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# WHY ORGANIZATIONS NEED TO EVOLVE THEIR SOCIAL CONTRACT TO SUPPORT THEIR WHOLE WORKFORCE

Claudia is an expert in finding the “people perspective” on digital, automation, and AI. She supports clients in the evolution of leadership in the digital age; workforce and organizational transformation through automation and AI; the composition of the HR function; and employee engagement.

**The pandemic has profoundly changed the way we live and work. Along with the accelerating speed of automation, the pandemic has amplified challenges such as unemployment and inequality across labor markets and exposed vulnerabilities in social contracts. With remote working being the dominant way of work today for desk workers, work is no longer a place where we *go*; it is what we *do*, wherever that may be. Our recent “fluid workforce” research reveals that 63% of executives we surveyed agreed that the shifts caused by the COVID-19 pandemic have blurred the boundaries between the fluid and permanent workforces.<sup>1</sup> As the relationship between organizations and employees undergoes fundamental changes, a revision of the employee social contract is inevitable.**

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**The pandemic has laid bare the challenges faced by the fluid workforce including the lack of social benefits and job security, disparity in digital skills, and a lack of sense of belonging.”**

A social contract is an explicit or implicit agreement that governs the relationship between individuals and organizations (or governments) to share risks within a certain context; for example, in an employment relationship. In these turbulent times, there are rising calls for organizations to form a new social contract with their permanent employees, focusing on security, health, safety, and employability. But it becomes equally critical to create a social contract for the fluid workforce, which may have been limited to a demand/supply relationship in the past. The COVID-19 pandemic has laid bare some of the challenges faced by the fluid workforce, including the lack of social benefits

and job security, disparity in digital skills between the high-skilled and low-skilled workforce, and a lack of a sense of belonging, recognition, and purpose pervading the workforce. For example, we found that close to half (49%) of fluid workers feel that failing to qualify for social security and other benefits (such as healthcare) is challenging.<sup>2</sup> The future organization must

<sup>1</sup> is key to success in the age of AI and automation,” May 2020.

<sup>2</sup> Ibid.

take responsibility for the welfare, safety, and general wellbeing of its whole ecosystem of talent.

Many organizations are already taking steps to revise their employer-employee social contracts. In our “digital mastery” research, we learned that many “digital masters” – those organizations that are excelling in their digital transformations – are focused on redefining their relationship with employees. The vast majority (89%) of digital masters are revisiting their social contracts in ways such as examining the new employer-employee relationship and focusing on supporting employees in times of distress. This compares with only 35% of all other organizations that are taking similar measures.<sup>3</sup>

## An evolved social contract must have a clear purpose

With the workforce becoming more fluid and lifelong work relationships being the exception, the employer-employee relationship is no longer shaped simply by the exchange of money and work time. Today’s employees do not pick their employer based on role descriptions but want to feel they will have a meaningful impact on the world. Organizations need to define



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and communicate a clear purpose that influences everything they do. A recent study by Gartner shows that, as organizations act on social issues, the share of highly engaged employees

significantly increases, on average from around 40% to around 60%.<sup>4</sup>

The importance of purpose to an organization is also evident from customer insight. In our recent research, 69% of consumers said they expect private organizations to give back to society during the pandemic.<sup>5</sup>

<sup>3</sup> Cappgemini Research Institute, “Digital mastery: How organizations have progressed in their digital transformations over the past two years,” January 2021.

<sup>4</sup> Gartner, “9 Work Trends That HR Leaders Can’t Ignore in 2021,” January 2021.

<sup>5</sup> Cappgemini Research Institute, “Why purpose-led organizations are winning consumers’ hearts,” June 2020.

For the fluid workforce, an organization's purpose is the glue that will bind them to the ecosystem and encourage fluid talent to contribute to the fulfilment of that ambition. Organizations should create a fluid-talent management role within the HR function to better communicate this purpose and serve the needs of the fluid workforce. Our research suggests that the fluid-talent manager should:

- Liaise with internal functions to optimize the planning, onboarding, and use of fluid talent
- Build a proactive relationship with external digital platforms and fluid communities
- Promote organizations' brands and value propositions to attract fluid talent.

## A new social contract must account for changing compensation models

Significant changes in the nature of work have added new demands and pressures on compensation strategies. Given the big shifts in today's work environment, including changes in the mode of working (e.g., "staffing from anywhere to anywhere"), and the changing expectations of the workforce, compensation can act as a lever with which businesses can manage and harness this change.

Our research shows that permanent employees expect the same level of compensation and benefits from their organizations, irrespective of their "home" location. Two of the top five future financial expectations of employees are: "same monetary or non-monetary benefit as before," and "assurance on non-discrimination on compensation and benefits owing to work location." Evidently, it is time to revisit the country- or region-based compensation models. Where relevant, less applicable components of compensation, such as travel allowance and office-based catering, will give way to new allowances, such as for setting up remote offices and related

infrastructure, or shared office spaces, as well as occasional travel from remote residential locations to the office.

