

Flexible Asia

HR GUIDE FOR ATTRACTING AND
RETAINING A FLEXIBLE WORKFORCE

TATIANA OHM



Globally, the economic focus has now shifted to emerging nations, and Asia's successful organisations are now entering a new, exciting phase of growth.

However, the next wave of development and investment will occur amid tightening talent markets—there are still too few people with the right skills to go around.

If organisations can be innovative and flexible in their approach to accessing and deploying talent in the right places, at the right times and in the right ways, the consequences of the talent shortage can be mitigated.

As Michael Schrage quoted in his blog in July 2013: “people looking for a job today aren’t competing against each other. They’re competing against alternative ways to getting that job done. [Most organisations are] not hiring employees, they’re hiring value creation. If they can get that value — or most of it — from contingency workers, outsourcing, automation, innovative processes or capital investment, why wouldn’t they?”¹”

If Asia’s organisations are going to access enough ‘value-creating’ talent to capture the opportunities that are now in view, they’re going to need to embrace better, smarter talent management and attraction strategies. They will need to embrace flexibility in their workforces in order to:

- Fill critical skill gaps in a timely and efficient way
- Keep talent engaged and retained, even across borders



So, if you are ready to make the case for flexibility in your organisation, this is your guide.

¹ <http://blogs.hbr.org/2013/07/prepare-for-the-new-permanent/>

DEFINITIONS

Talent Supply Chain Management (TSCM): is a proactive approach to securing and optimise talent supply and services through all input channels. It integrates the management of both the permanent and contingent workforces to determine the optimal mix and strategic value of all human capital within the organization.

Program Office (for talent management): this is the people, processes and technology set up by an MSP, MV or BPO/RPO provider to manage talent sourcing and management. It is the structure through which all HR/recruitment suppliers are managed.

Direct talent supply: this is when individual recruitment and HR companies work directly with an employer to provide talent sourcing and management services.

MSP: A company that takes on primary responsibility for managing an organization's contingent workforce program and the various sourcing models within it. Typical responsibilities of an MSP include overall program management, reporting and tracking, supplier selection and management, order distribution, and consolidated billing.

Master Vendor: A staffing supplier that takes overall responsibility for providing clients with temporary staff. All orders will usually go first to the master supplier to either be filled or distributed to secondary suppliers. Sometimes a master supplier will not only provide a significant portion of the temporary staff working at the employer's site but also manage an organization's contingent workforce program.

RPO: A third-party specialist that undertakes all or part of the end-to-end recruiting process for clients/HR departments. It is often focused on recruiting permanent members of a workforce.

BPO: the outsourcing of specific business processes or functions to a third party (often back-office functions such as HR, IT and some customer service-related tasks.)

Why do we need to be more flexible?

- 1 We have a talent shortage
 - 2 Wages are rising and Asia needs new efficiencies
 - 3 Talent is mobile and wants flexibility
 - 4 Flexibility supports innovation
 - 5 Talent wants a challenge, not a job
 - 6 Work-life balance means different things to different workers
 - 7 Economics demands more women in the workforce
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01

We have a

talent
shortage



With continued low unemployment and substantial growth forecasts (despite external factors), talent availability is a critical issue for the region.

Markets such as Singapore, Taiwan, Australia, South Korea, Hong Kong and New Zealand all show signs of growth in labour force participation in the decade to 2014, according to data from Bloomberg². In fact, each of these markets rank in the top 20 world-wide for increased labour force participation, which is largely driven by strong economic growth and demand for local talent. There is little doubt that the Philippines and Indonesia are among other nations that will follow hard to the heels of this trend (if they are not catching up already).

Ageing cycle has begun

However, there are two key forces that will increase the strain on talent supply in many of these markets going forward. The first is the ageing population. China leads this trend with its vast population beginning its ageing trend within the next year. Although India is one clear, notable exception to the ageing pattern, it is likely that other rapidly expanding markets such as Indonesia will absorb much of the excess intra-regional talent supply through to 2020.

