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Innovative Employee Solutions

Whitepaper

How to build a flexible workforce



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Introduction

Agility has been a popular topic in the business sector over the last few years, becoming almost a buzzword. The buzz around agility isn't unmerited though. Organizational agility refers to the ability of a business to quickly adapt to changing market conditions and consumer demands – which has perhaps never been more important than today.

During inflationary periods, agility is critical. If a business can quickly shift its focus to more profitable products or service offerings, pricing structures, or operational efficiencies, rising costs might not have as much of an impact on the bottom line. The ability to quickly and strategically pivot helps a business remain competitive and profitable, no matter the economic climate.

However, the trait doesn't just apply to a business itself.

Thanks to the growth of talent marketplaces, agility now also refers to the workforce. An agile workforce is one that allows for increased adaptability, responsiveness, and flexibility within operations. The workforce, too, quickly adapts to business needs, such as changing demand, shifting market conditions, and ever fluctuating customer expectations.



Building an agile, flexible workforce can go a long way to improving productivity, fostering innovation, and increasing customer satisfaction – with the potential of reducing costs in the process. You're simply in a much better position to remain competitive, if not drive growth, in today's rapidly changing business environment.



A matter of cost savings or cost cutting?

No one needs to remind you of the importance of cost oversight, as it's one of the most effective means of maintaining financial stability during a recession or inflationary period. When costs are rising, it's essential to closely monitor expenses to ensure they're in line with revenue. This can help businesses stay afloat and avoid taking on too much debt or overextending themselves during times of uncertainty.

Cost oversight can also be of great assistance in identifying areas where you could minimize costs, thereby allowing you to offer your products or services at a lower price point than that of competitors. While businesses look to several areas for agile cost savings, they almost always turn to one of the following as a solution:



Labor

Roughly **40% of companies** regularly discuss human capital matters at every board meeting, according to research from Harvard Law School Forum on Corporate Governance. However, that doesn't just involve talks about layoffs – though those, too, can impact budgets. Companies can often experience significant cost savings by improving employee productivity, streamlining processes, and reducing turnover. The same can be said for outsourcing non-core functions and hiring contract, freelance, and contingent workers on an "as-needed" basis.



Overhead

Reducing overhead often involves negotiations to secure better deals on rent, insurance, supplies, materials, and software – among other expenses. It can also entail limiting energy consumption, scaling down variable costs, and even consolidating office space.



Technology

Investing in technology can reduce costs by automating manual processes, improving efficiencies, and reducing the need for manual labor. In fact, research from the Hackett Group found that **spending just 3% more on technology can save companies 29% in overall costs.**



Other cost-saving measures that companies explore include cuts to legal and accounting, travel, marketing, employee benefits, and office amenities. However, a number of these cuts can lead to serious repercussions down the road.



Marketing budget, in particular, should always be seen as an investment. While cuts to marketing can relieve some of the strain, you're limiting your ability to reach new customers – and nurture and engage existing ones – in the long run. This, in turn, affects your ability to keep your organization and workforce agile.

A matter of cost savings or cost cutting?

A closer look at labor costs.

Labor is often the largest expense for any business — as much as 70% of total business costs, to put a number on it. And though the total varies by business size, industry, location, and nature of operations, the costs associated with full-time employees (or FTEs) entail much more than wages, such as:

- ✓ Health Insurance
- ✓ Dental Insurance
- ✓ Life Insurance
- ✓ 401(k) Contributions
- ✓ Commissions
- ✓ Bonuses
- ✓ Payroll Taxes
- ✓ Other Employee Benefits



Labor = 70% of Total Business Costs

Labor is often the largest expense for a business.

Each one comes with its own line item, and those line items quickly add up. So, if you're wondering how to reduce labor costs in your business and still remain agile, it may pay to explore other types of work arrangements to fulfill your talent needs.

A new way of working with agility.

While some companies have been utilizing agile, flexible workforces for years, many more have just recently ventured into the territory. A large part of this is owing to necessity, as the very nature of work has undergone significant changes due to the pandemic. But another part is simply to save on labor costs. The following are some of the biggest trends in agile workforce management:

1



Project based engagements.

