

The Contingent Workforce Revolution in APAC

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Abstract

Contract labour is referred to as contingent workforce around the world. Many, if not most, organizations now use a combination of contingent and non-contingent staff. A contingent worker can be a freelancer, independent consultant, contractor, part-timer, on-call worker, or someone with another form of alternative employment arrangement. Contingent workers operate on a project-based model, meaning they are engaged specifically for particular tasks or projects, rather than being hired for ongoing, continuous employment. In essence, they are brought in as needed, depending on the requirements of each project. Unlike permanent employees who have ongoing roles within the organization, contingent workers are typically not guaranteed ongoing work beyond the scope of the current project they are hired for.

In this paper we review the trends and drivers of contract labor engagement in various APAC nations, including China, Vietnam, Thailand, Malaysia, Singapore, Indonesia, Hong Kong, South Korea, Taiwan, Australia, and New Zealand including and overview on legal landscape of relevant laws.

Keywords : Contract labor , Contingent workforce , APAC

Introduction

The Asia-Pacific (APAC) region has witnessed a remarkable surge in the utilization of contingent or contract labour in recent years. This trend has reshaped workforce management practices, as organizations seek to adapt to the ever-evolving demands of the global economy. The adoption of contingent workforce strategies has emerged as a pivotal solution, offering unparalleled flexibility, agility, and access to specialized expertise, enabling businesses to thrive in a dynamic and competitive landscape.

At the heart of this shift lies a multitude of compelling factors driving the embrace of contingent workers. Firstly, organizations are compelled by the imperative for workforce agility, which allows them to swiftly adjust their staffing levels in response to fluctuating market conditions, project demands, and changing business needs. By leveraging a contingent workforce, companies can rapidly scale their operations up or down, circumventing the constraints and long-term commitments associated with permanent hires.

Secondly, the pursuit of operational continuity has fuelled the adoption of contract labour. Temporary workers serve as a vital resource, stepping in to fill vacancies during staff shortages, ensuring that workflows remain uninterrupted and productivity levels are maintained even in the face of challenging circumstances. This flexibility enables organizations to navigate personnel disruptions seamlessly, minimizing the impact on their operations and clients.

Moreover, the ever-present need for specialized expertise has prompted businesses to engage contingent workers. These highly skilled professionals bring niche knowledge and expertise tailored to specific projects or peak periods, bolstering efficiency, driving innovation, and contributing to successful project execution. By tapping into this diverse pool of talent, organizations can augment their existing workforce with the requisite skills without incurring the overhead costs associated with permanent hires.

Lastly, the desire for an extended evaluation period has motivated employers to enlist temporary workers. This approach provides a valuable opportunity to assess the performance, cultural fit, and compatibility of potential candidates before committing to permanent hiring decisions. By leveraging contingent workers, organizations can mitigate the risks of mismatches, ensuring a more informed and strategic approach to talent acquisition and retention.

Engagement of Contract Labour in APAC

Companies around Asia Pacific (APAC) are employing contingent workforces, with some stating in a new report that they want to extend their use. The contingent workforce consists of short- and fixed-term contractual employees, freelancers, and independent contractors who are outsourced to agencies. According to the most recent business study¹ report from PERSOLKELLY, was conducted in a cross-section of industries in 12 markets in Asia Pacific namely India , China, Vietnam, Thailand, Malaysia , Singapore ,Indonesia, Hong Kong, South Korea ,Taiwan, Australia and New Zealand revealed that Covid-19 epidemic and technology advancements are transforming company strategies and labour practices in Asia-Pacific.

The rapid pace of change, combined with economic instability, has prompted organisations of all sizes to reconsider old hiring tactics and adopt new techniques to remain competitive. In Asia Pacific, nearly 50% of organisations use a contingent labour to address staffing shortages. Companies are increasingly embracing a contingent labour approach for their future employment needs. Approximately 25% of organisations in Asia Pacific will boost their use of contingent workforces. Nearly half of all enterprises The surveyed companies are now using contingent workers for up to The company aims to increase their contingent employment to 15% or higher during 2024-2025.

