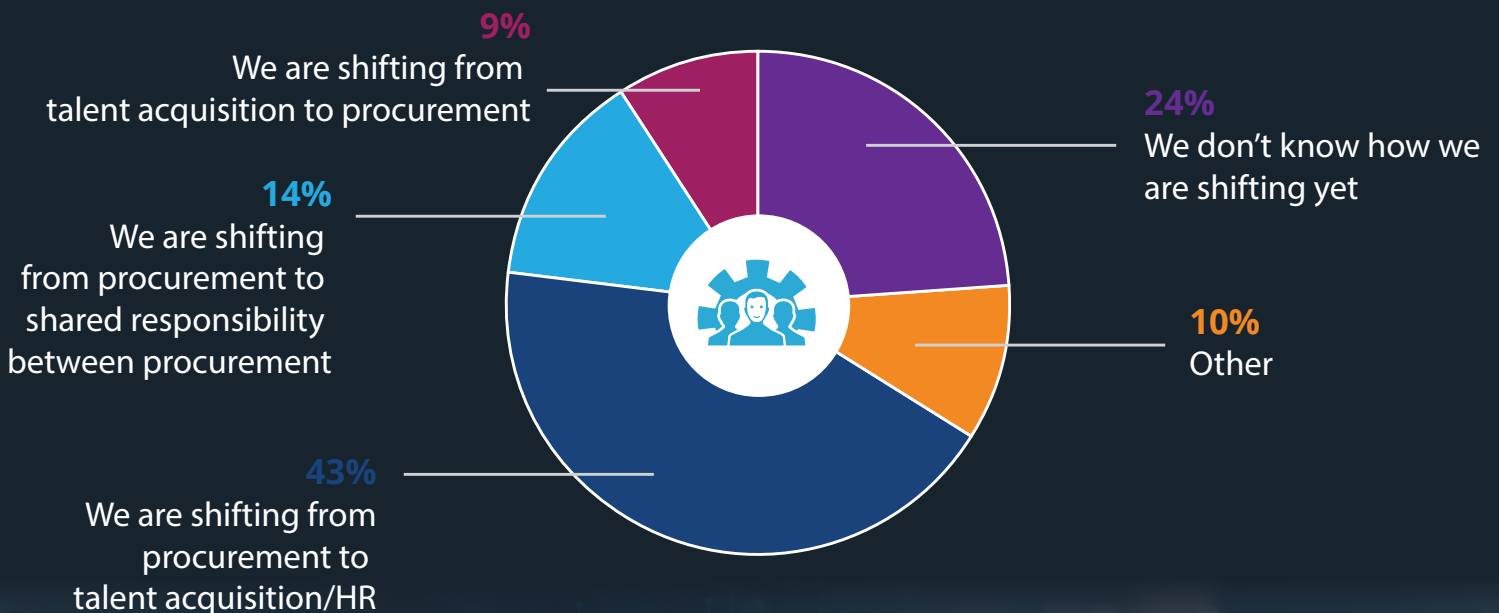
Recruitment is an expensive undertaking. The cost of a traditional hire is \$4,000 or greater. And, this cost does not even account for the time spent posting a job, reviewing resumes, scheduling calls and interviews, and onboarding a new hire. Also, the complexities and expenses of a dispersed workforce are a costly undertaking as more companies move toward remote models. When managed correctly, contingent workers can help reduce these costs by offering a more simplified and streamlined process on a short-term basis.

Senior leaders are not investing in contingent workers as an isolated solution to a specific problem. They are looking broadly at their workforce strategy and determining the best plan to achieve business success. They are supporting a holistic view of the workforce that includes both contingent and traditional full-time workers.

HR Takes Ownership

As companies look to adopt a more flexible workforce, HR is taking more of a role in the use and strategy of managing contingent workers. Thirty-five percent (35%) of companies are shifting their ownership this year to reduce overall costs. When asked how they are shifting ownership, 43% are moving this responsibility from procurement to HR, and 24% are shifting from procurement to a shared services model (see Figure 3). This strategic shift from procurement to HR will enable companies to have a more holistic view of talent and create visibility into contingent and permanent hires.