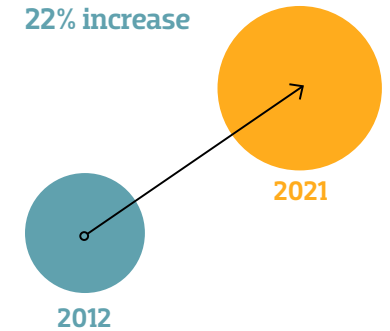
Hong Kong will have a shortfall of workers with upper secondary and tertiary qualifications by 2018³.

Report on Manpower Projection to 2018, Government of the Hong Kong Special Administrative Region, 2012

² <http://www.bloomberg.com/visual-data/best-and-worst/biggest-change-in-employment-countries>

Restrictions on foreign workers

The second issue employers will face in Asia-Pacific is the legislative trend towards reducing the influx and use of foreign workers. Singapore introduced higher levies on hiring foreign workers earlier in 2013, and visa restrictions in Australia and elsewhere will make it harder for organisations to plug their talent gaps with outside labour. So, even where excess talent may exist across the region, there are barriers to employers accessing that talent via traditional means.



The most dramatic jump in demand for workers across the globe will be in Asia, where the need for new employees will rise 22% over the decade to 2021.

Oxford Economics

³ http://www.lwb.gov.hk/report/mp2018_en.pdf

02

Wages are rising

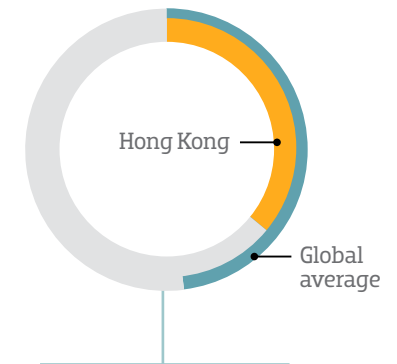
and Asia needs new efficiencies



During 2010, the average salaries paid to executives in Asia surpassed those paid in Europe, and they are on track to surpass those in the US, perhaps in 2013/14 according to a 2011 Mercer salary survey.

The survey states that 'while average executive salaries are increasing by 7% across the region, in Europe and North America the comparable rates are approximately 2.5% to 3.0%'. And, it is not just at the top end of the employment market that the pressure on wages is mounting.

Commentators have already stated that China reached its 'Lewis Turning Point' some time during 2012—this is the point at which wages begin to rise faster than inflation in order to meet the demand for workers by attracting them from further afield⁴. Governments (local and national) have been advocating for higher minimum wage standards and although this is contributing to the overall rise in wages, it is not the only factor. The shortage of key, skilled labour is the critical issue for many larger global organisations.



36% of workers in Hong Kong work remotely compared to the global average of 48%⁵

Regus

⁴ http://www.chinadailyasia.com/opinion/2013-05/06/content_15073740.html

⁵ <http://www.mis-asia.com/mgmt/leadership-and-mgmt/hong-kong-slow-to-adopt-flexible-working/>

Competition for the right talent is hotter than ever and simply paying more for talent is not the only answer. Instead, companies need to investigate flexible workforce solutions and outsourcing (yes, even here in Asia) to fuel their growth at the right price. The idea of local companies outsourcing may seem counter-intuitive given that much of Asia's growth has been fuelled by other nations outsourcing to it, yet, there are many outsourcing models that can be used to address talent shortages. Local organisations too must begin to consider how to restructure the 'work' so that it can be done or as part of a contract or project arrangement instead of looking at permanent wages as the only solution (e.g. under an SOW or BPO structures).



03

Talent is mobile and

wants
flexibility



Research from Price Waterhouse Coopers⁶ suggests that emerging markets such as those across much of Asia-Pacific will be a key force in changing the patterns of global mobility.

Instead of skilled employees being brought in to fill jobs within Asia-Pacific, local talent will increasingly be trained and hired into these roles. But, this local talent will then also begin to fill roles abroad as local companies expand, which will create a truly global, highly mobile talent pool. Essentially, the pool of talent that will move across borders will increase and become more diverse.

