

HRO Today Research Flash Report HR Not Fully Embracing DEI in Contingent Workforce Recruiting

HRO Today Flash Reports are a series of ongoing research initiatives that address today's topics of interest in the HR community. *HRO Today* Flash Reports are focused briefs that can be used to support business decisions and further discussion among industry practitioners and thought leaders. This report addresses the North American market.

This report examines Human Resources' views of contingent workers as part of a total workforce solution and plans to transition temporary workers to permanent employees. Further, the importance of Diversity, Equity & Inclusion (DEI) in the composition of a temporary workforce is examined, along with views about diversity initiatives and sourcing.

This study was sponsored by Sevenstep, though the sponsor of the study was not revealed to study participants.



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Introduction

Today, roughly 25-30% of the U.S. workforce is contingent, and more than 80% of large corporations plan to substantially increase their use of a flexible workforce in coming years.¹

In fact, as much as 30% of the working-age population in the United States are performing some kind of independent work, according to a McKinsey report. Among those workers, contingent workers have become a strategic pillar in multiple industries across the globe.²

Organizations will continue to use contingent labor as part of an ongoing human capital strategy. But given the size and planned use of the contingent workforce, do organizations view them and their permanent employee workforce as a total workforce solution, or are these two groups siloed? Are temporary workers a significant part of the talent acquisition strategy? Our report addresses these questions.

Our second area focuses on DEI initiatives. Do these efforts extend to contingent workers and what is the view of DEI on this group as it pertains to talent acquisition? A November 2020 study by SIA reveals most organizations have focused on diversity and inclusion with their full-time employees but are not sure, and likely have not given this topic serious thought, when it comes to their contingent workforce. According to the SIA study, nearly two-thirds (64%) believe DEI efforts for their employed workforce are a priority, while only a quarter (26%) believe so for contingent despite the belief that DEI will become a higher priority in the future.³ How do these contrasting views impact efforts to recruit permanent workers from the contingent workforce pool? This area will also be addressed in our research.

Methodology

Between June 21st and August 26th, 2021, a series of email invitations were sent to subscribers of *HRO Today* Magazine and *HRO Today* newsletters to take part in an online study. Study respondents were manager level or above within their Human Resources departments. The total number of usable surveys was 65, and respondents were from North America.

Respondents were screened to ensure they were familiar with their company's strategy for sourcing both contingent and permanent employees.

Executive Summary

Our study revealed six key findings about the views of contingent workers as part of a total workforce solution and the impact of DEI initiatives on the composition of a temporary workforce.

- 1. Temporary-to-permanent workers are an important source of new employees.** Just under one-half (43%) of respondents viewed contingent workers as a significant channel for new employees in the last two years, and even more (47%) feel they will be in the next 24 months.
- 2. Contingent labor is a significant part of total talent acquisition strategy.** Nearly one-half of organizations agreed the group will comprise a major part of their strategy in the next two years.
- 3. The vast majority consider the potential for a permanent position when sourcing contingent workers.** Over the past 24 months, nearly three-quarters (71%) looked towards a future hire, while the number looking towards a future hire will rise to 76% over the next two years.
- 4. The employer brand is not usually tailored to attract contingent workers.** The majority (57%) do not extend the employer brand to contingent workers. Given that most organizations get permanent employees from this group, as well as the importance of the work being done and growth of the category, this is surprising.
- 5. A total workforce solution is comprised of permanent and contingent labor for nearly three-quarters (72%) of organizations.** This emphasizes the continued long-term importance of contingent labor to meeting the human capital needs of an organization and underscores the significance of the group across company culture.
- 6. There is a disconnect with contingent labor and diversity efforts.** Over two-thirds (68%) indicated DEI is important in the composition of a temporary workforce, and over three-quarters agree that contingent labor must be diverse because it is an important part of the talent pool.

However, only about one-third (39%) agreed that diversity information should be captured as part of the process for sourcing contingent workers. Further, only 33% are looking harder at how they source contingent workers because of DEI initiatives. So, if DEI efforts are an important part of contingent labor sourcing, HR is failing to address the need. Given the size of the contingent workforce and the frequent use of contingent labor as part of the talent pool, this omission is glaring.

Detailed Findings

Sources of New Employees

Respondents were asked to indicate the extent of their agreement about temporary-to-permanent hiring in the last 24 months and the forecast for the next 24 months.

