

External Workforce Management Toolkit

Strategies and Tactics for Optimizing and
Engaging your External Workforce

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Definitions and Methodology

Overview

Welcome to the *External Workforce Management Toolkit: Strategies and Tactics for Optimizing and Engaging your External Workforce*. We are glad that you are interested in this topic, and we hope this toolkit will provide you with a comprehensive point of view on how to increase the effective utilization of external workers as an important part of your total workforce.

The Toolkit's Foundational Principles

First, it is important that we define what we mean by the external workforce, given this is a term that is not widely used. The external workforce refers to all types of workers that are employed in a temporary or transactional capacity to deliver a specific service or product. Perhaps it is easiest to define an external worker by what it is not.

The external workforce would include all the types of workers that organizations utilize besides those that they have on their payroll as more permanent regular internal employees. In this way, external workers could include contractors, contingent workers, freelancers, gig workers, SOW service providers, temporary workers (temps),

on-call workers, and many more. When you see all the different types of worker categories or labels that fit inside this definition of external workforce, it becomes clearer as to why we have elected to use a term that, while not widely adopted, can encompass all these different working arrangements and consider them as one workforce segment.

The research teams at SAP and the Society for Human Resource Management (SHRM) partnered on an initiative to investigate the external workforce and develop this practitioner toolkit for the following reasons:

- The external workforce continues to increase in size, importance, and cost, filling both strategic and tactical roles inside organizations.
- HR's role in external workforce sourcing, management, and engagement is expanding.
- Particularly in the United States, the legal landscape is ambiguous when it comes to these workers, leaving organizations confused about what they can and should do when it comes to external workforce management.

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- Most organizations are currently very immature in their external workforce management approach, with little to no strategy and practices.
- Effective external workforce management is only going to grow in importance, as organizations continue to leverage these workers as part of their people strategy but grapple with how to do it well.

The management of external talent is an incredibly complex topic and we saw a need to develop actionable insights that could help organizations improve their external workforce strategy, practices, and experience.

Therefore, we conducted a comprehensive investigation that included the perspectives of multiple stakeholders. This body of research identified areas of alignment - as well as misalignment - and resulted in this practitioner playbook that translates the research into real-world tools and guidance for businesses.

The Toolkit's Research Underpinnings

This toolkit is based on an extensive applied research program that was undertaken by SAP and SHRM to investigate the external workforce from multiple perspectives (HR professionals, external workers, internal employees, and managers of blended teams of internal and external worker). With over 3,000 total research participants, the

study employed both qualitative and quantitative methodologies.

You can find more about the study's design and data sources in the next component of this Introduction section entitled "Definitions and Methodology." While the research directly informed the design and focus areas of the toolkit and pertinent findings are incorporated throughout, we also direct you to our jointly published research whitepaper for a complete overview of the findings and key conclusions from the applied research program.

The Toolkit Structure

The toolkit includes three main sections, along with an introduction and closing. These sections are meant to build upon one another, starting with recommendations on how to establish a foundational infrastructure. This is followed by suggestions for developing the key components of an external workforce strategy, and finally, insights on how to address external workforce management and engagement practices. Within each of these three main sections, there are several components, which include the following:

Foundations

Prior to developing an external workforce strategy, organizations need to understand what good practices look like and what external workers

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really value and desire from their work experience. They also need to understand how attention and investment to establish an external workforce strategy and the building of effective external workforce management practices can benefit the business. As such, this section of the toolkit includes an External Workforce Maturity Model that describes the dimensions of an external workforce strategy. The model also includes indicators of maturity across five levels, which can be used as a self-diagnostic for organizations so they understand their current state and what they need to focus on next. This toolkit section also outlines the key research findings about what matters most to external workers, so organizations can focus their efforts and investment on the aspects of the external workforce experience that will result in the largest value for their external workforce. Finally, this section includes a primer for how to build a business case to invest in the external workforce as an important component of your total workforce and key lever for improving business outcomes.

Strategy

In this section, guidance is provided for how to establish an effective external workforce philosophy, strategy, and governance model. These three elements are critical for effective external workforce management, but they are often found lacking within organizations today. This section also addresses the legal and

compliance considerations associated with utilizing an external workforce, which were identified in our research as a significant source of concern, most notably in the United States. These considerations have a direct influence on the guidelines and rules that an organization puts in place for how external workers should be managed and treated.

External Workforce Lifecycle

In this section, we step through the entire external workforce lifecycle (from planning, sourcing, onboarding, working and engaging, to paying and exiting) and offer research findings and best practice recommendations associated with each stage. Also, within each of these stages, multiple topics are discussed considered, such as in the “Working and Engaging” section, where we address how to develop leaders to more effectively manage blended teams of internal employees and external workers. We also present ideas on what performance management could look like for external workers, and how to appropriately include and engage your external workforce so they are motivated to do their best work over the course of their time with you. An important point of consideration here is that we are not advocating that the exact same practices that you use for internal employees should be adopted for your external workers. Instead, it is important to identify what a fit-for-purpose version of these practices looks like for external workers. It’s also

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key to investigate how that answer might actually be different for different types of external workers (such as those that are customer-facing, those completing high-risk tasks, and those working closely with internal employees).

For the most part, each component of the toolkit also includes the following elements:

- **Tiered recommendations** - Recognizing that each organization is starting at a different place, best practice recommendations are shared at the beginner, intermediate, and advanced levels to meet an organization where it is currently with respect to the maturity of its approach.
- **Technology applications** - Technology is a key dimension of an external workforce strategy and can be a powerful enabler to establishing effective and consistent external workforce practices, so ideas for how technology can be used to facilitate the best practice recommendations are offered.
- **Suggestions for further reading** - Both SHRM and SAP offer additional assets in case you want to dig deeper into a particular topic.

Global Relevance

The content of this toolkit was developed to be globally relevant. While the bulk of the research data was collected in the United States, a sizable proportion of the respondents worked for companies with global operations, which included utilizing external workers on a global scale.

External workers are an important workforce segment in all regions of the globe and across industries, though their usage may be more mature in some regions or industries than others. Similar to our broad definition of external workforce, we purposely developed the toolkit to be widely applicable across regions and industries, allowing for an individual organization to contextualize and consider the recommendations in light of their specific circumstances and legal framework.

It should be noted that the one exception in the toolkit that is more U.S.-centric and not as globally applicable is the section on legal and compliance considerations. This content was authored by SHRM and reflects an excellent summary of the specific and unique elements of the legal context related to employing external workers in the United States.

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How to Use this Toolkit

Compared to a whitepaper or research report, this toolkit was built to provide practical guidance, resources, and tools for the HR community to more effectively manage and engage the external workforce through the lifecycle. With this in mind, this toolkit is meant to serve as an ongoing reference to you and your organization as you tackle this topic of external workforce management. It may take months, or even years, to create and implement an effective external workforce strategy with external workforce management and engagement practices.

Ideally, the toolkit would be maximally impactful to a business if they started at the beginning and used it to inform each of their steps, as they first established an external workforce strategy and then created practices and programs to manage and engage their external workforce. That being said, it is rarely the case that an organization is starting from scratch and has not established any external workforce practices or processes (if you employ external workers at all, you must be doing something!). As such, each component of the toolkit is also written to be self-contained and standalone. If you are particularly interested in establishing a governance model because you currently lack one at all or the one you have is not effective, then that section is relevant for you. Alternatively, if you wonder what better external

workforce onboarding may look like or are considering building a better exiting process for your external workers, referencing those specific sections of the toolkit would be the way to go.

Further, given the toolkit includes tiered recommendations within most components, it is likely that an organization may first leverage the toolkit to implement basic-level recommendations and later revisit certain toolkit sections to subsequently put more advanced (mature) practices in place over time.

Finally, it is important to consider that a company's utilization of external workers can and should evolve over time to meet new business demands. This could include changes in the quantity of external workers employed, types of external workers employed, and the use of agencies to source external workers, just to name a few. Alongside these changes internal to the business, the external talent market and the legal and regulatory landscape associated with employing external workers are likely to change. As these internal and external changes are contemplated and occur, we encourage companies to refer back to this toolkit to reflect on their external workforce philosophy and maturity, which might influence subsequent changes to their external workforce strategy and practices.

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Summary

We hope you find this toolkit useful as you work to build an effective external workforce strategy and implement practices that make external work a more viable work arrangement for organizations and their workforces alike. We feel strongly, as the data supports, that the external workforce is a crucial part of the total workforce in organizations today and tomorrow. We will leave you with this quote from one of the research program participants, which sums up this point nicely:

“External workers work alongside our internal employees so they impact our employees’ experience. They are often the face of the organization to our customers so they impact our customers’ experience. There are more of them so they impact our company culture. They are doing more important things so they impact our business’ ability to meet our immediate demands and long-term objectives. It’s time for us to figure out how we can better manage and engage our external workforce for everyone’s benefit.”

HR practitioner, SHRM-SAP SuccessFactors focus group

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Definitions

External workers

Workers who complete contract-based or temporary assignments for companies or other people. These workers are often referred to as “contingent workers,” “gig workers,” “contractors,” and “temps,” though there are many labels for these workers. They might be employed by a contracting organization (for example, a contractor company or staffing agency) who helps them find assignments or they might work for themselves.

Internal employees

Non-management employees who are employed full or part-time by one organization and are not on a fixed-term contract. Employees are paid directly as part of the organization’s payroll.

Managers

Employees who have managed external workers within the past 12 months.

Methodology

Survey of External Workers, Internal Employees, and Managers

Surveys conducted by NORC at the University of Chicago for the Society for Human Resource Management (SHRM) and SAP SuccessFactors. Data were collected using the AmeriSpeak® Panel. Supplemental sample was obtained from a non-probability sample source, Lucid. In total NORC collected 1,714 interviews, with 1,612 from the AmeriSpeak Panel and 102 from the Lucid Panel. For more information about NORC’s AmeriSpeak® Panel, see [amerispeak.norc.org](https://www.amerispeak.norc.org).

Survey of Human Resource Professionals

This survey was conducted by SHRM. 20,000 SHRM members were invited to complete the survey. 1,178 HR professionals completed the survey.

Focus Groups

7 focus groups were conducted with SHRM members from across the country, including

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members in Chicago, Illinois; Washington D.C.; Indianapolis, Indiana; Nashville, Tennessee; Boston, Massachusetts; and Atlanta, Georgia.

Semi-Structured Interviews

12 semi-structured interviews were conducted with SAP SuccessFactors customers from across several industries, including utilities, oil and gas, manufacturing, technology, finance, consumer goods, and hospitality.

Micro Survey

This survey was conducted with 44 organizations across 17 industries including 24 Executives in North America.

Nano Survey

This survey of HR professionals was conducted by SHRM. Of the 25,902 SHRM members invited to complete the survey, 966 completed the survey via the web over two days (3.9% response rate). The sample was stratified to ensure coverage of all sectors and organization sizes, and the data were not weighted.

Omnibus Question

Surveys conducted by NORC at the University of Chicago for the Society for Human Resource Management (SHRM) and SAP SuccessFactors. Data were collected using the AmeriSpeak® Panel. In total NORC collected 1,021 responses over two days; of these, 79 completed the survey by phone and 942 via the web.



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As organizations contemplate their current approach to any element of their business, it is often helpful for them to consider their practices within the context of a model or framework that outlines “what good looks like” and the process that an organization goes through to evolve or mature its approach. This type of model or framework is particularly useful when a company is tackling a complex organizational issue, such as establishing and implementing an external workforce strategy.



With this in mind, we used the findings of the external workforce research program to develop an **external workforce maturity model** to aid organizations as they build a more strategic approach to external workforce management and engagement.

The model includes the following components:

- Four dimensions that underpin an external workforce strategy (*culture and practices, worker experiences, technology, visibility and business impact*) and how they are defined,
- Five levels of maturity, from reactive to intelligent, and
- Indicators of how the four dimensions evolve over the course of the five stages of maturity.

Prior to making any changes and as part of a “diagnostic” phase, organizations are encouraged to review the external workforce maturity model and all its components and “take stock” of the current maturity of their approach across the four dimensions. While the model’s dimensions are interrelated, it is likely that an organization may be operating at a more mature level on some dimensions compared to others. After reflecting on their current state and with an eye towards the

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next stages of maturity across the dimensions, organizations may then reference the [other toolkit components](#) to gain evidence-based insights and

guidance as they seek to improve the maturity of their external workforce strategy.

FIGURE 1 - EXTERNAL WORKFORCE MATURITY DIMENSIONS



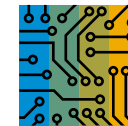
Culture & Practices

- Collaboration across relevant stakeholders in external workforce management.
- Perception of external workers and their value to the business.
- Identification of different “types” of external workers within the business and “fit for purpose.”
- Integration of external workers into people and operational practices.



Worker Experiences

- Measurement and active management of the total workforce experience within the organization.
- Consideration of macro forces (industry, economic, legal, societal) that influence the external worker experience.



Technology

- Use of technology in managing the external workforce.
- Integrated systems across all parts of the business to source, manage, and engage the external workforce across the lifecycle.
- Deployment of solutions and systems that enable integration of data and processes and facilitate collaboration between lines of business.



Visibility & Business Impact

- Leveraging insights into who the external workforce is, what they're doing, and how they're contributing to the organization.
- Assessment of the impact that external workers are having on the achievement of business results.

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Problem Statement

Despite intense reporting on “the gig economy” and other types of external work, many people have only disjointed knowledge of what external work is, who external workers are, and what types of experiences they commonly have with the organizations or people for whom they work. In fact, many myths exist about the motivations and experiences of external workers and how they are utilized by their employers because their “voices” are often not gathered and shared. To build an effective external workforce strategy that includes investments in external workforce practices and realizes returns on those investments in the form of external worker performance and retention, executive leadership must first better understand the profile and experience of the external workforce.

Methodology and Key Definitions

The results and content produced in this section are based on data collected across multiple methodologies and sources. For an overview of these sources and definitions of key terms used in this toolkit, please [click here](#).

Key Takeaways

- A wide variety of workers are represented in the “external worker” employment category, including independent contractors and temporary agency workers.
- Less than 20% of external workers in this study reported that they would prefer to be internal employees; the largest group (45%) did not have a specific preference for either type of work.
- Internal employees, whether they’ve done external work or not, have a largely realistic view of external work as providing greater flexibility and autonomy, but less job security and stability.

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Types of External Workers

Six broad categories of external work were examined as the basis of the external workforce

research program (figure 2). It is important to note that a given worker may perform more than one type of external work.

FIGURE 2 - CATEGORIES OF EXTERNAL WORK

Independent contract work	Workers find customers or companies either online or in person who pay them directly to fulfill a contract or provide a product or service. Examples include an independent consultant or a freelance worker.
Online task contract work	Workers are paid for doing tasks done entirely online, and the companies they contract with coordinate payment for the work. Examples include transcribing information, completing surveys, or completing online personal assistant activities such as booking appointments.
Service delivery contract work	Workers are paid for performing short in-person tasks or jobs for customers whom they meet through a website or mobile app. Examples include using your own car to drive people from one place to another, delivering something, or doing someone's household tasks or errands.
On-call contract work	Workers are paid for doing work where they are pre-qualified and placed in a pool of people who can be called "on an as-needed basis" to cover specific work shifts or assignments. This may vary from working a few hours to working several days or weeks in a row. Examples include substitute teachers and construction workers supplied by a union hiring hall.
Subcontractor work	Workers are paid by a company that contracts services out to other organizations. Examples of these services include security, landscaping, computer programming, construction, project management, or maintenance.
Temporary work	Workers are paid by a temporary service or staffing agency that contracts time out to other organizations to perform temporary tasks and jobs. Examples of work include manual labor, administrative tasks, and other activities that can be performed with little or no advanced training.

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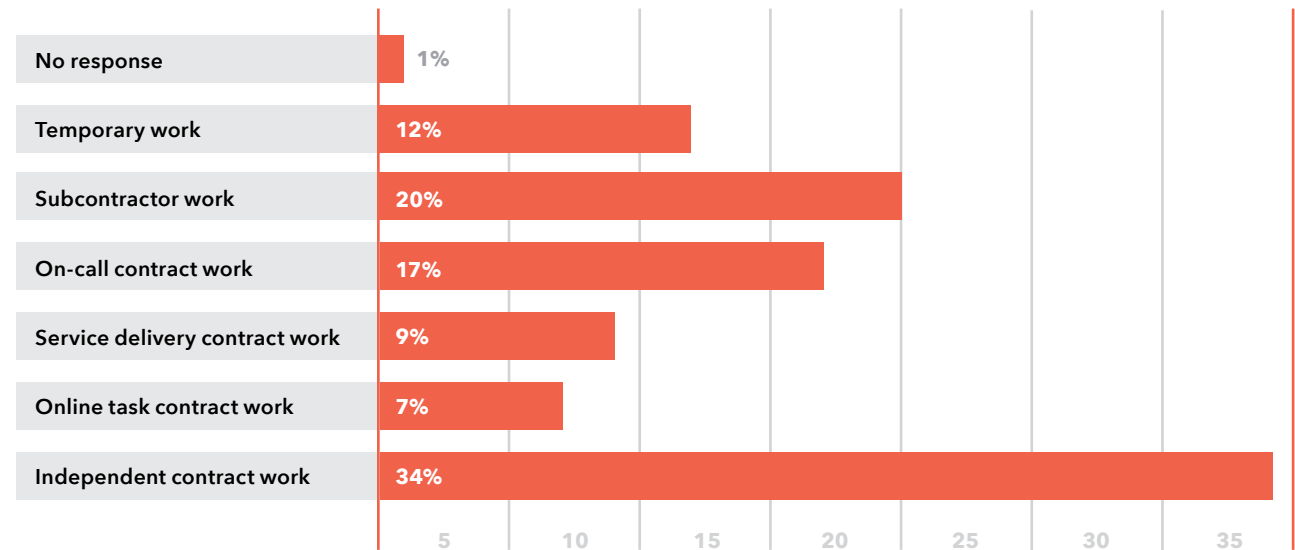
To gain a direct understanding of the external worker experience from external workers themselves, 940 external workers sourced from National Opinion Research Center's (NORC's) nationally representative AmeriSpeak® Panel were surveyed about their experiences. Their responses were weighted to reflect the U.S. adult general population (see [here](#) for more complete information regarding study methodology). Respondents represented a broad range of external work types and included both full and

part-time workers. While independent contractors comprised the largest portion of the sample (34%), each of the six categories of external work were represented (figure 3).

49% of external workers found work through a contract company or agency.

50% of external workers found work through some other means.

FIGURE 3 - WHICH OF THE FOLLOWING MOST ACCURATELY DESCRIBES THE MAJORITY OF THE EXTERNAL WORK THAT YOU DO?



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External Worker Motivations

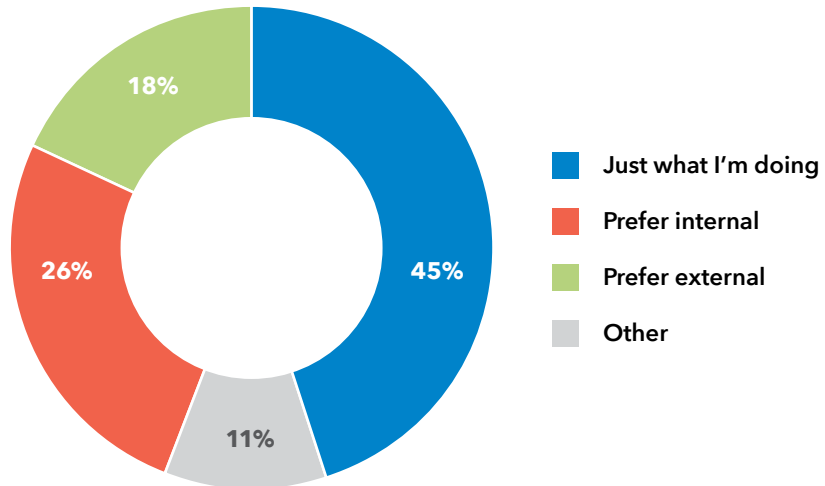
External workers were asked why they do external work and were provided four options:

- **I would prefer an internal job** at one company, but I am an external worker because there are no other good employment options that meet my needs ("Prefer internal").
- **I purposely decided to be an external worker**, and I would not want an internal job at one company even if it were available ("Prefer external").

- **I see advantages of both internal and external work**, and this is just the type of work that I'm doing right now ("Just what I'm doing").

- **Other**
 Contrary to common perceptions, the majority of external workers *do not* say that they are engaged in external work because they cannot find internal work (figure 4). Nearly half of all external workers (45%) reported that this type of work is "just what I'm doing right now," and among the 11% of external workers who selected "Other," the most common open-ended responses were "for supplemental income" and "to do something I enjoy."

FIGURE 4 - WHY DO YOU WORK AS AN EXTERNAL WORKER?