48% of respondents use recruiting firms for their headcount needs, particularly in IT/Hi-Tech, Healthcare, Banking/Insurance, Government firms, Manufacturing, and Professional Services industries. Roles with high turnover rates, such as blue-collar workers and call centre personnel, are increasingly being outsourced to agencies with a deeper understanding of the sector and talent pool. Recruitment services streamline the talent acquisition process, allowing HR and internal teams to focus on key capabilities. The Contingent Workforce is a key component of the rapidly expanding Gig Economy, which is transforming the workplace landscape. Businesses increasingly view contingent workers as part of the mainstream workforce, rather than as a supplement to full-time employees due to their particular skills. The skills shortage has led to a shift in corporate perspectives. According to the aforesaid report , Asia Pacific organisations tend to give comparable or higher compensation to recruit top individuals for long-term assignments. In summary, the findings indicate that the contingent workforce will become increasingly important for organisations in the future. To thrive in today's fast-changing market, firms must be agile and adaptable.

The findings underscore the significant role of Contingent Workforce arrangements in organizations' workforce strategies. Approximately half of the employers surveyed reported integrating a Contingent Workforce for up to 10% of their staffing requirements within the past year. However, the adoption rates vary considerably across different markets.

Notably, China exhibits the lowest adoption rate among all markets surveyed, with a substantial majority (74%) of companies utilizing a Contingent Workforce for 10% or fewer of their staffing needs. This suggests a relatively conservative approach to contingent staffing in the Chinese market.

Conversely, a significant proportion of companies across several markets rely more heavily on Contingent Workforce arrangements. Nearly a quarter of all companies surveyed utilize a Contingent Workforce for more than 20% of their staffing needs. The highest adoption rates are observed in Indonesia (32%), India (31%), Vietnam (25%), and Thailand (25%).²Of particular interest is Indonesia, where almost half of all companies report engaging 20% or more of their employees under Contingent Workforce arrangements. This reflects a pronounced reliance on flexible staffing solutions to meet organizational needs and underscores the prevalence of contingent employment practices in the Indonesian market.

Contingent workers mainly fill up entry-level or mid-level roles. One of the key reason for the rise in contingent workforce is that the average tenures of permanent workers are getting shorter with half of an organisation's workforce

¹ Persolkelly, “2022 APAC Workforce Insights” (2022)

² Persolkelly, “2022 APAC Workforce Insights” (2022)

staying for fewer than three years.³

Overall, the data highlights the diverse approaches adopted by organizations in integrating Contingent Workforce models into their staffing strategies. While some markets exhibit more conservative adoption rates, others demonstrate a greater reliance on contingent staffing to address workforce requirements and maintain operational flexibility.

The 4 primary reasons for adopting a Contingent Workforce in Asia Pacific

According to the aforementioned report The four primary rationalizations ⁴for using contingent workforce is.

a. Allows for flexibility in personnel planning:

- Flexibility in personnel planning is crucial for businesses facing unpredictable market conditions, seasonal variations, or project-based workloads. Temporary workers offer a dynamic solution to address these fluctuations by enabling companies to adjust their workforce size quickly and efficiently.
- By leveraging temporary staffing agencies or contract workers, organizations can scale their workforce up or down as needed, without the long-term commitment associated with permanent hires. This adaptability is particularly beneficial for industries with cyclical demand patterns or businesses undergoing rapid growth or restructuring.
- Additionally, temporary staffing arrangements allow companies to respond swiftly to unforeseen circumstances such as sudden increases in customer demand, employee absences, or unexpected project opportunities, ensuring operational agility and responsiveness.

b. Fills jobs without impacting operations:

- Temporary workers play a crucial role in maintaining business continuity during periods of staff shortages, employee turnover, or unforeseen absences. By quickly filling vacant positions with temporary staff, companies can prevent disruptions to workflow, minimize downtime, and uphold service levels.
- Moreover, utilizing temporary workers reduces the burden on existing employees, preventing burnout and preserving morale. Instead of overloading permanent staff with additional responsibilities, temporary workers can share the workload, ensuring that essential tasks are completed efficiently and effectively.
- This seamless integration of temporary workers into existing teams allows organizations to maintain productivity levels and meet customer expectations, even during challenging circumstances.

c. Brings in certain expertise on a short-term/project basis:

- Temporary workers often possess specialized skills, experience, or qualifications that are essential for specific projects, initiatives, or peak periods of activity. By tapping into this pool of talent, companies can access expertise that may not be available within their permanent workforce.
- Whether it's IT professionals, marketing specialists, or engineering consultants, temporary workers offer a cost-effective solution for acquiring specialized knowledge or filling skill gaps on a short-term basis. This targeted approach allows organizations to execute projects more efficiently, meet deadlines, and deliver high-quality results.
- Additionally, temporary staffing arrangements enable companies to adapt to changing market demands or technological advancements by bringing in external talent with the latest skills and industry insights, enhancing innovation and competitiveness.