Figure 3: *Shifts in Ownership From Procurement to HR*



As companies redesign their approach to how contingent workers are managed, technology has become a challenge. Sixty-two percent (62%) of companies state that HR is playing more of a role in technology decisions for contingent workers, but they often do not know what options are available. The main benefit of HR owning this function is to have greater visibility into the full contingent workforce, yet technology limitations make it difficult to execute on those objectives. HR is inheriting several obstacles in total talent, including:



Thirty-four percent (34%) of companies are shifting their technology for contingent workers this year.

Companies are looking at other options for technology to manage contingent workers better. HR leaders can help influence these decisions if they understand the current landscape and available solutions.



One in two companies don't know what they spend on contingent workers.

Companies lack visibility into contingent workers. Spend is a major challenge for companies as they increase investment. HR must think strategically about what solutions can provide more insights into spend to share internally.



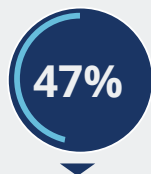
One in four companies state that technology is their biggest challenge in managing contingent workers.

Companies are shifting their strategies and ownership to HR, yet still rely on legacy and outdated systems to manage these workers. HR needs a modern system that will provide greater visibility and capabilities designed for an extended workforce.

For HR to be successful with this new responsibility of managing total talent, they must have access to the right resources and technology solutions.

The Role of the VMS

Despite advances in contingent workforce management technology over the past few years, Aptitude Research found that 71% of companies still rely heavily on antiquated solutions and even manual processes like Excel spreadsheets to manage their flexible workforce needs. A company's primary system used to support contingent workforce management is a Vendor Management System (VMS). These systems are transactional and designed to help organizations stay compliant. They do not provide visibility, simplify the experience for busy managers, or support total talent management efforts. Companies use a VMS to remain compliant and automate aspects of contingent workforce management, such as procuring, managing, and analyzing contingent labor. But the truth is, they are only managing a small fraction of that contingent spend and often do not capture SOW workers, independent contractors, freelancers, or other non-employee labor. While companies invest heavily in these solutions, they often do not fully adopt them or leverage all of the capabilities:

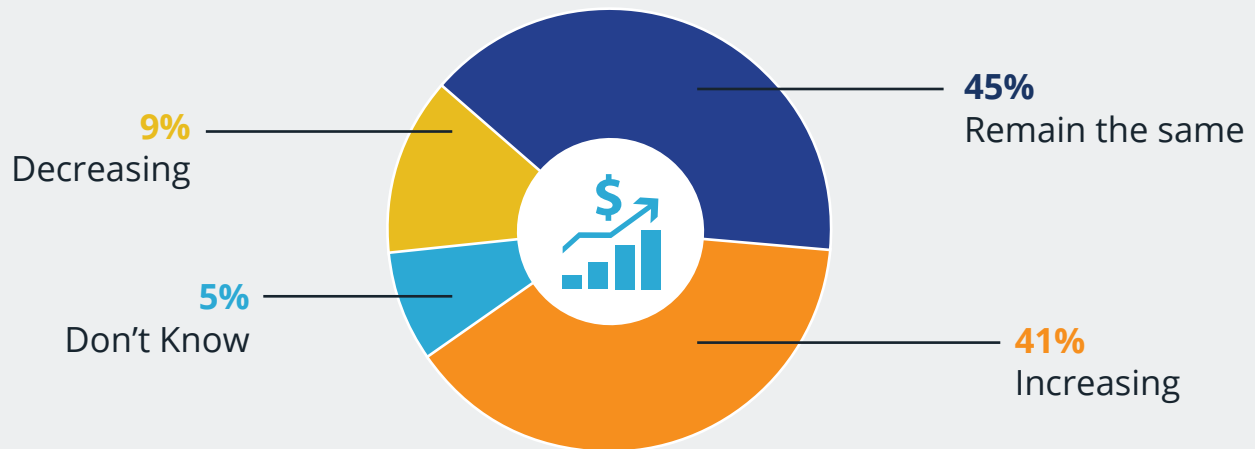


On average, companies use only 47% of the functionality of their VMS

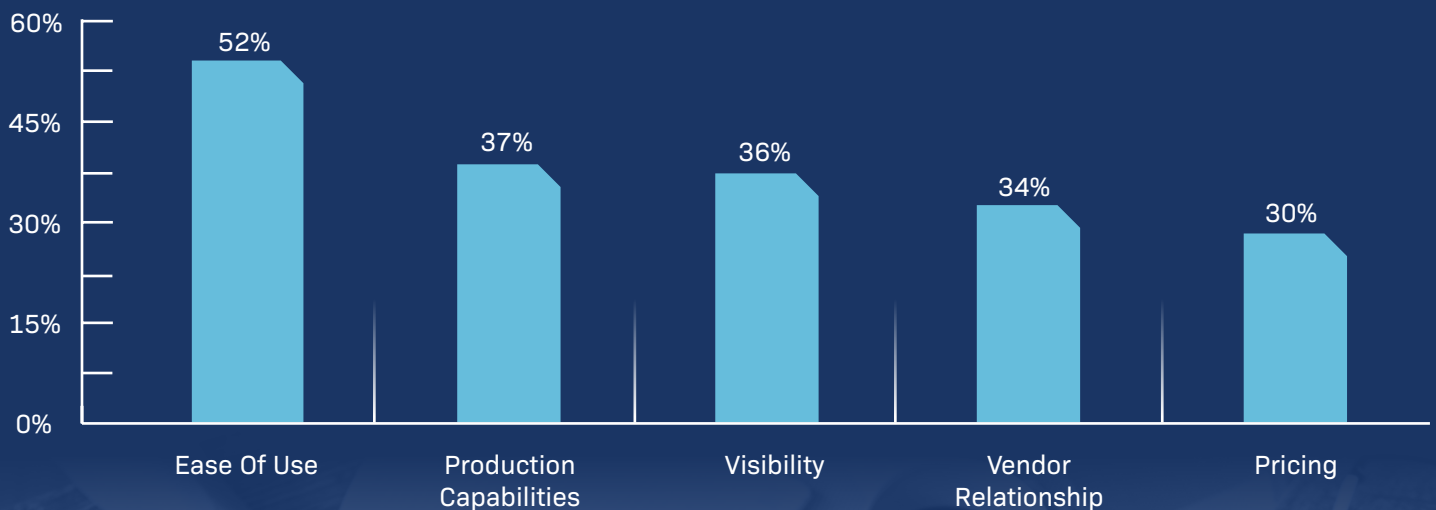


One in three companies have not used their VMS in the past month

When companies feel frustrated with the limitations of these systems, the tendency is to go out and find another VMS without exploring alternative options. According to Aptitude Research, 68% of companies are unhappy with their VMS, and yet, 41% are increasing their investment in these solutions rather than looking for alternatives (see Figure 4). This cycle creates more dissatisfaction and little value. We found that one in two companies are looking to replace their provider in 2021, and only 29% of companies are satisfied with their existing provider. The major challenge with the VMS is that these systems were designed for procurement professionals rather than HR. They solve tactical business challenges, but fail to address the challenges of the modern workforce, including total talent management, diversity and inclusion, and engagement.

Figure 4: *Changes in Investment in VMS*

When asked what are the greatest challenges with the VMS, companies stated ease of use, product capabilities, visibility, vendor relationships, and pricing (see Figure 5). The VMS is a system that can support compliance and workflows, but it falls short in supporting the extended workforce and providing visibility. A VMS is challenging to use and does not have all of the functionality to support a total talent strategy. It is interesting to note that price was not the top challenge with the VMS.