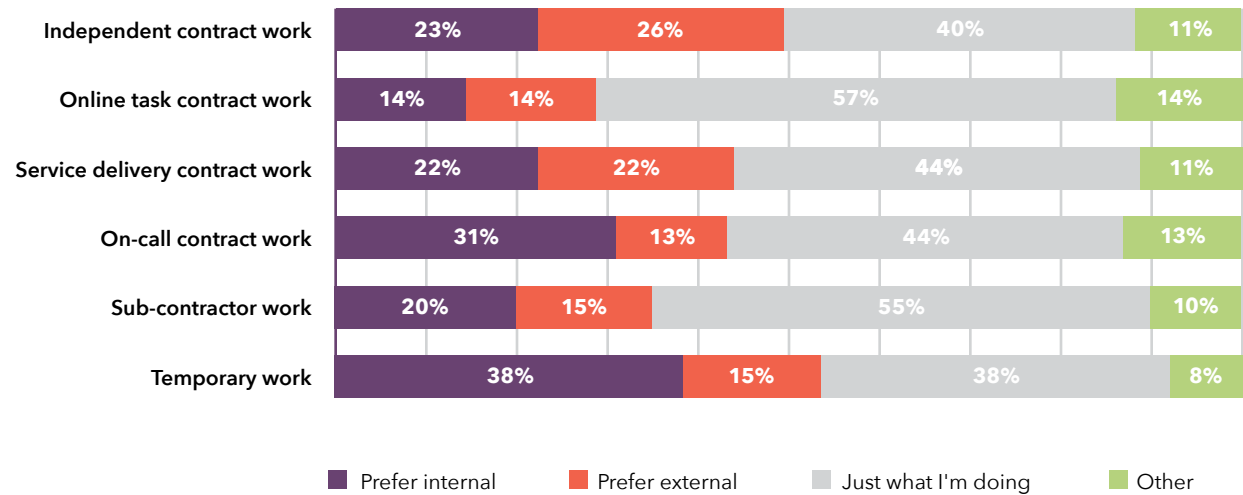


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FIGURE 5 - WHY WORKERS DO EXTERNAL WORK BY TYPE OF EXTERNAL WORK




Temporary workers were the only group within which the same proportion of workers stated, "I'd prefer an internal job" and "this is just the kind of work I'm doing right now" (figure 5). Independent contract workers were most likely to report a preference for external work, which is not surprising given that this group includes many highly skilled blue- and white-collar workers for

whom independent contractor work often offers autonomy, flexibility, and generous compensation. Overall, the differences in motivations across external worker types suggest that companies should carefully consider the types of external workers they employ and what their specific motives for working in an external capacity are likely to be.

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THE EXTERNAL WORKERS' VOICE

Why We Do External Work By Choice

"External work is sort of a hobby that I get paid to do."

"I get extra income on my own schedule."

"I get to travel and work across the country."

"I have a stable job but do work on the side in my interest areas."

"I retired from internal work to work externally at my own pace and make my own choices."

"I am partially disabled. With external work, I can work and feel productive instead of not working at all. I have a need to help others in some capacity."

Given a sizable percentage of external workers did not indicate a strong preference for internal or external work, it could be assumed that internal employees likely also engaged in external work at some point, or at least considered it. To gather perspectives about external work from

current internal employees, a sample of 348 internal employees was collected using the same methodology described above for the external worker sample. In this sample, some internal employees were former external workers (34%), some were considering external work (21%), and some were not considering external work (45%). The internal employees were also asked about their perceptions of the rewards and realities of external work that inform their decisions to pursue that type of work or not. In all cases, their responses reflected a largely realistic view of external work as providing greater flexibility and autonomy, but less job security and stability.

External workers' and internal employees' perceptions of external worker compensation were much less aligned.

31% of external workers reported they can make more money as external workers.

49% of internal employees who are considering external work believe it would pay better.

42% of those who gave up external work to become internal employees did so for better pay.

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Clearly, how well external work pays will vary considerably based on the type of external work and the labor market for that type.

The potential for increased compensation as an external worker must be weighed against the likely scenario of the employer not offering benefits to external workers. Interestingly, benefits were valued much more by former external workers (62%) than by those content with internal work (43%). For those who left external work, only better job security and stability (68%) exceeded benefits as a reason for the change in employment status. Again, it is likely that the perceived value of access to benefits varies significantly based on an individual's circumstances (e.g., having a spouse with healthcare benefits that they can also use).

Conclusion

This overview of the external workforce starts to provide a clearer understanding of their motivations for engaging in external work. Many more insights were collected from external workers and internal employees (along with managers and HR), and these findings are incorporated throughout the toolkit as evidence for the conclusions that are drawn and recommendations that are made. This toolkit is designed to illuminate the external worker experience from all stakeholder perspectives, highlighting key differences across "types" of external workers when appropriate, and with the intention of informing companies about how to effectively manage external workers to improve their experience and yield greater value in their external workforce investment. Importantly, organizations should reflect on the composition of their own external workforce, including potential motivational and role differences within their external workforce if they employ multiple "types," and build appropriate practices to best manage and engage their external talent.

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Today, external workers are a core aspect of an organization's talent and business strategy. The external workforce accounts for significant portions of both the workforce and organizational spend:

36% of the U.S. working population reports that they have an external work arrangement

44% of a company's workforce spend, on average, is channeled toward its external workforce

With this large investment in the external workforce, it is not surprising that over **60%** of executives view the external workforce as critical to operating at full capacity and meeting market demands and as important for developing and improving products and services.

Despite some organizations' substantial financial investments in sizeable external workforces and recognition of external workers' core contribution to business success, many other organizations still fail to

consider the use of these workforces or to invest the necessary time, energy, and resources to effectively source, manage, and engage these workers.

Prior to taking on a greater investment in more substantial practices associated with the sourcing, management, and engagement of this segment of the workforce, an organization must first make a business case for the "permanent" investment in this "temporary" talent.

A business case could be made from two perspectives: first, the case to use external workers at all, and second, the case to invest in external worker management practices. As both are relevant, and the same business case methodology would apply for both purposes, this business case narrative provides examples of both using and investing in external workers. The toolkit component presented here provides a foundation for designing and presenting a business case to gain sponsorship to begin to hire and invest organizational resources in external workers.

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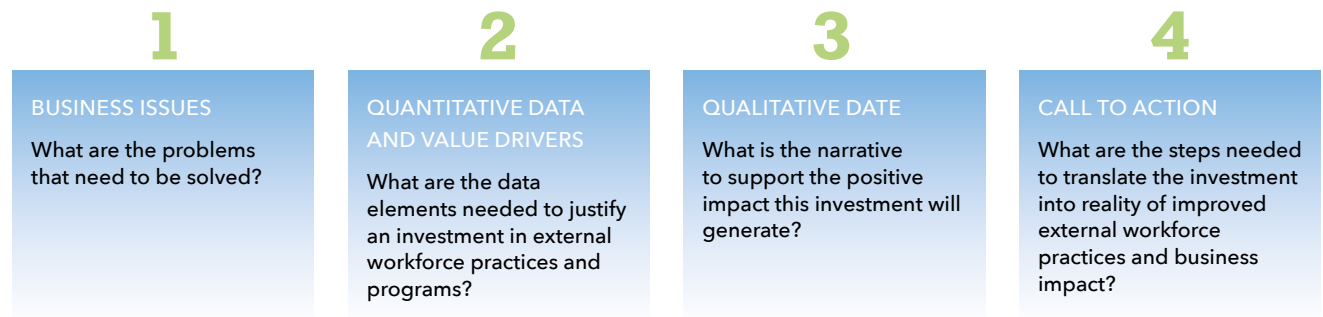
Recognizing that there are numerous ways to create business cases, what is described in figure 6 is a simple approach to generate thinking about external workforce business case options.¹

The external workforce business case should include four main components. Each of these components of the business case is discussed in greater detail on the following pages.

Methodology and Key Definitions

The results and content produced in this section are based on data collected across multiple methodologies and sources. For an overview of these sources and definitions of key terms used in this toolkit, please [click here](#).

FIGURE 6 - BUSINESS CASE FOR INVESTING IN YOUR EXTERNAL WORKFORCE



¹ For more complex external workforce-related business cases, the use of a consulting firm to develop a robust business case that can span several years and include detailed ROI calculations may be a viable option.

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Business Issues

Any effective business case begins with realizing an opportunity for growth and improvement or identifying business problem(s) that need to be solved. Requests from Human Resources departments for investment in external workforce practices and programs will be more effective and more impactful if their proposals are tied tightly to not only people issues but also to business issues. While the two are almost always connected, the business case helps to more clearly highlight these connections and how they can help meet business objectives.

Below are three common business challenges that organizations are facing, and we include concrete suggestions for how a capable and motivated external workforce can play a role in responding to each.

1. Competitive Landscape and Innovation

The way organizations conduct business has changed dramatically over the last decade due in part to global economies, technological advances, 24/7/365 operations, and changing workforce demographics. With these changes, it is more difficult to be successful and stay ahead of the competition. Innovation is no longer optional to stay relevant and in business – it is necessary. Think about the industries, companies, and products that were once taken

for granted and are no longer in business or are not regarded as a leader.

External workers can provide a solution to this common business challenge. Given the increasing talent shortage facing most organizations today and the unpredictability of the future, the use of external workers provides a key advantage that a regular workforce does not—increased agility, flexibility, and access to skills and knowledge that are limited in the broader marketplace. The current innovation-focused business climate makes it critical that a company is fast-moving and adaptable, and using external workers allows businesses to meet their specific talent needs efficiently and nimbly.

2. Operational and Financial Efficiency

Organizations continually look to improve efficiency in all areas of operations, whether it is people productivity, customer interactions, sales, product development, or manufacturing – and all while maintaining an eye on growth. There is a constant pull between moving an organization forward and managing its daily operations in a profitable way, while also keeping internal and external stakeholders satisfied, even beyond profit measures. Any business case driven by efficiency and financials must address factors such as cycle times, cost of sales, cost per hire, or cost to

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launch a new product, and any expense that impacts the bottom line must be included in this assessment. Business cases related to HR investments not only require an analysis of the impact on HR metrics such as cost per hire, benefit costs, engagement scores, and turnover rates, but also require making the case for how a people investment will impact operational outcomes like time to work completion, product launches, and customer relationships and loyalty.

Using an external workforce can lead to more operational and financial efficiency in several ways. These include:

- **increased speed to get started on projects** and execute projects over time (e.g., creating a 24-hour operation with an external workforce abroad), which can minimize cycle times and time to market;
- **increased customer experience and retention** (e.g., a larger department of virtual customer support or in-person customer service technicians available at peak times);
- **lower costs associated with employee benefits;**
- **reduced unplanned turnover** costs if external workforce turnover is now

planned for and built into financial models and operational processes and;

- **reduced labor costs** when operational and consumer demands are down.

Similarly, investing in an existing external workforce can have a great return on investment through improved productivity and a more positive external worker employment brand. From the beginning of the external worker lifecycle, creating a tailored onboarding process specific to the needs of the external worker improves their time to productivity and ensures they have access to the resources they need before starting their work. Engagement initiatives for internal employees can be extended to external workers, increasing their perceived support from the organization and their motivation and productivity. At the end of their tenure, an exit interview protocol for external workers can inform each step in the employee lifecycle and enable constant improvement and refinement of processes to reach maximum efficiency. Finally, investing in external worker-centric processes like the ones listed here improves the employer's external worker employment brand, making the organization more desirable to top external talent.

3. Mergers and Acquisitions

When organizations lead with a merger and acquisition (M&A) strategy, it can be exciting



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but also complex and stressful. HR has a key role in M&A activities as people are a main reason for, and measure of success in, M&A deals. Such organizational changes include a significant people element and require HR to determine how best to use the talent of the existing and merged/acquired organizations.

The potential role of using the external workforce often goes unnoticed during M&A planning. During this critical time of transition, external workers can play a vital role in getting the necessary work done until a longer-term integrated business plan is developed and implemented.

Showing a business case for how an external workforce can solve short-term business requirements during transition times, and during very complex and emotional times of change, can be particularly impactful for organizations.

If both the acquired and acquiring entities already have external workers, investing in effectively integrating and managing both external workforces can also become a part of the business case. In the case of a company acquiring a new operation in a new location, using an external workforce to get the location quickly operational can be beneficial. This allows the company to take the extra time necessary to get the right people and processes in place without making a more permanent

investment in talent until they know exactly whom and what they need.

According to managers of external workers, the top three benefits of using external workers are:

1. Ability to adjust the number of external workers based on business demands
2. Increased workforce agility and speed to get work done
3. Ability to staff specific projects and initiatives

Conclusion

It should be noted that the three business challenges outlined here are just a few examples of the prominent issues facing organizations that can be alleviated or solved by using or investing in an external workforce. Every organization should start by reflecting on the key business challenges they are facing, key performance indicators they are currently measuring, and key objectives for their business strategy. Then with these challenges, metrics, and objectives identified, the next step is to consider how an investment in the external workforce can help remedy challenges today, contribute to key current priorities, and set the organization up for success in the future.



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Quantitative Data and Value Drivers

A business case must include quantitative data for each business issue that will be addressed with a proposed investment, in this case, an investment in the external workforce. Quantifiable data for business cases can include organizational-specific data (e.g., ABC's turnover data), domain or topical trends (e.g., HR), and industry benchmarks (e.g., retail, healthcare). Stacking these three levels of data begins to build a comprehensive story for the business case. Once data sets are collected, they should be organized in a way consistent with how the organization thinks about value. Value drivers can fall into four broad categories:

- **Strategy enablement** – data about solving business problems
- **Innovation** – data to build the future roadmap
- **Measurable benefits** – data to manage ROI and financials of decisions
- **Compliance and risk** – data for minimizing the negative or adverse impact of doing nothing

An external workforce business case for both using and investing in external workers has its own set of specific and common value drivers:

- **Cost control** – start with visibility into the

external workforce and knowing who is doing what and where; this includes spend and expenses, volume and discounting of hiring, and errors in payroll and tracking.

- **Compliance and risk** – ensure external workforce practices and programs are aligned with local, regional, national, and global guidelines and laws; in accordance with union regulations as appropriate; and with built-in accountability measures for audits and self-monitoring.
- **Strategy enablement and innovation** – show how innovative external workforce talent practices, thoughtful supervision, and an inclusive culture allow the organization to do more with less and improve the internal and external worker experience.
- **Specific skill sets** – demonstrate how employing external workers provides the organization with access to specialized skills and talents.

“Sometimes people cannot always fulfill the entire role for which they were brought in, and external workers can really help to fill those gaps by bringing in very specific skill sets.”

-HR practitioner, SHRM-SAP SuccessFactors focus group

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- **Efficiency** – create positive impact by facilitating communication between external workers, internal employees, leadership, customers, and other stakeholders; automate using new technology to improve processes for sourcing, managing, and engaging external workers to increase their productivity and promote retention.

These are just a few examples of the many value drivers that require quantitative data to support almost any external workforce business case.

Qualitative Data

The qualitative section of a business case is sometimes the least requested but often the most important component. Although people tend to migrate toward numbers and data, the narrative of a business case can ultimately determine the decision regarding both the request and success of the associated recommendations. There are five main elements of the qualitative aspect of a business case.

- **Stakeholders** – Identify the needs, preferences, and interests of each stakeholder of your business case, recognizing that what excites a CFO, CEO, CMO, CIO or CHRO varies greatly. Also recognize that there may be additional important and influential stakeholders for a business case that specifically focuses on the

external workforce, most notably representatives from Operations (e.g., COO) and the Legal department. Knowing what each wants from a business case might necessitate different versions of the document itself, which is not uncommon. Remember, most C-suite level leaders are likely not as familiar with the external workforce or the company's current approach to external workforce management. Determining the best way to engage each of them on this topic with the goal of securing their sponsorship will require thoughtful consideration of each of their specific "angles" and interests.

- **Context** – Create an understanding with stakeholders about what exactly is being proposed and why, with a focus on articulating the uniqueness of the current situation, the business challenges on which the proposal is based, and any possible or planned organizational changes that could impact the business case. Understand in advance how a discussion regarding the external workforce might shift the business context and be prepared to respond to that potential shift.
- **Explain the quantitative data** – Being able to tell the story about the quantitative data is critical. Even though most Executives prefer to interpret the data in their own way, business case stakeholders also like to be told at a high level



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what they are reading. Follow the old saying, “tell them what you’re presenting, present it, then tell them what you just presented.” This helps secure leadership commitment and sponsorship more quickly. An executive summary or overview page in the business case is usually a good idea. Remember to provide definitions in the business case as many external workforce terms are vague and need clarification, including the term *external worker* itself.

- **Impact chart** - Create an impact diagram or chart in simple terms that visually illustrates a “from/to” picture. This helps visual or linear thinkers conceptualize the proposal, as most people need to see the delineation of current state and business case future state presented visually and simply. To date, many business case stakeholders have failed to understand or truly realize the potentially positive or negative impact external workers can have on the business, and this can be the place to pull stakeholders forward. See the section of this toolkit that describes the [external workforce maturity model](#), which can help an organization understand the current maturity of its external workforce strategy and the areas of focus and investment needed to progress to the next stage of maturity. The maturity model may help to “ground” the conversation, by putting a label on the company’s current approach

and using the characteristics that define the next level of maturity as the focus for the business case and requested investment.

Messaging - It is highly recommended to ask others to review the final business case before sharing it with its intended audience to ensure it tells the best story and is easily consumable and impactful. Getting assistance from experts who create business cases often can help create and shape compelling external workforce business case messaging.

Call to Action

All business cases must have a clearly articulated call to action for what decisions need to be made, by whom, by when, and the impact of making or not making these decisions. Putting forth a change management plan and governance proposal in the narrative is also key to reflect what is needed to actualize the recommendations for success and keep the enacted practices and programs within acceptable guard rails over time. A governing body to make external workforce strategy decisions and oversee external workforce management practices should, at a minimum, include business leaders, Procurement, Finance, Legal, and HR representatives. More detailed information on this topic can be found in the external workforce strategy and [governance section](#) of this toolkit.



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Articulating a compelling narrative for an investment in the external workforce can be difficult as the topic is new to many businesses and leaders. Finding the right balance between business focus, HR and people context, economic and financial realities, and technology applications is a complex, but achievable, endeavor. In addition, effective communication is also an important and necessary component to help leaders understand how and why an investment in the external workforce will be beneficial and is the right thing to do. Overall, following these recommendations and building a comprehensive external workforce business case will greatly increase the likelihood both that senior leadership will understand the

value proposition of investing in the external workforce and that the investment will lead to more effective and impactful external workforce policies, practices, and programs for mutual organizational and worker gain.

Resources and Suggestions for Further Reading

For two resources on how to create a business case, see:

[Building a Business Case for an External Talent Management System](#)

[How to Build an HR Business Case](#)



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Problem Statement

A company's use of external workers often grows out of an immediate need, with the decision to hire an external worker being initially tactical and reactive rather than strategic and proactive. Over time, the size and importance of the external workforce can increase dramatically inside an organization, though this often occurs with minimal structure, oversight, or standardization in place to leverage this workforce segment as a strategic asset for the business. In fact, only a little over half of managers (51%) rate their organization's planning—or development of a total workforce strategy—as “very” or “extremely” effective. Most organizations know they need to put better infrastructure and practices in place to oversee their external workforce, but they are often overwhelmed by the best place to begin to do so.

Methodology and Key Definitions

The results and content produced in this section are based on data collected across multiple methodologies and sources. For an overview of these sources and definitions of key terms used in this toolkit, please [click here](#).

“The external workforce is the ‘hot potato’ in an organization—no one wants to ‘own’ these workers because there is a lot of complexity and ambiguity associated with this segment of the workforce.”

- HR practitioner, SAP SuccessFactors customer interview

Key Takeaways

- To achieve maximum return on your external workforce investment, there are important philosophical elements and critical organizational infrastructure that need to be put in place prior to developing your external workforce practices.

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- Organizations must identify the stakeholders to external workforce sourcing and management and involve them in building a governance structure with roles and responsibilities identified, a charter established, and operating rhythms implemented.
- The governing body overseeing external workforce management should articulate an external workforce philosophy, which should reflect the reason(s) the company employs external workers, the company's expectations for those workers, and what is offered to the external workforce in exchange for their contributions.
- Using an external workforce philosophy as a "north star," organizations should create an external workforce strategy that outlines the different types of external workers the company utilizes and the people and operational practices that will be put in place for each type of external worker.

The Basics

First, establish an external workforce governance model that includes all stakeholders associated with the processes of sourcing, managing, and engaging external workers.

This governing body will articulate an external workforce philosophy, develop an external

workforce strategy, and oversee external workforce practices.

Consider these questions when establishing a governance model:

1. What departments, divisions, and/or functions should have influence over and involvement in the management of the external workforce?
2. What roles from these groups should be primary stakeholders, developing and overseeing the execution of an external workforce strategy? What should be the responsibilities of each of these stakeholders?
3. What roles from these groups should be secondary stakeholders, providing high-level input into the external workforce strategy?

These are the types of departments that should be considered for inclusion in an external workforce governing body:

- Operations
- Procurement
- External agencies
- HR
- Legal
- Internal employees with prior external work experience

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“The business, HR, procurement, and partners’ vendors need to find ways to work together better...and determine who owns what pieces of the overall puzzle, and then solve the puzzle.”

- SAP SuccessFactors HR Strategy Expert

After the primary and secondary stakeholders have been identified, common governance practices need to be put in place, including the following:

- What the governing body will be called, such as *External Workforce Oversight Committee* or *External Workforce Engagement Committee*;
- What the charter is for the group (what the group is commissioned to do), such as *providing senior leadership oversight for the sourcing, management, and engagement of the external workforce or serving as advocates and ambassadors for the external workforce*; and
- How and how often the group will convene, which will likely require more face-to-face sessions and more often in the beginning to establish an external workforce philosophy and strategy, and then an ongoing regular virtual cadence to oversee its execution.