³ “Contingent Workforce Continues to Thrive in Asia Pacific: Report”, The Economic Times, Sept. 23, 2018

⁴ Persolkelly, “2022 APAC Workforce Insights” (2022)

d. Allows time for examination before employing permanently:

- Hiring temporary workers provides employers with an extended evaluation period to assess candidates' performance, fit with the company culture, and compatibility with the team dynamics before making permanent hiring decisions.
- During the temporary assignment, employers can observe the temporary worker's work ethic, professionalism, communication skills, and ability to collaborate with colleagues. This firsthand experience allows hiring managers to make more informed decisions about offering permanent employment.
- Furthermore, the temporary period serves as a probationary period for both parties, allowing the temporary worker to evaluate the company's culture, values, and growth opportunities before committing to a permanent role. This mutual assessment minimizes the risk of hiring mismatches and fosters better long-term employee engagement and retention.

According to the aforementioned report, businesses adopting a Contingent Workforce is the flexibility it provides for workforce planning, enabling companies to adjust their staffing levels according to evolving needs. This adaptability makes it easier for organizations to upscale or downscale their workforce as required, without the constraints of long-term commitments. Across the region, an average of 55% of surveyed companies identified flexibility as their top reason for embracing a Contingent Workforce, with particularly high percentages reported in Vietnam (67%) and India (63%). The second most cited reason for adopting a Contingent Workforce is to fill specialized roles, ensuring seamless operations and minimal disruption to business activities. Approximately 51% of companies identified this as a key motivation, with notable responses from Singapore (66%) and Vietnam (63%). By leveraging contingent workers with specific expertise, companies can access the skills they need without undertaking the expense or risk associated with permanent hires. Overall, certain sectors exhibit a stronger inclination towards utilizing a Contingent Workforce. These include IT/Hi-Tech, Healthcare/Pharmaceutical, FMCG, Logistics/Supply Chain, Financial Institutions/Banking, Professional Services/Consultancy, Manufacturing, and Government/Statutory Agencies. These sectors often require flexible staffing solutions to accommodate project-based work, fluctuating demand, or specialized skill requirements. As such, they are more inclined to embrace contingent staffing arrangements as a strategic workforce management strategy.

In summary, the strategic utilization of temporary/contingent workers offers businesses a range of benefits, including workforce flexibility, operational continuity, access to specialized expertise, and informed hiring decisions. By leveraging temporary staffing solutions effectively, organizations can enhance their agility, productivity, and competitiveness in today's dynamic business environment.

Strategies Employed by Companies to Address Workforce Shortages in APAC

As per the aforementioned report When facing shortages in their workforce, companies across the Asia Pacific region employ various strategies to bridge the gap and ensure continued productivity. According to recent findings, a significant majority of companies (58%) in the region turn to hiring Contingent Workforce employees to alleviate workloads during periods of headcount shortage.

Among the countries surveyed, Indonesia leads with the highest adoption rate of Contingent Workforce employment at 67%, closely followed by Hong Kong (66%), Malaysia (64%), and Singapore (60%). This trend underscores the widespread recognition of the benefits of leveraging temporary or contract workers to address immediate staffing needs and maintain operational efficiency.

The second most popular strategy employed by companies to address workforce gaps is Training and Upskilling, with 54% of respondents indicating its use. This proactive approach aims to enhance the skills and capabilities of existing employees, enabling them to adapt to evolving demands and contribute effectively to organizational objectives.

Notably, countries where Manufacturing holds significant prominence, such as China (67%) and Vietnam (61%), exhibit the highest adoption rates of Training and Upskilling initiatives. This reflects the industry's recognition of the importance of continuous learning and skills development to remain competitive in a dynamic market landscape.

In contrast, respondents express less reliance on government agencies or educational institutions to meet their workforce needs, with only 28% considering these options. Instead, companies prefer more direct and tailored approaches to address staffing shortages, such as leveraging contingent workers and investing in internal talent development programs.

Overall, the findings highlight the strategic approaches adopted by companies in the Asia Pacific region to optimize their workforce and adapt to changing business environments. By embracing flexible staffing solutions and prioritizing employee skill enhancement, organizations can enhance their resilience, agility, and long-term competitiveness in the marketplace.