Figure 5: *Challenges With the VMS*



Ease of Use: The VMS has low adoption because many of these systems are designed to be transactional with outdated user experiences. The ease of use directly impacts adoption.



Product Capabilities: The VMS functionality is designed for procurement professionals looking to fill staffing needs. They are not designed for the modern HR professional who is looking to better attract, engage, and retain all talent. These systems lack functionality for the extended workforce.



Visibility: The VMS does not provide visibility into spend, use, or engagement of contingent workers. As a result, one in two companies do not know how much they spend on contingent workers.



Vendor Relationships: HR leaders are looking at solutions that will act as a partner through change. A VMS is designed to be transactional and provide a workflow. These vendors do not always partner with companies to better understand their total talent needs.

In addition to challenges with the VMS, most talent acquisition and talent management systems do not offer capabilities for the extended workforce either. These solutions focus on traditional workers and offer capabilities to attract, recruit, engage, and retain employees. They do not support the following:

- ✓ **Visibility into the entire workforce and spend on contingent workers**
- ✓ **Automated processes for contingent workers**
- ✓ **Compliance and worker classification**
- ✓ **Support for multiple engagements**
- ✓ **Tracking and reporting on all DEI efforts across the entire workforce**
- ✓ **Business Intelligence and analytics for the entire extended workforce**

Fortunately, companies today have better options. Extended workforce solutions can provide more visibility, flexibility, and a great user experience without compromising compliance. The next section of this report will outline the benefits and impact of total talent solutions.





THE IMPACT OF EXTENDED WORKFORCE SOLUTIONS

An extended workforce system (EWS) supports the entire workforce and provides complete visibility into all workers -- be it full-time, contractor, independent contractor, gig workers, freelancers, and more. An EWS provides consistency into areas such as:

- **Total talent management**
- **Spend on workers**
- **Classification of workers and worker type**
- **Strategic workforce planning**
- **Total DEI impact on all workers**
- **Streamlined worker experience**
- **Enterprise-wide reporting**
- **Risk mitigation**
- **Invoice consolidation**

It differs from the VMS by supporting both permanent workers and contingent workers. Figure 6 outlines some of the differences between a VMS and an Extended Workforce System.

Figure 6: *Traditional VMS Solutions vs. Extended Workforce System*

	Traditional VMS Solutions	Next Generation Contingent Workforce Solutions
 Compliance	Helps organizations stay compliant when classifying, paying, and communicating with workers.	Helps organizations stay compliant when classifying, paying, and communicating with workers while providing visibility into these areas.
 Reporting and Analytics	Dashboards on headcount, sourcing, and compliance.	Real-time dashboards and scorecards that provide visibility into headcount, spend, total talent, and planning.
 User Experience	Complicated experience designed for procurement professionals with low adoption from hiring managers.	Simple and engaging experience for hiring managers, suppliers, and workers including integration with core HCM solutions.
 Visibility	Low visibility into spend, headcount, and effectiveness.	Transparency and visibility into spend, headcount, data, suppliers, and effectiveness.

Key Drivers to Shift Technology

Companies that have switched from a VMS to an extended workforce system (EWS) identified the following key drivers as the primary reasons for exploring a new technology solution:



Better Experience: An EWS provides a simple, intuitive experience that enables better visibility, improved hiring manager experience, and better insights across the entire workforce.

60%



Total Talent Strategy: Companies want a centralized process for all of their talent needs through consistent reporting, engagement, and visibility. With total talent capabilities, companies do not have to wait weeks or months to fill positions and risk project delays or lost revenue opportunities.

56%



Visibility: An EWS provides visibility into the entire workforce, including spend, performance, engagement, and DEI.