RESPONSIBILITY FOR MANAGING EXTERNAL WORKERS RESTS WITH:¹

48% Managers of External Workers

34% HR

7% Procurement

11% Other, including External Agency

BUT...

39% stated HR and Procurement do not collaborate on managing external workers

Intermediate

With a governance model in place, those that have been identified as primary stakeholders of the external workforce portfolio should collaborate on articulating an external workforce philosophy.

An external workforce philosophy focuses on the company’s motives for employing external workers and the type of work arrangement and environment that will allow the total workforce to be successful.

¹SAP Micro survey of 44 organizations (2018)

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It could include the following types of elements:

- Why does the organization employ external workers? As a company, what are the benefits that are being sought by employing external workers? Some examples include: outsourcing low-value tasks, saving money, meeting increased production demands, responding to fluctuating customer needs, temporarily managing a workload while finding an internal employee replacement, and/or accessing unique knowledge or skills for a specific project.
- What is the psychological contract that the organization wants to create with their external workers?
 - » What will be offered to external workers?
 - » What is expected from external workers in return?

A psychological contract includes unwritten understandings and informal obligations between an employer and its employees regarding their mutual expectations of how each will perform their respective roles. Within a typical business, the psychological contract might include such things as the level of employee commitment and the quality of working conditions.

- What should external workers be called, which is an important cultural signal for how their role is implicitly perceived in the company?
- Is there an intention to convert exceptional external workers to internal employees (e.g., temp-to-hire, “try before you buy”)?
- Will the company remain in contact and maintain a relationship with its external workers post-employment?
- How will the company communicate the external workforce philosophy to the total workforce, including external workers and internal employees?

The company might also consider publicly sharing at least parts of its external workforce philosophy so that prospective external and internal applicants understand it and can take it into consideration when making a decision about joining the organization.

Advanced

After the governing body articulates the company’s external workforce philosophy, they then use the philosophy to inform its external workforce strategy. The importance of this step is corroborated by the fact that managers rated the development of this strategy – or rather the

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planning stage in the external workforce life cycle – as the most critical stage in order for organizations to have an effective external workforce business process.

“Until we have a clear philosophy about why and when we utilize external workers that is endorsed and communicated across the business, bad practices like hiding headcount by hiring external workers will continue to be an issue.”

- HR practitioner, SAP SuccessFactors customer interview

An important part of an external workforce strategy involves identifying and establishing some core elements that should be put in place for all external workers. At the same time, **the strategy should recognize that there are different types of external workers and external workforce management practices need to be “fit for purpose” based on the type.**

Consider these questions when creating an external workforce strategy:

- What types of external workers are utilized by the company? Start by identifying different roles or functions, but then consider clustering

these based on other dimensions like tactical vs. strategic impact and levels of cultural and operational embeddedness (i.e., the extent to which this type of external worker is expected to represent the company’s culture, work alongside internal employees, and use the company’s operational systems and processes).

- What foundational policies, processes, or practices should be put in place for the entire external workforce?
- What policies, processes, or practices should differ based on the type of external worker, and how should they differ?

The output that is created from this exercise then serves as the basis for designing external workforce practices across the external worker lifecycle. However, it is unlikely that a company is starting from scratch with this effort and has no external workforce policies or processes already in place. Instead, it is more likely that the governing body will need to review existing external workforce policies, processes, and practices considering the newly articulated philosophy and established strategy, making updates and changes to the existing processes as necessary to align them to this new shared view of how the company wants to approach its external workforce management moving forward.

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Further, once the practices aligned to the external workforce strategy are implemented, the governing body has the responsibility of **overseeing decisions being made regarding the external workforce to ensure that these practices are aligned with established strategy**. This may involve appointing a lead person or subcommittee to review practices or decisions at certain milestones or regular intervals.

For example, the governing body should review the decision-making process to hire an external worker, monitoring compliance to the overall established practice, reviewing specific hiring decisions on occasion, and ensuring that the logic behind the hiring of any given external worker is aligned with the philosophy in place regarding the appropriate use of external workers and the correct sourcing and selection process based on the type of external worker. If a manager cannot justify the need for an external worker in a way that is consistent with the company's philosophy and strategy, then the request should be denied, which may include a recommendation to hire an internal employee

instead. Another example is when a manager requests to retain an external worker beyond the initial scope of their work and contract period. The rationale for keeping the external worker should also be deemed consistent with the philosophy and strategy established by the governing body to be approved.

While this type of oversight may require a sizable devotion of time and attention from the governing body; ultimately, it will ensure that the established external workforce philosophy and strategy carries through to actual organizational practices and decision-making in a consistent way. Further, it will provide greater clarity and understanding for managers regarding the organizational perspective of the external workforce and appropriate processes. Finally, it will convey to both internal employees and external workers alike that the company is committed to developing a vision for managing their external workforce and following through with their actions.

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Technology Applications

This section of the toolkit is focused on setting the organization and its external workforce up for success by identifying:

1. clear ownership over the external workforce,
2. a shared mental model about the role and value of external workers in the business, and
3. a strategy for successfully managing an external workforce over its lifecycle. Given this objective, technology such as a cloud-based collaboration platform may best be used to enable the teamwork necessary to create and deploy the governance structure, foster ongoing communication and alignment among the external workforce steering committee, and support the partnership needed to develop and implement an external workforce philosophy and strategy.



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Traditional workplace legislation has not kept up with the realities of the contemporary labor market and the important roles played by external workforces. Strategies for developing, optimizing, and engaging an external workforce must include becoming knowledgeable about relevant legal and compliance considerations. Doing so will help

to mitigate risks typically associated with using an external workforce. **For an overview of these considerations, please [click here](#) to read SHRM's summary of best practices**, a list of common myths about legal considerations, and an overview of external workforce regulatory bodies, laws, and compliance considerations.



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Problem Statement

Relatively immature external workforce management practices, coupled with organizations' general struggle to engage in effective workplace planning, lead to organizations not thinking strategically about how they could and should utilize an external workforce to achieve their current business objectives and support their business through possible times of planned or unplanned change. Organizations lack consideration of the total workforce, meaning both external workers and internal employees, when making operational workforce planning decisions for the short and long term and engaging in strategic workforce planning, which has the potential to negatively impact the immediate and future success of the organization.

Methodology and Key Definitions

The results and content produced in this section are based on data collected across multiple methodologies and sources. For an overview of these sources and definitions of key terms used in this toolkit, please [click here](#).

The Importance of Considering External Workers in an Organization's Workforce Planning Process

Both HR professionals and managers overseeing external workers report that there are a number of reasons why organizations utilize external workers, including the following:

53% Flexibility to increase and reduce the workforce based on business demands

48% Accessing specialized talent with specific skills or expertise

48% Staffing of specific projects and initiatives

(continued on next page)



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- 32% Assessment of people prior to hiring them as full-time employees
21% Increased agility/speed to get tasks or projects done more quickly
19% Cost savings
13% Filling jobs that are unappealing to internal employees
11% Boosting overall productivity of the workforce with additional talent
9% Risk mitigation

Some of these motives for employing external workers could be considered more strategic in nature, reflecting a consideration of broader talent pools in the marketplace and the composition of the current workforce (e.g., accessing talent with specific skills or expertise). Organizations with these types of motives are more likely to be engaging in effective workforce planning practices and including external workers in that practice. Further, for those organizations whose motives might be considered less strategic or not focused on workforce characteristics specifically (e.g., risk mitigation), it is less likely that they are incorporating external workers into their workforce planning practices. What is important to remember

here is that, regardless of an organization's motive for utilizing external workers, all companies need to be skilled in workforce planning to accomplish their tactical and strategic goals. In other words, all organizations should engage in thoughtful and comprehensive workforce planning to inform their decision about hiring external talent to meet their business' needs. In reality, that is rarely the case; organizations are often left at least partially "in the dark" as they grapple with both operational headcount planning and strategic workforce planning, resulting in the use of external workers being more reactive than desired and the optimal value of an external workforce not being achieved.

The solution is for an organization to have visibility into the current total workforce, including both external workers and internal employees, and to develop a total workforce strategy to meet both planned and unplanned organizational needs moving forward. Indeed, managers rated "total workforce planning" as the most critical piece of an effective external workforce strategy; yet, only half (51%) of managers think this planning stage of the external worker lifecycle is very or extremely effective in their organization. To close this gap, some practical suggestions are outlined below to increase the effectiveness of organizations' operational and strategic workforce planning by starting to integrate the external workforce.

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First, organizations must **integrate their external workforce into their operational headcount planning** to determine whether the organization presently has the right talent (in terms of place, skills, timing, and price) necessary to execute current business objectives or targets. This process includes an understanding of the current talent supply, which should include available internal employees and external workers whom, together, represent the productive capacity of the workforce. This information is used in concert with an understanding of talent demand, meaning the workforce that is needed to meet operational commitments. From a labor perspective, this perspective allows an organization to determine differences between what they have and what they need, and they can subsequently explore how external workers may help to address that gap.

For example, if an organization has committed to produce five thousand widgets in their next quarter to meet consumer demand, they must consider their total workforce (both internal employees and external workers).

First, determining whether they have sufficient resources with the productive capacity to meet this operational goal, and, if not, how they can increase their productive capacity through a

combination of internal and external talent. The question should be asked, "How can external workers help us meet our current objectives? (figure 1).

As organizations consider the specific parameters outlined above, they may also want to reflect on other broad considerations to inform their ultimate decision about whether external workers should be employed to meet their operational needs:

- Which talent (internal v. external) can I get faster?
- Which talent (internal v. external) can I get cheaper?
- Do I need this talent long-term or short-term?
- Do I anticipate that the demand will continue?
- Can I upskill my internal workforce faster than I can source external talent?
- Do I have managers in place that are capable and available to oversee external workers?
- How will bringing on external workers impact my culture?



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FIGURE 1 - HOW CAN EXTERNAL WORKERS HELP US MEET OUR CURRENT OBJECTIVES?

	External Workers in the Right Place	Many organizations report that external workers allow them to staff locations where it is often hard to find or keep internal employees. Further, utilizing external workers enables companies to quickly expand their national or global workforce without requiring infrastructure to support internal employees around the country or world.
	External Workers with the Right Skills	The majority (58%) of HR professionals report that their organizations use external workers to fill skill gaps in their workforce. Whether it is a skill that they need for a specific task or project or a skill that is hard to find in their applicant pool, companies can turn to the external workforce to source that skill, at least on a temporary basis as they either fulfill the project that requires that skill or continue to source an internal employee with the skill for a more permanent role.
	External Workers at the Right Time	Another organizational benefit of external workers is the ability to quickly bring them in for projects that may be time-sensitive or the development of products that have a degree of urgency to get to market. If an organization is “time-crunched” and seeking a way to meet a necessary goal or target, external workers may be able to fill the resource gap quickly.
	External Workers at the Right Price	The cost associated with using external workers, as compared to internal employees, is one of the most controversial and contested aspects of the external workforce topic. Whereas many leaders report that using external workers saves costs, most notably in terms of not paying benefits in the United States, others report that hiring an external worker costs more than 1.5 times the amount of an internal employee when all expenses, such as agency fees, are taken into consideration. The large variability in organizations’ experiences with the expenses associated with employing external workers suggests that cost depends heavily on an organization’s individual circumstances, and arguably even the circumstances related to a specific role or assignment within an organization. As such, the actual cost associated with utilizing external workers versus internal employees to meet a certain operational requirement should be modeled and considered carefully prior to making a decision.

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For information on making specific decisions regarding whether to hire an internal employee or external worker for a particular role, see [Planning: External Worker or Internal Employee? A Hiring Decision Matrix](#).

Intermediate

Next, organizations should consider the ways in which the external workforce may support their talent forecasting for anticipated changes to strategy or operational tactics they plan to undertake or expect to experience in the foreseeable future.

For example, organizations who plan to enter a new market or region or launch a new product or service should consider how external workers could support their ability to do so.

Anticipated changes may include not only changes to the business but also changes to the workforce that may impact the business, such as the current trend of an aging workforce. In this case, organizations may consider how an external work arrangement could serve as an intervention to effectively adapt to these types of workforce trends, such as creating part-time external positions to transition retiring employees out of the organization but still retain their knowledge and prolong their

contributions to the business.

To effectively consider the external workforce in this strategic operational workforce planning, it is important that organizations not only identify the significant business and workforce changes that are anticipated internally, but also those externally. Organizations should undergo an analysis of the marketplace of external workers, including what types and numbers of external workers are available, where these workers can be sourced, and the estimated costs to do so, to assess the fit between the business need and the external labor market. Such analyses can be conducted internally or sourced from a staffing firm.

Advanced

Organizations should consider the ways in which external workers may enable them to adapt and thrive during future unanticipated change, which can serve as a source of organizational agility.

As organizations think through possible future business scenarios and ideate on solutions for these possibilities, external workers should be considered in these exercises as potential sources of organizational agility and adaptability.

When business disruptions occur—whether because of changing technologies, industry



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forces, economic conditions, or legal regulations organizations will have a competitive advantage if they understand how external workers can be leveraged to respond to such changes and if they put appropriate infrastructure into place beforehand so they are able “raise this workforce” if and when the need arises. This advanced approach requires a change of organizational mindset with respect to proactively and skillfully planning the use of an external workforce, meaning the proper sourcing, deploying, and managing of this population. The most mature organizations will develop total workforce planning as an organizational competency by taking the initiative to engage in this practice proactively, rather than in a more passive or reactive “just in time” capacity (e.g., placing an ad or calling a staffing agency for an immediate need).

“While a philosophy on the use of external workers is important for organizations to create and operate within, when looking forward to possible changes and challenges an organization may face, it is important to continuously revisit this philosophy and be open to making changes regarding why, when, and how to utilize external workers.”

- SAP SuccessFactors Workforce Planning Expert

As an organization executes their strategic workforce planning, they should think creatively and expansively not only about the types of disruptions and changes that they may experience in the coming years and how their current workforce (e.g., skill composition, size) would be capable (or not) of responding to those changes but also about how new workforce segments, such as the external workforce, could be valuable to the business in the future. This approach requires viewing this population with “a fresh set of eyes” regardless of how they may have been utilized in the past.

Technology Applications

By definition, total workforce planning requires a view into the total workforce, including both internal and external talent and those currently employed and potentially employed. The greatest value that technology can offer here is in the aggregation, analysis, and predictive modeling of workforce data to inform both operational headcount planning and strategic workforce planning. Specifically, technology can support total workforce planning in the following important ways:

- Visibility into the current external workforce, including current external headcount, assignments, contracted rates, hours, time period, and skills for possible redeployment



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- Analysis of the current total workforce's productive capacity, by aggregating data on the external and internal workforces
- Integration of workforce and operational data to compare total workforce productive capacity to operational demand in support of operational headcount planning
- Visibility into the external workforce marketplace, including data feeds to view the availability, locations, skills, and costs associated with different types of external talent
- Predictive modeling integrating HR, operational, and finance data, including modeling different operational scenarios alongside HR and finance data to determine how current total talent (external workers and internal employees) could be deployed to meet different business needs and the associated costs of doing so

- Communication among HR professionals, managers, and organizational leadership to broaden the reach and increase the effectiveness of workforce planning interventions through providing access to information and standardized tools

Resources and Suggestions for Further Reading

For a research report on real-time workforce planning, see:

[Real-Time Workforce Planning: Keeping Up with Business Change](#)

For a SHRM blog on incorporating labor market data into workforce planning, see:

[How to Improve Workforce Planning](#)



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Problem Statement

While the reasons for using external workers within an organization are numerous, not all reasons are created equal, and not all organizational circumstances warrant the use of an external worker. As such, it is important for organizations to carefully consider multiple elements when evaluating whether a specific need would best be filled by an external worker or an internal employee.

Methodology and Key Definitions

The results and content produced in this section are based on data collected across multiple methodologies and sources. For an overview of these sources and definitions of key terms used in this toolkit, please [click here](#).

Importance of Thoughtful Decision-Making when Hiring External Workers versus Internal Employees

Organizations cite a myriad of reasons for turning to the external workforce for their talent needs, such as workforce agility and having the flexibility to increase and reduce workforce based on business demands. Yet, beyond these more macro-level organizational motives for utilizing external workers, it is important that organizations carefully consider their micro-level decisions when it comes to employing an external worker or internal employee for a specific role or assignment.

Because external workers are often concentrated in specific functions (as reported by 50% of HR professionals) or in specific roles (as reported by 24% of HR professionals), it is important that organizations identify the specific characteristics of these functions or roles to ensure that the company is realizing the true benefit of an external worker taking on the related responsibilities compared to an internal employee. Simply put, there are numerous reasons why an external worker may be utilized instead of an internal employee, and organizations need to make sure that the reasons

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are the right ones—those that reflect a thoughtful and strategic rationale and align with their organizational philosophy regarding using external workers. For guidance on developing an external workforce organizational philosophy, see [this section](#) of the toolkit.

24% of managers agree that micro-level staffing decisions are the most critical for an organization's external workforce strategy.

43% of managers think their organization's staffing processes are very or extremely effective.

It is concerning that less than half of managers think their staffing processes are effective. Indeed, common challenges that were raised during this research study included (1) reactive and counterproductive practices driving the hiring of an external worker (e.g., as a way to “hide headcount” during a hiring freeze or because the role was previously filled with an external

worker) and (2) inconsistent decision criteria (and associated hiring practices) across the company when it comes to choosing to use an external worker or internal employee. By creating a decision matrix, automating it, and integrating it into total workforce sourcing and selection practices, more strategic and consistent staffing decisions can be made across the organization. It is imperative that organizations seek to improve these processes by thinking critically about the specific benefits of external workers to their organizations and using these to inform their individual sourcing and staffing decisions.

Below are a number of characteristics for organizations to consider when making the decision between sourcing an external worker versus hiring an internal employee for a specific role or assignment. While there are undoubtedly many other characteristics to consider that may be unique to a particular organization, the ones included on in Figure 2 proved to be factors found across a number of organizations and industries through the external workforce research project.



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**HOW TO USE THIS TOOL**

The matrix on the next page provides a list of potentially relevant **decision-making criteria** when deciding between hiring an internal employee (which represents the baseline or assumed practice) or an external worker, for any given assignment or role.

For each criterion where an external worker would be considered a **better** choice, a +1 is awarded; where an external worker would be considered a **much better** choice, a +2 is awarded. When a given circumstance indicates that hiring an external worker would be **less appropriate**, a -1 is awarded; where an external worker would be **much less appropriate** given a specific circumstance, a -2 is awarded.

Following this analysis, the points are summed and if the total is greater than zero, the recommendation would be for an organization to source an external worker for the role or assignment; if the total is less than zero, the organization should consider to source an internal employee for the role or assignment.

Below are suggested criteria based on the findings from our research program; however, it is critical that organizations determine the criteria that are most relevant for them and produce a tailored decision matrix for their ongoing use. We have provided some guidance on how each of these criteria should be weighted for an “average” organization, but each organization needs to evaluate the weight of each characteristic for their organization. Specifically, the governing body of a company’s external workforce strategy should oversee the creation of the decision matrix to ensure that there is a consistent view across the organization on both:

- (1) what types of circumstances are important to consider when deciding to hire an internal employee or an external worker and
- (2) how much weight should be allocated to each circumstance.

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FIGURE 2 - DECISION-MAKING CRITERIA

Dimension	Criterion	Internal Employee (Baseline)	External Worker
Time	The duration of the assignment/role is less than 12 months.	0	+2
	The assignment/role is needed consistently and/or constantly.	0	-2
	The assignment/role has the likelihood of being converted to an internal employee position in the future.	0	-2
	The assignment/role is time sensitive and needs to be completed quickly.	0	+1
	The assignment/role is the responsibility of an internal employee who is presently unavailable on a temporary basis.	0	+2
	The assignment/role is only needed seasonally.	0	+2
Characteristics (KSAs) of People Needed	The assignment/role requires knowledge, skills, or ability that are not currently present in the workforce.	0	+1
	The assignment/role requires knowledge, skills, or ability that are not able to be developed in the current workforce, given time and/or resource constraints.	0	+2
	The assignment/role requires knowledge, skills, or ability that are unavailable in current applicant pools.	0	+2
Financial	There is a current hiring freeze for internal employees or a mandate to reduce the internal employee headcount.	0	-1
	The organization is trying to reduce its talent budget.	0	-2
	The organization does not want to commit to a specific person for the assignment/role before seeing how they perform first in the role and organization.	0	-1
	The organization wants to alleviate the workforce sourcing and management responsibilities for a strained Human Resources department.	0	+1
Characteristics of Assignment/Role Itself	The assignment/role is not a core or strategic function to the business (e.g., janitorial, security).	0	+2
	The assignment/role is occurring in a new region, new market, or new line of business.	0	+1
	The assignment/role requires minimal onboarding.	0	+1
	The assignment/role takes place in a location where it is challenging to find or attract internal talent.	0	+1
	The assignment/role is simple and straightforward to complete.	0	+1
	The assignment/role is within an area of the business that the organization is looking to divest in the future.	0	+1
	The assignment/role is associated with a discrete project.	0	+1
Impact on Stakeholders	The assignment/role requires little to no knowledge of the company to execute.	0	+1
	The assignment/role involves "customer-facing" responsibilities and/or representing the company to external stakeholders.	0	-1
	The assignment/role requires access to the company's IP, trade secrets, or other confidential information.	0	-2
	The assignment/role requires extensive integration within a work team and the business.	0	-2
	The assignment/role involves internal employee-facing responsibilities that may impact the internal employee experience.	0	-1

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Technology Applications

If an organization is using technology to source and select applicants, either for internal roles through an applicant tracking system or for external roles through a procurement system, this type of decision matrix can be incorporated into the system when a requisition is opened for a new role. As the recruiter or hiring manager completes the decision matrix, a recommendation to hire an internal employee or external worker is presented, with a link to the appropriate technology solution for sourcing that type of candidate. Beyond presenting the decision matrix inside the sourcing platforms, the decision matrix can also be automated and available online for all stakeholders, within the company, who are responsible for

hiring workers. As they consider new roles, they can proactively access and complete the decision matrix to inform their thinking and planning. Senior leadership who approves requisitions and oversees hiring decisions may even ask to see the completed decision matrix to ensure that the role or assignment is being filled with the recommended type of worker.