One major shift has been toward a project-based approach to working, with many companies breaking work down into smaller, more focused projects. The more project-based the work becomes, the less "role-based" employees tend to be – often making for a more agile team. There's a higher degree of specialization and collaboration within teams, as workers from different departments and even different companies come together to complete a common goal.

2



Remote work arrangements.

While many companies originally adopted remote work to maintain social distancing and reduce the risk of infection, the trend has continued. For one, many workers have come to appreciate the benefits of remote work and want to maintain this level flexibility long-term.

Eliminating the option could lead to employee attrition, which is why many companies are also offering hybrid work: a blend of in-office, remote, and on-the-go work. Another major benefit of hybrid and remote work arrangements is not being constrained by location, so companies have the ability to find and hire talent from anywhere in the world.

A new way of working with agility.

3



Flexible work options.

Workers today seek greater flexibility in work arrangements, and not just the option of working from home. They now want to set their own schedules, reduce their hours, take longer periods of time away from work, and have more control over their work-life balance. Offering flexible work options can make a company more attractive to top talent, as it's seen as helping people find a balance between their professional and personal responsibilities.

4



Alternate work arrangements.

As a way to achieve greater work-life balance or pursue their interests, many workers today are choosing to forgo full-time employment for alternative work arrangements. Part-time, contract, and freelance are just a few of those arrangements, and companies that are willing to engage these kinds of workers often have their pick of talent. They're also able to bring in subject matter experts for a short amount of time to help complete a project or consult on something without the need to hire a FTE.

5



Professional development opportunities.

Investing in professional development is a win-win for employees and employers alike. First off, an [increasing number of workers](#) are seeking professional development opportunities. It's even become a prerequisite for many jobseekers to consider a potential employer, as people now want to improve their skill sets and advance their careers. For companies, professional development and upskilling not only enhances their workforce's skills, but also demonstrates their commitment to employees, which can lead to greater loyalty and retention.

A new way of working with agility.

Another Benefit of Alternative Work Arrangements

Offering alternative work arrangements provides the benefits already mentioned, but with an added bonus when it comes to the physical space you need to operate. Consider these factors:

- ✓ **Square footage.**
With more employees working from home, the less space is needed for everything from desks and chairs to office supplies.
- ✓ **Shared workspaces.**
Hybrid work allows you to do away with assigned seating, opting instead for shared workspaces.
- ✓ **Scalability.**
During seasonal fluctuations or busy times, you can always scale a physical space to meet business needs.
- ✓ **Co-working.**
For even greater flexibility, you always have the option of a co-working space. A monthly membership provides a dedicated, fully furnished office space.



Regardless of which option you choose, they all come with cost savings. Again, if you're wondering how to reduce labor costs in your business, alternative work models might be part of the answer.

Alternatives to alternative work arrangements.



Flexibility has been the word du jour when it comes to the future of work, especially for agile businesses. It actually serves as the foundation to enable agility, allowing operations to function at maximum efficiency and productivity levels. The same can be said for an agile team, where members cooperate and collaborate effectively to accomplish whatever objective lies ahead.

However, no one really knows what flexibility will look like even a year from now. The effort to provide employees with greater flexibility could lead companies to adopt alternatives to the current alternative work arrangements you're already seeing, such as:



Rotating staff.

Rotating staff is just as it sounds. Employees work a particular shift that's not always the same as their colleagues. This may take the form of a condensed workweek, fewer hours on the schedule, and so on. However, the move not only has the potential of improving employee engagement and productivity by reducing burnout and supporting greater work-life balance, but it could also be just the answer you're looking for to the question of how to reduce labor costs in your business.

Let's say, for example, you employ a large workforce. Rotating staff so that not all employees work at the same time could reduce the number of employees needed to cover the same amount of work. That's an operational efficiency that can save you money in the long run. The shorter workweek can also reduce absenteeism, a costly issue.



Unscheduled absenteeism costs approximately \$3,600 per year for each hourly worker.

One caveat: Rotating staff and compressed workweeks don't always work for all industries and can increase costs. Do your research before testing such an arrangements.

Alternatives to alternative work arrangements.



Part-time staff/interns.

Part-time employees and interns can play a vital role in building an agile, flexible workforce. They allow your business to adjust its workforce as needed at lower costs. If your business experiences busier times of the year, the labor resources are available to you – with the potential of accessing new ideas, perspectives, and skill sets.