42%



Risk Mitigation: A VMS can put a company at risk from a compliance and worker misclassification perspective with constantly changing regulations and legislation, including IR35. There is no consistent process and no one system of record for the organization to track workers or see anomalies that exist. An EWS helps companies stay compliant.

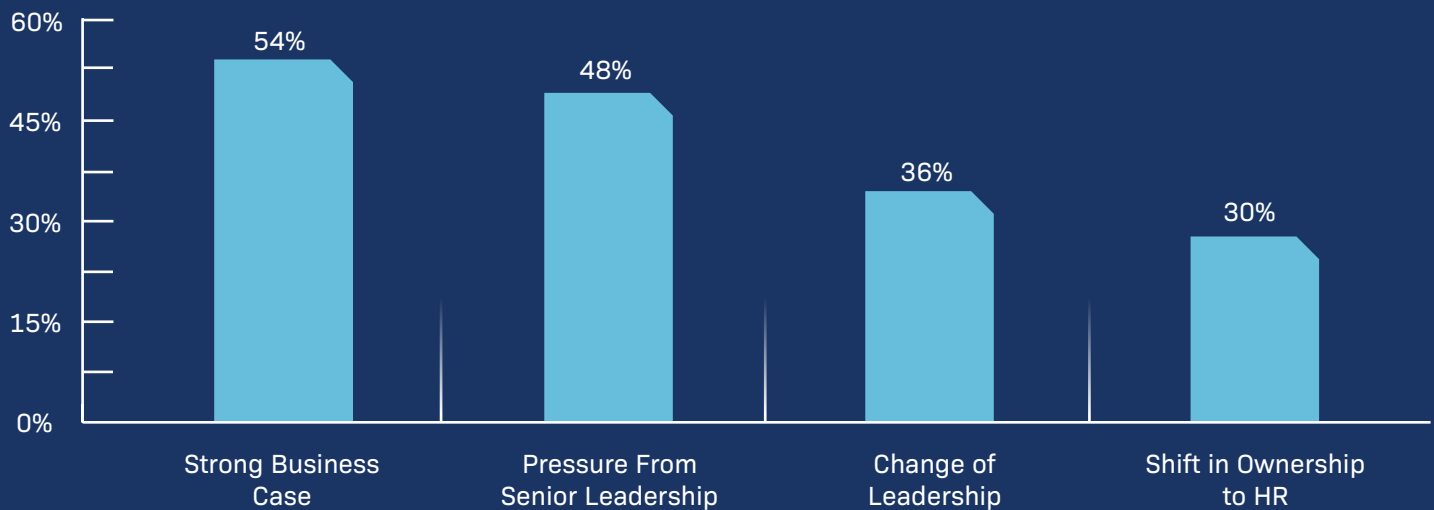
34%

Steps Required to Make a Shift

Switching from a VMS to an EWS requires companies to not only understand what the systems can do, but also to build excitement for these solutions internally. Not every company is ready to completely break ties with their VMS. They have to build trust in an alternative solution and that starts by having conversations internally.

When asked what it would take to switch to an alternative solution, 54% of companies stated that they would have to build a business case, 48% would have to get support of senior leadership, and 36% would need to have a change in leadership (See Figure 7). Companies that can show the value of these systems internally are able to gain buy-in.

Figure 7: *What It Would Take To Replace a VMS for an Alternative*



ROI Analysis

As companies build a business case for an extended workforce system, they must measure the ROI of this investment. Measuring and demonstrating ROI is a crucial part of any technology decision and does not need to happen after a company makes its investment - it should actually be considered before.

The ROI analysis looks at the financial value of an investment in technology and weighs the costs and benefits. This section of the guide examines the timeframe for seeing ROI and the expected costs and benefits. It also includes several examples for calculating ROI.

The ROI is calculated simply as the Net Benefit compared to the Total Cost of the project - the time period is also an important consideration.

