

The End of HRM

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Only a crisis – actual or perceived – produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around.

– *Milton Friedman*

Endorsements of *The End of HRM*

“Rarely have I read a management book that so perfectly ties in with my work practices.”

Dries van der Jagt, Total Workforce Manager, a.s.r. verzekeringen

“In total workforce management, it’s not the type of contract that comes first, but the best available candidate.”

Rolf van der Gaast, Global HR Business Partner Operations & Head of HR Netherlands, BASF Vegetable Seeds

“This book provides a look to the future of workforce management with insights that you can put into practice right away. And with a focus on both people and technology.”

Simone Broos, Head of People Operations, KPMG

“Don’t know where to start in writing your business case for the implementation of a holistic HRM model? Read this book!”

Martijn Kriekaard, Global Head of TA Optimization, Philips

The End of HRM

A New Model for
Work Organization

Roeland van Laer

Warden Press

For Thomas and Mélanie
May you be able to do what you are good at

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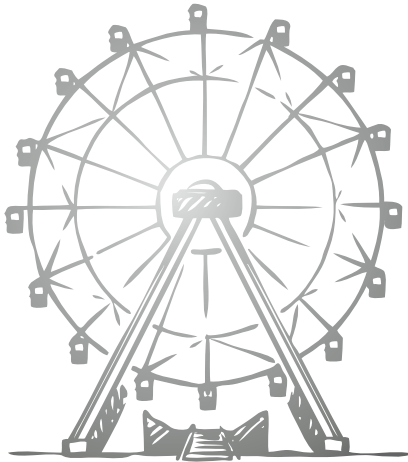
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Preface

I have always been interested in the way we humans organize ourselves and how we work together to achieve shared goals. The old, traditional way in which we used to do that has changed drastically over the past few decades. As the world becomes more fast-paced, it is increasingly hard for organizations to adapt and to attract the right talent.

During my time at Dutch energy giant Alliander and in my current job at the Labor Redimo consultancy, I have seen a growing need for a more integrated vision and approach in the area of recruitment and workforce management at organizations. What is of vital importance to organizations today is the integration of sustainable employability, diversity, talent management, employee development, recruitment of permanent and contingent staff, and the use of big data and analytics.

I discovered the importance of linking an HRM approach to the drastically changing *external* environment. All the HRM business models that I have worked with over the years were mainly geared toward better aligning internal processes and primarily focused on internal business issues and permanent staff. While these systems do all of that very well, I feel they need to do more. What was often lacking was an *outward* focus on developments in the labor market and society as a whole. One example of that is how HR professionals still do not feel (and often are not) responsible for the hiring and development of external workers (the workers who work or provide services on a non-permanent basis, which we in the Netherlands jointly refer to as an organi-

zation's "flexible shell"). In order to be able to cope with a changing external environment, it is time we thought about a new integrated HRM business model and the associated new HR roles. In this book, I present such a model.

Developments that organizations today face include globalization, individualization, technologicalization, the emergence of disruptive business models and an aging workforce, but also the impact of the COVID-19 crisis. These developments are prompting organizations to build a flexible and agile workforce that pursues continuous development and has different or new competencies. As boundaries between permanent staff and contingent staff start to fade, organizations need to ask themselves whether their HR departments are ready and equipped to manage both. The time has come for HR departments to start to feel responsible for the total workforce, instead of only for permanent employees. This marks the end of the HRM business model as we know it, and it means that we have to work toward a new HR paradigm that is aligned with contemporary agile organizations and labor flexibility.

My hope is for this book to help others and give them new insights, thus enabling them to further drive the *ongoing* concerted effort to build the future. Over the coming years, it will continue to be challenging for organizations to attract, develop, and retain sufficient numbers of qualified staff. Total workforce management will help HR departments overcome that challenge.

Arnhem, January 2022

Introduction

Over the past ten years, flexible work arrangements and contingent work have ceased to merely be an additional labor option and have become the norm. In 2019, 1.9 million employees in the Netherlands were in flexible employment. These are workers on a fixed-term employment contract or with flexible weekly hours. Or they may have been hired as temporary employees or on-call/stand-in workers. Aside from that, there were 1.1 million self-employed professionals without staff, putting the total percentage of workers in flexible employment at 34 percent of the total Dutch labor force in 2019. Not included in these figures are the many external workers working under a statement of work or external workers who work through staffing agencies. These are also workers who are posted flexibly at various employers. The number of workers in a flexible employment relationship with the organization they work for is, therefore, even higher than 34 percent. In their HR policy, however, many organizations barely make any allowances for this large and growing group of workers with flexible work arrangements.