Resources and Suggestions for Further Reading

For additional information on this type of decision-making matrix, a Pugh matrix, including alternate scale metrics, see:

How to Use the Pugh Matrix

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Curating an External Worker Employment Brand

Problem Statement

An organization's reputation as an employer affects its ability to attract both internal and external workers. For organizations that wish to employ any significant proportion of external workers, it is vital to consider how their existing employment brand may impact potential applicants for external roles, as well as the effects external workers might have on their employment brand. Organizations need to recognize that they have an external worker employment brand, understand what it is, and take control of it.

Methodology and Key Definitions

The results and content produced in this section are based on data collected across multiple methodologies and sources. For an overview of these sources and definitions of key terms used in this toolkit, please [click here](#).

Key Takeaways

- Employment brand impacts an organization's ability to recruit applicants for external roles; over a third (38%) of HR professionals report this is difficult to do.
- External workers cannot be ignored in employment branding, as they can impact the employment brand perceived by potential and existing internal employees.
- An effective employment branding effort starts with understanding the employee value proposition, yet less than half (41%) of HR professionals report asking external workers about their experience in the organization.
- Data collection is key to developing and maintaining an employment brand, and there are many sources of data that need to be taken into account.
- An employment brand is useless unless it is promoted among external candidates and existing workers.

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- The effectiveness of employment branding initiatives must be monitored over time.

Why employment branding is important

An organization's reputation is made up of the public's collective thoughts about the products and services they offer, their workers, their leaders, its history, and more. Taken together, these experiences and perspectives are used to construct the image that people have of the organization, a perception that is as much instinctual as it is intellectual. Employment brand is a subset of this larger brand based on how the organization is viewed as an employer. It may be considered either an integral component of the organization's overall corporate brand or a unique sub-brand.

A strong employment brand can powerfully complement an organization's products and services. It engages the minds—and hearts—of candidates and creates a sense of excitement about belonging to the organization, providing a clear, compelling reason to apply to, join, and remain at the company.

A strong employment brand can attract more and better people to the organization, allowing the company to compete for candidates using elements beyond just salary; set high expectations for performance; and improve employee retention.

Branding can be a powerful business tool that communicates an organization's values, sets it apart from competitors, and draws in candidates who best align with the organization. The employer's influence on and efforts at crafting a brand are most effective when they are rooted in reality and echo the employee experience. Employers should avoid trying to paint a picture that's disconnected from the workforce's true experiences. Collaboration between marketing, human resources, and communications will ensure a holistic branding approach. But an effective employment branding strategy must be owned by the CEO and supported by leadership across the organization, as any effective leader knows that their most important job is attracting, advancing, and retaining the best people.

The EVP and external workers

A strong employer branding strategy starts with a well-defined employee value proposition (EVP). An employee value proposition encompasses the organization's mission, values, and culture, and gives employees a powerful reason to work for them. It is the unique set of characteristics, both tangible and intangible, that an organization can offer as an employer, in exchange for the skills, capabilities, and experiences employees bring to the table. Elements generally considered as part of the EVP include culture, work environment, compensation, benefits, and career development.



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In most organizations, aspects of some, and often all, of these dimensions look different for external workers than for internal employees.

“You want your internal folks to mirror the brand. You want internal employees to speak the truth about the company. This is particularly impactful on external workers’ experiences. How you treat other people – as long as internal people are happy, then it will speak volumes to the external workers.”

-HR practitioner, SAP SuccessFactors customer interview

If an organization only employs a handful of external workers, the organization may be able to deal with EVP misalignment on a case-by-case basis. But, if external workers make up a significant portion of the workforce, organizations will likely have to develop an EVP and associated branding strategy for them. External workers excluded from the “promised rewards” of a branding strategy designed for internal employees are likely to feel cheated, and their dissatisfaction can lead to poor retention, less likelihood of bringing them back for return engagements, and reduced ability to hire new external workers once they share their experiences in the talent marketplace.

The ill effects of disillusioning external workers can rebound to the internal employee population as well; when internal employees feel that their external colleagues are being treated badly, their view of an organization’s culture can be tainted. Perhaps worse, when unhappy external workers complain via either word-of-mouth or employer review sites, these comments are often not clearly contextualized to the external worker experience, resulting in unfairly damaging the employment branding for internal employees as well.

Integrating External Workers into an Employment Brand

If an organization has not purposely defined an employee value proposition and implemented an employment brand strategy, now is the time. By starting from scratch, organizations have the advantage of integrating external workers and internal employees into the EVP and brand strategy from the beginning. Some general resources on employment branding are included in the “Suggestions for Further Reading” section at the end of this chapter, but companies should be sure to review the external worker-specific branding guidance that follows and apply it to their efforts to cultivate a compelling total workforce employment brand.



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The Basics

Review the existing employee value proposition and document the areas in which external workers are excluded from things of value that are provided to internal employees (e.g., development) as well as areas in which they may be better rewarded than internal employees (e.g., flexibility).

Each organization’s EVP is different, but the table below (figure 3) provides a list of elements that are often considered as part of an EVP. Within each category, elements are arranged from most relevant for external workers to least relevant. This ranking may vary across organizations and should be vetted and considered more fully by each company and related to their own EVP.

FIGURE 3 - ELEMENTS IMPACTING EVP AND THEIR RELEVANCE FOR EXTERNAL WORKERS

				
Culture	Work Environment	Pay	Benefits	Career Development
<ul style="list-style-type: none"> • Mission and values • History and narrative • Social responsibility • Trust • Leadership approach • Communication • Collaboration and team spirit • Caring and support 	<ul style="list-style-type: none"> • Autonomy • Work-life balance • Knowing how one contributes • Personal achievement • Recognition • Place 	<ul style="list-style-type: none"> • Timeliness • Rate of pay • Fairness • Overall compensation system • Raises and promotions • Performance management process 	<ul style="list-style-type: none"> • Flexibility • Retirement • Family friendly • Healthcare • Time off • Education 	<ul style="list-style-type: none"> • Feedback • Chance to develop and progress • Training • Education subsidies • Stability

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Where you find significant differences between the external and internal EVP, it is crucial that organizations articulate these differences throughout the external worker hiring process, particularly during recruitment and onboarding.

It is also important that internal employees and managers are made aware of these differences and their rationale. Organizations with large numbers of external workers may choose to include information about the differences during employee onboarding and manager training, while in organizations with smaller numbers of external workers, it may be sufficient for HR to orient managers and their work teams on the topic as they bring on external workers.

Intermediate

Develop a strategy to **collect data from both external workers and internal employees about their perception of the external worker experience.**

Organizations might do this as part of a larger engagement survey or as part of a standalone employment branding effort. When feasible, it is valuable to collect data from applicants, current employees, alumni, and external workers. Data collection methodologies might include surveys, focus groups, and interviews.

There are many employment brand questions that an organization might ask of both external workers and internal employees. While an organization can pose the same questions to different worker types, one might expect somewhat different responses each group, and possibly even different responses from different “types” of external workers. As the data are analyzed, organizations should look for gaps between the external worker and internal employee experience, especially those that are not explained by external worker policies, as these are the greatest opportunities to improve the external worker employment brand.

Organizations should also **conduct external research to gain a better understanding of how the organization is perceived**, as workers may be more candid in outside forums.

Organizations should assess their brand in the marketplace to understand what people are saying about their company. This involves monitoring social media and employee review sites such as Glassdoor, Indeed, Kununu, or others. If external workers are sourced through online platforms (e.g., Upwork, Fiverr), monitor reviews on those platforms as well. Again, organizations are looking for gaps between the experiences of external workers and internal employees that are not the result of intentional choices by the organization.



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A quick review of sites such as Glassdoor make it apparent how important it is for organizations to monitor what is being said about them as an employer of external workers, as many report their experiences at the organization, which impacts the company’s broader employment ratings that are visible to all prospective talent. The table below provides actual Glassdoor reviews posted by external workers about their experiences in prominent organizations.

If your organization sources external workers through staffing or employment agencies,

gather data from your partner agencies on your organization’s employment brand.

Agencies can provide valuable information on how the experience of external workers in the organization differs from that of external workers contracted by other organizations in the same location and/or industry, which might otherwise be difficult or impossible to get. A strong agency partnership offers both the opportunity to collect data about and the opportunity to promote the company’s external worker employment brand.

FIGURE 4 - SAMPLE REVIEWS BY EXTERNAL WORKERS ON GLASSDOOR

 Positive Review	 Negative Review
“Your work is valued and the company pushes for a ‘family’ type of inclusion which extends even to the contractors. [Management pushes] a friendly yet serious atmosphere that makes me as an employee feel included .”	“From the perspective of a contractor – in many teams contractors are not in the loop in team meetings and are often ostracized . Associates use power play to keep contractors at the lower rung.”
“The work environment is great, very adaptable, and support is available all the time. The contractor rates are very competitive and there is a chance for renewal. The projects are quite fun .”	“If you hire us into help with a project, we should not be treated like sub-humans but as a partner. This degradation on contractors is really workplace abuse and thus why you have such high turnover.”
“Very supportive and encouraging team from the beginning. Able to match me to a contract with amazing people/projects and opportunities to build my skill set.”	“Employees actually say things like ‘your opinion doesn’t matter as you are a contractor.’ Overall treatment by employees to contractors is very unprofessional.”

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Advanced

To the extent possible, an organization should **have an integrated employment brand strategy across internal employees and external workers.**

Integration is especially crucial for organizations utilizing large numbers of external workers, organizations who frequently convert existing external workers into future internal employees, and organizations whose former internal employees often return as external workers. It is HR's role to articulate the importance of consistent worker experiences and of managing the expectations of external workers and internal employees alike. Training, coaching, compensation, and other HR-related practices should then be aligned to this integrated employment brand strategy.

HR and Marketing should then collaborate to create and disseminate content that conveys the unique aspects of the employment brand and EVP for external job seekers, promoting the organization's characteristics that are most relevant for external workers.

External worker employment brand content should address:

- **People:** What is it like to work at the company as an external worker?

- **Culture:** What kinds of activities, initiatives, and programs demonstrate the organization's culture and are applicable to external workers? How does the organization embrace diversity and the inclusion of external workers, if it does?
- **Company reputation:** What do people think about the organization's products or services?
- **Mission and vision:** What does the organization aim to accomplish, and how do external workers contribute to it?
- **Job and work environment characteristics:** What are all the different types of external workers that the company employs, what kinds of work do they do, and what kinds of places do they work?
- **Unique external worker factors:** What is the company's **external workforce philosophy** and what does it offer as a psychological contract for external workers? If part of the company's external workforce strategy is to convert external workers to internal employees, what is the likelihood of this and process used to do this?

A company's employment brand is not meant to just be conveyed to job seekers. Organizations need to consistently communicate the employee value proposition to current internal employees and external workers as a way to motivate and



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retain them. Internal employee and external worker testimonials can be used to great effect to affirm the brand for the total workforce.

Like other employee initiatives, employment branding must be continually evaluated and updated. Find ways to measure and track key performance indicators of relevance to both internal employees and external workers such as brand awareness, size and quality of applicant pools, extent to which those applicants who are offered an external assignment/internal role accept the position, worker retention, and worker referrals.

Technology Applications

There are several technology applications to measure, influence, and promote a company's external workforce employment brand. These include:

- Using technology to measure the perceptions of the external workforce employment brand and associated sentiment that exists in the market by engaging in "social listening" on employer review sites, social media, etc. Advanced technologies can be used to aggregate, integrate, and interpret information across multiple channels to evaluate a company's overall employment brand.
- Using technology to gather feedback from current external workers and internal

employees about their experiences working for the organization and their perceptions of the company's total workforce employment brand via online surveys and data capture.

- After the company creates the content reflective of their employment brand and associated EVP, using technology to promote it on the company's career site, social media channels, etc. Dependent upon the consistency of the employment brands and EVPs that an organization conveys across its internal employees and external workforce, a company may elect to have either a single career site with a holistic employment brand represented or two separate career sites that articulate the employment brands to applicants for internal and external roles individually.

Suggestions for Further Reading

For general information on employment branding, see *The Cultural Fit Factor: Creating an Employment Brand That Attracts, Retains, and Repels the Right Employees*, L. Pellet (SHRM, 2009)

The article "*Employment Branding: An HR and Marketing Collaboration*" is an excerpt from the above book.

[How HR is Using Visual Storytelling to Build Brand Awareness](#)



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Best Practices for Sourcing External Workers and the Agencies that Provide Them

Problem Statement

Despite the increasing reliance on external workers, many organizations struggle to find the right external talent to meet their specific needs for two main reasons: the ineffective methods used to source external workers themselves, and the ineffective approaches to partnering with vendors (e.g., agencies) who are responsible for sourcing the external talent for the organization.

Methodology and Key Definitions

The results and content produced in this section are based on data collected across multiple methodologies and sources. For an overview of these sources and definitions of key terms used in this toolkit, please [click here](#).

Key Takeaways

- Organizations should be concerned with both sourcing the right external workers as well as using the right agencies.
- Clarity needs to be established regarding what the right external worker candidate looks like both internally as well as externally with the agencies used to meet organizational expectations.
- It is critical that organizations and HR continue to play a role in the sourcing of external workers to ensure optimal fit and success of external workers.
- Thinking creatively about the sourcing of external workers will allow greater access to external worker talent pools.

The Importance of Sourcing the Right External Workers and Agencies

For the greatest benefits to be gained in the use of the external workforce, it is important that the right external workers are sourced and selected.

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24% of managers rate staffing, or “attracting, sourcing, and selecting the right quantity of external workers” as the most critical stage for an organization’s external workforce process. Yet only

43% of managers think their organization’s staffing processes are very or extremely effective.

This is consistent with the fact that over a third (**38%**) of HR professionals surveyed report that their organization has difficulty in obtaining suitable external workers.

“If you want to get good folks, then you have to select a good vendor.”

-HR practitioner, SAP SuccessFactors customer interview

This difficulty can be attributed to organizations’ heavy reliance on third parties to source external talent. With the majority of organizations (**77%**) using vendors or third parties to source at least some of their external workers, it is equally important to ensure that the right vendor is being used to find that “just right” external worker.

To find and select the right external workers, it is important that organizations actively and creatively

source and select both the external workers and the vendors with whom they partner.

The Basics

Prior to sourcing external workers or agencies, it is important that **organizations clearly establish what roles they want external workers to fill and the required knowledge, skills, abilities, competencies, and values that are required to succeed not only in the role but also in their organization.**

Just as is true for internal employees, it is impossible to select the right external worker without conceptualizing what “right” means to the specific role and to the specific organization. The established best practices in selection cannot be disregarded simply because these workers are external to the organization.

Assessing qualifications may be very simple; for example, ensuring that an external worker is not afraid of heights if they are going to be working with machinery that lifts them high above the ground. However, this may also be a bit more complex. For instance, if an organization is going to place an external worker in a customer-facing role, then they may want someone who has strong interpersonal skills or is extroverted.

Based on this information, organizations should carefully craft all job postings for external roles



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as they would for an internal position. Postings must be very clear and concise regarding the expectations of the role, the expectations of the worker, and the possibility for future internal employment, if any.

Open, clear, and constant communication channels should be established between the organization and sourcing agencies to ensure that the agency accurately and precisely reflects the role requirements necessary to meet organizational needs.

“Holding vendors accountable to do what is right in the treatment of [external] workers [is] a factor. Organizations must decide if [they] would have contracts with vendors who do not treat external workers well.”

-HR practitioner, SAP SuccessFactors customer interview

Establishing this communication may involve having a set contact person within the organization as an intermediary in charge of maintaining relations with the agencies. It may also be beneficial to invite the agency contact to visit the organization onsite to better grasp the work that is required for external workers as well as organizational culture.

Intermediate

It is **important for HR to continue to play an active role in the process** of sourcing and selecting external workers to ensure the best candidate is selected.

Despite the fact that a commonly cited benefit of using external workers is that it removes responsibilities for HR, approximately a fifth (**20%**) of HR professionals think HR's role in sourcing and hiring external workers should be greater at their organization. This may be due, in part, to the widespread use of external workers. In our survey of HR professionals:

83% reported that their organization uses external workers.

21% reported that their organization often converts external workers to internal workers.

67% reported that their organization sometimes converts external workers to internal employees.

This increased involvement of HR in the sourcing and hiring of external workers may include reviewing the resumes of or interviewing the top candidates sent over by agencies. HR may even create a stage in the selection process where

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the candidate completes a portion of the job to provide a realistic preview for the candidate and a work sample for the organization.

In other words, despite the perceived advantage of alleviating some responsibilities of the organization, the process for hiring external workers through an agency or contractor organization must still include the organization in an active role to ensure the right candidate is selected.

Organizations must **identify and implement performance standards and criteria for agencies**, not just for the external workers themselves.

Just as is true for the external talent itself, not all agencies are created equal. Organizations must consider what important agency qualities support and align with their own organizational values and are best able to meet their organizational needs. Finding agencies that operate in ways that align with the organization's values and mission is particularly important when considering that approximately a quarter of HR professionals (26%) refer the performance management of their external workers and the handling of issues that they face (e.g., conflict management, discrimination) to the agencies that employ them.

Many organizations report that all they know about the talent coming from agencies is that

their background has been checked and that they have been drug tested. Expectations and the accountability of agencies must go beyond these basics that are currently commonplace.

This list may include expectations in terms of:

(1) Their treatment of the external workers.

- » Fair payment practices
- » Provision of benefits and healthcare

(2) Their processes for selecting external workers.

- » Use of realistic job previews
- » Measurement of competencies
- » Assessment of fit with the role and organization

(3) Their values, reputation, or status in the marketplace.

- » Focus on diversity and inclusion
- » Serving underutilized workers (veterans, older workers, people with disabilities, people with criminal records)
- » Health and safety record

(4) Their ability to put the organization's interests first and form a strong partnership with the organization.

- » No fee or a reduced fee for an external worker who is terminated involuntarily
- » No fee or a reduced fee for an external worker who voluntarily terminates before

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the end of the contractual period

- » No fee or a reduced fee for conversion from an external worker to an internal employee
- » Willingness to visit the organization regularly or collocate an agency resource onsite with the organization's HR or procurement team
- » Setting appropriate expectations with the external workers about the likelihood of securing internal employment at the company
- » Collaborating with the organization's HR team to support total workforce sourcing and selection, such as validating that a given resource need is best served through an internal employee or external worker and considering whether a successful external worker could be suitable for available internal positions

With these parameters in mind, organizations should “shop around” and interview agencies to ensure they are selecting the right ones to best meet their needs. This also holds agencies more accountable for finding the best talent for a specific organization and operating in ways that align with the mission and values of the organization.

Advanced

Organizations must **continuously measure and determine the effectiveness of agencies** in their

ability to both provide the right talent and meet the expectations set forth by the organization.

This may include keeping careful records of the organization's satisfaction with the talent that the agency provides. While it is not encouraged to keep extensive records on the current performance of external workers (see the [legal component](#) of this toolkit for more information), organizations can and certainly should keep general counts of both satisfactory and unsatisfactory external workers sourced by the various partner agencies, as well as analyze and document agency performance trends (e.g., external workers from Agency A tend to stay longer than those from Agency B).

Another way to hold agencies accountable is by gathering feedback from external workers on their experiences with the agencies. External workers may evaluate their agencies on criteria such as the following:

- Honesty in their communication
- Ability to articulate and represent the company's culture and values
- Timeliness of payment
- Benefits provided
- Ethical treatment



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“Use agencies, but hold them accountable by asking external workers to provide information about their experience with the agency. We hear time and time again that [external workers] leave roles because they’re unhappy with their vendor.”

-HR practitioner, SHRM-SAP SuccessFactors focus group

Many external workers report that their experience with their agency can greatly impact their satisfaction with their work, their decision to remain an external worker, and it may be one of the greatest reasons why an external worker chooses to leave a given assignment. By receiving feedback about the working conditions and culture at the agency, organizations may hold agencies accountable to meet the needs of the external workers they employ, which, in turn, helps to meet the needs of the organization and its total workforce.

To access the greatest pool of external talent, organizations should **look beyond agencies to source external workers and think creatively about where else one may source external talent.**

While the majority of organizations (77%) use agencies to source external workers, it is important for organizations to consider other avenues to

source external workers. This is a particularly important strategy for organizations to engage in when considering that only half (49%) of external workers report finding work through agencies. That means that half of external candidates are being missed when organizations rely solely on the use of agencies to source their external workers.