While this might sound like a good thing for employers, it also increases competition for talent simply because job offers will be made more often across borders. Even when governments and organisations look to make projections about their workforces, they will find it difficult to predict the mobility of these workforces and just where their work/projects will be sourced from at any given point in time. They will need to be 'plugged into' this global, mobile pool of talent on an consistent, on-going basis.



Around half of global companies interviewed by Ernst and Young on the issue of global mobility assignments intend to increase the number of staff sent to growth markets throughout the next year.⁷

⁶ PWC Talent Mobility 2020; The next generation of international assignments: <http://www.pwc.com/gx/en/managing-tomorrows-people/future-of-work/pdf/talent-mobility-2020.pdf>

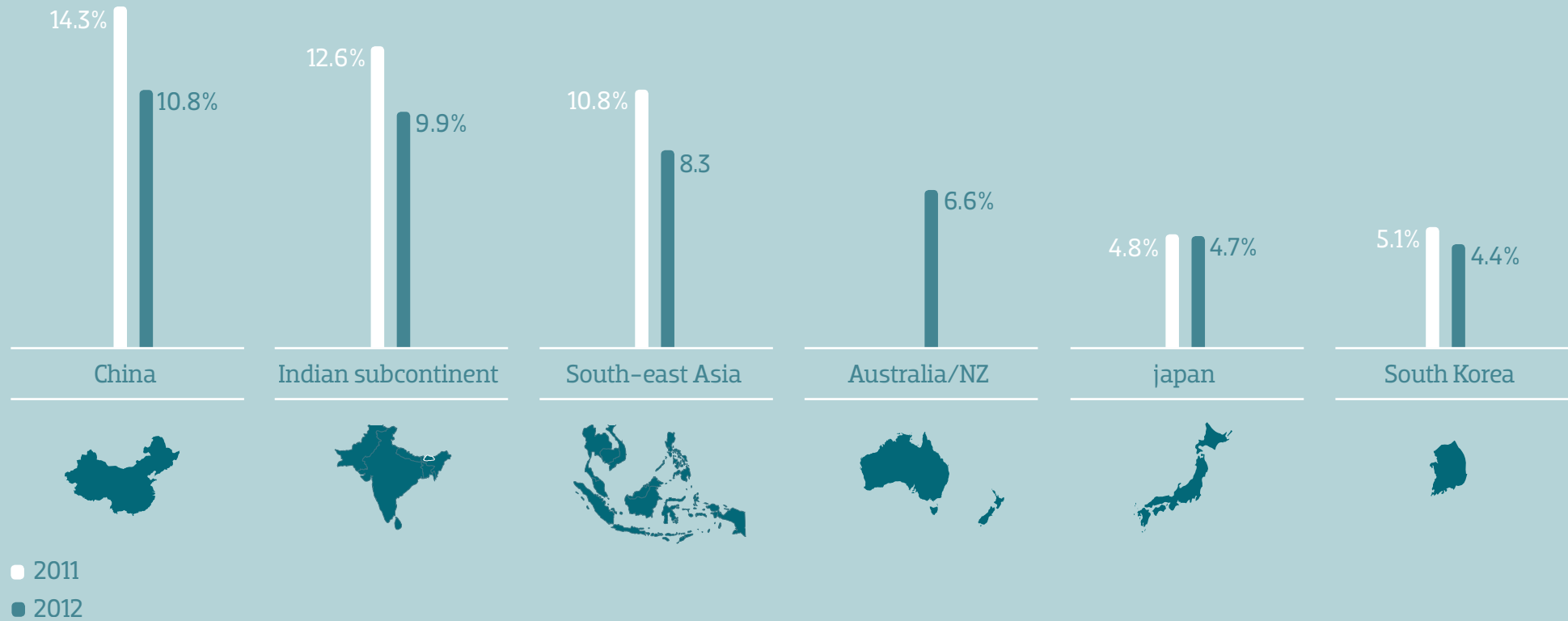
⁷ <http://globaltalentstrategy.com/en/article/challenges-following-increased-assignments-to-emerging-markets-278>

Gen Y wants mobility

The other unpredictable element that is heavily influencing mobility and flexibility in the workplace is Generation Y. These workers are more likely to want to live and work elsewhere (as our own and other research shows). When we consider that they are about to make up around 45% of the global workforce, their desire for mobility is a key talent retention and engagement issue that will affect all employers, regardless of location.