Flexibility and Sustainability

Organizations have multigenerational workforces, and different generations have different preferences in terms of their connection to their work. This is reflected in the ratio of fixed to flexible staff in the labor market. Many workers actively choose greater flexibility over security. It is important, therefore, to create scope for this flexibility, but in a way that is new and, most importantly, sustainable.

The knowledge, skills, and creativity of *all* workers are needed to fill the new roles and perform the new tasks that are arising at (agile) organizations. The fact that information is now available anytime and anywhere opens up new ways of working (together), and society increasingly expects these to be used.

Agile Organizations

For the sake of adaptability, organizations have to be flexible in terms of tasks, working hours, and workplace. Growing competition between companies is putting pressure on them to cut labor costs and increases the need to minimize paid idleness. Fluctuations in order books, which are a common occurrence at many organizations, lead to periods of high or low workload. Besides the scope of the operations, the nature of the work may also change when an organization adopts working methods such as agile working and working in scrum teams. The traditional job framework makes way for role or task units that, in sync with the workload, can be combined dynamically in projects or assignments. Work capacity can be allocated to tasks or roles through managers, recruiters, pools of internal and external flexible workers, platforms, staffing providers, or through an online marketplace where workers can register. Adequate staffing of agile work organizations calls for strategic workforce planning, employer branding, total talent acquisition, talent management, competency management, and knowledge management.

Performance, Quality, and Availability of All Workers

Besides creating an agile organization, the link between flexibility and operating profits is another important factor. This is reflected in, for example, the quality of production (number of rejects) or services (number of damage claims), which is determined partly by the availability and use of both internal and external workers. HR policy and setting up a corresponding HR

organization that works for all workers at the organization will pave the way for better management of deployment, quality, and availability risks, partly because it forges greater worker loyalty and engagement. For external workers and employees on a permanent contract, both internal and external talent pools offer the opportunity to pursue personal development and, not to forget, to create variety in their working lives and to explore other (future) avenues for work.

The End of HRM?

In order to keep up with these developments, organizations would be wise to redesign their HR policy. An HRM approach focused solely on permanent employees with all their privileges is no longer fit for purpose for the agile organizations and workers of today. Given that employers want to be able to make sure they have a qualified, motivated, committed, and flexible workforce in the future as well, one that is also the right size for their organization, employers started to call for flexible work arrangements and employment relationships to be enshrined into law a few years ago. New Dutch labor market legislation that was passed in response to these calls is a good first step toward sustainable flexibility, as it equalizes fixed and flexible labor. However, more fundamental changes to social security and the pension system are needed to further embed flexible work arrangements in society.

That being said, there is no need for employers to wait for new legislation and system changes to steer flexible labor in the right direction at their organization. Total workforce management is a new model of talent or workforce management that covers the management of both external workers and permanent employees. This model integrates the sourcing, recruitment, management, scheduling, development, and organization of “permanent” and “temporary” staff. With total workforce management

and the associated HR policy for all workers, we can already start building future-proof, agile organizations today. It basically means that the HRM model that is geared solely toward permanent employees has to make way for a new model.

A New HRM Model for the Future

With an HRM strategy that is focused on all workers, both those on a permanent contract and those on a temporary contract, we can already start building future-proof flexible organizations. Structural sustainable flexibility puts the availability of adequate staff, employment relationships, the work organization, and cost/benefit considerations into a strategic perspective. Just compare how organizations in the world of professional soccer invest in their youth academies, early talent scouting, and careful weighing of whether to buy new players, get them on a loan deal, or bring youth players up through the ranks. This is of essential importance in being able to excel in elite sports, as shown by clubs such as FC Barcelona and Ajax Amsterdam.