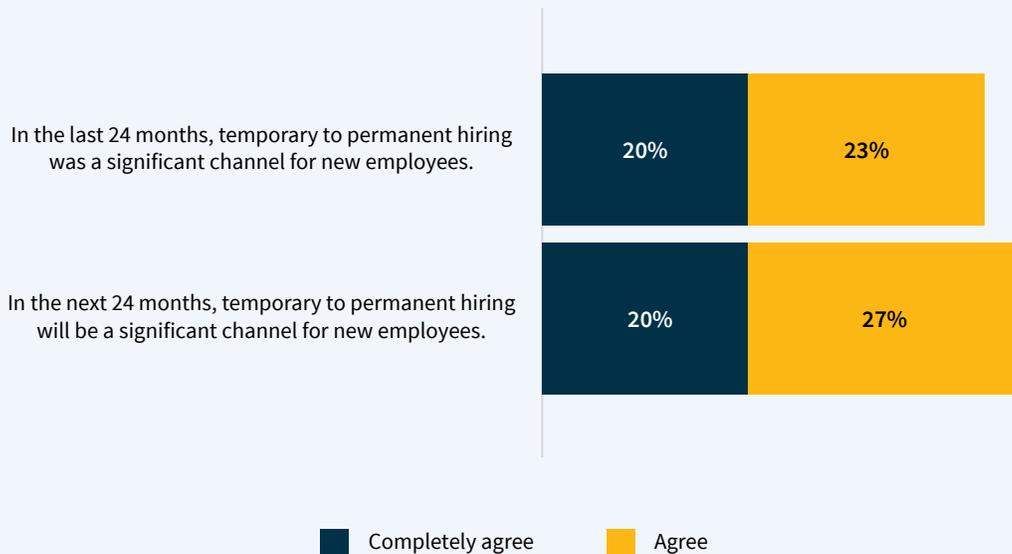
Most of the last 24 months have been very atypical for every organization. The ongoing fallout from the worldwide pandemic and renewed focus on DEI made companies reevaluate many practices. During this time, 43% agreed that temporary to permanent hiring was a significant channel for new employees.

Looking forward to the next 24 months, nearly one-half (47%) feel temporary-to-permanent workers will be a significant source of new employees, slightly more than in the prior 24 months.

A business can hire a contingent worker and assess their performance and ability over time, to determine whether the employee would be a good candidate to fill a permanent position. Likewise, potential employees can evaluate if the employer and the work fit with their career aspirations. The ability to transition to permanent employee status is also important to many contingent workers. In fact, according to the US Bureau of Labor Statistics, more than one-half (55 percent) of contingent workers would have preferred a permanent job, while one-third said they preferred their contingent employment arrangement.⁴

Sources of New Employees

Please indicate the extent of your agreement for each of the following statements about sources of new employees.



Total Talent Acquisition Strategy

Study participants were asked to indicate the extent of their agreement about the role of contingent labor in a total talent acquisition strategy. Just under one-half (48%) agreed that contingent labor was a significant percentage of their total talent acquisition strategy in the last 24 months.

Looking forward to the next 24 months, plans for contingent labor remaining a significant percentage of total talent acquisition stay about the same as the prior 24 months, as 49% agreed to the statement. There is an increasing proportion of long-term plans that incorporate contingent labor into a total talent acquisition strategy.

This finding is corroborated by another research effort. According to a recent study, roughly 25-30% of the U.S. workforce is contingent, and more than 80% of large corporations plan to substantially increase their use of a flexible workforce in coming years.⁵

Total Talent Acquisition Strategy

Please indicate the extent of your agreement for each of the following statements about your total talent acquisition strategy.



Consideration for Permanent Employee Position

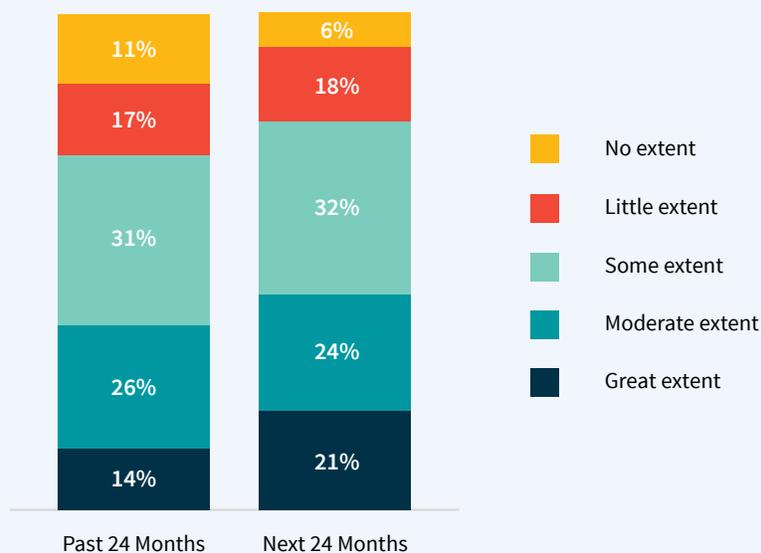
Nearly three-quarters (71%) of respondents indicated that consideration for a permanent position played a role, to at least some extent, when sourcing a contingent worker in the past 24 months. Most of this group (40%) felt the extent of consideration was either great or moderate.