APAC Reward Perspective for Contingent Workforce

The report's findings revealed a notable shift in how businesses perceive and reward contingent workers, with a growing trend towards treating them on par with full-time staff. Across all markets surveyed, an average of 45% of companies indicated that they reward contingent workers in a manner similar to their permanent counterparts, particularly within the FMCG, Healthcare, IT/Hi-Tech, and Logistics/Supply Chain sectors.

Moreover, a significant majority of Asia Pacific companies (74%) expressed their intention to reward contingent workers in the same way or even better than full-time staff. This inclination is especially pronounced in sectors such as IT/Hi-Tech, Healthcare, Banking/Insurance, and Manufacturing. One primary motivation behind this approach is to attract top talent critical for project delivery, thereby mitigating the risk of project delays and supporting overall company growth.

Certain markets within the Asia Pacific region stand out for their proactive stance towards offering better rewards to contingent workers compared to permanent hires. Hong Kong, New Zealand, India, China, Taiwan, and Vietnam emerged as the top markets where over 30% of respondents indicated a willingness to provide enhanced rewards. On the other hand, an average of 45% of companies across all markets reported offering the same rewards to contingent workers as permanent hires. Notably, South Korea leads in this aspect, with 60% of respondents affirming equivalent rewards, followed by China (57%), Thailand (54%), and Australia (50%).

These findings underscore a fundamental shift in the perception of temporary or contractual staff, challenging the traditional notion of them being considered lower-grade workforce. In the face of a talent crunch and increasing competition for specialized talent, companies recognize the need to offer comparable or superior rewards to remain competitive. By aligning their reward structures with the value and contributions of contingent workers, businesses can attract and retain top talent essential for driving innovation, meeting project deadlines, and sustaining growth in today's dynamic business landscape.

APAC In-Demand Skills of the Contingent Workforce

In a recent McKinsey report, emerging technologies such as 5G, Cloud Computing, Big Data, Artificial Intelligence, and the Internet of Things (IoT) are poised to revolutionize the digital economy, driving unprecedented growth and innovation. However, this rapid transformation also brings challenges, particularly in addressing the digital skills gap within organizations. According to McKinsey, over 90% of executives worldwide are grappling with digital skills shortages in their workforce, highlighting the urgent need for upskilling and talent acquisition initiatives.

For example, in Singapore, the demand for Cybersecurity professionals has surged by 6.6 times over the past three years, underscoring the critical importance of specialized skills in protecting digital assets and mitigating cyber threats.

In response to the evolving digital landscape, the most sought-after skills for a Contingent Workforce across the Asia Pacific region encompass a diverse range of competencies. These include:

1. IT Skills:

- This category encompasses Data Analytics, Cybersecurity, Programming, and Project Management, reflecting the growing reliance on technology-driven solutions and digital transformation initiatives.
- India emerges as a hotspot for IT skills demand, with 50% of companies indicating a need for these capabilities, followed closely by Vietnam at 44%.

2. General Administration:

- Skills related to general administration play a crucial role in maintaining operational efficiency and supporting day-to-day business activities.
- Hong Kong leads in demand for general administration skills, with 48% of companies seeking these competencies, followed by Singapore at 42%.

3. Sales/Business Development and Marketing:

- As organizations seek to expand their market presence and capitalize on emerging opportunities, proficiency in sales, business development, and marketing becomes increasingly vital.
- While specific statistics for these skills were not provided, they remain integral to driving revenue growth and enhancing brand visibility across industries.

Overall, the demand for these skills underscores the strategic imperative for organizations to adapt to the digital era by equipping their workforce with the requisite capabilities. By leveraging a Contingent Workforce equipped with specialized skills, companies can navigate digital disruption, capitalize on emerging opportunities, and maintain a competitive edge in the rapidly evolving marketplace.

Legal Landscape in Contract Labour/ Contingent workforce Laws

The Asia-Pacific region, home to some of the world's most dynamic economies, presents a diverse landscape of contract labour regulations. From the bustling manufacturing hubs of China and Vietnam to the advanced economies of Australia and Singapore, each nation has crafted its own approach to managing temporary and contract-based employment. These regulations⁵ are primarily governed by comprehensive labour laws, such as China's Labor Contract Law, Vietnam's Labor Code, and Australia's Fair Work Act. While the⁶ specifics vary, most countries in the region have implemented measures to address key aspects of contract labour, including contract duration, employee benefits, and termination procedures.