You're also sourcing from a talent pool with diverse backgrounds and ranges of experiences, which can provide insights into customer needs and untapped markets. Though this should go without saying, this can help you make more informed business decisions.

Besides, part-time employees and interns also receive lower compensation and benefits than FTEs, making them a cost-effective option if your company is looking to save on labor costs.

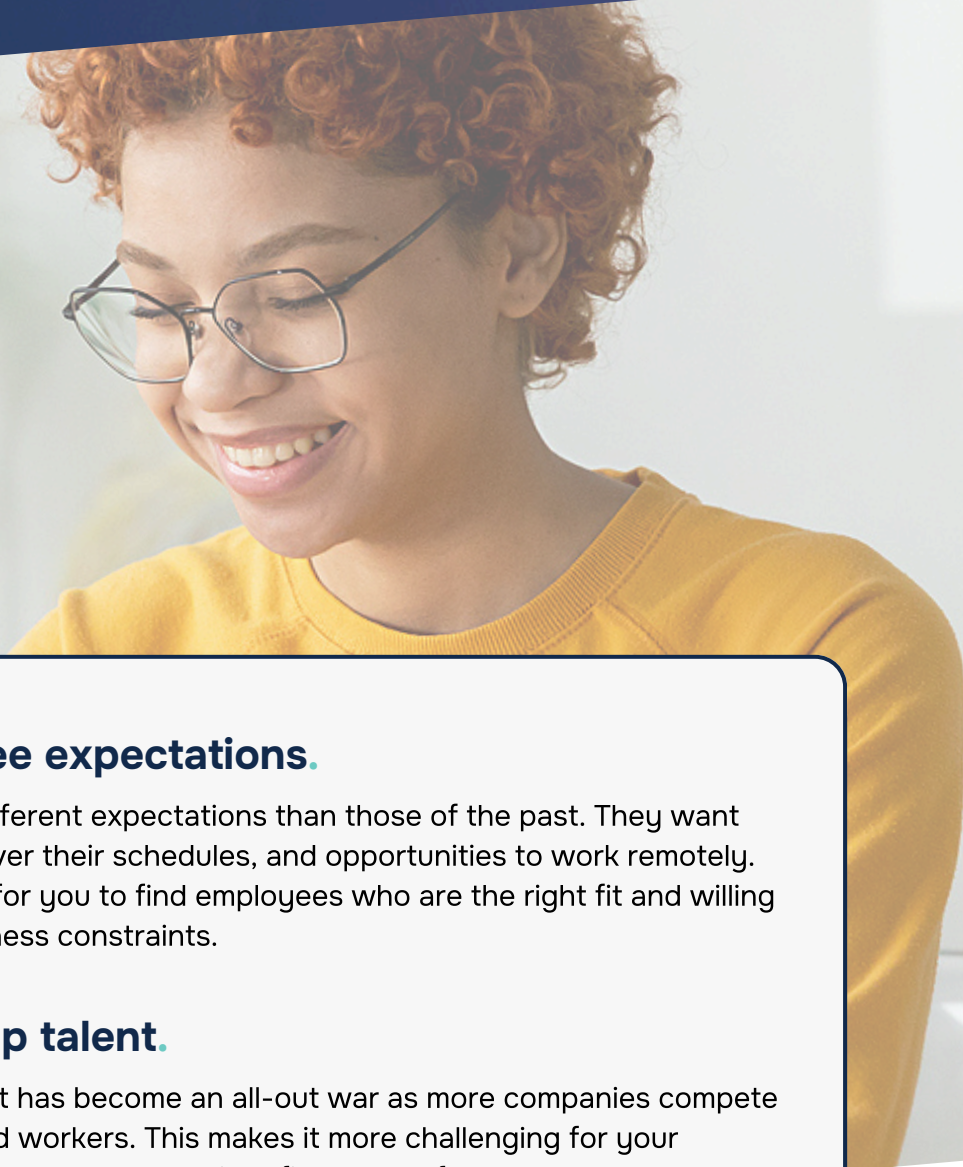


Contingent workers.