Unsurprisingly, for fluid workers, too, traditional compensation models are no longer suitable. Conventional remuneration does not account for short-term performance and the variety of modern employment types. The future of compensation requires models that are aligned with frequent role changes while offering benefits tailored to individual needs and collective performance. Consequently, businesses need to move away from traditional cost- and market-based compensation models and explore value- and performance-based ones. A value-based model focuses on the determination of the value added by an employee to the organization, while a performance-based model is focused on evaluating an employee's performance using specific key performance indicators (KPIs) and data analytics.

With an increasingly fluid workforce, organizations will also have to rethink how they cover their employees' health benefits, as well as making them accessible and affordable. In this time of crisis, several companies have already stepped up notably and re-evaluated their social contract with the fluid workforce. Weem, a France-based talent platform, announced it was offering credit aid and more engagement opportunities to fluid workers. Likewise, Uber India announced the rollout of insurance policies and financial assistance for its entire associated workforce. Our fluid workforce research revealed that 61% of executives expect to roll out a program that offers a limited set of benefits to fluid workers in the next 12 months.<sup>6</sup>

<sup>6</sup> Capgemini Research Institute, "The fluid workforce revolution: How a blended workforce strategy is key to success in the age of AI and automation," July 2020.

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## Reskilling and upskilling must take center-stage in the new social contract

With job roles and responsibilities evolving rapidly in the digital age, organizations must make upskilling and reskilling an integral part of a modified social contract. Organizations must play the role of partner in employees' learning and development, supporting their ongoing employability. Embedding reskilling and upskilling in an organization's DNA goes far beyond traditional learning and development programs. Our research shows that, although organizations have made significant progress in their digital-transformation journeys, the implementation of upskilling initiatives has lagged. Additionally, less than half of organizations (48%) surveyed say they are investing in building soft skills, such as emotional intelligence, adaptability, and collaboration.<sup>7</sup>

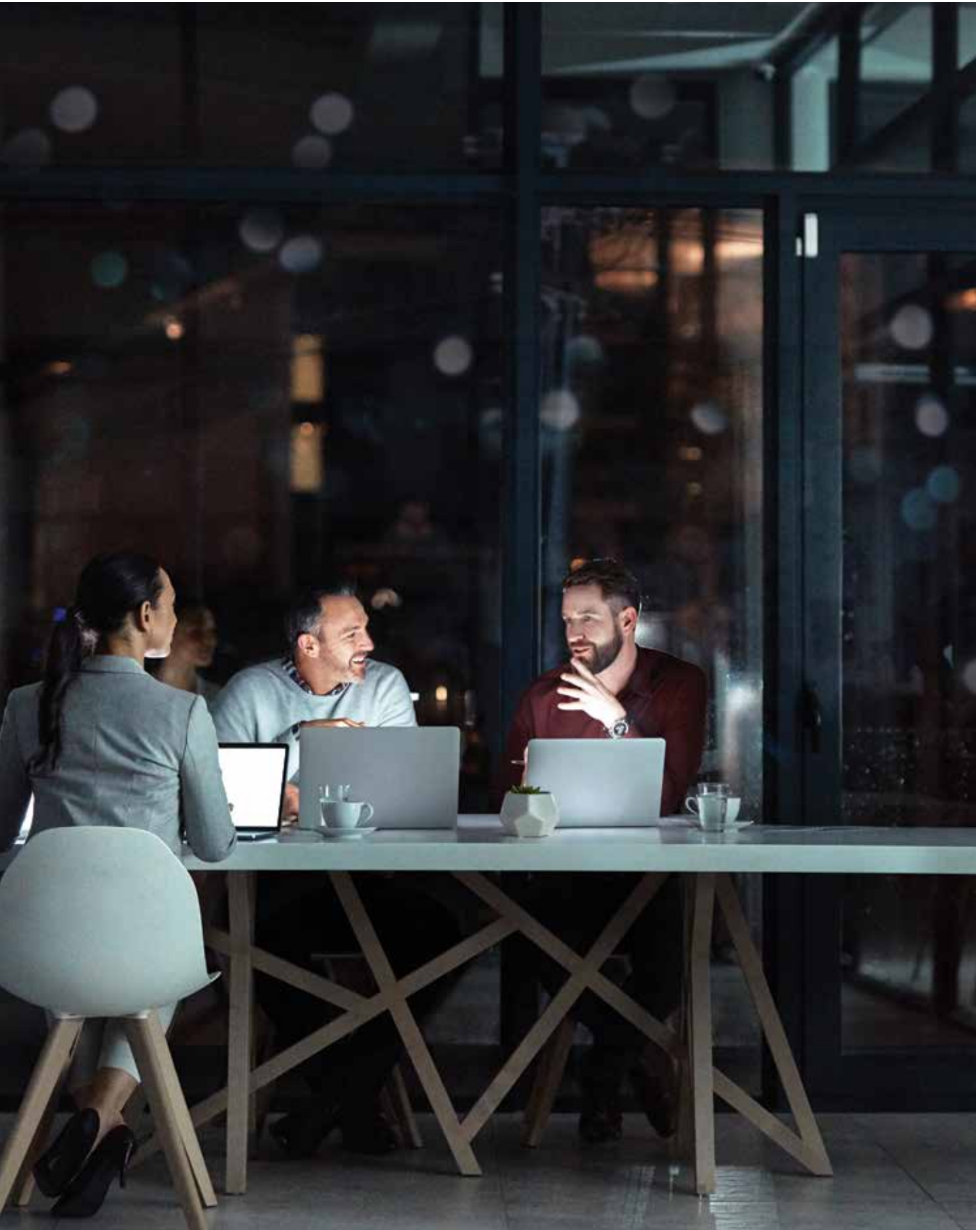
Kelly Palmer, Chief Learning and Talent Officer at educational technology company, Degreed, suggests that organizations first need to identify current and future skills gaps and discuss which competencies to develop and which to hire in. Moreover, although organizations should provide a framework for upskilling and reskilling, employees will ultimately be responsible for shaping their own market value. To stay relevant in the job market, they need to think one step ahead and own their development, consciously selecting suitable learning opportunities.