In the next 24 months, over three-quarters (76%) of respondents indicated that consideration for a permanent position will play a role to at least some extent when sourcing a contingent worker, a moderate increase of five percentage points over the prior 24 months.

Organizations frequently include contingent workers as part of their talent pool for permanent positions. The familiarity with the potential candidate and their understanding of the work and employer needs, make temporary workers an excellent source of permanent talent.

Consideration for Permanent Employee Position

Extent of consideration for a permanent employee position a factor when sourcing a contingent worker for past 24 months and next 24 months.



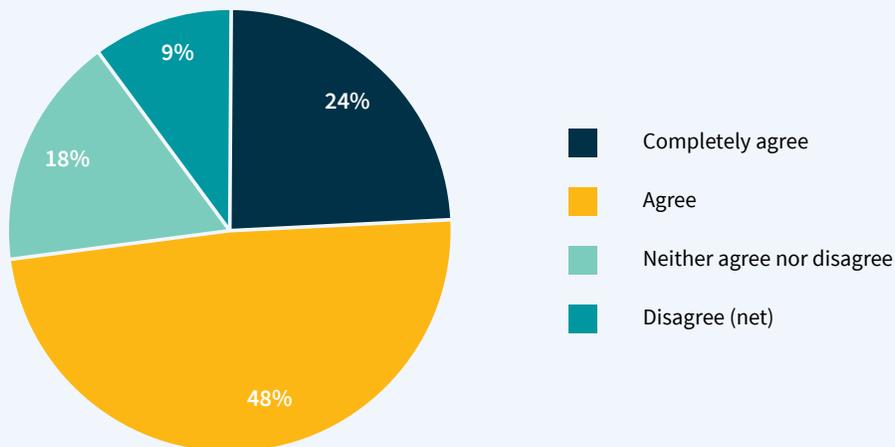
View of Human Capital

Study participants were asked to indicate their agreement with this statement: *We view human capital as a total workforce solution comprised of permanent employees and contingent labor.* Nearly three-quarters (72%) of respondents agreed that they view human capital as a total workforce solution comprised of permanent and contingent labor. This view has changed in recent years when much of the sourcing and management of contingent workers was done through the Procurement Department, not Human Resources.

The view of a total solution is important in optimally supporting the needs of the business. A siloed approach to bringing in permanent and contingent workers makes it a challenge to completely understand an organization's talent. A holistic workforce solution can help businesses' leaders understand the talent they have on hand and the range of agile talent that can be tapped into when needed, as well as the information necessary to plan to meet changing business needs.⁶

View of Human Capital

Agreement that human capital is a total workforce solution comprised of permanent employees and contingent labor.



Employer Brand Tailored to Attract Contingent Workers

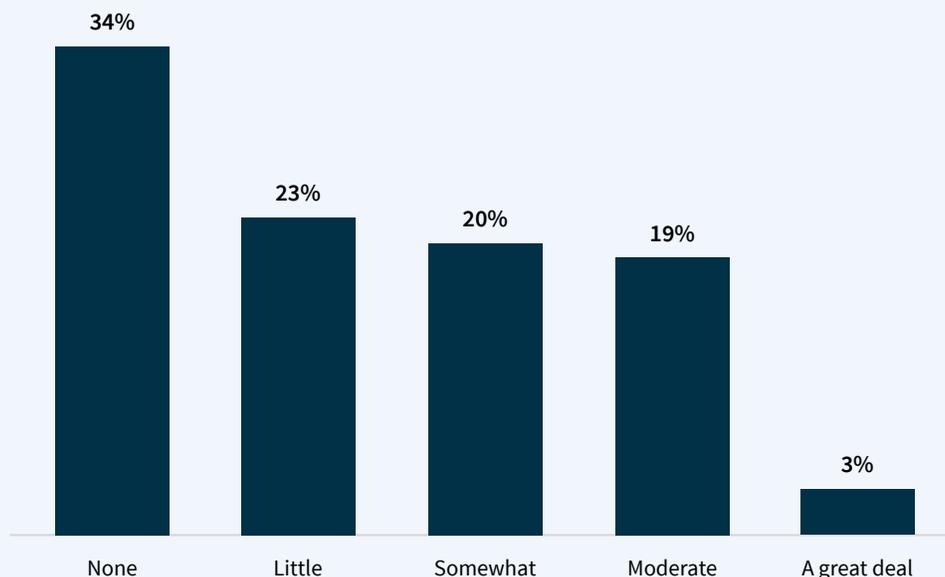
Study participants were asked to indicate the extent to which they tailor their employer brand to attract contingent workers. Overall, more than one-half (57%) tailor it very little, if at all. Employer branding for most does not extend to contingent workers. Given that most organizations get permanent employees from this group, as well as the significance of the work being done and growth of the category, this is surprising.