One common thread across the region⁷ is the attempt to balance workplace flexibility with worker protection. Many countries, including China, South Korea, and Indonesia, have imposed limits on contract duration to prevent the misuse of temporary employment arrangements. For instance, China caps most labour contracts at two years with one renewal, while South Korea considers contracts exceeding two years as permanent employment. Benefits for contract workers also vary widely, with some nations like New Zealand offering near-parity with permanent employees, while others provide more limited protections. Most countries mandate⁸ some form of social security contribution for longer-term contracts, exemplified by Singapore's Central Provident Fund (CPF) requirements for contracts exceeding three months.

Termination processes for contract labour are another critical area of regulation⁹. Notice periods are commonly required across the region, often scaling with the length of service. For example, Malaysia's Employment Act stipulates notice periods ranging from 4 to 8 weeks based on tenure, while Hong Kong's Employment Ordinance requires at least 7 days' notice if not otherwise specified in the contract. Some countries, like Australia and New Zealand, have also implemented

⁵ The Labor Contract Law of the People's Republic of China, 2008

⁶ Labor Protection Act, 1998

⁷ The Employment Act, 1955

⁸ Employment Act (EA), 1968 and Employment of Foreign Manpower Act (EFMA), 1990

⁹ Manpower Law (Law No. 13 of 2003)

provisions to facilitate the transition from casual or contract work to permanent employment, reflecting growing concerns about job security in the gig economy era.

Despite these regulations, the effectiveness of contract labour laws in the Asia-Pacific region remains a subject of debate. While many countries have made strides in protecting contract workers, challenges persist in enforcement, particularly in nations with large informal sectors. The disparity in job security and benefits between contract and permanent workers continues to be a concern, potentially creating a two-tiered workforce. As the nature of work evolves in the digital age, policymakers across the region face the ongoing challenge of adapting labour laws to new realities while maintaining a balance between employer flexibility and worker protection. The future of contract labour regulation in Asia-Pacific will likely involve further refinements to address these challenges, potentially drawing inspiration from successful models within the region and beyond.

Conclusion

A comprehensive analysis of workforce trends across the Asia Pacific (APAC) region reveals a significant strategic shift in the adoption and management of contingent labor. Over 58% of key industries have embraced the utilization of a contingent workforce as a strategic solution to address talent gaps and headcount shortages. This staggering statistic underscores the growing importance of contingent workers in modern workforce planning strategies, as organizations increasingly recognize the agility and flexibility they offer.

Currently, approximately 25% of companies across the APAC region leverage contingent workers, and this number is expected to rise substantially in the coming years. The contingent workforce is rapidly becoming a vital component of comprehensive workforce management strategies, with organizations poised to expand their usage in response to evolving business needs and market dynamics.

One of the noteworthy findings of the analysis is the changing perception of contingent workers within businesses. Traditionally viewed as secondary to full-time employees, contingent workers are now increasingly recognized as integral members of the mainstream workforce. This shift is driven by the recognition of their specialized skills and expertise, with a significant proportion possessing high levels of proficiency in niche areas.

The increasing adoption of contingent labor across key industries in the APAC region reflects a strategic shift in workforce planning strategies. Organizations are leveraging contingent workers to address talent gaps, mitigate skill shortages, and enhance agility in response to dynamic market conditions. By embracing contingent labor, businesses can tap into a flexible talent pool that can be scaled up or down as per demand, thereby optimizing resource allocation and improving operational efficiency.

A significant transformation in perceptions regarding contingent workers is observed, with businesses increasingly viewing them as integral members of the workforce. This shift is attributed to the evolving nature of work, where contingent workers are valued not just for their temporary support but for their specialized skills and expertise. Many contingent workers possess advanced skills in specialized areas, making them indispensable assets for organizations seeking to stay competitive in today's rapidly evolving business landscape. As a result, businesses are reevaluating their talent acquisition and management strategies to effectively integrate contingent workers into their workforce and leverage their unique skillsets for strategic advantage.

It is noteworthy that robust legal frameworks governing contingent labor exist across selected nations, including China, Vietnam, Thailand, Malaysia, Singapore, Indonesia, Hong Kong, South Korea, Taiwan, Australia, and New Zealand. Each of these countries has enacted specific labor laws and regulations to address the rights and protections of both regular and contingent workers, ensuring fair treatment and promoting workplace equality.