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THE 6 BIGGEST WORKFORCE TRENDS IN 2023

IN THIS GUIDE, WE TAKE A LOOK AT THE WORKFORCE OF 2023. LEARN HOW THESE NEW APPROACHES, PHILOSOPHIES AND TRENDS CAN HELP YOUR ORGANIZATION STAY AHEAD OF THE CURVE AND REMAIN COMPETITIVE.

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INTRODUCTION

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But with the pandemic now seemingly behind us, it looks like the workplace is somewhat stabilizing in a new form, with new workforce expectations.

Managing the balance between expectations of flexibility and the need for accountability will be a key challenge that employers and managers face in the coming 12 months, and a tumultuous economy will only enhance the requirement for a robust workforce strategy.

With that in mind, we've created this guide to the six biggest workforce trends that your organization can expect to see as we move through 2023.

From a likely recession, the increasing use of contingent workers, a backlog in immigration and an evolution in contingent workforce management solutions, staying ahead of these workforce trends will help ensure that your business has a workforce strategy in place that stimulates new growth.

THERE IS A RECESSION ON THE HORIZON

It's been more than a decade since the last major financial crisis in the US. In fact, since then the world, until recently, has been experiencing a long run of growth with interest rates kept low to boost the economy.

Yet now in 2023, many experts are predicting the economy will fall into a recession. In fact, an IBD/TIPP Economic Optimism Index just before the New Year found that more than half of Americans believe the country is already in a recession.

There are a variety of reasons why the economy has stalled, as rising wages, skyrocketing prices, high inflation and staffing shortages are all making it more difficult for organizations to grow, or even maintain, their profit margins.

"Global growth has slowed to the extent that the global economy is perilously close to falling into recession."

So, what is the likelihood of a recession in 2023?

Opinions are varied. Economic experts are divided on whether the economy will fall into a recession or not over the course of the year.

Some are on the positive side. Goldman Sachs Chief Executive Officer David Solomon, for example, told Reuters: "There's a reasonable chance of a recession in the US, but it's not certain. I could still see a scenario with a soft landing."

But on the other hand, a report from the World Bank in January warned that 2023's growth outlook looked "ripe for a recession." In its Global Economic Prospects Report, the World Bank warns: "Global growth has slowed to the extent that the global economy is perilously close to falling into recession."

The World Bank credits “unexpectedly rapid and synchronous” monetary tightening around the world for the sluggish growth. The situation is dire enough, it adds, that “any additional adverse shocks” could lead to a global recession.

While a global recession isn’t guaranteed in 2023, there’s no doubt that we’re currently experiencing a strong economic downturn that will lead to monetary tightening, higher levels of unemployment and a continuation of rising prices - leaving many businesses forced to make difficult decisions in regard to their workforce.

If the US does fall into a recession, it’s likely to differ from the two previous recessions in 2001 and 2008 which were strong, loud and tangible from the very start. This recession, if it does hit, is likely to be slower and longer, with a quieter impact than previous recessions.

THE CONTINGENT WORKFORCE WILL BOOM

When we look back at the 2008 recession, or the 'Great Recession' as it is commonly named, we can see that it's the real acceleration point in history where organizations moved from full-time employees towards the contingent workforce.

During the Great Recession, one in five employees in the US lost their jobs, as organizations dealt with plummeting revenues and rapid market changes.

With a severe lack of job opportunities, many workers turned to temporary jobs and contract positions, which offered a way for businesses to still hire talent but without the risk associated with full-time employees.

Following the Great Recession, the demand for temporary and contract workers increased dramatically. During 2010, for example, there were 307,000 temporary jobs added, according to the Rise of the Contingent Workforce report by staffing agency firm Snelling. That was more than 25 percent of the 1.17 million private sector jobs added in total throughout the year.

Businesses that focus on the contingent workforce to mitigate the impact of the recession will:

1 - Improve their bottom line
When you have improved visibility and control over your contingent workforce, you can mitigate rogue spend across your business and prevent hiring managers from overspending with suppliers. This not only saves your business money but improves your bottom line so that you can continue to grow during a recession.

2 - Improve business agility
Businesses must be able to adapt depending on the economy. A recession could mean fewer clients and fewer resources required. An effective contingent workforce program allows organizations to scale their workforce up and down (improving their speed and access to top talent), depending on market demand.

The contingent workforce helps organizations to beat industry skills shortages, build a flexible and agile workforce, transition towards a project-by-project business model, and save money.

As we move through 2023, we expect that the contingent workforce will boom. In fact, according to a recent study from MBO partners, the average company reported that contingent labor accounts for 28 percent of their workforce, with nearly seven in 10 (67 percent) expecting their use of contingent labor to increase in the next 18 months.

The study found that the majority of organizations (82 percent) had contingent workforces that were at least 50 percent made up of “skilled” non-employee workers.

We believe that an increasing number of businesses will turn to the contingent workforce in 2023 to:

- become more flexible;
- lower workforce costs;
- make more informed hiring decisions;
- scale their workforce up as, and when, it’s needed;
- access specialized skills that are difficult to find on a permanent basis;
- and access many other benefits.