As contingent workers become more essential as a part of long-term workforce strategy, more employers need to consider attracting them when defining their overall employer brand.

An employer brand should encompass what matters most to the contingent talent being sought. Wages will be a top priority for contingent workers, but other factors like the opportunity for skills development, flexibility, support of DEI initiatives and an enjoyable work environment are also factors. Further, the opportunity to convert to a permanent status is very important to some contingent workers.

Employer Brand Tailored to Attract Contingent Workers

To what extent do you tailor your employer brand to attract contingent workers?



Contingent Labor and Diversity

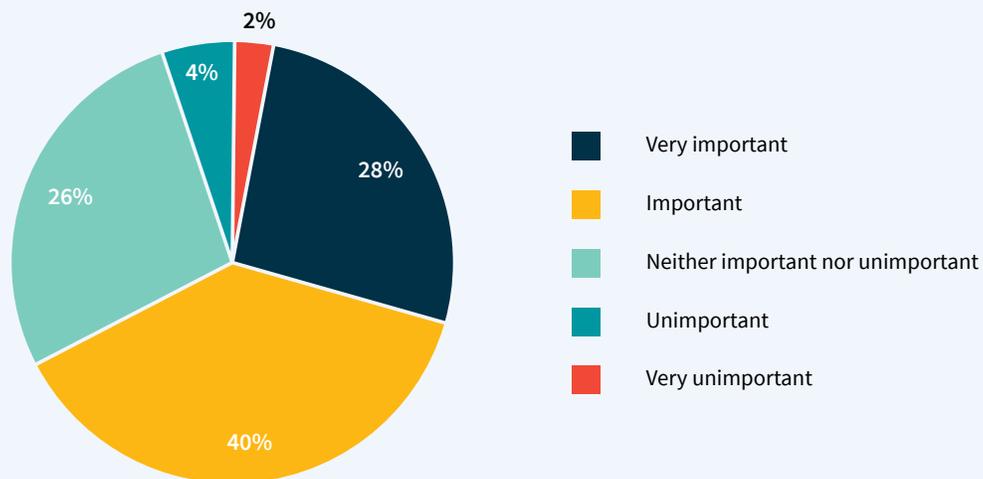
Study participants were asked to indicate the importance of DEI in the composition of their temporary workforce. Over two-thirds (68%) indicated it is important, more than ten times the number who feel it is unimportant (6%). The resulting average score was 3.9/5.0 scale.

So, while most agree that DEI is important in the composition of the temporary workforce, is it a priority for organizations? According to research from SGA, only 26% of respondents think contingent DEI is a priority for their organization today.⁷

Focusing on DEI should not stop with employed workers; contingent labor is a large part of the total company workforce. This group is impacted and contributes to company culture, and they have a significant opportunity to take a huge step forward when it comes to advancing inclusion.

Contingent Labor and Diversity

How important is Diversity, Equity & Inclusion to the composition of your temporary workforce?



Contingent Labor and Diversity (continued)

