




cutting through complexity

AN EMPLOYMENT MODEL FIT FOR PURPOSE

**BY DAVID KNIGHT
ASSOCIATE PARTNER, KPMG IN THE UK**



THE SHARP RISE IN
WORKERS HIRED ON
ZERO-HOURS CONTRACTS
THAT GUARANTEE NO
MINIMUM HOURS OF WORK
OR PAY IS A CONCERNING
TREND, DEMONSTRATING
THE CONTINUED FINANCIAL
PRESSURE ON EMPLOYERS TO
HAMMER DOWN WORKFORCE
OPERATING COSTS.

Even with some silver lining in economic growth, a long period of low business confidence and shrinking margins has seen firms increasingly resort to temporary work contracts of some description, including zero-hour deals, or just demand more work from fewer people.

But a business need for operationally agile workforces that can respond quickly to the ebb and flow of market demand without becoming a financial drag shouldn't mean by default a demoralising and insecure employment environment for workers.

In any case, I don't believe working practices that create huge amounts of job insecurity and push down wages can expand much further before the government cracks the whip.

NEW EMPLOYMENT MODEL

The time is ripe for a new and innovative employment model: one that addresses business needs and is socially acceptable and sustainable. Portfolio working could be that model.

It fits the bill on so many levels and I expect to see these arrangements grow in popularity over the coming year.

SO WHAT IS IT?

A portfolio worker will have contracts in place with a number of different companies simultaneously, with a guaranteed number of hours of work from all of them during any given period of time.

Hours guaranteed can be within an explicit framework of any working week or month or can be more loosely defined within a total number of hours per year.

I have not seen too many of these arrangements in place in what continues to be an immature market, but new research we commissioned on the future workforce shows that there is certainly appetite from the boardroom for more flexible working models.

And that could go down well with younger workers, according to KPMG research conducted earlier this year.

40% OF GRADUATES
SAID THAT COMPANIES
ADVERTISING ROLES
THAT WOULD SUIT
FLEXIBLE WORKERS WILL
HAVE THE EDGE IN THE
TALENT MARKET

2014 KPMG Future of Work
graduate survey

Of 200 graduates interviewed in one of three surveys KPMG commissioned to discover attitudes towards the future of work (the other two were with business leaders and older workers), 40% said that an effective portfolio worker strategy could be a source of competitive advantage within the talent market.

Meanwhile, 38.5% of the graduate participants said that portfolio working would suit their successors, while just under a third (30.5%) said that it could suit them too.

So apart from creating a cost-efficient workforce, portfolio working could actually be the game changer for a 21st century workforce that has unprecedented aspirations about their career and how they want to work.

WILL IT CATCH ON?

Well, the results of the KPMG survey of business leaders showed that there is certainly a need for the management teams of organisations to be able to switch on and off their workforce in line with demand without incurring financial liability.

About three-quarters of the 100 HR Directors (HRDs) and two-thirds of the C-suite executives we interviewed felt that it was “somewhat important” or “important” to have that flexibility.

The need for workforce agility is being driven by the unpredictable nature of the market and increasing competition.

But far fewer of both groups admit that they can currently flex their workforce easily or effectively without incurring financial liabilities and having to navigate protracted exit discussions.

There is also an acknowledgment among the business leaders (58% for HRDs and 53% for C-suite) that corporations do not need the army of fixed-term staff outside a core central group responsible for strategy, leadership and governance that they once thought they did.

Combine that with a push from younger generations to work differently from their predecessors, wanting more flexibility to work when and with whom they choose and who potentially value experience and learning even more than reward in their career.

Yet at present there is no significant appetite in UK plc to offer these new workers anything different from their predecessors.

NO RECOGNITION

It’s telling that the business leaders we interviewed did not even seem to be familiar with the concept of portfolio working, even though it’s a term that has been around a while.

Forty-seven percent said that they understood a portfolio worker to be a temporary, multi-skilled worker who you can engage, as and when required, across a range of different work activities.

“A PORTFOLIO WORKER WILL HAVE CONTRACTS IN PLACE WITH A NUMBER OF DIFFERENT COMPANIES SIMULTANEOUSLY, WITH A GUARANTEED NUMBER OF HOURS OF WORK FROM ALL OF THEM DURING ANY GIVEN PERIOD OF TIME.”

**David Knight, Associate Partner,
KPMG in the UK**



Generation Y were more savvy. Just over a third (34.5%) understood the term to be as I define it: employees permitted to work for a range of employers simultaneously during the year.

But even they felt that portfolio workers were still freelancers by another name (77.5%).

In my view, this just confirms that UK plc is still a way off from recognising and offering this employment model.