Companies can certainly look to implement strategies to keep their local talent in local jobs, but given that the attrition rate among workers across the region is already high, this seems a resource-intensive strategy that may not pay dividends. The more strategic alternative is to seek ways to build mobility and flexibility into each role or program of work itself. If mobility is something workers want, organisations must find ways to move the work with the worker, or to deploy their own workers elsewhere on assignments more effectively and efficiently.

What is your staff turnover in these territories?



*No data for Australia and New Zealand for 2011
Source: Economist Corporate Network ABOS 2013

04

Flexibility supports

innovation



Asia's days of being known primarily as the world's production line are numbered. Instead, it is swiftly becoming a critical node in the global supply-chain not just of goods, but of services— and most importantly —of ideas.

The talented individuals that will lead Asia's organisations over the next decade will need to fuel technology-enabled innovation and find new efficiencies in existing processes and investments.

The key to doing this is clearly in reducing fixed costs and using those savings to invest in innovation-led initiatives. Reducing real estate costs is one aspect of this. And, a report by technology vendor Citrix indicates that this is something organisations are already addressing— those in Hong Kong are on track to reduce office space by more than 10% by 2020⁸.

However, the other (related) fixed cost that must be reduced, particularly given the picture of rising wages across the region, is permanent staff. Organisations must develop the capabilities to both on-board and off-board talent in an efficient manner throughout

"Flexible workforces are a proven response to the key challenges that are facing the Asia-Pacific region."

8 <http://www.mis-asia.com/mgmt/leadership-and-mgmt/hong-kong-slow-to-adopt-flexible-working/#sthash.p3eDeg1q.dpuf>

the life of each project. And, they must be able to obtain enough new thinking and the right skills at the right time to complete projects and maintain the momentum of each progressive step forward. This requires not just better on-boarding and off-boarding processes, but access to a continuous talent pipeline.

Clearly, local organisations are aware of the need to make innovation-led investments. An investment survey by IDC showed that corporate budgets for IT-led innovations in the region are predicted to increase by up to 40%⁹ due to rising operational costs and the need to deliver multi-platform services to customers. These investments are likely to increase across the region, but most heavily in Indonesia, Malaysia, Singapore and Thailand. Consequently, the demand for IT-related talent in these markets will only increase, and companies' ability to deliver on these investments will demand more flexible workforces that can be deployed and redeployed efficiently.

If Asia-Pacific's organisations are going to be more innovative and capture new opportunities, they will need the right processes and the right skills, which clearly must be delivered in a flexible and low-fixed-cost manner.

⁹ <http://www.ca.com/sg/news/Press-Releases/apac/2012/asean-firms-allocating-higher-percentage.aspx>

05

Talent wants a challenge,

not a job



For workers in higher-skilled jobs, 'flexibility' has real and growing advantages. In Australia, it is estimated that independent contractors now make up around 10% of the workforce,¹⁰ and temporary and contingent workers may well be growing faster in APAC than elsewhere in the world.

For those with high-level, in-demand skill-sets (and salaries that are already above average), being able to better balance work with other aspects of life, as well as being able to pick and choose more desirable projects, is a major advantage. This kind of talent doesn't want a job, they want a project that will help them build their portfolio of skills and experience, and which will help them to land their next great, challenging contract role. These workers increasingly look to the quality of the work, not the tenure of it, to cement their career and create employment stability. And, they look for flexible assignments that will help them balance their work with their other commitments in a more manageable way.

¹⁰ <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/F0330F5043199960CA25773700169C6B>

The issue of engaging younger workers is relevant here too, especially given that they actively seek change in the workplace. In Australia alone, Generation Y has an annual job turnover rate of 40%, with two-thirds of Gen Y workers leaving each job they hold within two years.¹¹ Trying to retain and attract Gen Y workers with long-term projects will be increasingly difficult.