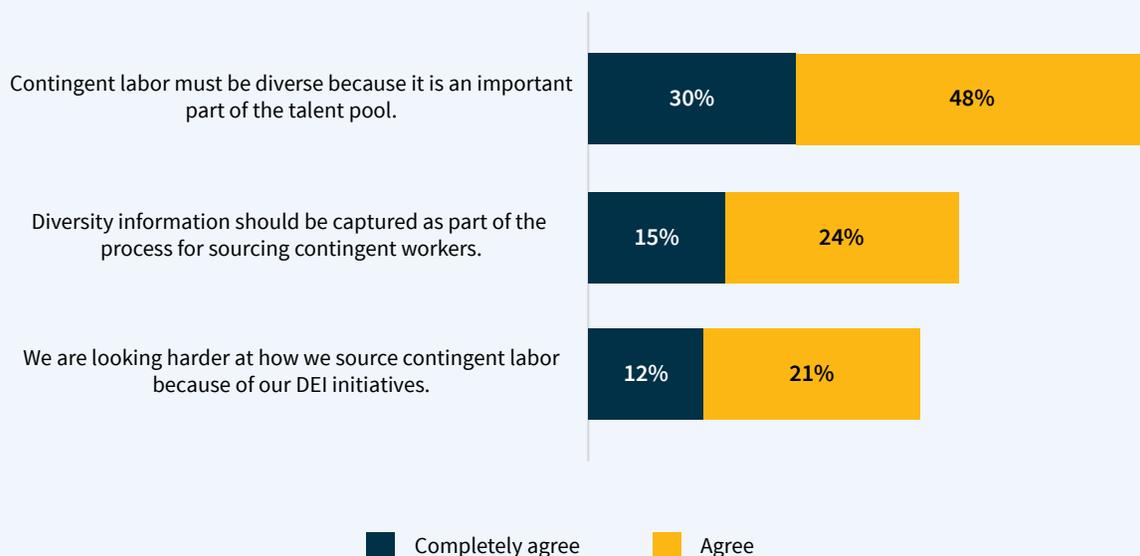
Respondents indicated the extent of their agreement with a series of statements about diversity and contingent labor in their organization. By far, the area with the greatest agreement was “Contingent labor must be diverse because it is an important part of the talent pool,” with over three-quarters (78%) agreeing. This is consistent with the prior study finding that 68% felt DEI was important in the composition of their temporary workforce. Given the social upheaval around issues of race in the US, it’s fair to say that most organizations have renewed interest in diversity and inclusion with their permanent employees. So, DEI as it relates to the talent pool that feeds the permanent workforce is crucial.

But what is not consistent is the view of DEI on contingent labor as an ongoing part of a total workforce solution. The following two areas illustrated in the chart show the disconnect in views on diversity for contingent labor. Despite about three-quarters agreeing with need for diverse contingent labor as it pertains to the talent pool, there is little agreement about diversity and sourcing. The statement “Diversity information should be captured as part of the process for sourcing contingent workers” was agreed with by only 39%, with a small 15% completely agreeing with the statement.

Only one-third (33%) of study respondents are looking harder at how they source contingent workers because of DEI initiatives. As much as DEI is a top priority among HR right now, the emphasis isn’t there on contingent labor sourcing.

Contingent Labor and Diversity (Continued)

Extent of agreement with statements about diversity.



Notes

1. "Intuit 2020 Report – Twenty Trends That Will Shape the Next Decade," *Intuit*, 2020.
https://http-download.intuit.com/http.intuit/CMO/intuit/futureofsmallbusiness/intuit_2020_report.pdf
2. "Independent Work: Choice, Necessity, and the Gig Economy," *McKinsey Global Institute*, October 10, 2016.
<https://www.mckinsey.com/featured-insights/employment-and-growth/independent-work-choice-necessity-and-the-gig-economy>
3. "The Future of Diversity and Inclusion in The Contingent Workforce," *Staffing Industry Analysts*, November 20, 2020.
<https://www2.staffingindustry.com/Research/Research-Reports/Americas/The-Future-of-Diversity-and-Inclusion-in-the-Contingent-Workforce>
4. Kosanovich, Karen. "A Look at Contingent Workers," *U.S. Bureau of Labor Statistics*, September 2018.
<https://www.bls.gov/spotlight/2018/contingent-workers/pdf/contingent-workers.pdf>
5. "Intuit 2020 Report– Twenty Trends That Will Shape the Next Decade."
6. "Bolla, Debbie. "The Emergence of Total Workforce Solutions," *HRO Today*, March 17, 2017.
<https://www.hrotoday.com/uncategorized/emergence-total-workforce-solutions/>
7. "The Future of Diversity & Inclusion in the Contingent Workforce," *Staffing Industry Analysts*.



About *HRO Today*

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SEVENSTEP

About Sevenstep

Sevenstep is a global leader in total talent outsourcing and solutions. Annually ranked as a top enterprise recruitment process outsourcing (RPO) provider on *HRO Today's* Baker's Dozen list and a leading managed service provider (MSP), Sevenstep provides services in nearly 50 countries spanning six continents. A bespoke suite of total talent services and solutions includes enterprise RPO, project RPO, MSP solutions, data analytics, employer branding and talent attraction capabilities. Sevenstep's solutions are all powered by Sevayo™, a comprehensive talent and business intelligence technology platform and service designed to provide stakeholder visibility into talent acquisition and business performance.

Sevenstep's unrivaled partnership-driven approach and unbounded vision to total talent means talent acquisition wins and business performance gains. Learn more at sevensteprpo.com.