TIMEFRAME

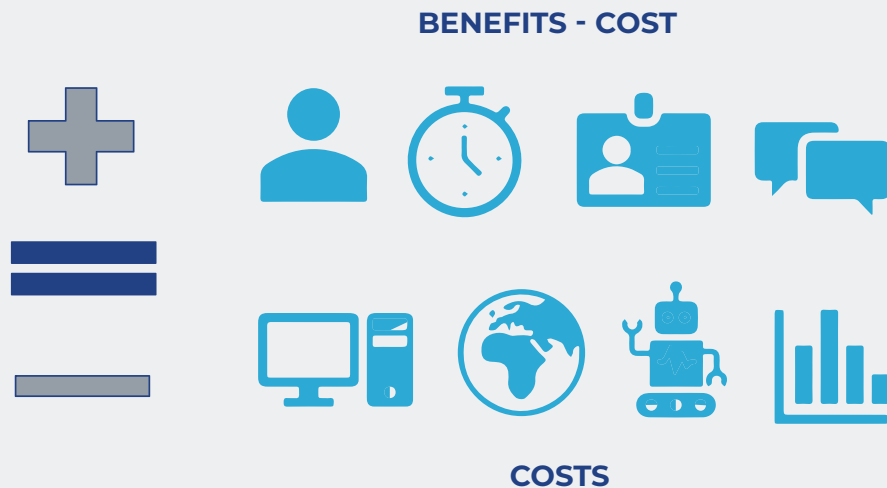
THE TIMEFRAME FOR WHEN YOU START TO SEE THE VALUE.

ROI

THE BENEFITS DIVIDED BY THE COSTS.

SAVINGS

THE AMOUNT SAVED DURING THE PAYBACK PERIOD.



Examples of the benefits include:

- ✓ Reduced costs spent on ineffective solutions
- ✓ Better management of spend
- ✓ Risk mitigation
- ✓ Reduced administrative costs
- ✓ Time to productivity
- ✓ Increased engagement
- ✓ Sourcing optimization
- ✓ Improved worker experience
- ✓ Improved diversity, equity, and inclusion hiring and reporting improved quality of hires

Examples of some of the costs include:

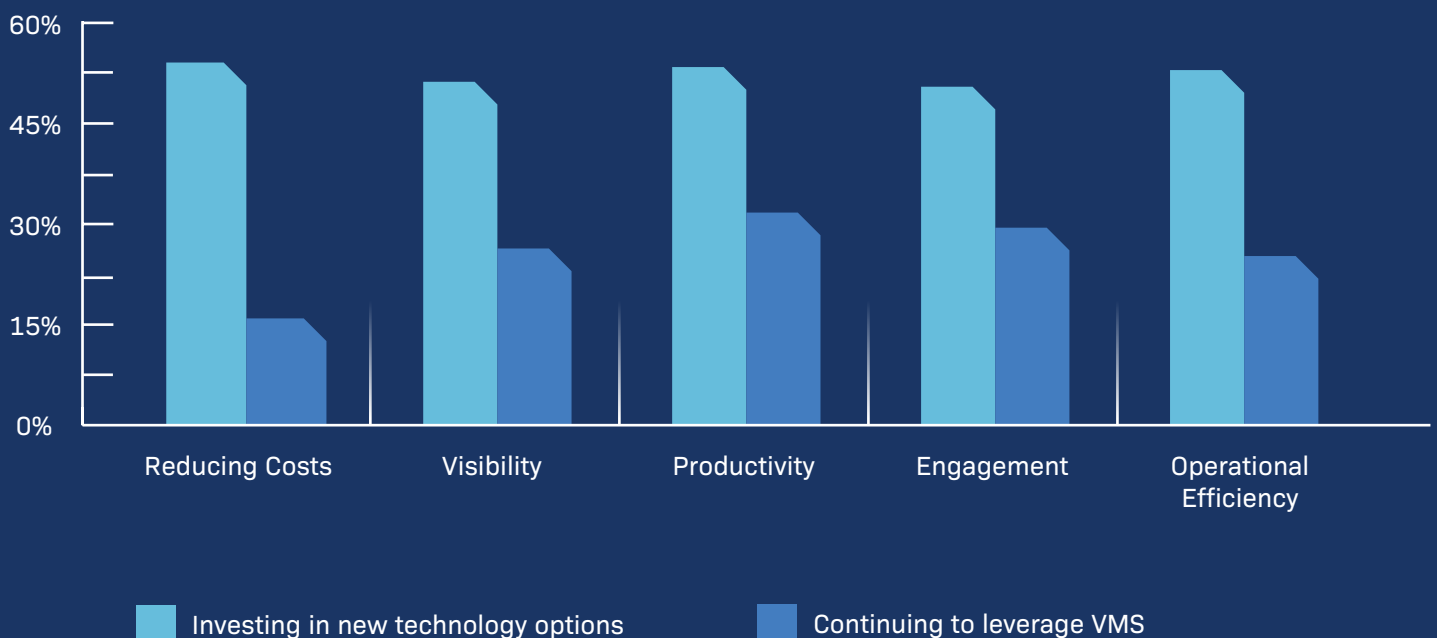
- ✓ Solution provider costs (products, licensing, services)
- ✓ Other external costs
- ✓ Third-party costs (consulting firms, implementation specialists)
- ✓ Total costs of ownership (IT's role in technology integration and data management)
- ✓ Internal costs (implementation labor, management, support, training, facilities, etc.)