FLEXIBILITY TO BECOME MORE IMPORTANT FOR BUSINESSES

Over the past few years, the shift to remote work and hybrid models (where employees split their time between working remotely and working in the office) has accelerated dramatically.

Today, some 16 percent of companies globally are fully-remote and around 62 percent of employees aged 22 to 65 say they work remotely at least occasionally, according to research published by Owl Labs.

The best industry talent is now looking for remote work. In a world where a talent shortage is a significant challenge, businesses need to meet worker expectations.

To be able to hire new talent and retain existing team members in 2023, businesses must offer flexible work schedules where workers can work from a mixture of both the office and at home.

Offering remote work options will typically lead to a happier, more productive and more loyal workforce. In addition to employee satisfaction, remote work can also deliver some tangible benefits for your business, including:

- Increased collaboration and efficiency
- Faster time to market for new products and services
- Enhanced recruiting and staff retention capabilities
- Reduced costs
- Improved corporate sustainability

4 Things to keep in mind when managing a global contingent workforce

1 - Centralize your contingent workforce strategy
A global contingent workforce with no strategic program in place will lead to a lack of control and visibility that results in high spend (that can't be seen by your business) and poor workforce quality. Hiring managers will pay different rates to staffing agencies and engage contingent workers on their own terms, and they'll save this information across spreadsheets, emails and other databases that make it impossible for your organization to gain a clear view of what's happening.

2 - Work with an outsourced contingent workforce specialist
Managing a contingent workforce is time-consuming, complex and requires knowledge of the contingent category. Building a program becomes even more complex when contingent workers are based all over the world. This requires a huge amount of information, a large number of vendors, and compliance with different regulations. If your business doesn't have the resources, time and expertise to manage an effective global contingent workforce program in-house, then outsourcing to a specialist can bring immediate ROI.

3 - Ensure you classify all contingent workers correctly
Employment regulations are different across different countries, states and even cities. When managing a contingent workforce, it's critical that your business understands and complies with the regional regulations in the locations where you are hiring contingent workers. To do this, you'll need to set up standardized and repeatable processes for each of the different regions you operate, ensuring that your hiring managers engage and re-engage contingent workers correctly.

4 - Pay competitive rates
Your business doesn't want to waste money by overpaying for contingent workers, but, at the same time, you need to pay staffing agencies competitive rates to ensure you get the talent you need. With a global workforce, it's important that you pay competitive rates in the local markets that you are operating. Market research and teaming up with the right partners will ensure that your business is acquiring top talent without wasting money.

One trend we have been seeing throughout 2022 and that we expect to continue in 2023 is that more organizations will make use of the increase in remote workers to address domestic labor shortages.

Rather than looking to solve the issues of labor shortage locally, businesses are turning to global solutions. In fact, we have seen a huge increase in global employers of record (EOR) providers, with businesses increasingly looking out of the country for some resources.

According to a new study from Market Growth Reports, the "employer of record market size was valued at USD $1277.18 million in 2021 and is expected to expand at a compound annual growth rate of 15.03 percent during the forecast period, reaching USD $2958.64 million by 2027."

Businesses are increasingly realizing that by implementing an effective contingent workforce program that spans different countries, they may be able to increase their business flexibility and address labor shortages at the same time.

In the face of growing competition and a talent shortage, companies must rethink their hiring strategies. A global talent pool can help organizations adapt to evolving market needs and achieve higher levels of performance and revenue.

INCREASED IMMIGRATION WILL FACILITATE NEW GROWTH

During the pandemic, countries implemented heavy travel restrictions. This resulted in a serious backlog in immigration that led to a further intensification of the existing labor shortage.

In 2023, however, this is expected to be rectified. Countries such as Canada and the UK are forecasting record levels of immigration for 2023, which could help facilitate regional growth and help increase labor supply.

Canada, for example, announced a record year for immigration processing in 2022, reducing its overall inventory by nearly half a million applications. As of November 20, 2022, Immigration, Refugees and Citizenship Canada (IRCC) reported a backlog of 2.1 million applications across all lines of business - which is expected to be decreased even further in 2023.

Canada's Prime Minister Justin Trudeau's Government has set out a plan for immigration to fill labor shortages in key sectors, including healthcare, skilled trades, manufacturing and technology. The country unveiled its new immigration targets in November, saying it plans to welcome 465,000 permanent residents in 2023, 485,000 in 2024, and 500,000 in 2025.

The government says immigration accounts for nearly 100 percent of Canada's labor force growth.

Meanwhile, the US is also addressing the backlog in immigration caused by the pandemic. Nearly 1 million immigrants became US citizens in 2022, according to The Guardian, the highest number in almost 15 years.

However, US immigration policy is still being debated and it's difficult to say just what 2023 has in store for the country right now. Title 42, presented as a public health law, was introduced at the start of the Covid-19 pandemic in order to allow the expulsion of migrants and asylum seekers at the southern border. In late 2022, the Supreme Court temporarily blocked the Biden administration's attempt to terminate the policy.

Immigration has long been a driving force for many countries' labor supply, helping to fill labor shortages across many sectors. The pandemic brought them to a crushing stop, as immigration became all but nonexistent due to heavy travel restrictions.