It is important strategically to have insight into the required and available qualities of all your workers. HR analytics and talent management can help you with that, supported by an integrated and balanced HR technology landscape. It enables effective deployment of workers, both today and in the future. It allows organizations to anticipate possible staff surpluses and shortages. This requires a strategic workforce planning approach that adapts to the environment. Adequate staffing of a flexible work organization requires a different perspective on how you budget staff costs, whereby staff comprises both permanent and external workers, the integration of recruitment for both permanent and temporary positions, and competency and knowledge management for both permanent and external workers. Electronics giant Philips, for example, ran an extensive survey to gauge their freelance workers' preferences. As it

turned out, freelance workers want to work on their own terms, but they also want to pursue personal and professional development. Philips subsequently decided to help their freelance staff with the latter, much in the same way as they had already been supporting their permanent staff. The feedback sessions, workshops, and training that Philips already organized for their permanent staff were also opened up to contingent workers.

In this book, I will present a total workforce management (TWM) model that captures the topics mentioned above in seven elements. Given that this is an integrated and holistic approach, all these elements are interconnected and do not stand on their own. A sustainable HR policy for all workers embraces this holistic aspect by not putting the contract type the first, but rather the joint effort for the best organizational performance today and in the future.



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THE LABOR MARKET IN PERSPECTIVE

In this first part, I will provide an outline of the labor market today and explore how the current situation affects HRM.

Developments in the Labor Market

By 2019, the Dutch labor market had largely put the economic crisis behind it. On several fronts, in fact, the 2019 figures were better than the pre-crisis figures, as shown by data reported by the Dutch government's statistics agency, Statistics Netherlands. Business confidence showed a similar upward trend. In 2020, however, the situation changed entirely. By the end of the first quarter of 2020, there were 60,000 fewer job vacancies than three months earlier, a 21 percent drop.

The number of vacancies kept rising over the past years, but the COVID-19 crisis showed that it can fall equally quickly. According to Statistics Netherlands, the number of job vacancies reached a record number of 284,000 in the second quarter of 2019ⁱ, up considerably on the previous record of 249,000 set in late 2007. Over the past two decades, the number of employees on a permanent contract fell, despite the increase in the total number of jobs. The number of self-employed professionals and

the number of employees on a flexible contract, on the other hand, has soared. In other European countries, however, this phenomenon is far less prevalent. Too much flexibility may in the long run affect Dutch companies' revenue model, and even that of the Dutch economy as a whole. Due to the increasingly temporary nature of work, employees are not always able to keep working on their personal and professional development as well. As a result, loss of knowledge looms large for organizations due to labor flexibility.

Supply and Demand

The labor market is the interplay of supply and demand for workers over time. In other words, it is the continuous process of matching employers' demand for labor to the supply of labor by workers and job seekers. Seeing as supply and demand are not steady over time and are subject to external influences, it is a fairly dynamic process. It is also a process that is influenced by governments through legislation and regulations, as well as through policy instruments such as social returns. Social returns are the creation of sustainable jobs for people with poor job prospects, which can be laid down in HR policy on sustainable employability, diversity, and inclusion. In its core, the labor market is basically the interplay between employers and workers or job seekers, while parties such as governments also exert some kind of influence.

The labor market is deemed to be tight when demand for labor exceeds labor supply, meaning that it is hard for companies to find staff. A tight labor market is a common byproduct of economic booms, which are periods when the economy is doing relatively well. When an organization needs staff, they head out into the labor market to look for people with the right skills to fill a certain vacancy. The labor market can furthermore be split up into many sub-markets and labor groups, such as elec-

tricians, teachers, and engineers. Consequently, the phenomenon of a tight labor market is different for every sub-market. At present, for example, there is a shortage of engineers and IT workers. Elsewhere in the labor market, however, there is high unemployment due to a surplus of less educated people looking for administrative jobs.