Add to this the already high volume of workers operating in the contingent market and it appears that flexibility is now no longer the rare exception to the rule. With upwards of 25% of companies' workforces worldwide now classified as contingent, organisations need to ensure they have enough contingent projects available to attract these workers whom choose (and prefer) to work in this way.

To get the right talent, organisations need to differentiate their job offer—they need to have the right benefits and salary, but they must also have the flexibility and clear deliverables talent wants.

¹¹ http://www.myrecruitonline.com/events-news/MyRecruitOnline_Gen_Y.html

06

Work-life balance

means difference things

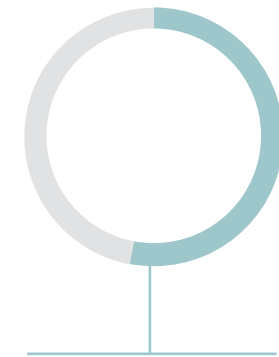


Studies in Asia have concluded that here, as in other parts of the world, there is a high positive correlation between flexible working hours and employees' motivation.

However, work-life balance is no longer considered to be a one-size-fits-all concept. It is not only individual, but organisational and cultural aspects that influence the way employees see the issue of balancing work and life.

For example, a survey of 1,834 high-potential employees working in Asia for global organisations showed that:

- Those who worked in a flexible organisation were more likely to report higher levels of 'wellbeing'.
- A lack of flexibility led respondents to abandon the prospect of reaching senior leadership roles.
- Respondents in China were less likely to feel that work-life was 'very important' to them.
- Respondents in India were the most focused on reaching senior roles and also experienced the biggest gap in work-life balance.



53% of executives in China work flexibly for at least half the week.

This figure is 46% and 45% for Taiwan and Singapore respectively¹².

2013 Regus Global
Economic Indicator

¹² <http://www.mis-asia.com/mgmt/leadership-and-mgmt/hong-kong-slow-to-adopt-flexible-working/#sthash.p3eDeg1q.dpuf>

What these findings prove is that the 'right' degree of flexibility in each role is a variable that no company can predict accurately, and even if they could, it would no doubt change significantly over time. However, we do know that flexible-working arrangements can be a low-cost way to increase productivity without increasing the workforce, and if organisations engage individual employees to determine the right balance for them, they will have a greater ability to attract the talent they want and need. The key here is not in devising broad policies regarding flexibility, but in creating variation in the way work can be structured so that the needs of individual workers can be met.



07

Economics demands

more women
in the workforce

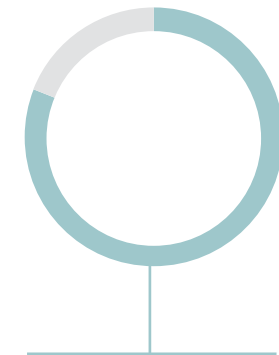


The world's emerging and developed economies can and must increase workforce participation, particularly from women. This is not a matter of ideology, but of economics.

Typically, the greater the flexibility in the workplace, the higher the proportion of women that will participate in work, and the greater the access to talent companies then have. In an ageing population with scarce skills already, every talent pool must be maximised.

And, particularly here in parts of Asia-Pacific, women present big opportunities for accessing scarce skills via contingent and flexible work arrangements.

Malaysia has one of the lowest rates of women participating in the workforce across the region (approximately 49.5%). By comparison, in Australia this rate fluctuates between 70 and 80% for women aged 20-54 years¹³. The Malaysian government's 10th annual Malaysia Plan has an objective to increase women's participation in the workforce from 49.5 to 55% by 2015.



Eight in ten (81%) respondents say that putting in place the most effective talent management strategy will be key to competitive success.

KPMG International:
Rethinking Human Resources
in a Changing World

¹³ ABS Labour force Australia, Jan 2013

However, it is not governments alone that will achieve these goals. Instead, it requires organisations to make the right kind of work available under the right conditions to make the move into work sustainable for this demographic. Increasingly, that means contingent or contract work that can be completed under flexible arrangements, and often with a component of virtual working.