With countries now aggressively looking to resolve their immigration backlog, in 2023 we can expect to see higher levels of immigration that will boost the working-age population and lessen the labor shortages for organizations around the world.

RECALIBRATION OF THE MID-MARKET

As organizations are increasingly turning to contingent workers in an effort to address challenges such as the economic downturn and labor shortages or to achieve greater business flexibility, there are more companies than ever before with small to medium-contingent workforce spend.

There is a challenge here, however, in that mid-market spend-level clients are being grossly under-serviced by large MSPs and vendor management systems that are moving past even accepting these clients.

In fact, anyone with less than $50m (and in particular less than $30m) contingent workforce spend is finding it increasingly difficult to find an MSP or VMS solution that will accept them and even more difficult to get high levels of service, strategic input or have seasoned resources assigned to their program.

The result? More dynamic and customer-centric offerings are exploding onto the market. These new solutions are providing organizations with small to mid-spend higher levels of service that they can't find anywhere else.

To fill the gap in the market, not only are new staffing agencies being started, but larger organizations are launching new arms of their business in an effort to seize the opportunity that the mid-market provides.

Businesses looking to leverage staffing agencies, as well as other organizations offering management services, to fill this void, must now choose who they partner with carefully. It's becoming increasingly important to choose a provider with deep experience in the space and to avoid companies that are just doing it on the side in an effort to earn some quick money.

THE EVOLUTION OF CONTINGENT WORKFORCE MANAGEMENT SOLUTIONS

When it comes to managing the contingent workforce, organizations have traditionally had no real program in place. Companies have typically managed their contingent workers and staffing agencies on either spreadsheets or clunky vendor management systems, with no company-wide processes written down.

These challenges result in two primary problems:

1 - The company has a complete lack of visibility and control over its contingent workforce, with no insight into where externally-sourced workers are being hired, or how well (and how much) their processes and vendors are performing.

2 - The business suffers from rogue spend, with no standardization of how much hiring managers should be paying staffing agencies. This results in higher-than-market costs.

In many cases, a managed services provider (MSP) - the practice of outsourcing the responsibility of a company's entire non-employee workforce management to a third-party provider with expertise in contingent workforce and staffing agency management - can resolve these challenges.

In an MSP arrangement, the outsourced company will be responsible for all things related to the contingent workforce, from setting up the program, interacting with vendors, hiring contingent workers, onboarding, offboarding, billing and much more. The aspects of the program that are managed by the MSP can typically be customized by the client.

A managed services provider aims to alleviate the burden of contingent workforce management from a company's plate, taking the entire tactical work on so that the client can focus on the strategic, high-value work that drives real value to their business.

But in many cases, organizations have been reluctant to implement a full MSP program

For businesses that don't want to implement a full managed service provider program, contingent workforce management solutions have evolved substantially in 2023, giving them a number of different options.

That's why over the next year, we expect to see more organizations manage their contingent workforce programs with the following outsourced solutions:

MSP lite programs

If a full MSP program sounds like it might be a bit too heavy for your organization's requirements, an MSP Lite program can help you to avoid the process flows, customized solutions and implementation of a full MSP.

In an MSP Lite program, a vendor-neutral partner will act as a single point of contact for all of your organization's externally-sourced staffing needs. All you have to do is carve out a piece of business for the partner, and they will then work with a network of pre-approved staffing agencies to fulfill your externally-sourced workforce requirements.

With just one point of contact and one invoice, businesses can save time, access preferred/bulk pricing benefits and ensure that their contingent workforce is helping them achieve their overall business goals.

Supplier consolidation services

In many cases, organizations simply don't have the time or resources required to manage the staffing agencies they use to fulfill their contingent workforce requirements. That's where supplier consolidation services can help.

A supplier consolidations services partner will take away the complex paperwork and processes associated with managing staffing agencies, such as onboarding, offboarding and supplier payments.

By consolidating all of your suppliers into one point of contact, one process and one invoice, your business will be able to save significant amounts of time (and money) that you can invest back into core competencies that grow your organization.

CONCLUSION

Acquiring top talent has long been one of the most challenging processes for HR and procurement teams around the world. As industries become more competitive than ever before and talent becomes increasingly scarce, businesses must look outside the box to gain an advantage.

The most successful businesses will be those that can not only build a robust team of internal employees, but augment them with a contingent workforce that ensures business flexibility, cost savings and a reliable method of accessing top talent.

Organizations that ensure they work with the right partners to manage their contingent workforce effectively, will realize significant cost savings, improve their talent acquisition, and enhance business agility.

Those businesses will be in a far better position to mitigate the impact of a potential recession and stay ahead of their competitors.

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Contrax is a powerhouse of industry-leading knowledge in contingent workforce and staffing agency management. Our executives have the deepest contingent workforce, SOW program and procurement experience in North America.

With a range of solutions, including its managed services provider (MSP) program, MSP Lite program and Supplier Consolidation Service, Contrax works closely with a broad range of organizations to ensure they are able to better manage their contingent workforce program and strategically manage their staffing agencies.