Legislation and the Labor Market

What is lacking in the labor market is balance. Through a new piece of legislation called the “Balanced Labor Market Act”, the Dutch government has set out to repair several adverse effects of and unattained objectives from the Dutch Work and Security Act. With this new legislation, the government wants to close the gap that has arisen between permanent and flexible workers, making permanent contracts a bit more flexible and adding a bit more security to flexible contracts. It has also changed parts of the severance pay scheme, the rules for the number of successive fixed-term contracts that employers can offer an employee, and the premium for unemployment benefits. These legislative efforts paint a good picture of how the Dutch government intends to close the gap between permanent employees and workers on flexible work arrangements. This new legislation also has a bearing on the contractual composition of an organization’s workforce. In practice, organizations often do not have a coherent approach that caters to both permanent and external workers. The current Dutch government has the ambition to enable everyone to be full members of society and to contribute to society. For a large part of our population, working to earn a living is a given. Away from the world of work, people are often also active in society in other ways. There is, however, also a section of society for whom it is much more challenging to be a full member of society. The government wants to give these people prospects for full participation in society. In doing so, the government aims to provide support to shore up the

capacities these people already have. The Dutch Participation Act is based on these key principles. The government's overriding aim is to create an inclusive labor market; a labor market in which young people, the elderly, people with an impairment and able-bodied people can all participate, so basically a labor market for all. Participation, preferably through work, leads to social, economic, and financial independence, gives people a sense of self-worth, and contributes to social cohesion and the economy.

Sustainable Employability, Diversity, and Inclusion

Diversity generally covers all aspects by which people differ from each other. This means both visible traits such as gender, ethnicity, and age, and non-visible aspects such as personality, qualities, and work style. The basic idea of a diversity policy is that people differ from each other on an individual level. A diversity policy factors in the differences between employees without differentiating between certain demographics. This does not mean, however, that relevant differences between men and women, between ethnic groups, or between young people and older people are ignored completely. From an organizational perspective, I consider diversity policy to be all measures and activities by an organization that contribute to *the sustainable use of all employees* while factoring in the differences between them. Such a policy is focused on both permanent employees and workers with a flexible employment relationship. An inclusive organization makes the most of the diverse talents and capabilities available in the labor market. In an inclusive work environment, all (future) employees come into their own, regardless of their age, life stage, length of employment, gender, or ethnic background. Differences are valued and even sought after as qualities to exploit in their work.

For employees to have long, healthy, and happy careers, which I refer to as “sustainable employability,” it is key to create a work environment that stimulates workers to keep developing. It is also about broad employability and workers having options. Workers will then be less vulnerable to developments in the organizational context (employability), in their health (vitality), or in their capabilities (work ability). Long-term unemployment reduces employability not only because skills are lost the longer someone is unemployed, but also because employers tend to see long-term unemployment or (temporary) idleness as signs of low productivity. As a result, the longer someone is unemployed, the lower their chances of landing a job or an assignment with an employer.

Innovations, Disruptive Business Models, and How They Impact on the Labor Market

We live in a fascinating, rapidly changing world. Technologies such as robotization, artificial intelligence, the Internet of Things, self-driving cars, 3D/4D printing, solar energy, nanotechnology, biotechnology, and quantum computing are jointly sparking the fourth industrial revolution. Across all industries, we are seeing new products, new production methods, and new business models emerge.

By investing in new technologies, organizations manage to address skills shortages to some extent. The construction industry, for example, has good reason to seize the opportunities offered by new technologies with both hands. Construction activity is in full swing again and with demand for homes exceeding supply, house prices are rising. Over the past couple of years, unemployment in the construction industry has dropped rapidly, order books have filled up, and waits for new homes are longer than ever. An impending shortage of skilled workers stands in the way of further growth in this industry.

The Impact of COVID-19: External Virtual Teams and Remote Workers

The emergence of external virtual teams is one of the biggest trends that has really put organizations to the test over the past few years. The past period clearly shows that remote working is no longer an exception, but on its way to becoming the new norm in all countries and industries. There is even talk of working from home being designated as a basic worker right. This development gained some serious momentum on the back of the COVID-19 crisis.

The option to work remotely is rapidly becoming one of the most important things employees look for in a job, but it also poses a considerable administrative challenge. Companies that operate globally have to be willing and able to interconnect workers based in different time zones and take steps to ensure they all have access to the same learning and development opportunities. On the other hand, it gives employers access to new, previously inaccessible talent pools and brings down recruitment costs.

The rise in numbers of remote workers is leading to a range of issues in the context of international labor mobility, such as migration law-related issues around the validity of permits and the obligation to register foreign workers, national social security issues, issues around who is subject to the obligation to take out insurance, issues around labor law and terms of employment, tax issues, and potentially pension-related issues as well.