Other ways to source external workers may include the following:

- Internal employee referrals
- Former internal employees or external workers
- Networking events or job fairs
- Online social marketing
- External workforce web platforms (e.g., Upwork, Fiverr)
- The organization’s career website

Despite the availability of a variety of avenues to source external talent, very few organizations are tapping into these options.

Less than 10%

of organizations report using personal connections to source external workers,

Less than 30%

of organizations report using external workforce web platforms.



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These sources are likely a rich, untapped frontier for organizations to utilize in their search for high quality external candidates.

Technology Applications

There are technology applications of relevance for the sourcing and selection of both external workers and third-party agencies. Below are some ways that technology can assist with the sourcing and selecting stage of the external workforce lifecycle.

- Functionality that supports the recruiting and selection of internal employees can also be used for external workers, which could include tools to create external worker job descriptions and selection procedures that leverage skill and competency libraries.
- If external workers are sourced and hired through another system like a third-party agency or procurement solution, a review step can be added in the hiring process where HR can assess the candidate's fit with the organization and approve the candidate to move forward in the process.
- Alternatively, an "agency portal" can be built inside an organization's recruiting platform, which allows agencies to "push" candidates to the organization for consideration and progression through the selection and hiring process.
- Companies can use survey functionality to collect feedback from external workers regarding their experiences with their agencies. These experience data can be combined with operational data coming from another system that stores rehire status for the external worker as rated by the organization. This combination of experience and operational data can then inform organizational decisions regarding the ongoing use of certain agencies.
- Regarding the creative sourcing of external candidates, technology can be used to market opportunities to potential external candidates through social platforms. It can also be used to build a career site that is specific to external roles within the organization or create "talent pools" of potential external candidates who can be contacted when an external role of potential relevance becomes available.
- In the case of mass hiring of external roles (e.g., seasonal workers) or external jobs for which an organization is almost always in need, recruiting functionality can be used to create an "evergreen" requisition where a position is always open and able to accept applications



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instead of requiring a requisition for each individual opening to be approved and posted.

- From a total workforce point of view, technology can be a powerful tool to conduct advanced analytics to inform sourcing and hiring decisions, such as combining sourcing and labor data to inform whether a certain role should be hired in an external or internal capacity with a particular compensation range and in a particular region, allowing the organization to then open that requisition in the appropriate system based on the worker type (internal recruiting solution or external procurement solution). Even over the course of the recruiting and hiring process, the requisition type could be modified from internal to external or vice versa, dependent upon the candidates who are

surfaced. Perhaps, at some point in the future, candidates could even be presented with two options for potential employment packages - one as an external worker and one as an internal employee - so they can make the best decision for their career interests and personal needs.

Resources and Suggestions for Further Reading

For information on avoiding obstacles when working with third-party agencies, see this SHRM article:

[How to Minimize Staffing Agency Snags](#)

This blog from ERE addresses common misconceptions about third-party agencies:

[Puncturing the 'Myths' About Contingent Search](#)

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Best Practices for Onboarding Your External Workforce

Problem Statement

External workers are employed by organizations to complete temporary roles or assignments; therefore, onboarding is a critical process for external workers to operate at peak effectiveness as quickly as possible. Despite this, organizations typically have little to no onboarding practices in place for external workers, limiting both the workers' ability to reach their full potential in their assignments and the companies' ability to obtain the maximum benefit from their external workforce.

Methodology and Key Definitions

The results and content produced in this section are based on data collected across multiple methodologies and sources. For an overview of these sources and definitions of key terms used in this toolkit, please [click here](#).

Key Takeaways

- Onboarding is a key stage in the external worker life cycle that requires attention and investment by the organization to ensure external workers can complete their work responsibilities as efficiently and effectively as possible.

“It is critical to go through with [external workers] what they are going to be doing, what resources there are, and what tools they need in order for them to feel comfortable, productive, and safe.”

-HR practitioner, SAP SuccessFactors customer interview

- Organizations should use a role-based perspective when determining which external workers would benefit most from different amounts or types of onboarding, rather than a skill-based perspective. For example, it is especially critical for external workers in customer-facing roles and in roles where workplace safety is a concern to receive additional onboarding support.

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- Onboarding for external workers should focus on compliance-based and conduct-based information as a starting point; however, organizations would also benefit from incorporating more interpersonal and cultural components into their onboarding practices to further integrate the external worker into the social norms of the workplace and embed the values and mission of the organization, even if the external worker assignment is short-term.

The Importance of Onboarding

A primary reported benefit of hiring external workers is the speed with which they can be brought in to an organization to begin their assigned role or project. Often lost in this focus on speed is an onboarding process for external workers that sets them up for success by allowing organizations to discuss relevant information regarding an external worker's role as well as the organization's culture, values, and conduct expectations.

45% of managers rated their onboarding process for external workers extremely or very effective.

44% of external workers report being made to feel welcome by most of their organizations.

Conversely,

14% of managers identified onboarding as a critical stage for managing an effective external workforce, suggesting that many managers are failing to understand the importance of this stage of the process.

11% of external workers report their organizations had no onboarding process and did nothing to make them feel welcome.

These parallels between manager and external worker reports indicate that there is strong alignment between what companies offer and the experience of their external workers.

Lost is the perspective that the more external workers learn about the organization and the more foundational knowledge they have regarding their role, the more efficient and effective their contributions to an organization can be.

While organizations deem onboarding for internal employees of critical importance, the argument could be made that onboarding is even more critical for external workers, as onboarding's primary objective is to decrease workers' time to productivity as external workers have a shorter tenure in the organization.

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For external workers to be productive and contributing members of the organization, even for a short period, organizations must first ensure the key groundwork is laid, as the potential loss in speed due to taking time for onboarding at the front end will be gained in productivity and efficiency at the back end.

Below we provide suggestions for the onboarding of external workers beginning with foundational recommendations that may be built upon over time.

The Basics

Organizations must begin by **providing a basic onboarding or orientation for all external workers** based on the relevant aspects of current onboarding practices for internal employees.

Despite the importance of onboarding for external workers to effectively contribute to an organization's goals, we found the following:

47% of HR professionals report having a standard onboarding process for their external workers

40% of HR professionals report this key process is left to the discretion of individual managers or team leads.

Further, almost a quarter (24%) of HR professionals

report that they use the same onboarding for external workers as they do for internal employees; however, we do not recommend this. Instead, organizations should engage external workers in a customized version of the onboarding provided to their internal counterparts. For instance, while some of the core content should be similar across the total workforce (e.g., dress code, hours of operation, building logistics), there are other components that should be contextualized to external workers (e.g., how their experience will be different than internal employees, how the business specifically values and treats them as external workers).

At a basic level, external worker onboarding should communicate expectations regarding their performance, their experience, and how their experience will differ from internal employees. Indeed, managers agree that providing the most basic information such as company policies, rules, and guidelines is one of the most important things to get external workers up to speed and operational. In fact, 32% of managers rate such information as the most important component of onboarding. What is important to note here is that what should always be included in even a basic external worker onboarding process is to make the external worker feel welcome and provide clarity about their role and experience within the business specifically as an external worker. This would involve incorporating elements like the following:

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- Particular welcome from leadership as an external worker
- Specific external worker policies and procedures
- The process that is followed to consider an external worker for internal roles and the likelihood of that happening, if a process exists
- Events and communications which the external worker will/will not be included
- Operational processes which the external worker will/will not use

“We work with our technology, finance, and service groups in advance to ensure external workers have whatever they might need on their first day. We operate under the idea that everyone wants to feel welcomed, but this was a conscious effort and took us a long time.”

-HR practitioner, SHRM-SAP SuccessFactors focus group

Beyond this, onboarding should involve having everything ready and available that is necessary for the external worker to begin work on their first day to ensure an efficient transition into the organization. This should include ensuring that the appropriate equipment, tools, and access are prepared before the arrival of the external worker. In fact, over a quarter (**26%**) of external workers report that having the appropriate company

equipment is one of the most important factors in helping them get started at a new organization. Further, it is important to share with external workers what they will be using and have access to as well as what they will not be using or able to access, so they understand not only the scope of what they will be doing but also what they will not be doing.

Intermediate

While basic onboarding should be provided to all external workers, it is likely that some external workers would benefit from enhanced onboarding. **Each organization should reflect on the characteristics of their external workforce and consider which “types” of external workers may have specific, job-relevant onboarding needs.**

In fact,

37% of external workers cite job-relevant training for their specific job role as the most important piece of onboarding.

52% of managers rate job-relevant training as the most important piece of getting external workers up and running.

Job relevant onboarding may include introductions to specific tools, systems, or technologies used

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in executing their work, product information related to the assigned role, or technical training or certification verification required for them to complete the type of work they have been brought on to do.

As an example, here are three types of external workers that organizations should consider prioritizing for enhanced onboarding.

Customer-facing roles

It is important for external workers in customer-facing roles (e.g., call center workers, in-home technicians) to receive much of the same onboarding and training as a customer-facing internal employee to ensure a consistent brand image and experience for the company's customers. This allows external workers to both master the services, products, and procedures to the same extent as internal employees and be motivated and capable of delivering the same level of customer experience. Simply put, the goal is that the customer does not know whether they are receiving service from an internal employee or external worker - this can only be achieved with thorough and consistent onboarding across both workforce segments.

Safety-sensitive roles

It is important for external workers in roles that have some degree of safety concern to have the appropriate training and understanding of the company's safety culture and expectations prior to starting work. Organizations are responsible for the safety and well-being of their external workers and must ensure they have the appropriate knowledge, skills, and motivation to complete their assignment safely and at the same level of safety standards as internal employees. Although there is a common and valid debate inside companies about the amount of safety investment that should be allocated to external workers given their roles are temporary, some investment should be made to educate them about and integrate them into the safety culture, so their attitudes and behaviors are sufficiently aligned to the value of safety.

Roles integrated with internal employee teams

It is important for external workers in roles that have integration with internal employee teams to receive appropriate information about team processes, systems, and protocols. With **69%** of external workers reporting that they work with internal employees often, very often, or always, it is important that individuals working on the same team towards the same goal are operating with the same foundational information. Leaving out the external portion of the team from relevant aspects of onboarding or training puts the entire



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team at a disadvantage operationally and hinders the team's ability to quickly align and execute on their objectives. One focus group participant noted, "The success of our team is dependent upon [external workers] having the same background information as our [internal employees]." What exact information or training the external team members should receive will be dependent upon the goals and structure of the team.

Advanced

To create a comprehensive and impactful onboarding process for external workers, organizations should **add socialization components that focus on relationships, company culture, and company purpose**, rather than focusing solely on compliance and conduct-based content.

While socialization is a key goal of the onboarding process for internal employees, the importance of this component has often been questioned for external workers given that the relationships with their coworkers and the company are more transactional and temporary.

However, when managers and external workers were asked what they believe are the three most important factors in helping new external workers get started, both endorsed *an introduction to coworkers with the opportunity to get to know the people the external worker will be working with and a personal welcome*

from leadership with the opportunity to clarify my role, goals, and expectations. As such, we strongly encourage both as components of the onboarding process for external workers.

Beyond socialization in terms of interpersonal relationships, it is important to consider external workers' socialization to the cultural norms and values of the organization. In fact, one of the top three challenges managers face in their management of external workers is aligning and engaging external workers around company purpose and culture; **27%** of managers rate it as the number one challenge. As such, it is important to assist management in this effort and to include information regarding the organization's purpose, mission, vision, and values, and external workers' specific contributions. It is critical for the external worker to understand how the work they are doing furthers the goals of the organization, even in a temporary and ancillary capacity, and how to complete the work in a way that aligns with organizational values. It is only through this additional context sharing and cultural assimilation that organizations can hope to see their external workers go the extra mile. If, at the outset, a company treats their external workforce as just there to complete a transaction, then this will undoubtedly be the level of effort and motivation they receive from their external workers.



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Organizations should bear these points in mind when designing “fit for purpose” onboarding components that focus on socialization. Consider whether some types of external workers (e.g., those working on a blended team with internal employees) would benefit most from deeper socialization elements, either focused on the team or the company. With this in mind, points of reflection for organizations should include the following:

- What team socialization and cultural assimilation components do we already have in our onboarding program for internal employees?
- Which aspects of these are most appropriate for use with our external workforce and are there any elements that should be created just for external worker onboarding, with the goal of having this socialization aspect reflected in at least a simple way that resonates with all external workers?
- For which types of external workers would it make sense to focus more on team or company socialization during onboarding to prepare the external worker with sufficient knowledge and motivation to execute their role effectively?

Along with socializing external workers into their work team, there could be value in connecting the new external worker with other external workers in the business. If there are only a few external

workers, simple introductions amongst them may be enough. If there are many external workers, an online collaboration site may be valuable so that external workers within the organization can connect with each other and support each other to answer questions related to external worker processes, procedures, and experience. Communications and reminders of relevance to external workers can also be disseminated there.

Finally, **organizations should regularly evaluate and continually seek to improve their onboarding process for external workers.** This could be accomplished by seeking feedback from internal employees who previously held external roles in the organization or soliciting their involvement in the development of the onboarding strategy and content for external workers based on their previous experience. For instance, employees who were previously external workers can offer personal insights to further hone in on the most relevant and impactful information to provide external workers with as they begin their role. Additionally, it is particularly critical for organizations to survey external workers themselves, either after they complete their onboarding or upon their departure from the organization, to determine both the strengths and weaknesses of the process.

Further, as outlined here, managers of external workers are important stakeholders to external



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FIGURE 5 - MATERIAL TO INCLUDE IN ONBOARDING

Basic Onboarding	Intermediate Onboarding	Advanced Onboarding
Security access IT access Hours of operation Dress code How the external worker experience is unique: - Specific welcome from leadership - Specific external worker policies and procedures - Temp-to-hire process, if one exists - Inclusion in events and communication - Use of operational processes	Job-specific information: - Training or certifications - Customer service orientation - Safety climate and behavioral norms - Internal team process integration	Organizational purpose, mission, and values Specific contribution to organizational goals Role guidance and support from leadership Internal team cultural integration Integration with other external workers Feedback on onboarding experience

worker onboarding and have valuable thoughts about the process. As such, their feedback and recommendations should also be considered, especially because their individual managerial approaches to onboarding their specific external workers should be aligned to and integrated with the overall onboarding program put forward by HR. This triangulated approach of capturing feedback from multiple viewpoints will surface important insights from those who are most impacted by the external worker onboarding process.

Technology Applications

Many organizations utilize technology to automate their onboarding process to increase the efficiency, consistency, and effectiveness of the onboarding experience across the business. Creating a separate process or “workflow” within an organization’s current onboarding platform and configuring it to align with the unique onboarding needs of the company’s external workforce may be beneficial for both the external worker experience and the company’s ability to reduce their external

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workers' time to productivity and maximize their contribution while they are a part of the business. Further, utilizing one onboarding solution for both internal employees and external workers may help improve the visibility of the total workforce by providing a comprehensive view of both internal and external new hires, as discussed by this recent [report](#) by SAP SuccessFactors.

In line with the best practices outlined above, examples of how technology can be used to facilitate an external worker onboarding process include the following:

- Integrating with a recruiting, procurement, or HRIS solution so that onboarding is automatically initiated for new external workers. Note that advanced onboarding solutions allow for a "mass upload" of new hires to execute an onboarding process if an integration is not available, which could be particularly helpful when bringing on a large seasonal external workforce.
- Automating tactical onboarding requirements, like standard new hire paperwork, form completion, and external worker-specific policy delivery. Advanced onboarding solutions also allow external workers to sign their documents online and via mobile, which could be

particularly beneficial for an external workforce that may be geographically distributed or brought on quickly to execute an assignment.

- Populating a new external hire checklist for hiring managers so they can deliver a consistent experience across external workers.
- Automating important components like a customized external worker welcome message or video from leadership, links to recommended resources of particular relevance to external workers, provisioning of appropriate new hire equipment, and scheduling a meeting to introduce the external worker to their main contacts with whom they will collaborate during their tenure.
- Integrating onboarding and a learning management system (LMS) so that external workers can be automatically directed to the LMS to complete required training or verify certifications prior to commencing work.
- Integrating onboarding and an online social collaboration platform so that external workers are automatically added to appropriate collaboration sites based on their role as an external worker and/or on their assignment.



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- Triggering a survey at the end of the onboarding process to gather feedback from both the external worker and hiring manager regarding their onboarding experience.

For additional ideas for how technology can enable an external workforce onboarding process, see the resources and suggestions for further reading noted below.

Resources and Suggestions for Further Reading

For more on onboarding external workers, see this SHRM article:

How to Onboard a Gig Employee

For more on technology applications for general onboarding best practices, see this SAP article:

Onboarding in the Digital Age

For further information on onboarding practices in general, SHRM offers an onboarding toolkit:

SHRM Onboarding Toolkit

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Developing Leaders to Manage a Blended Workforce

Problem Statement

Many managers are now tasked with not only leading and managing a team of internal employees but also overseeing a team that may consist of external workers as well. Effectively managing external workers and a blended team of internal employees and external workers requires specific leadership competencies and comes with a unique set of considerations that most organizations do not equip their managers to understand and navigate.

Methodology and Key Definitions

The results and content produced in this section are based on data collected across multiple methodologies and sources. For an overview of these sources and definitions of key terms used in this toolkit, please [click here](#).

Key Takeaways

- Managers are key players throughout the external worker lifecycle and yet receive insufficient training regarding the management of external workers and very little formalized training on how to effectively lead a blended workforce.

“One thing that we will be looking at [doing in the future] is manager engagement and training on how to work with external workers, creating guidelines. Basically giving [managers] a how-to of the employment lifecycle for external workers.”

-HR practitioner, SHRM-SAP SuccessFactors focus group

- Organizations should begin by producing compliance-focused documentation outlining to managers what they should not do with their external workforce from a legal perspective, but then should transition to including guidance on what managers should do to motivate and engage their external workers as well as cultivate a collaborative and productive blended team.

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- Organizations should consider including external workforce training as a required part of the training and development of new managers to not only learn what to do and what not to do but also to develop soft skills important to leading this population and a blended team effectively.
- Organizations should leverage the knowledge base of managers who have successfully overseen external workforces in the past to build peer mentorship networks intended to support new managers of blended and external workforces.

The Importance of Developing Managers to Lead an External Workforce

While many decisions regarding the use and management of external workers are made from the top levels in an organization, the reality is that it is left up to managers to ensure these decisions and practices are implemented effectively. In fact, managers are often the people with the greatest direct impact on the external workforce experience within an organization.

Managers have the second highest level of involvement in the hiring of external talent, with **70%** of HR professionals reporting that managers have a role in this process (**88%** of HR professionals reported that HR has a role in this process).

Indeed, Human Resources professionals report that managers hold many key roles in the external worker lifecycle within their organizations.

27% Of HR professionals reported that managers hold primary responsibility for compliance with employment law.

40% Reported that managers are responsible for the onboarding of external workers.

35% Reported that managers are in charge of overseeing the performance of external workers.

25% Reported that managers are responsible for external worker engagement.

In other words, managers are a key player with extensive responsibilities throughout the entire lifecycle of an external worker in an organization. Yet, in focus groups with HR professionals, many reported that their managers receive little to no training on how to effectively manage this unique portion of the workforce who are subject to complex legal requirements and may have preferences and needs that differ from those of the internal workforce.



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The Basics

Organizations must begin with the **development of compliance-focused internal documentation** that is targeted at managers who oversee external workers regarding the legal complexities surrounding external workforce management.

80% of those who manage external workers reported feeling equipped to manage those workers.

69% of these managers also reported that they treat external workers the same as internal employees.

This suggests that many managers are unaware of exactly when and how external workers should be treated differently.

“It would be good to train managers on how to work with external workers, because they haven’t always worked with them before. It is important for example to make sure managers don’t promise hiring people on permanently. I find that managers are inviting external workers to things like all-hands, and happy hours, and it creates a lot of conflict.”

-HR practitioner, SHRM-SAP SuccessFactors focus group

Organizations must create clarity for managers regarding what they can and cannot do when managing their external workers. This may involve the degree of their involvement in how the external worker completes their work, the amount and type of performance feedback permitted, communication expectations, meetings or events they may or may not attend, and the amount and type of company information that may be shared. These compliance-focused directives should be considered and developed for each stage of the lifecycle from the time external workers start at the organization until the time they leave. Importantly, each organization will likely have its own version of this type of external worker policy that should be disseminated to and used consistently by managers. Further, some specifics of the policy may differ dependent upon the type of external worker (e.g., temporary workers sourced from third-party agencies, independent contractors). In this case, support should be offered to the manager so they understand which parts of the policy are applicable to them and their specific external worker.

Organizations may also consider creating formal documentation for managers to refer to regarding **when it is deemed appropriate by the organization to bring on an external worker and when it is not.**



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Many organizations reported that external workers are frequently misused, which often stems from a lack of understanding regarding the appropriate conditions to utilize external workers. As a result, managers may bring on or request external workers in an attempt to “hide headcount” during hiring freezes or in order to “try before they buy.” While organizations may choose to implement temporary staff augmentation for several valid reasons, allowing managers to make these choices independent of organizational strategy and process is unlikely to guarantee an effective use of company resources. Companies should develop robust external worker hiring guidelines in line with the company’s external workforce philosophy and strategy and educate managers on these policies. For more information on establishing an organizational philosophy and strategy regarding external workers, see this [toolkit component](#). This may also include providing managers with decision criteria that they can work through to identify whether an external worker would be appropriate to hire under current circumstances. Providing managers with this type of tool makes particular sense when an organization has a decentralized approach where managers are empowered to make their own decisions regarding external worker utilization. To learn more about important criteria in the decision to hire an external worker, and to see a sample decision matrix, see this [toolkit component](#).