Examples of timeframes include:

- ✓ First month
- ✓ Three months
- ✓ Six months
- ✓ Nine months

Aptitude Research found improvements in key metrics such as reduced costs, visibility, productivity, engagement, and efficiency from companies that have leveraged an alternative option to a VMS compared to companies still using a VMS. These companies experienced significant cost savings from just switching technology.

Figure 8: *The Business Impact of Moving Away from a VMS*



KEY RECOMMENDATIONS

As companies start to consider the future of work, total talent will continue to be an important discussion. Companies must create more visibility into both permanent and contingent workers to address their skill gaps today and plan for the next few years. The technology options that most companies rely on do not support an extended workforce. Below are a few recommendations for companies in the process of rethinking their technology for the future:



- **Empower HR Teams:**

As HR takes more responsibility for the extended workforce, companies have to empower HR teams with technology that will provide greater visibility into total talent while also reducing the administrative burden placed on HR. Smarter workflows, deep analytics, and more powerful insights can give HR the tools it needs for the extended workforce.



- **Understand the Limitations with the VMS:**

The traditional VMS creates challenges for companies with low satisfaction, low adoption, and limited visibility. Companies must consider replacing their VMS and explore solutions that can help solve these challenges.



- **Measure ROI:**

Companies looking to shift away from a VMS to an extended workforce solution should measure ROI early by outlining the benefits and costs.

ABOUT US



Aptitude Research is a leading human capital management (HCM) research and advisory firm. Our in-depth research and vendor assessments help HR leaders develop a deep understanding of the HCM technology landscape, including talent acquisition and engagement, to ultimately make better purchase decisions.

Our flagship research, The Aptitude Index Report: Talent Acquisition Systems (2021), delivers a comprehensive look at talent acquisition trends and technology. This knowledge, combined with our consulting and advisory services, enables companies to save time, money and improve the recruiting, hiring and workforce management experience.

Founded by leading analyst Madeline Laurano and based in the Boston area, Aptitude Research provides a wealth of HCM expertise to companies, vendors and investors. View our recent and upcoming research at www.AptitudeResearch.com or connect with us on [Twitter](#) or [LinkedIn](#).



Utmost Extended Workforce System is the talent-focused, next evolution of vendor management software. With Utmost, enterprises gain full visibility into their extended workforce which enables data-driven talent decisions across HR, Procurement, Finance, and IT. The software enhances the productivity of workers, hiring managers, HR partners, and staffing firms while ensuring compliance.

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