Organizations must also revisit their social contracts in order to assess the growth factors that appeal most to their employees; for example, replacing traditional vertical promotion routes with more flexible movement, developing individual experience within different areas of the organization. Lastly, skill transfer must be viewed as a two-way street, as organizations are also looking at the fluid workforce to upskill their permanent employee base.

<sup>7</sup> Capgemini Research Institute, "Digital Mastery: How organizations have progressed in their digital transformations over the past two years," January 2021.







Particularly for fluid workers, since they are often hired for a very specific skillset and are subject to regulatory restrictions regarding learning and development (L&D) and the classification of workers, organizations can provide micro-learning modules for access on the job as part of a new social contract. The modules should be dynamic, so that it can be scaled to deliver to any number of fluid workers, and for varying topics such as data and privacy and organizational culture. As most fluid workers are rarely physically present at work, these learning programs need to be accessed anytime, anywhere, on any device.

## Evolving the social contract is particularly important for younger workers

As we heard from Stijn Broecke and Veerle Miranda at the OECD, one consequence of the pandemic is that young people are among those at greatest risk of joblessness and falling into poverty as a consequence. They generally have less secure and unskilled jobs and are highly represented among workers in industries most affected by the crisis, such as tourism and catering.<sup>8</sup> Further, traditional forms of employment may not meet the expectations of aspiring young people. As Stephane Kasriel, former CEO of Upwork, discussed in our fluid workforce research, Millennials and Gen Z-ers are twice as likely to be freelancers as Baby Boomers.<sup>9</sup> Countries with a young population, such as India, where more than half of the population is under the age of 25, must find ways of employing and protecting their young workers while trying to meet their expectations.<sup>10</sup>

A fundamental difference between the way young employees view employment vis-a-vis earlier generations is tenure. One recent study found that 52% of young adults (aged 20-29) expect the longest period of time in which they would work for a single employer to be between one and five years.<sup>11</sup> The fact that an increasing proportion of young workers are likely to be shorter-term employees is changing the nuances of their relationship with their managers. The changing employer-employee social contract has also affected the work culture of organizations. Employees now feel empowered to demand increased flexibility, transparency, and fairness.

<sup>8</sup> OECD. (n.d.) "Employment Outlook 2020". Retrieved from <https://www.oecd.org/employment-outlook/2020/>.

<sup>9</sup> Capgemini Research Institute, "The fluid workforce revolution: How a blended workforce strategy is key to success in the age of AI and automation," July 2020.

<sup>10</sup> G20 Insights, "A New Social Contract for the Digital Age," May 30, 2018 (updated on December 10, 2020).

<sup>11</sup> Aegon, "The New Social Contract: Young adults reinventing life, work, and retirement," January 2021.

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## A chance to change for the better

The momentum of creativity and innovation that the pandemic has produced offers an invaluable opportunity to break away from long-held notions according to which employees and employers still often engage. In this context, the UN Secretary-General, António Guterres, has called for a new social contract that “integrates employment, sustainable development, and social protection, based on equal rights and opportunities for all.”<sup>12</sup> If organizations can reshape the social contract now, we can help to minimize unemployment and fight inequalities to protect both our permanent and fluid workforces.

Lastly, shaping the new social contract is a complex issue that demands close collaboration between organizations and government bodies. Defining new global contracts, for instance, is possible only to the extent permitted by local employment, financial, and tax laws when hiring remote employees in other countries. Customizing benefits such as healthcare in accordance with local laws will also be required, as will tailoring preboarding and onboarding processes to a global hybrid workforce. Large organizations need to work with the government and policymakers to scale initiatives that will influence how countries think about talent ecosystems.

<sup>12</sup> United Nations, “A changing world of work: implications for the social contract,” April 2021.