Intermediate

Organizations should build on the initial compliance documentation to **include more interpersonally-focused guidance to managers regarding what they *should do* to create an engaging experience for external workers and an effectively blended team.**

This extends the focus beyond legal compliance, allowing managers to better perform one of their core responsibilities in creating a positive experience for their team members, including their external workers, which will not only benefit the external workers but also the organization as a whole.

Specifically, this guidance should include how to positively motivate external workers. For example, while managers accurately reported that the most important thing for an external worker to feel positive about their experience is to be “[offered] another contract opportunity,” managers underestimated the importance of “being thanked for [their] work,” which external workers reported as equally important. Providing managers with some clarity and direction about what external workers want and need both interpersonally and professionally would allow managers to tailor their leadership approaches accordingly.



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Organizations may also consider adding a required component to their **training for all managers on both the things to do and the things not to do, as well as the opportunity to practice soft skills such as perspective taking, agile management, and emotional intelligence when it comes to managing the external workforce.**

70% of managers reported that they have managed both internal employees and external workers during their career.

33% of managers reported feeling that they have had insufficient training to manage the external workers they oversee.

A required training on the topic of managing external workers and/or a blended team would likely be beneficial to most, if not all, managers in an organization. This lack of training may feed into some of the challenges managers have reported when working with external workers, including managing external worker turnover and transition, scheduling hours and other logistical matters, and aligning and engaging external workers with the company's culture.

Allowing managers the opportunity to practice and develop soft skills would be beneficial to

them effectively managing a blended workforce. Enabling managers to build empathy for the perspective of their external workers can be beneficial, so they better understand the experience of an external worker and can build cultural norms and practices in their work team to create better collaboration and a shared team identity across different types of workers who may be included. It is essential that managers can emphasize and recognize shared team goals among workers regardless of worker type. This type of leadership development will foster manager behavior that is not just driven by a legal vantage point, but a humane one as well.

“Managers need to have a high level of emotional intelligence when dealing with external workers, because there can be that attitude that ‘they’re not one of us.’”

-HR practitioner, SHRM-SAP SuccessFactors focus group

Furthermore, adding this type of training as a required component of leadership development further legitimizes the external workforce as a key piece of an organization's people strategy and provides the opportunity for managers to digest the guidance provided in written documentation and translate it into practical application. In organizations where external workers are concentrated in specific departments (e.g., IT, Legal), managers in



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these departments may be particularly in need of supplemental support to develop the necessary skills to effectively engage these workers.

Advanced

As experience with and confidence in the management of external workers grows among managers, organizations may consider **establishing a mentorship program for managers of a blended workforce that would allow peers to share their ideas and experiences regarding how they have effectively (and ineffectively) managed a blended workforce.**

While it is beneficial for managers to learn and develop through mechanisms such as guidance documents and formalized training, there is much to be gained by managers having a forum to share their past experiences, both successes and failures, and learn and grow from one another. In this case, a mentorship practice could range from informal with a venue that managers could meet in person or online to discuss and advise each other, to a formal program where inexperienced managers are matched with managers who have successfully led external workers or blended teams in the past. Regardless of the format, a mentoring practice would enable managers who have previously worked with external workers to have a platform to share their insights and learning about how to motivate external workers and foster collaboration

within a blended team. Through knowledge sharing and learning from past experiences, new managers will gain a greater understanding of how best to lead their own external workforce.

Technology Applications

Several common human capital management technology solutions that are used for manager learning and development can be applied to the specific case of leadership development for managing external workers and a blended team. Some ideas for how to apply technology for this purpose include the following:

- **Learning and development** – Organizations may choose to utilize their learning management solution to create a module on managing the external workforce. This approach would permit training to be available and delivered on demand when needed. Online training delivery also offers the ability to evaluate the learner’s understanding through an assessment, provides a resource that learners can use to refresh their knowledge, and allows organizations to “certify” or “qualify” managers to manage external workers.
- **Performance and goals** – Organizations may elect to create a performance goal or competency for managing a blended team or managing the external workforce on which the

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manager would then be rated as part of their performance evaluation process. Additionally, organizations may consider utilizing a 360-performance evaluation process and include both the manager's internal employees and external workers in the process as they evaluate the manager's effectiveness at leading a blended team. It is important to note that, as is common with 360-performance evaluation processes, the resulting data would be aggregated and anonymized across respondents and presented as collective performance feedback to the manager. Finally, managers may be allocated a development goal related to managing external workers with the completion of a learning program assigned to that goal.

- **Mentoring** - Organizations may leverage mentoring functionality to match successful managers of blended teams with inexperienced managers to provide coaching and mentorship in this area. Per above, data from the performance management solution may be used to identify high performers who can serve as mentors and low performers who need coaching, matching them for mentoring.
- **Online social collaboration platform** - Organizations may want to consider establishing a dedicated site or employee resource group within an online social collaboration platform

for managers of a blended workforce to have a shared workspace that provides both a home to the formal documentation produced by the organization and a place for informal discussion. This type of a "unified home" for discussing external worker management issues can also make it easier for HR to identify emerging issues within the business and provide appropriate and timely resources to resolve them.

- **Talent pools and talent search** - Dependent upon the prevalence and criticality of the external workforce, an organization may: consider how effective individuals are at external workforce management when identifying "high potentials;" include the management of a blended team or team comprised of external workers as a developmental assignment for "high potentials;" or have managers populate their profiles with their external workforce management experience and use it, along with other details like content areas of expertise, to identify managers for specific leadership assignments that will include external workers.

Resources and Suggestions for Further Reading

For suggestions for managers hoping to more inclusively manage external workers, see this article:

[What Are Employers' Ethical Obligations to Gig Workers?](#)



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Best Practices for Managing the Performance of External Workers

Problem Statement

Since external workers are employed by organizations to complete temporary contracts or assignments, ensuring organizations receive quality work from external workers is critical to maximizing the use of this talent pool. Despite this, organizations typically have very few practices in place to manage and improve the performance of external workers. This not only limits the benefits organizations can receive from external workers during both current and subsequent assignments, but it also limits the external worker's ability to advance their skills and better meet the needs of the organization. This matter is further complicated by an organization's need to keep a clear distinction between an external worker and an internal employee given the current legal context and concerns regarding perceived co-employment, particularly in the United States.

Methodology and Key Definitions

The results and content produced in this section are based on data collected across multiple methodologies and sources. For an overview of these sources and definitions of key terms used in this toolkit, please [click here](#).

Key Takeaways

- Organizations should take an active role in managing the performance of external workers to ensure not only that they receive the best work possible from their external workers but also that the external worker is more engaged with the organization and better understands how they can continue to improve and be successful during their tenure.
- Organizations do have the ability to manage the performance of their external workers. Although they should not use formal methods



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commonly used for internal employees such as annual performance evaluations and ratings, they may consider using informal options such as giving and receiving ongoing feedback through an external worker's time at the organization and recognizing the external worker for their contributions to a project and their work team.

“...measuring performance and tracking external workers more broadly is challenging. As such, it is hard to gain loyalty and engagement from external workers at times.”

-HR practitioner, SHRM-SAP SuccessFactors focus group

- Managers must understand the difference between “performance management” for their internal employees and “managing performance” for their external workers. Since this distinction is a factor that informs worker classification, it is important for managers' understanding to ensure they do not unknowingly put the organization at risk.

“...a challenge is navigating the legal landscape of co-employment issues.”

-HR practitioner, SHRM-SAP SuccessFactors focus group

- Organizations should also consider the different types of external workers who they employ when determining how best to manage their performance. While no external worker should have their performance managed exactly like an internal employee, the options (and restrictions) may be different based on the type of external worker.

The Importance of Managing External Worker Performance

One of the main benefits of hiring an external worker is the ability to quickly bring someone in with the exact skillset and experience needed to accomplish a task or project. At the same time, because many organizations do not manage the performance of their external workers over the course of an assignment, once the external worker is hired and given a project, the organization may be left with little way of knowing how they are doing or if they are making timely progress.

“Basically, [our external performance management process] is just a rehire or don't rehire decision.”

-HR practitioner, SHRM-SAP SuccessFactors focus group

When organizations actively manage the performance of their external workers, methods



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vary, even within the organization. In fact, in our recent survey of HR professionals,

35% reported that their organization leaves the management of external worker performance up to individual managers.

25% reported that they give feedback on performance to a third party such as a staffing agency that sourced or directly employs the external worker.

5% reported having a separate standardized system used only for managing external worker performance.

Managing the performance of external workers is critical for ensuring their work product meets the needs of the organization and scope of work as fully as possible. The more an external worker understands how they are doing and what success looks like for their deliverable, the more effective they will be in their role, which matters even if they are a temporary contributor. Likewise, if an external worker’s work product is not meeting expectations, it is imperative that they quickly understand this, so they can improve while there is still an opportunity to do so. In these ways, managing external worker performance is as

equally vital to the business as the performance management of internal employees.

That being said, there are important differences in managing the performance of external workers and internal employees that organizations must understand in order to reduce the risk associated with employee classification and perceived co-employment. Although 67% of managers either agreed or strongly agreed that they have sufficient training to manage external workers, almost three-quarters (73%) of HR professionals stated that they are either very concerned, concerned, or somewhat concerned regarding the legal issues around external work. Many HR professionals also stated that their largest concern around external workers is the legal ambiguity around using and managing them.

“...to maintain independent contractor status for gig workers, an employer must be able to show that it does not control and direct the performance of the work, and that it does not dictate the means and methods of accomplishing the work.”

SHRM, “Managing Expectations: How to Balance Gig Workers and Regular Employees”

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Overall, results from the external workforce research program suggested that not all stakeholders are on the same page regarding knowledge and concern about the legal context of external workforce management, of which the performance management of external workers is the most notable issue. For example, the IRS states the following:

Evaluation systems to measure the details of how the work is done points to an employee. Evaluation systems measuring just the end result point to either an independent contractor or an employee.¹

This type of legal guidance indicates that it is important for organizations to manage the performance of their external workers differently than how they do their internal employees. Yet, it is still critical that organizations provide feedback on how well external workers are performing, not only to ensure they are meeting expectations, but also to complete the assigned work in a way that aligns with organizational culture, values, and norms.

Below are suggestions for how organizations can manage the performance of their external workers in a way that is “fit for purpose.”

The Basics

Organizations should begin by **helping managers**

understand the differences between internal employees and external workers, and what that means for the management of their performance.

Since the actions of managers can directly impact the determination of employee classification, it is important that they comprehend what they should and should not do when managing the performance of an external worker. For example, an underperforming internal employee may be put on a performance improvement plan; however, the same should not be done with an underperforming external worker. Training managers on how to effectively oversee external workers is a good first step to ensuring they adhere to the appropriate boundaries when managing external worker performance.

“It would be good to train managers on how to work with external workers because they haven’t always worked with them before.”

-HR practitioner, SHRM-SAP SuccessFactors focus group

Although letting managers know about what they should not do is important, letting managers know what they can and should do is as equally important and likely of greater interest to them. Although the more formalized performance management processes (e.g., annual evaluations)

¹ Understanding Employee vs. Contractor Designation



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that are completed for internal employees are not recommended, many of the less formal methods of managing performance throughout the year can be performed with external workers over the course of their assignments. It is important to let managers know that they do have options on how to do this. Some of those options may include ongoing and timely informal feedback, regular progress update meetings, or even just regularly checking in with the external worker and asking questions about what roadblocks they have encountered and what support and resources they need to continue moving forward with their assignment.

Another way of assisting managers is to clarify the concept that managing the performance of external workers is not about telling them how to do something or about rating their performance. Instead, managers can communicate what success looks like for an external worker's deliverables, along with motivating them and proactively helping them to successfully deliver their output in a way that aligns with the organization's values, culture, and expectations.

To understand what motivates external workers, external workers themselves and managers of external workers were asked to identify the top three things that encourage external workers to perform at their best. Both groups cited "being recognized for contributions at work" as the most

motivating factor by a considerable margin, and placed high priority on "receiving feedback on performance."

Although the level of legal risk that each organization is willing to take regarding managing the performance of external workers may vary by organization, and thus the actions recommended to managers on how to do this may also vary, it is critical that managers have some way to recognize external workers for their contributions and provide the appropriate level and type of performance feedback. Doing so will help external workers to feel more engaged, connected to the organization, and motivated to do their best work.

For more information on developing managers' skills in managing external workers, see this [toolkit component](#).

Intermediate

Organizations should **develop a standardized protocol and recommendations for the management of external worker performance** that managers can implement to have greater consistency in external worker treatment and engagement.

Although it is not recommended that the practices be as formal as annual employee performance evaluations (as previously stated), an organization



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should develop a set of recommendations for managers to follow that would keep them within the organization's comfort level regarding employee classification risk. This protocol could serve as an ongoing reminder to managers of external workers to not only make sure they are managing the performance of their external workers, but also provide guidance on what the organization considers to be appropriate practices in doing so.

Some recommendations regarding the development of a consistent set of practices for managing the performance of external workers include the following:

- Use a cross-functional team to develop the practices. The team should include representatives from the following groups:
 - » *Managers of external workers* - to clarify the needs they have in regards to ensuring external workers are delivering acceptable work output
 - » *External workers* - to clarify what they would find most beneficial to their ongoing motivation and what would help them deliver acceptable work output
 - » *The Legal team* - to ensure legal risk is minimized while still meeting the needs of managers, external workers, and the business
 - » *Talent management experts* - to provide expertise, best practices, and information on current trends and research on managing performance

- Identify the most important performance management needs for external workers and focus on "fit for purpose" practices to address those that can be used consistently across the business, rather than attempting to mimic what is done for internal employee performance management or trying to generate an exhaustive list of performance management options that would then be passed on to managers to use at their discretion.

Organizations should consider **creating and maintaining a companywide database on external workers and associated employment agencies or contractor organizations regarding their general performance outcomes.**

This type of a database would allow organizations to more effectively measure, manage, and reflect on past and current external workers' performance and, consequently, the performance of the agencies that sourced them or contractor organizations that directly employed them.

The database could include basic contact information, dates of employment, the manager who oversaw the external worker or project, and grades for basic performance criteria (e.g., was the deliverable on time, on budget, and of sufficient quality). There may also be room for comments to explain any exceptions such as that the deliverable was delayed because of a change of project scope.



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Basically, this database would be used to track the performance outcomes of a contracted “entity,” whether the entity is a company or an individual.

Similarly, organizations should keep records related to each staffing agency or contractor organization they use, including information about the quality of the output coming from the workers sourced from that entity, as they collaborate with the contracting organization to improve worker success. Fields in this database might include elements like the worker’s skill match to the assignment requirements, attendance, and timeliness of deliverable completion.

Again, it is important that HR and operational representatives consult with their Legal team and executive leadership to evaluate the risks and rewards associated with developing and maintaining such a database. Yet, with legal guidance on what data are appropriate to store and where, organizations should be able to develop helpful databases that maintain the required distinction between external workers and internal employees. In fact, requiring managers to conceptualize and evaluate external workers as an external entity, more similar to a third-party organization than an internal employee, might even help reinforce this distinction in the minds of managers and diminish the default behavior of managing all workers in the same way.

Advanced

Organizations should take a **continuous improvement approach to the management of performance for their external workers**. Not only should their practices be reviewed whenever there is any kind of legal update or change with respect to employee classification precedent, but also organizations should regularly reevaluate how well their practices are working and revise or add to them as needed to ensure they are still meeting the needs of both managers and external workers.

In order to increase the likelihood that the revised practices will be readily adopted by the business and result in incremental gains in external worker performance, a few tactics may be employed. First, a cross-functional team could once again be formed to review and revise the practices, ensuring all necessary parties are represented in the discussions and decisions.

Second, surveys and/or focus groups could be conducted to gain additional input and ideas from individuals who have had experience with the practices. Including managers of external workers would help to gain insight into which practices have been successful from a business and leadership perspective, which have not, and what they feel might be missing. Including external workers would help to gain insight into which practices they have found to be most helpful in





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improving their performance, which have been less effective, and what other actions they would find useful to increase their likelihood of success and contributions to the business.

Through this data gathering exercise, organizations should be open to different performance management practices being developed for different types of external workers or different external worker roles. As some examples, consider the following:

- Organizations may find that they have more options for managing the performance of external workers (e.g., providing feedback to the third-party staffing agency that provided the temp) versus managing the performance of individual external workers that they employ directly.
- Managers of customer-facing external workers may have different needs and expectations around the management of performance than managers of external workers who do not interface with the organization’s customers.
- Managers who oversee work that is hazardous in nature may need to more strictly manage the execution of work by their external workers to ensure they are completing it safely and following safety regulations and procedures.

As part of this diagnostic phase to inform potential changes to external worker performance management practices, it would also be enlightening to include internal employees who were formally external workers, as they might have a unique perspective to share. Since they would have experienced the management of their performance as external workers and also gone through the organization’s performance management process as internal employees, they could compare and contrast their experiences, providing additional insight into what they found to be most beneficial and motivating in each case. They should also be able to confirm that they perceived the practices for managing their performance to be different across their experiences as an external worker and internal employee, validating that the intended distinction is being perceived by the target of the practice.

Taken together, obtaining input from these three perspectives (i.e., managers, external workers, internal employees who were previously external workers) should provide a comprehensive understanding of how to improve the current practices designed to manage the performance of external workers. By regularly reviewing these practices, organizations can not only continuously improve them, but also improve the motivation and performance of their external workforce. What’s more, this may also create a potential



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competitive advantage in the organization's use of external workers.

Technology Applications

Consistent with what is outlined above, it is not recommended that a standard performance management technology solution that is used for internal employees is also used in an identical fashion to manage external worker performance. That being said, there are ways that technology can still support practices designed to manage external worker performance in line with the recommendations made above. Of particular note are the following possible technology uses that may be considered by an organization after consultation with their Legal team.

- Configuring a specific workflow in a performance management solution that is explicitly designed for external workers and includes basic capabilities like creating an overall performance goal for an assignment or project and identifying and tracking the completion of mutually agreed milestones (essentially porting the information that would be included in an external worker's contract and scope of work to a technology solution for completion tracking)
- Integrating with manager productivity tools such as email and calendar management to create a recurring progress check-in meeting between the manager and the external worker

or a recurring reminder to deliver informal performance feedback to the external worker.

- Constructing a database of external workers and their agencies, if applicable, with a global performance grade and/or rehire designation (e.g., rehire/do not rehire) to inform their consideration for future employment (note this type of performance tracking may be available through a procurement solution designed for external workforce sourcing and management).
- Allowing external workers to access online collaboration platforms that are used by their blended teams, so their managers can set and track the completion of team-level goals and deliverables.

Resources and Suggestions for Further Reading

For further reading on balancing the different performance management practices required for internal employees and external workers, see:

[Managing Expectations: How to Balance Gig Workers and Regular Employees](#)

For an IRS fact sheet on understanding the designation of employees and contractors, see:

[Understanding Employee vs. Contractor Designation](#)

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Problem Statement

While an engaged internal workforce is clearly important and has become a key priority of most organizations, many organizations still see limited value in engaging their external workforce to the same extent. One reason for this is that organizations report feeling limited in their ability to engage and include their external workers due to an ambiguous and complex legal landscape, particularly in the United States. Another reason is that organizations may question the benefit of including and engaging their external workforce when their relationship with the company is transactional and temporary. This results in organizational leaders, including HR representatives, being resistant to investing in external worker engagement, leaving external workers feeling excluded and ostracized by the organization and, ultimately, leading to lower levels of motivation and productivity among the external workers.

Methodology and Key Definitions

The results and content produced in this section are based on data collected across multiple methodologies and sources. For an overview of these sources and definitions of key terms used in this toolkit, please [click here](#).

Key Takeaways

- It does not benefit the external worker or the organization for an external worker to feel like an outsider in the organization.
- There are ways to engage the external workforce without crossing legal boundaries, and it is the role of Human Resources to advocate for the total workforce to other organizational stakeholders, including the Legal department, and to identify where the boundaries of external workforce inclusion and engagement should truly lie.
- There are many benefits that organizations have reported by having an engaged external workforce including increased productivity

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and financial gains, greater stability, lower turnover, and greater interest in joining the organization in an internal capacity.

The Importance of Including and Engaging External Workers

Engagement is a key predictor of productivity regardless of employment status, and yet, many organizations fail to recognize the importance of including and engaging their external workers.

37% of HR professionals report that they do not include external workers in their engagement programs

Many organizations intentionally exclude external workers from participation in and access to organizational communications, events, and other tangible or intangible benefits due to fear of perceived co-employment and associated legal risk.

While it is critical that an organization respects legal boundaries, it is the role of Human Resources to advocate for all talent - internal and external - and to determine exactly how they can create a positive experience for all workers in ways that ensure all feel valued, respected, and that the work that they do is meaningful.

69% of external workers report that it's very important or absolutely essential for them to have a "positive, meaningful experience" as an external worker.