Many workers, regardless of gender, are balancing their two roles as employee and parent or carer. Men also value flexibility, and are pressured by competing work-life demands. So, flexible assignments are a win-win situation, and are particularly beneficial for those who want to stay in or re-enter the employment market after starting a family or taking on significant carer responsibilities.

HOW TO MAKE FLEXIBILITY WORK

Even if we know that organisations have restricted access to talent, and that this is a critical productivity issue, changing workplace cultures and driving innovation in this space can be challenging. Here are our top four tips to getting started and beginning the right conversations.

1. **Ask employees what they need & build a specific model in each location:**

given the wide variation in individual employee needs, as well as differences across cultures, it is important to frame the issue of flexibility in the workplace with the right, local data and feedback. Begin by asking your employees what they feel needs to be changed. What issues regarding flexibility are most important to them? Once you have this information, you can then begin to see where policy gaps may lie. Be aware of cultural differences and set out to create a flexibility model that works for that location and culture. A successful program is one that is locally devised and culturally appropriate.

2. **Determine critical success factors of each role:** most roles usually start out with the assumption that they will need to be filled by permanent (although not necessarily full-time) employees. By looking more closely at what the critical success factors of a role may be, HR professionals can work with hiring managers to assess the tenure options for each role. Few roles require permanency to deliver on their objectives, and with workers spending less time in each job anyway, considering

flexible contracts can be a way to hire in expert skills for shorter timeframes. By providing managers with the overall responsibility to deliver a stream of work, and then giving them the freedom to structure the actual work as they see fit, they will have a greater pool of talent to draw from.

- 3. Analyse your gaps and think temporary labour:** more and more companies need to run specific projects, especially with involvement of professional and technical skill-sets such as engineering, science, IT, marketing, etc. Often, it can be difficult to find those skills locally and job vacancies that are critical to completing a program of work are staying open for too long and hindering productivity. By analysing the length of time that specific job vacancies are staying open, and where talent supply is limited, you can begin to create specific temporary labour solutions to address them. With this data in mind, you can talk to MSP providers, Hybrid MSPs, contingent and independent contractors to help fill these immediate gaps. These are all growing pools of labour from which companies can find and deploy skills without increasing fixed labour costs.
- 4. Begin to understand the Talent Supply Chain Management approach:** moving to a supply chain management model first requires data.

It requires a true understanding of the skills and projects that are critical to business success, and then a broad enough and well-maintained network to be able to access those skills on a just-in-time basis. By utilising an outsourcing relationship to improve workforce management companies can consider:

- Shifting the mix of FTE vs. contingent talent in their workforce
- Rationalising the contingent supply base to more effectively match demand
Implementing flexible work practices
- Engaging new workforces, including the independent contractor population to fill critical skills gaps
- Aligning internal and external compensation with talent market cost pressures

Once leaders understand their supply and demand data within their own organisation, as well as in the external market, they can evolve their strategies of accessing and managing talent to fit better with current-day business cycles. For more about proactively managing your Talent Supply Chain, see our content library at [kellyocg.com](https://www.kellyocg.com)

CONCLUSION

Workforces are less committed to their employers than ever. This is a global trend, and it is one that most acutely impacts employers operating in rapidly emerging markets where the right talent is already hard to find. Asia-Pacific is one such region.

Alongside this constrained supply of talent, HR teams are struggling with the challenges of managing a global, flexible workforce. In Asia-Pacific as with other parts of the world, work is becoming virtual and flexible, because it must. Accessing and retaining key talent, and building just-in-time workforces is a key priority for all employers, but particularly for those looking to invest more in innovation and to reduce their fixed costs.

Here in Asia-Pacific, as everywhere, outsourcing is entering a new phase. It's becoming less about the cost metrics of individual areas, functions or projects and more about improving the overall business performance.

Flexible workforces are a proven response to the key challenges that are facing the region. Now is the time to consider implementing them.



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