On the upside, however, technology offers a myriad of ways to deal with such issues and will undoubtedly continue to be used to bring together virtual teams and remote workers. Thanks to collaborating project management, messaging suites such as Slack and Trello, and cloud-based HR platforms, location

is no longer an issue. Technology now has to empower virtual teams to stay connected and keep their productivity levels up. The development toward remote working means a considerable change for recruiters, as they now have a much larger sourcing pool to fish in, while also needing better and more effective tools to reach the people they want to hire. Websites that connect employers to future workers are becoming increasingly popular, because they help both recruiters and candidates. Examples include Upwork.com and Fiverr.com, as well as more innovative platforms such as thepeopleplatform.com. When an organization has teams that work remotely, the HR department itself can also work remotely. This is where extensive HR platforms are having a major impact on the future of HR. There are already several all-in-one HR platforms available that cover many separate core aspects of HR management, such as payroll records, terms of employment, time tracking, and onboarding software.

What is important for organizations is to tap into (potential) workers' different work styles and work needs. There are workers who, for example, like to take responsibility and shape their own working methods, while others prefer a stable work environment at an office with the same co-workers around them every day. And yet others thrive when working to fixed patterns and a clear structure. The meteoric and accelerated rise of remote working on the back of the COVID-19 crisis has also put a whole new complexion on the role of remote leadership.

However, remote working is not all that “new”. For decades, the trend at organizations has been toward a more participative form of leadership, a certain level of autonomy for workers, and remote working. What does this mean for managers? Will managers soon be surplus to requirements when everyone works remotely? Making schedules and coordinating work used to be important management tasks, but have largely been automated

by now. The days that managers were the only source of reference for work-related issues are also long gone. Knowledge is readily available everywhere and managers have long ceased to be the ones who have the most knowledge in all areas. And yet, managers will not soon be redundant. Teams need leaders who inspire, forge a group spirit, set targets, give confidence, and resolve conflicts.

New approaches to work are partly enabled by constantly advancing technological developments. Anytime and anywhere working have become possible, as people can work independently of time and location. Besides technology as a driver, there is also a social driver behind these developments. People need flexibility to be able to better combine their work life and their private life, or to better combine work duties with care duties. A final driver behind current developments are workers' changing skill sets. In today's network society, workers are expected to be able to switch flexibly between tasks and find information. They are basically expected to be spiders in a web of work. Compared to (a section of) current workers, the new generation of workers not only have different skills but also different needs. They need flexibility, for example, and they want to be challenged in their job. They also relish feedback and like performance-related contractual arrangements such as performance-related pay. Even though workers from younger generations have an open mind toward the knowledge, skills, and experience of their older co-workers, they want to do things their own way.

New Professions and Robotization

We all know the story of how robots took over certain factory worker jobs. And now we also have self-driving cars that are making drivers redundant. In both these cases, the kind of work that is done by robots is routine and low-skilled work. Meanwhile, we are also seeing knowledge-based work being automat-

ed through the use of artificial intelligence, especially routine work. Chatbots increasingly take care of correspondence with consumers and applicants, providing instant answers to their questions. Realtors, lawyers, and recruiters also have to fear for their jobs, because most of the process and tasks that make up their jobs can already be digitalized and automated.

Management tasks can be replaced by artificial intelligence. My estimation is that five years from now it will be possible to have a computer make three quarters of all management decisions. These would be decisions about hiring and developing workers and prioritizing proposals made in a team.

The jobs that are here to stay are those that are not routine-based and require skills that humans are better at than robots, such as creativity, social intelligence, and personal contact. A financial advisor or medical specialist who uses artificial intelligence as a support resource in analyzing a situation or making a diagnosis will not be redundant because of it, but will see their role change. The session with the client or consult with the patient will then not so much be about the accuracy of the analysis but more about the impact thereof and the best options and measures for the person in question. At schools and universities, it is mainly about the transfer of knowledge. This is relatively easy to teach and test. But knowledge also gets outdated fast, and is now readily accessible in digital format. In the labor market, it is no longer knowledge that makes the difference in being successful, it is someone's capacity to adapt and learn.

Open Innovation

Organizations are rapidly realizing that the best people work elsewhere. This is not intended as a disqualification of their own permanent employees, but rather as recognition of the fact that there is always more knowledge available and that there