While some organizations may hesitate at making the case for external worker engagement, others have "leaned in" to purposefully create an inclusive, engaging, and positive experience for their external workers, citing many reasons why they have taken this initiative.

"There are ways to still make external workers feel engaged without crossing that [legal] boundary. In the first couple of days, we take time to get to know them, make expectations clear, make them feel comfortable, and get them any training they need to do the job well. We treat them like everyone else, by providing them with the same respect [we give our internal employees] instead of treating them as dispensable resources."

-HR practitioner, SAP SuccessFactors customer interview

First, organizations note that it is **important to live their cultural value of diversity and inclusion by**

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including all types of workers.

“An organization cannot claim to be inclusive if they are going to treat external workers differently and exclude them.”

Second, organizations note that **integration and collaboration is a requirement for job success** in the roles filled by external workers and in their company culture more broadly.

“A collaborative culture and environment is a big organizational priority, and therefore external workers being left out can be very toxic and damaging. The risk of integrating them is worth it for the benefits gained by the organization. We need all workers on the team to be operating off the same information in real-time for the success of the organization.”

Third, organizations have noted the necessity of an engaged external workforce for them to be **committed to create quality products...**

“Because of the nature of what we do (creating products for children), we want every employee to care about what they are doing—we don’t want any employees to feel excluded and therefore disengaged. It’s not beneficial to the employees or the organization to do so. Engagement is a huge benefit for us.”

...as well as **committed to provide quality service to customers.**

“[External workers] work hand in hand with our clients and particularly in our industry, we need them to be just as passionate as our [internal employees].”

These are just a few examples of reasons organizations have shared as justification for creating an inclusive and engaging experience for their external workers; there are many more.

25% of external workers report that they have never or only sometimes feel valued by and connected to their organizations, clearly indicating there is much more work to be done.

35% of managers feel that engaging and motivating their external workers is a difficult task and is, in fact, one of their top challenges.

Suggestions for actions an organization can take to foster a more positive engaging experience for external workers are outlined below, taking into consideration that each company likely has a different starting point when it comes to their current engagement practices.



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The Basics

Organizations must operate with the mandate that external workers must be **treated with basic human respect and dignity**. All decisions regarding procedures, policies, and programs must have this principle at its core.

There are numerous ways that this approach can be made evident, particularly for external workers. First and foremost, ensure that there is clear, consistent, and authentic communication including what is expected of the external worker as well as what the external worker can expect from the organization, thereby basically developing and implementing an effective “psychological contract” with the external workforce. It is important not to make promises that may not be kept, such as guarantees of internal employment at the end of a contract.

This first principle does not imply that the treatment of external workers should never diverge from that of internal employees; but rather, any difference should be communicated openly and supported with logical rationale. Put another way, whether a company can provide a reasonable explanation for why an external worker will be treated differently than an internal employee should inform whether such a policy is appropriate in the first place. For instance, it is difficult to explain logically why an external worker should not partake in the bagels in the break room; therefore, this type of policy should not be established. Alternatively, it can be explained logically why external workers must use

a personal credit card in the cafeteria rather than have their lunch paid for through their employee ID.

Organizations **should determine the company events, meetings, social activities, and communications in which external workers may and may not participate**, rather than exclude them from all aspects of organizational happenings. This is important because many may, in fact, be necessary or at least relevant for the work they are doing for the organization. Secondly, it reduces the likelihood of the external workforce unnecessarily experiencing an engagement-damaging sense of ostracism by the business.

In terms of communications, **external workers should at least be included in job-relevant or facility-related communications**. While there will always be information shared that should be restricted to only internal employees (e.g., board decisions), where possible, ensure that external workers, especially those onsite, are included in relevant communications, both regarding their time at the facility (e.g., parking closures) and related to their role or temporary team (e.g., meeting times, important trainings).

“It is the role of HR to push back against Legal and advocate for the external worker.”

-HR practitioner, SAP SuccessFactors customer interview



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In terms of events, **external workers should be included in onsite social events and celebrations and any job-relevant or facility-related employee meetings.** One way that organizations have reported distinguishing between internal employees and external workers when it comes to event attendance is that they require work hours to be “made up” by external workers when they attend social events or celebrations during the workday. Another possibility is that the organization and agency agree that the costs associated with the inclusion of external workers in social events will be billed to the agency or split between the two parties. Further, external workers may only be included for onsite events where the sense of being left out may be most apparent (e.g., everyone else on their blended team is invited to attend except them). Finally, external workers who work onsite in a facility must be included in meetings regarding safety or security issues or provided with the same information through a different means, as organizations are legally responsible for the safety of external workers on their worksites.

Intermediate

Organizations should **establish a recognition program for external workers that acknowledges exceptional contributions.**

The importance of recognition has been highlighted by external workers themselves.

External workers rated being recognized for their contributions at work as the most important factor in motivating and engaging them to perform their best. Managers agree, with the majority (66%) endorsing the recognition of external workers' contributions as critically important. Yet, only 38% of managers report that their organizations actually recognize external workers for their work.

There are a variety of ways that organizations may choose to recognize their external workforce. Recognition may involve a certificate of gratitude or some form of compensation (e.g., gift card). Some organizations have established co-recognition programs with agencies, where the cost is shared between the vendor and the organization when an organization chooses to recognize an external worker. That being said, recognition may also be much less formal than this and simply involve a genuine in-person or electronic expression of gratitude for their contributed work by leadership and peers.

Organizations should **educate internal employees about the important role of external workers to foster a greater openness and willingness to collaborate with external workers.**

It is important that internal employees have a better understanding of external worker roles, contributions, and perspectives. While the external



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workforce is growing, the majority (**65%**) of internal employees have never worked as an external worker – leaving them without much insight into the experience or point of view of an external worker.

Further limiting their insight is that many internal employees have had minimal exposure to working directly with external workers. In fact, only **17%** of internal employees report having worked with external workers quite a bit or a lot. This is sure to change in the future, so it is important to help internal employees start developing a positive frame of mind about the external workforce as it becomes more prevalent within organizations.

This lack of exposure and insight likely leads to less positive experiences for the external workers they work alongside, with only **58%** of internal employees agreeing that they have had a positive experience working alongside an external worker.

With this in mind, education is needed to both provide a better understanding of the external workforce experience and perspective and support the development of effective, collaborative relationships between internal employees and external workers in ways that benefit both parties.

Advanced

Organizations should **create a specialized engagement program for external workers** to engage and motivate this unique workforce segment.

Despite external workers having unique needs and experiences within an organization, only **5%** of HR professionals report having specialized engagement programs for their external workforce. Organizations should consider what practices would be most beneficial to external worker engagement, who, by their very nature, are temporary.

For instance, while organizations rarely offer external workers healthcare benefits, they may create other benefits unique to external workers, such as offering resume reviews, holding mock interviews, or a implementing a standard referral program for high-performing external workers.

Creative organizations will consider what may benefit this population specifically and craft solutions that provide non-pay rewards. This might help to compensate for the lack of more typical benefits that exclude external workers but are available to internal employees. For example, a “fit for purpose” engagement practice for external workers could help them transition to other external roles or internal positions within the current organization or another company.

Organizations should **establish a tailored engagement survey that provides insights into the external worker experience** to foster the optimal engagement and performance of this talent pool.

Just as it is important to keep a pulse on internal employee engagement, it is also important to do

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the same for external workers to ensure that the experience is a positive one, which will impact not only their performance in their current assignment but also their likelihood of remaining through their current contract, accepting a future assignment, recommending the organization to other external workers, and sharing positive reviews of the company online.

By design, external workers may not work onsite with internal employees or may only be part of the workforce and company for a short time; thus, an external worker engagement survey should be tailored to fit the experience of the external workforce. Example questions for an external workforce engagement survey are included below. The feedback obtained from the survey will help organizations determine how to continually improve the external worker experience in ways that benefit both the organization and the total workforce.

Technology Applications

The engagement programs and practices that a company has in place for its internal employees and how enabled these are by technology will likely determine the technology applications that are most appropriate for engaging the external workforce. Based on the best practices outlined above, the following technology considerations are offered:

- **Automate engagement surveys** – Arguably the most impactful application of technology to foster external worker engagement may be the use of engagement survey technology to measure, understand, and act to improve the external workforce experience. Custom engagement questions for the external workforce like those included below can be administered to the external workforce at various times, such as when the internal workforce is completing their annual engagement survey, when the external worker has hit a certain tenure with the organization, or at ongoing intervals in a pulse survey fashion. Regardless of the timing of the survey, advanced technology can also assist with making the survey accessible to the external worker. For instance, the external workforce can access the survey without a company email address by using a QR code, a personal email address, a kiosk, or via a link on an online social collaboration platform or “portal” that they visit to complete their work.
- **Enable recognition programs** – Often, technology is used to facilitate employee recognition programs, and this same technology can be used to enable an external workforce recognition program. For example, managers and internal employees may be able to endorse an external worker for recognition, which could consist of allocating “points” or some type of



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reward, monetary or otherwise, to the external worker. Even if the external worker does not have access to the online recognition system themselves or does not have a company email address or profile to receive the recognition electronically, it can still be printed and given to the external worker. Alternatively, a recognition system for internal employees may be adapted to also accommodate external workers, by having a certain type of award or recognition that can be bestowed on an external worker specifically.

- **Educate internal employees about the external workforce** – As mentioned above, internal employees may benefit from education and awareness about the role of the external workforce and their value to the company. Technology can be used to deliver a short eLearning module either during internal employee onboarding or as part of the internal workforce’s standard learning assignments. This module should outline the ways external workers are a part of the total workforce, the need to treat them respectfully as part of the company

culture, and the expectations for internal employees in how they communicate with and support their external colleagues.

- **Connect external workers with the company, their internal teammates, or other external workers** – External workers can be invited to join certain groups via an online social collaboration platform. The most relevant groups for an external worker might include (1) groups associated with their worksite, so they receive facility-related communications and notifications of upcoming events; (2) groups associated with their work so they can communicate and collaborate with their peers who are working on the same project or assignment; and (3) a group specifically designed for external workers so they can receive support from and provide support to other external workers. It is important to note that some online collaboration platforms do not require a group member to be an internal employee or have a company email address to be invited to join a specific group and contribute to its content.



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Resources and Suggestions for Further Reading

For a guide to best practices for traditional
employee engagement surveys that can be used
to inform the design of an engagement survey
specifically for the external workforce:

**How to Design an Employee
Engagement Survey**

For more on the benefits of engaging the external
workforce, see the “Engaging External Workers”
article series from the SAP SuccessFactors Human
Capital Management research team:

Engaging External Workers: What’s Your Self-
Identity When You’re Not a “Real” Employee?

Engaging External Workers: “You’re Not Really
One of Us” And The Risk Of Ostracizing External
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Engaging External Workers: Keeping External
Workers Satisfied When They’d Rather Have a
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Engaging External Workers: Fostering
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EXAMPLE EXTERNAL WORKFORCE ENGAGEMENT SURVEY QUESTIONS

Below are several questions for organizations to use as a starting point for developing an external workforce engagement survey.

How would you grade your collective experience as an external worker at ORGANIZATION?

Excellent Good Average Poor Terrible

Please indicate your agreement with the following statements.

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Not applicable
I receive appropriate levels of recognition for the work that I complete as an external worker.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I have clear expectations for my assignment/role and am provided the tools and information necessary to succeed by the organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I have a positive experience working with my assigned manager.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I have a positive experience working alongside internal employees.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I am treated with respect and dignity by all representatives of the organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I received the appropriate amount of onboarding and training for my assignment/role.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I feel like an included and valued part of the organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
If I was given the opportunity, I would do external work for this organization again.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I feel motivated to do my best work for this organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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Please indicate whether or not you experience the following at ORGANIZATION.

	YES	NO
Being included in company-wide communications or meetings	<input type="radio"/>	<input type="radio"/>
Having opportunities for professional development	<input type="radio"/>	<input type="radio"/>
Receiving invitations to join social events	<input type="radio"/>	<input type="radio"/>
Being included in work team activities	<input type="radio"/>	<input type="radio"/>
Believing company leadership takes an interest in me as a person and professional	<input type="radio"/>	<input type="radio"/>
Receiving monetary incentives for meeting performance or productivity targets	<input type="radio"/>	<input type="radio"/>
Receiving feedback on my performance	<input type="radio"/>	<input type="radio"/>
Getting opportunities to provide feedback and suggestions to management	<input type="radio"/>	<input type="radio"/>
Being recognized for my contributions at work	<input type="radio"/>	<input type="radio"/>
Having the opportunity to be offered an internal position in the future	<input type="radio"/>	<input type="radio"/>

In what ways could your experience as an external worker at ORGANIZATION be improved upon?

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Problem Statement

External workers participate in temporary work for several reasons, including, but not limited to, developing new skills, generating a supplemental income, flexibility, or for a primary source of income. According to the *Gig Economy and Alternative Work Arrangements* report by Gallup, more than 8 out of 10 (82%) of traditional workers said they were paid timely and accurately, while only 61% of external workers said they were paid timely and accurately.¹ How organizations compensate external workers can have an impact on their brand and external worker satisfaction.

Methodology and Key Definitions

The results and content produced in this section are based on data collected across multiple methodologies and sources. For an overview of these sources and definitions of key terms used in this toolkit, please [click here](#).

Key Takeaways

- Organizations should focus on paying external workers accurately and on time.
- It helps both organizations and their external workers to clearly communicate the process for paying external workers.
- Organizations should be prepared to address concerns that internal employees may have about external workers earning higher pay.
- Organizations have opportunities to compensate external workers in ways other than pay.

The Importance of Having an Effective Payment Process for External Workers

The growth in the number of external workers and the gig economy brings the challenge of adequately compensating external workers. Compensation affects both external workers as well as the companies that employ them. For example, external workers have high expectations for being paid quickly and accurately, which means being paid faster than organizations typically process vendor payments. While staffing agencies and

¹ Gallup.com: The Gig Economy and Alternative Work Arrangements, 2018

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larger consulting organizations can typically absorb a net-30 day and pay workers on time, net-30 can present a challenge for individual contractors, and longer delays—in some cases as long as net-180—can be a struggle for the largest staffing and consulting providers.

“A challenge is managing the pay gaps between external workers and internal employees - how do you explain to internal employees why an external worker is making more money than they are?”

-HR Practitioner, SHRM-SAP Focus Group

HR professionals in organizations with slow payment processes should create better partnerships with Legal and Accounting/Finance departments to determine if and how existing pay processes can be modified for external workers. While payment terms are normally included as part of a formal contract, it is often helpful to discuss these terms specifically to avoid misunderstandings.

HR professionals were asked how their organizations set appropriate pay for external workers, selecting all that apply from a variety of methods.

Out of these HR professionals:

42% first set pay for the position and then find candidates.

21% either find a candidate and negotiate pay or allow the sourcing agency to set pay.

12% pay a flat fee to a third-party organization that sets pay.

6% set external worker pay based on performance (e.g. meeting deadlines and expectations, product quality).

17% either did not have a process for setting external worker pay or negotiated each contract separately.

This variety of pay-setting methods in part reflects the wide variety of roles that external workers fill in organizations. For highly-skilled or specialized work, organizations may be required to find the expert and then negotiate pay. However, creativity in pay setting may be required in many markets for a variety of factors aside from the type of work itself.

As the external worker economy grows, so does the competition for hiring talented external workers,

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which means organizations may have to offer more competitive compensation or additional benefits.

The Basics

It is important that HR plays an active role in setting compensation for external workers to ensure that organizations have a competitive edge when it comes to attracting external talent. The external worker pay structure may not be as extensive and complex as the market-based structure for internal employees and will be different based on how external workers are recruited, but it remains very important.

Compensation analysis for external work may include gathering requirements (e.g., special expertise needed, milestones, length of project) and utilizing external market data to determine equitable and competitive pay for external workers. Organizations also need to look at equity with internal workers doing similar work where relevant, bearing in mind the differences in compensation models for external workers (fee/pay only) and internal employees (pay + benefits). Compensation for remote external workers may also consider reduced overhead costs to the organization.

Many external workers evaluate organizations and rate their satisfaction with the organization based on its ability to pay them accurately and in a timely manner. Pay often significantly affects the decision

of external workers to complete additional work for an organization or take on a future role. External workers should have clear instructions regarding any paperwork they must submit and when and they should be told both when payments will be made and when they have actually been processed.

Organizations with significant numbers of external workers should consider communicating aspects of pay equity consideration to internal employees as well. It is rarely the case that the compensation of external workers can be kept secret from internal employees. Disclosing to employees the real dollar value of the benefits provided to them as part of their total compensation can serve the dual purpose of alleviating concerns about unfair pay relative to external workers and positively impacting employee engagement.

Intermediate

Organizations must continue to evaluate their compensation strategy and philosophy to make sure they maintain a competitive edge and are keeping up with the legal landscape for external workers. As the external work economy grows, a greater proportion of external workers are high-skilled, in-demand workers, who can negotiate for better compensation. These workers are often asking for more than just cash compensation. However, managers and HR carry assumptions about what kinds of compensation most appeals to external



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workers that differ from the opinions of external workers themselves.

We asked external workers what benefits, in addition to pay, would motivate them to work for a certain company. We also asked HR professionals and managers what benefits they think would motivate external workers.

18% of external workers said "retirement contributions," yet only

4% of HR professionals and

8% of managers thought this would entice external workers.

While there are some notable disparities, we would point out that those currently working as external workers are often able to do so because they have found a solution to healthcare coverage, and this balance of opinion may change should economic forces push more workers into external work without their deliberate choice to do so.

Though the patchwork of laws that currently define the external worker landscape contains many contradictions, there are several circumstances under which organizations utilizing external workers may provide benefits in addition to pay.

However, organizations wishing to do so must understand that the more similar the compensation of their external workers is to that of their internal workers, the more likely it is that one or more oversight agencies may decide that these external workers are, in fact, employees. (See [Legal Considerations](#) for more detail.) Organizations must "walk the line" between attracting external workers and treating them as employees. Creative thinking is often required. For instance, an end-of-assignment cash bonus coupled with information on how an independent contractor can set up an individual 401K or SEP-IRA expresses an organization's interest in helping a worker prepare for retirement while not providing evidence of an employee relationship (of course, such payment is taxable income for the worker, unlike most employer retirement contributions). Similarly, organizations employing external workers may provide information about Association Health Plans to their contractors so that those contractors can find an appropriate association through which they can purchase their own healthcare coverage. Organizations whose external workers are primarily sourced through agencies can choose to pay fees to the staffing firm for workers enrolled in benefits plans that are higher than the fees the organization would pay for workers not receiving benefits from their staffing firm.



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When an organization's external workers are contractors, promoting and encouraging flexibility unavailable to internal employees provides both a benefit to the worker and to the organization. When external workers work from their own locations (home, leased office, co-working space) and set their own hours of work, they receive a benefit that few organizations can offer internal employees.

Advanced

Organizations have numerous opportunities to compensate workers in ways other than pay. Though external workers often find development opportunities appealing, studies suggest that independent workers may find it harder than internal employees to find opportunities to develop new skills.² We asked HR professionals if their organizations "have professional development opportunities (e.g., mentoring, stretch assignments) for external workers." Of these HR professionals,

- 65%** provide professional development opportunities;
- 19%** provide some development opportunities; and
- 8%** provide development for all their external workers.

"My company has a recognition program with our vendor—we share the cost of gift cards for external employees to thank them for a job well done."

-HR Practitioner, SHRM-SAP Focus Group

Organizations have been very cautious providing training to external workers due to ambiguity in interpretation of Internal Revenue Service (IRS) guidelines that state that periodic or ongoing training about procedures and methods is strong evidence that the worker is an employee. Yet Occupational Safety and Health Administration (OSHA) rules make staffing agencies and host employers jointly responsible for maintaining a safe work environment for temporary workers—including ensuring that OSHA's training requirements are fulfilled. We asked HR professionals if their organization "provides training (e.g., safety, process/procedure) for external workers." Of these HR professionals,

- 11%** did not provide training for external workers.
- 38%** provided some training for some external workers.
- 48%** provided training for all external workers.

² Independent Work: Choice, necessity and the gig economy, McKinsey Global Institute, October 2016

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Organizations that wish to be seen as a workplace-of-choice for external workers should look for ways to expand the professional development programs available to external workers. While many organizations will decide that providing skill-enhancing training on “company time” presents too big of a risk when balancing the line between internal employee and external workers, creative thinking can identify options that provide value to external workers with less risk to the organizations that utilize them. Brown-bag lunch-and-learn sessions can be open to both internal employees and external workers. Organizations that subscribe to large training libraries might make those libraries available for external workers to use on their own time. Organizations might choose to make meeting space available for community-based professional meetings, providing an easy opportunity for both internal employees and external workers to participate in those offerings. Organizations can support networking groups for external workers both inside and outside the organization for mentorship and career development by providing meeting spaces, sponsorship, and/or speakers. When such a group serves external workers without a connection to the organization as well as those connected to it, making it clear that the networking group is not an employee benefit and provides the host organization a new source for the recruitment of external workers.

Technology Applications

Technology can be helpful in compensating external workers in ways other than payroll. Pay is usually generated for external workers through organizations’ Accounting departments, procurement systems, or agencies directly. Since external workers are not regular employees, legally, they should not be paid through organizational payroll systems, save for unusual circumstances that meet legal requirements.