NOT A FREELANCER

The freelance model has always been about plugging in spare capacity on an ad hoc basis and often at premium rates. It usually involves either corporate players fulfilling contracts at cost-plus or self-employed one-man band freelancers.

As such, the freelance market is highly fragmented and unpredictable. For many organisations, it represents an unplanned, ad hoc and often spontaneous approach to resource management.

The consequence of contractors being perceived as expensive (although for some employers, it feels to me that there is inadequate and objective clarity when comparing their direct and indirect labour costs) means that some companies try to avoid employing short-term contractors and freelancers if they can.

Our survey of business leaders showed that over the past 12 months, they hired fewer temporary or contract workers than the previous year.

Forty five percent of HRDs and the C-suite said the drop had been slight while 15% of HRDs and 23% of the boardroom said the decrease had been significant.

So we come back to the boardroom dilemma of wanting more from your workers for less; the same level of productivity at the peak of demand as a permanent member of staff but no financial liability in the trough of the cycle and certainly no long-term financial headache.

This creates the right conditions for employers to be early adopters of the portfolio worker proposition.

FIRST STEPS

The first step will be for employers to identify their own most critically important employees and to classify the workforce into different groups – those that are senior and critical to the governance and management of the business; those that have core skills required on an ongoing and continuous basis and other jobs that are required less than full time during the year.



76% OF HR DIRECTORS SURVEYED SAID IT IS "SOMEWHAT IMPORTANT" OR "IMPORTANT" TO BE ABLE TO FLEX THEIR WORKFORCE

2014 KPMG Future of Work business leaders' survey

Once employers have an understanding of the number of jobs in each classification, the next step is to think through the demand for services profile and how best to respond to this. In my experience, we can classify activities outside of core in three ways:

- Activity arising during a working year at set times that can be defined
- Projects with start and finish dates that can be assigned within the 12 months business year
- Ad hoc work activity driven up or down by seasonal fluctuations or other material events in any given year

These work classifications provide the perfect landscape against which to negotiate portfolio worker deals, creating mutually beneficial arrangements to provide business with "just in time resources" that are tried and tested and ready to deploy when required, and employees with greater levels of flexibility to determine when they work and play.

BROAD FOOTPRINT

But the model cannot work without a broad employer footprint. Major employers must act as early adopters or employees will not be able to build up an acceptable personal portfolio of employment.

This is feared to be the biggest block to this employment model.

Our research showed that 50.9% of the HRDs, 46.8% of the graduates and 52.4% of the 200 older workers over 50 we interviewed felt that portfolio working wouldn't catch on because of lack of take up by employers.

So creating the right market conditions for portfolio workers to have multiple employers will be critical to success. This won't be easy to establish, but like all great ideas, it sometimes takes the brave corporate few to offer this as an option, and everyone else to follow.

Let's also not forget that the pull factor may come from discerning Generation Z employees who want to see more flexibility in achieving their work life balance, but the same amount of job security.

So the biggest challenge to overcome is to convince some major blue chip companies to give this a fair chance and to find a group of employees who welcome the additional structure and protection of a portfolio worker contract but not the rigidity and convention of being a full-time permanent employee.

OVERCOMING DRAWBACKS

Client confidentiality and fears over loss of intellectual property was also high on the list for business leaders, with 46% of the C-suite saying it was their biggest concern and 51% of HRDs saying it was second from top.

But in my view, these issues can be overcome and it is important that the baby is not thrown out with the bathwater.

Of course, sensible governance is needed in constructing the framework to enable this way of working to be established, as well as a regulatory environment that balances employee safeguards with workforce innovation.

As I have said, it's always difficult in the beginning to initiate a virgin scheme. There is no precedent for portfolio working but once the leadership in a few organisations take up the challenge and get it up and running, I have no doubt that the compelling case for change will be available for all to see – the rest I believe will follow!

I believe the impetus will come as talent supply continues to tighten and skills demand grows. After all, a similar combination of factors caused the rise of offshoring as a resourcing solution some years ago and now this is regarded as mainstream and operationally savvy by many employers.

Watch this space: we could see the portfolio worker mindset being adopted at pace and I anticipate interesting times ahead.

KPMG commissioned OnePoll to conduct three surveys in an in-depth exploration of British attitudes to the way we work and how that may change in the future. One survey was with 200 graduates in employment between two and five years; one focused on those aged between 50 and 70 and one with business leaders, of which 100 were HR directors and 100 C-suite executives.





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DAVID KNIGHT
ASSOCIATE PARTNER
KPMG IN THE UK

+44 (0) 207 694 4061
david.knight@kpmg.co.uk

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