Much like part-time employees and interns, contingent workers can be essential to building an agile, flexible workforce. For one, they can provide the flexibility to adjust your workforce as needed without committing to an FTE. Contingent workforce trends being what they are, you also have the opportunity to access very specialized skill sets that you may not otherwise have at your disposal in-house. Perhaps your company has taken on a project that requires a specific technical skill. A contingent worker can likely fulfill that need.

Beyond that, hiring someone on contingency gives your business the chance to "test" the person and make sure they're the right fit for your organization and culture before committing to a full-time position. If the individual doesn't work out, you can simply end the engagement. This minimizes the risk to your company on multiple levels – legally and financially.

Striking the right balance between flexibility & efficiency.



1 Meeting employee expectations.

Today's workers have different expectations than those of the past. They want more flexibility, control over their schedules, and opportunities to work remotely. This can make it difficult for you to find employees who are the right fit and willing to work within your business constraints.

2 Competing for top talent.

The competition for talent has become an all-out war as more companies compete for a limited pool of skilled workers. This makes it more challenging for your business to find employees who are the right fit not only for your needs, but also for your culture.



3 Changing technology.

Technology is constantly evolving, and you must find employees who have the skills to keep up with these changes. This can make it difficult to find someone who's the right fit and have the skills necessary to meet your business needs.

Striking the right balance between flexibility & efficiency.

However, the effort you put into building an agile team with just the right talent isn't without its own set of advantages. The benefits of an agile workforce can be many, and your company will often find:

- ✓ **Greater flexibility (of course)**
- ✓ **Greater creativity**
- ✓ **Increased innovation**
- ✓ **Increased productivity**
- ✓ **Improved employee engagement**
- ✓ **Improved employee morale**
- ✓ **Lower employee turnover**
- ✓ **Happier employees**



Keeping a workforce lean and agile during good times and bad can also help your business avoid layoffs, costly moves, and other unnecessarily expensive workforce adjustments that often occur during difficult times.

...and that's only a few of the benefits of an agile workforce. More importantly, agility lends itself to a greater ability to respond to change. People aren't just following a plan but are ready to adapt – and adapt continually should circumstances dictate.

Unpredictability has become the norm as of late, and you need a team ready and willing to optimize processes, break plans down into smaller pieces, and take the necessary actions to reach whatever objective is put in front of them.

Is an Employer of Record the answer?

EORs are also skilled in agile workforce management, as they have years of experience working with all the various "types" of employees essential to organizational agility. What's more, working with an EOR like IES can help businesses shoulder the compliance and administrative costs associated with engaging a worker in several ways:



The EOR takes on the responsibility for making sure that your business is hiring **compliantly** and complying with all employment laws for every worker regardless of where they work. It also gives a business greater flexibility to hire in any state or country you want without worrying about the labor laws for that area, as the EOR is the responsible party.



EOR typically help reduce the costs associated with **employment** by taking on the administrative burden of engaging a worker through the lifecycle of their employment, from onboarding to offboarding. This can often be a tedious task for businesses' internal teams and outsourcing can help your team focus on more core tasks for the business.



EORs are responsible for **managing unemployment claims filed by employees**. This can help businesses avoid the costs associated with unemployment claims and the impact they can have on their unemployment rate.

Did you know?

An EOR like IES helps businesses build a more agile, flexible workforce globally.

A Global EOR can:

- ✓ Help you quickly adjust your workforce
- ✓ Offer cost savings
- ✓ Give you the ability to engage, pay and manage highly skilled professionals anywhere around the world
- ✓ Reduce the risk associated with new full-time employees, especially in a turbulent economy

Conclusion

Remaining agile is more important than ever.

Agility is essential for businesses to remain competitive and resilient in today's dynamic market. It enables quick adaptation to economic challenges, operational shifts, and workforce demands. Building an agile workforce through flexible arrangements, contingent workers, and professional development enhances innovation, productivity, and cost efficiency.


Employer of Record (EOR) services further support agility by simplifying compliance, managing administrative tasks, and enabling access to global talent. By prioritizing workforce flexibility and operational efficiency, businesses can thrive amid uncertainty and position themselves for sustained growth and success.


Take the next step toward a flexible workforce.


Contact IES today to discover how an Employer of Record (EOR) can help your business build a more agile, compliant, and cost-effective workforce.

[Consult an expert](#)

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