However, technology can play a key role in helping managers have better visibility into their total workforce, which managers have said is critical to effectively running their business. If a manager has 10 direct reports—8 internal employees and 2 external workers, for example—managers can use technology to help manage data and decisions through one system instead of multiple systems. This can certainly help drive more strategic decision-making regarding the right proportion of internal employees to external workers, how affordable it might be to bring the two external workers to regular employee status, or whether to hire more or less of each type of worker. External worker data can be stored on Core HR systems of record, including training certifications (safety, compliance), personal data (addresses, contact information) and compensation arrangements—even though compensation is usually paid elsewhere and through different budgets.



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Related to compensation, one area that is evolving is the provision of recognition awards to external workers. A large number (43%) of external workers listed being recognized for their contributions as in the top three things that would motivate them to do their best. Realizing there are legal limitations to what can be done, it is possible to show external workers more appreciation and offer spot or recognition awards. This should be done using a separate budget but still through compensation systems, providing an opportunity for organizations

to get creative with recognition awards while staying within legal constraints.

Resources and Suggestions for Further Reading

For more information on managing the compensation of external workers and internal employees, see:

**Managing Expectations: How to Balance
Gig Workers and Regular Employees**

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Problem Statement

By their very nature, external workers will inevitably exit an organization for which they are working. Because of this innate temporary status, the exiting process is often mismanaged and overlooked by organizations. How effective an organization's offboarding and exiting process is for its external workforce has critical implications for the organization both presently and in the future, as well as for the relationship between the organization and its current and future external workforce.

Methodology and Key Definitions

The results and content produced in this section are based on data collected across multiple methodologies and sources. For an overview of these sources and definitions of key terms used in this toolkit, please [click here](#).

Key Takeaways

- It is beneficial to both the organization and the external worker for organizations to be intentional with the exit process for external workers.
- Tracking the closing or "end dates" of external workers has the potential to have legal and compliance implications as well as influence the pacing of a project or assignment.
- Standardized exiting protocols should be established and include both administrative and interpersonal components to ensure a smooth and positive transition out of the organization for external workers.
- Organizations that rely consistently and/or heavily on external workers would benefit from creating a database of prior external workers who left a positive or negative impression.
- Exit surveys may be an important piece of the exiting of external workers for organizations to gain further insight to the external worker experience and how to continue to improve it.

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- While much of the offboarding process is established to benefit the organization, organizations should consider including components to this process that benefits external workers directly.

The Importance of an Intentional Exiting Process for External Workers

Due to what is often perceived as a transient working relationship between external workers and their company, the importance of the exiting process is commonly overlooked for these workers, whereas the same process for internal employees is given much attention. In fact, it is the exact opposite situation. In the case of internal employees, an assumption is made that they are supposed to remain with the company, and there are goals set for retention and, therefore, a desire for a low number of exiting internal employees. In contrast, the work arrangement for external workers is, by definition, temporary, so external worker exits should be assumed to occur frequently and thoughtfully planned and executed. Despite this rationale, less than 0.5% of managers rate the closing stage as the most critical in the management of external workers across their lifecycle. However, an effective closing stage - or rather, ending an external worker's assignment with the company accurately, efficiently, and respectfully - has a potentially large and lasting impact on both the company and the external worker.

Despite managers' failure to prioritize the closing stage as important, almost half (46%) of managers acknowledged that their organization's closing processes are not very effective - indicating room for improvement for many organizations. For organizations that rely heavily on external workers, it is important to establish a positive reputation as an employer of choice for external workers - and leaving "on a positive note" is key for this reputation to be established. The final interactions as an assignment and contract is ending should never leave a bad impression in the minds of external workers regarding their experience in the organization. They should always leave feeling positively about the company and their time with the company.

“External workers tend to be people we use over and over, so we like to check in with them. An [external worker] leaving your organization with a bad taste in their mouth is just as damaging as an [internal employee] having a bad experience.”

-HR practitioner, SHRM-SAP SuccessFactors focus group

Creating this positive external worker exit experience does not need to be complicated or resource-intensive. In fact, 43% of external workers and 35% of managers rated simply being thanked for the work that they did as one of the



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most important things for an external worker to feel positive about their experience. Beyond this, there are many other ways that organizations, and notably the HR team, can ensure that the closing process of an external worker’s time in the organization goes well, which are discussed below.

The Basics

Organizations must establish a standardized process by which to track the final day of an external worker’s contract.

“Presently, I just put an event on my personal work calendar when an [external worker’s] final day is going to be. There is nothing else in place to track this. It is not at all effective for me to be tracking it in this manner, but I have no other choice.”

-HR practitioner, SHRM-SAP SuccessFactors focus group

While this may seem like a very simple step, many organizations report that they do not have a standard way to track the contractual dates of their external workers. Instead, these dates often “fly under the radar” completely or are tracked by the external worker and/or their manager in a very informal manner. In fact, stories emerged through the research where companies were continuing to

pay external workers and grant them access onsite long after contracts had officially ended because there was not a system to track contract closing dates and, consequently, take the necessary steps to end payment and access.

The system should allow an organization to see the end dates of all external workers in their organization, while also allowing external workers and their managers to see their specific end dates.

An organization’s awareness of an external worker’s end date could have possible legal implications related to complying with company guidelines about external worker tenure. Everyone’s (lack of) awareness of the end date also has the potential to impact the pace by which external workers execute their assignment and the ability for managers to set touch points to ensure that deadlines are met, and deliverables are achieved within the contractual timeframe. Further, automatic reminders of approaching end dates to both managers and external workers can be used to ensure that the projects are on track and proactively determine if the contract should be considered for an extension, minimizing the likelihood of disruption to work because of contract extension approval processes and timeframes.

Intermediate

Once all parties are aware of and working towards

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the end date of an external worker's assignment with the company, organizations should **establish standardized protocols and processes that external workers and their managers should complete** prior to an external worker leaving the organization.

At a minimum, these processes should include tactical and logistical steps to offboard the external worker, such as directions on how and where they return any equipment, badges, or similar items to the organization prior to leaving.

Similarly, relevant parties such as human resources, relevant internal employees, managers, and security should be notified of their departure to ensure that they take the necessary actions to bring the external worker's stay in the organization to a close.

Organizations should also consider having any required "close-out" paperwork for the external worker, manager, and/or HR representative located in one place as well as implementing a tracking system to ensure the paperwork is completed in full and in line with established deadlines.

It may be important for organizations to consider standardizing not only the more administrative aspects of the closing, but interpersonal components as well. This may mean including on this "checklist" components such as thanking the external worker, providing some sort of recognition

for the work that they have done, or including a standardized email or video from senior leadership thanking them for their service.

A formalized process with these steps not only benefits the organization but also the external workers. In fact, one fifth (20%) of external workers rate having an easy process for completing any required activities or paperwork to end a project or assignment as one of the top three factors influencing the degree to which they feel positive about their overall experience with the organization, and, as already noted, nearly half (47%) rate being thanked for their work as critically important.

Organizations should **create and maintain a database of prior external workers that the organization would be interested in employing again, as well as those that they would not be interested in employing again.**

This type of database is particularly advantageous for organizations that consistently and/or heavily rely on external talent, as it will significantly alleviate the efforts of finding good external talent and avoiding the bad in the future. Through the research, organizational representatives also discussed the fact that their internal and external workforces are fluid, as folks move back and forth between internal roles and external assignments. With this in mind, the external workforce database

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described here should ideally be integrated with internal employee recruiting processes and talent pools, so “good external workers” and “good internal employees” are considered for future internal and external opportunities, and “bad external workers” and “bad internal employees” are removed from consideration for all types of openings in the future. No organization wants a bad internal employee to come back to work for the same company as an external worker or a poor external worker to end up in an internal role!

Advanced

Organizations should **create and disseminate exit surveys for external workers** to learn about their experience working in the organization.

Examining exit survey results would allow the organization to continue to improve the external worker experience, as well as gain insight into the function of internal teams. With many external workers often having extensive experience across organizations and industries, these workers will be able to provide valuable insights as to how an organization or a team is functioning relative to others. Yet, according to HR managers, less than half (41%) of organizations do this. An example of an exit survey for external workers may be found [here](#).

Using their external worker database, **organizations should maintain frequent contact and cultivate relationships with their strong external talent.**

Establishing a cadence of communication with external workers in ways that are either personalized or standardized can have potentially huge impacts on organizations’ ability to bring back the best talent project after project or season after season. This line of communication enables organizations to keep external workers aware of relevant organizational happenings and new opportunities.

Despite the potential benefits,

30% of HR managers report that their organizations currently maintain contact with external workers.

77% of external workers agree that it is useful for their career to maintain relationships with former companies, managers, and coworkers.

43% of external workers agree that being asked by the company for another contract or project is one of the top three things that make them feel positive about their experience.

“If we don’t have the opportunity to give an external worker an extension, we will work with them to find employment elsewhere.”

-HR practitioner, SHRM-SAP SuccessFactors focus group

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Organizations should **ensure that the exiting process involves aspects that benefit the external worker directly** such as providing feedback, a professional reference, or help finding a new job.

36% of external workers and **32%** of managers rate providing a monetary bonus for good performance as one of the most important factors for a positive outcome.

32% of external workers and **32%** of managers rate simply having remaining payments made accurately and on time as a way for external workers to feel positive about their experience

27% of external workers and **27%** of managers agree that providing feedback on performance and final work product is critically important for a positive exit.

28% of external workers and **36%** of managers noted the importance of receiving a reference to help gain new employment.

References may include personal recommendations from a manager or coworkers on LinkedIn profiles or

other relevant networking and employment sites.

As another possibility is for the organization to offer to serve as a professional/business reference going forward, depending on the nature of the external work arrangement. Finally, there may be an opportunity for the external worker to showcase some of their work product in their future job applications with the company's approval, or for the company to help the external worker to document their learning and demonstrated competencies over the course of their assignment in a way that can be shared with new potential employers.

For truly outstanding external workers that are ending their tenure with the company, it may even be appropriate for an organization to consider throwing a going away celebration as a demonstration of gratitude for their efforts and to provide the opportunity for internal employees to say farewell to their exiting external colleague. Further, this demonstrates to managers, internal employees, and other external workers the value of the external workforce within the organization.

Technology Applications

The applications of technology for supporting an external worker's exiting process are numerous, ranging from automating the more administrative aspects to facilitating the more strategic interpersonal aspects of the exiting stage. With the

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exiting best practices described above in mind, technology can be extremely effective to assist with the following processes:

- Tracking the closing dates of external workers' contracts and using push notifications to send reminders to both external workers and their managers when contracts are ending.
- Automating offboarding procedures, such as completing termination paperwork, deprovisioning access to systems, and logging the return of equipment to office inventory.
- Creating a database of prior external workers with an associated rehire recommendation and integrating internal employee systems for a total workforce view on eligible workers for rehire.
- Using an external workforce database to create an online forum and processes to maintain contact and nurture relationships with previously successful external workers.
- Providing the managers of external workers with an automated exiting checklist that addresses not only the administrative tasks to be completed but also interpersonal best practices, such as thanking the external worker for their service.

- Creating an external workforce exit survey to be triggered at the end of a contract.
- Implementing cross-boarding functionality to facilitate the process of an external worker transitioning to the role of an internal employee.
- Integrating with the finance system so external workers receive a timely and accurate final payment at contract close.
- Helping external workers secure their next assignment by automating the request for performance feedback and a reference from their manager, disseminating other potential external or internal roles in the company that may be of interest to them as the contract ends, and providing documentation from the learning management system as to competencies obtained and learning completed during their tenure, if applicable.

Resources and Suggestions for Further Reading

This article is written about employees exiting an organization, but many of the same suggestions should be considered when external workers leave:

[When Employees Leave: Conduct Comprehensive Exit Interviews](#)

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While this article discusses employees leaving the organization, many of these suggestions apply to external workers who use organization-owned computers or have been granted access to organizational systems (when contractors provide

their own computers, contracts should specify ownership and confidentiality of information):

**When Employees Leave: Make Sure Trade
Secrets Are Protected**



EXAMPLE EXTERNAL WORKFORCE EXITING SURVEY QUESTIONS

Below are several questions for organizations to use as a starting point for developing an external workforce exiting survey.

Please indicate your agreement with the following statements.

Why are you leaving the organization?

- My contract/project has come to a close.
- I am dissatisfied with the agency through which I was placed here.
- I am dissatisfied with my time at this organization.
- I was asked to leave or was terminated.
- I found a better opportunity.
- Other; please specify.

How would you grade your collective experience at organization?

- Excellent
- Good
- Average
- Poor
- Terrible

Please indicate your agreement with the following statements	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Not applicable
I received appropriate levels of recognition for the work that I completed.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I had clear expectations for my assignment/role and was provided the tools and information necessary to succeed by the organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I had a positive experience working with my assigned manager.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I had a positive experience working alongside internal employees.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I was treated with respect and dignity by all representatives at the organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I received the appropriate amount of onboarding and training for my assignment/role.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I felt like an included and valued part of the organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
This opportunity was developmental for my career.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
If I was given the opportunity, I would do external work for this organization again.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I felt connected to this organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I felt motivated to do my best work for this organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



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	DID YOU EXPERIENCE THIS WHILE WORKING AT ORGANIZATION?		HOW DID THAT MAKE YOU FEEL ABOUT ORGANIZATION?		
	YES	NO	Made me feel good	Didn't change my feelings	Made me feel bad
Being included in company-wide communications or meetings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Having opportunities for professional development	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Receiving invitations to join social events	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Being included in work team activities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Believing company leadership takes an interest in me as a person and professional	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Receiving monetary incentives for meeting performance or productivity targets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Receiving feedback on my performance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Getting opportunities to provide feedback and suggestions to management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Being recognized for my contributions at work	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Having the opportunity to be offered an internal position in the future	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other, please specify	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



How well did this role fit your skills and abilities?

- Extremely well
- Very well
- Moderately well
- Slightly well
- Not well at all

How reasonable or unreasonable was the workload for this role?

- Extremely reasonable
- Moderately reasonable
- Slightly reasonable
- Neither reasonable nor unreasonable
- Slightly unreasonable
- Moderately unreasonable
- Extremely unreasonable

How accessible was the information that you needed to work in this role?

- Extremely accessible
- Very accessible
- Moderately accessible
- Slightly accessible
- Not accessible at all

How accurately was the role described to you before you joined the organization?

- Extremely accurately
- Very accurately
- Moderately accurately
- Slightly accurately
- Not accurately at all

In what ways could your experience as at external worker at ORGANIZATION be improved upon?

Often workers like you observe opportunities for improvement in an organization that they recognize due to their experience in similar organizations. Do you have any suggestions for our organization?

Would you be interested in returning to this organization for further projects?

- Yes
- No
- It depends; please explain

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What is the best way to contact you regarding future opportunities?

Email; my e-mail address is _____

Phone; my phone number is _____

Mail; my mailing address is _____

Other (please specify) _____

Would you be interested in maintaining contact with us to stay up-to-date regarding organizational updates and opportunities?

- Yes
 No

Would you recommend us to other external workers as a positive place to work?

- Yes
 No

If a suitable internal role became available, would you like to be considered for it?

- Yes
 No
 It depends (please explain) _____



▶ Advocating for a Better External
Worker Experience

Advocating for Better External Worker Experience

We know that during the next few years, as workforce demographics continue to change and the need for specific talent and skills grows, the focus on external workers will become more critical for organizations to be successful.

The use of external workers is growing:

65% of companies currently rely on external workers for core operations

29% of employees currently rely on external workers as a critical source of income

91% of executives believe external workers will be vital to accessing skills in three years' time

Consequently, organizations and HR departments have been forced to find better, more strategic ways to include and consider external workers in business strategy discussions, workforce planning, staffing, and the like. To do so, business leaders and HR departments must put aside the fears and risk aversion associated with hiring external

workers and establish new, legal, and more humane practices.

Successful organizations are those that have prioritized this topic alongside digital transformation, diversity and inclusion, and the employee experience when setting business objectives. The opportunity is available to gain a competitive advantage meeting these objectives through a variety of talent pools.

There are several considerations for how to move forward and advocate for better external workforce management practices. On the following pages, we have listed our recommendations and a call to action for each.

Methodology and Key Definitions

The results and content produced in this section are based on data collected across multiple methodologies and sources. For an overview of these sources and definitions of key terms used in this toolkit, please [click here](#).

Advocating for a Better External Worker Experience

Organizations and HR departments

The purpose of this research and toolkit is to provide organizations and HR departments evidence-based guidance to develop a mature external workforce strategy, effective total workforce practices, and an inclusive company culture. The goal is to help all stakeholders (organizations, managers, external workers, and internal employees) have a positive experience with external work and to make external work a more acceptable and viable work arrangement within businesses and society as a whole. To accomplish this, it is important for HR to “have a seat at the C-suite table” on this topic, providing support for the external workforce by being a champion of all workers in the organization. Every organization

has a stake in this outcome and a duty to put their people first.

With HR leading the effort, we believe each organization should do an honest assessment of their maturity level on this topic comparing the current state of their external workforce practices to the future state needed to achieve business objectives. This includes an assessment of all employee lifecycle processes, from staffing and onboarding to exit interviews and every process in between. The maturity model in this toolkit was designed to help begin these conversations, and the lifecycle components were designed to help organizations drive these discussions forward to improve each of these steps.

FIGURE 1 - EXTERNAL WORKFORCE MATURITY DIMENSIONS



Culture & Practices

- Collaboration across relevant stakeholders in external workforce management.
- Perception of external workers and their value to the business.
- Identification of different “types” of external workers within the business and “fit for purpose.”
- Integration of external workers into people and operational practices.



Worker Experiences

- Measurement and active management of the total workforce experience within the organization.
- Consideration of macro forces (industry, economic, legal, societal) that influence the external worker experience.



Technology

- Use of technology in managing the external workforce.
- Integrated systems across all parts of the business to source, manage, and engage the external workforce across the lifecycle.
- Deployment of solutions and systems that enable integration of data and processes and facilitate collaboration between lines of business.



Visibility & Business Impact

- Leveraging insights into who the external workforce is, what they're doing, and how they're contributing to the organization.
- Assessment of the impact that external workers are having on the achievement of business results.

Advocating for a Better External Worker Experience

Having senior-level, business-focused dialogue around the organization's level of external workforce maturity is a critical step in maximizing the ability to attract and keep the best talent, manage the workforce effectively and demonstrate across the leadership team the positive impact external workers have on business results.

Call to Action ...

Start now both to develop a culture that supports external workers and to create a place where everyone wants to work. Manage the big picture strategy and daily processes by maintaining a current understanding of the legal landscape surrounding external workers and taking a proactive approach to addressing legal issues. Use technology to advise with insights and data on the new complexities of external workers, as spreadsheets will not work in the future. Ensure this program, like all other HR programs, has specific goals, metrics, real-time data availability, and analytics for decision making.

External Workers

Accompanying the growing number of external workers is an increasing complexity in understanding what motivates different external workers and the different work arrangements expected by highly-demanded talent.

The external worker experience



Employees actually say things like '**your opinion doesn't matter** as you are a contractor.' Overall treatment by employees to contractors is very unprofessional."



"Your work is **valued** and the company pushes for a "family" type of inclusion which extends even to the contractors. (Management pushes) a friendly yet serious atmosphere that makes me as an employee feel **included**."

While many organizations know how to create a positive external worker experience, others do not know how (or do not care) to invest in the external worker experience. This laissez-faire mentality becomes increasingly detrimental to the organization as external roles become more common and external workers have greater ability to choose where they work in the future. If organizations do not prioritize the "external worker experience," they may find they not only struggle to find high performing external employees but could also find it difficult to attract internal workers. The consequences of these mistakes could be disastrous for the health of the organization.

Advocating for a Better External Worker Experience

WHAT'S IMPORTANT TO EXTERNAL WORKERS?

What external workers look for in an assignment isn't always what managers think...

	EXTERNAL WORKERS	MANAGERS
Good location	29%	20%
Chance of future contract	17%	27%
Chance for internal job	11%	24%
Clear scope of work	12%	28%

Call to Action ...

Get to know your external workers, understand what they want from their experience with your organization, and treat them with respect and dignity; you need them as much as they need you.

Social policy and practices

Finally, not only must we advocate for the external worker in company policies and practices; it is necessary to move beyond the walls of our organizations to advocate for the external worker in society at large. In the United States, the societal norms and legal policies regarding external work create a dismal work experience for the external workforce. Whereas this research was focused on the North American external workforce, we

did learn a great deal about external workers globally, finding there is great variability in these practices and their impact from country to country. Compared to other nations, the United States falls short in integrating external workers into the social and legal landscape. Together, we must find a way to make it easier to engage with external workers, fight against the stereotypes of external work, and update the archaic processes often used to manage this group of very smart and dedicated people.

Call to Action ...

Each organization, business, department, individual, professional association, and software firm that works in the HR space has a responsibility to create and influence forward-thinking policy on this topic. We need innovative approaches to make external work easier and more impactful for business communities and to improve the quality of life for millions of external workers. Societies around the world need to learn from each other so they can fuel their economies with the best talent available.

As this topic continues to evolve and become increasingly important to organizations in successfully managing their entire workforce, we all have the responsibility to identify opportunities to advocate for the external worker experience and impact organizational business results within the context of more progressive social practices and less restrictive legal policies.