

Thriving in China's Shifting Talent Landscape

An HR and Procurement Survey Report



Table of Contents

- 3** Introduction
- 4** Talent Pressures on Business Performance
- 6** A Growing Emphasis on Flexibility at Work
- 9** A Rising Gig Economy and Extended Workforce
- 12** The Push for Holistic Workforce Strategies
- 16** Conclusion: In China and Globally, Transformation Will Drive Success
- 17** Appendix: Survey Demographics



Introduction

Over the last decade, companies worldwide have struggled to secure workers in an environment where markets, skills, regulations and competition are shifting rapidly. The onset and progress of the COVID-19 disruption amplified that uncertainty. As a result, many companies now face a landscape that is reshaping how they engage workers across all industries and skill levels.

China is no exception to these forces of change, but their impact has unique variations. To gauge the influence of workforce trends in the country, Allegis Global Solutions (AGS) recently surveyed key human resources (HR) and procurement decision-makers in China with senior manager or above titles regarding the opportunities and challenges before them today. All respondents have some level of responsibility for recruitment and/or services procurement decisions and/or the engagement of contractors, contingent workers or staffing agencies as a part of their role. And more than 50% are from organisations with revenues of US\$ 1 billion or more.

This report highlights findings of that survey, along with insight and commentary from AGS experts, plus some practices helping organisations thrive in a new talent landscape. Key areas covered include:

- Talent pressures on business performance
- A growing emphasis on flexibility at work
- A rising gig economy and extended workforce
- The push for holistic workforce strategies

With a detailed understanding of the trends shaping workforce strategies, stakeholders can better position themselves to address new demands and opportunities. We believe this report can provide valuable details to help address the main issues while shedding light on some unique perspectives of decision-makers in China today.

Talent Pressures on Business Performance

In many ways, talent acquisition (TA) directly influences the performance of an entire business. When people with essential skills cannot be engaged, projects stall or grow more expensive to complete. Innovation slows, and the ability to deliver value to customers is compromised.

In the past, these issues represented some of the more severe symptoms of an underperforming workforce strategy. However, in the current climate, the rapid rise in demand for certain skills and new regulatory needs have made workforce issues more urgent than ever. Weaknesses in their ability to secure talent create strong pressure for companies to evolve and rethink their workforce strategies.

Survey Underscores Struggles with Talent and Business Performance

The survey of HR and procurement stakeholders revealed a notable conflict in views regarding TA and business capabilities. It is a case of general complacency accompanied by a recognition of specific workforce issues. Among respondents, 72% believe it is easier to acquire employee talent or engage the right contractor today compared to two years ago. At the same time, 96% report business issues stemming from the changing workforce landscape over the last two years. Increased costs, longer hiring cycles, lower workforce engagement levels and reduced productivity are among the challenges cited.

In other findings, demand for skills has fluctuated in China in ways that may not fully align with the experience of other countries in the region. Two of the top categories – “Skilled Trades” (i.e., carpentry, electrical, HVAC, etc.) and “Data/Financial Analysis” – were difficult to acquire two years ago and are still considered difficult today. Meanwhile, skills in the “Governance/Risk/Compliance” category replaced IT skills as a top three TA challenge today.



Conflicting Survey Results

72%
of respondents believe it is easier to acquire employee talent, but

96%
report business issues from the changing workforce landscape over the past 2 years



Anata Hua

Head of Recruitment Operations,
Recruitment Delivery Centre, AGS China

// The concept of a human resources business partner (HRBP) is not new to China. Since 2015, companies have embraced the concept and benefitted from having an HRBP work alongside leaders to provide strategic people-solutions that are aligned to business goals. As global companies in China start to see HR as a strategic business partner, many local companies still see HR as an administrative function that takes orders from the business. To change this mindset, these companies should continue to educate themselves on how to improve their workforce strategy. For example, they can talk to talent solutions advisors like AGS or attend industry events to learn about new processes, procedures and tools.

For better success, procurement should also be seen as a business partner, and work in tandem with HR and the business by developing and implementing strategic initiatives that support business goals. Procurement has always prioritised the financials – which is a highly coveted skill – but having HR’s perspective to complement the strategy, and a strong buy-in from the business, a cohesive people strategy can be designed and executed that will positively impact their people.

Takeaway: Addressing Underlying Talent Issues First

Business performance and talent issues are so connected that companies must approach both with a strategic mindset. Rather than treating HR as a resource for addressing immediate needs, look ahead to determine where workers and skills are in short supply and then adopt a proactive approach to address those issues.

Treating talent as a business issue means that leadership and lines of business cannot expect HR and procurement to act as order takers and successfully deliver against requisitions as they are opened. Instead, a collaborative approach gives HR and procurement an equal voice in determining how and where workforce resources should be secured. Whether through hiring permanent employees in the case of HR or coordinating extended workforce talent (i.e., contractors and services) through procurement, every choice should be considered in the workforce strategy.

A Growing Emphasis on Flexibility at Work

A primary TA barrier today is the inability of many organisations to remove rigid legacy work requirements. Throughout the progress of the pandemic, companies have relaxed their demands for working onsite in many roles. Borne out of necessity, remote work became mainstream over the last two years, but location is still a factor in many hiring requirements.

Likewise, a traditional reliance on other qualifications is often overused, with predefined requirements that force many great workers out of the hiring company's reach. As organisations in China compete for key talent, they risk losing potential hires who work out-of-

range or are unwilling to relocate. Companies willing to break from those inflexible barriers can reap a considerable workforce advantage.

Rigid Barriers to Talent Challenge Companies in China

The impact of unnecessary requirements is being felt by TA and hiring managers across industries in China. More than 80% of survey respondents say their organisation's inflexibility regarding location and job requirements limit their ability to secure needed workers. Nearly two-thirds (63%) blame some of their inability to secure talent on job qualification issues such as predefined minimums for years of experience or industry knowledge or education.

Limits Prevent Worker Access

80%

of respondents say they cannot secure needed workers due to their organisation's inflexibility regarding location and job requirements

In the past, the employer held an advantage in the employer-worker relationship. With more candidates than available positions, companies often relied on requirements to reduce the funnel of available applicants to a manageable volume. In a job market where capturing – not eliminating – potential candidates is a priority, these tactics can cause havoc. Consider the impacts of counter-productive requirements in the hiring cycle (e.g., extending timelines, eliminating great talent from the pool and even leaving roles unfilled).



Chris Wang

Head of Operations, AGS China

// The ongoing global talent crunch has not spared China. With companies competing to attract talent from the same talent pool, companies should look at their TA strategies to win the war for talent. Currently, some companies in China think flexible work simply means offering talent a day each week to work from home or allowing the employee to start work later, but today's workforce no longer finds such standards satisfactory. Companies could change their approach to see where work gets done instead of how work gets done. We have seen companies that pivoted to offering time and location flexibility, as well as a hybrid workplace, and experienced success in their talent attraction strategy.

When companies look at flexibility at work and consider it seriously for their company, they will gain access to other talent pools. For example, the generation newer to the workforce typically prefers companies with a strong flexible work culture. Generally known as Generation Z, this group desires work-life balance, and they want well-defined career development.

They want a flexible workplace that fits into their lifestyle instead of having to change their lifestyle to fit their workplace.

Within the organisation, leaders and hiring managers should also change the way they look at talent. The current era of hiring managers is taught to hire based on experience and not based on skillsets. This often leads to many positions taking a long time to fill as hiring managers focus on someone who worked in the same industry. Companies should break out of legacy hiring practices and consider suitable talent from other industries.

Companies in China can also consider having contract workers for their workplace needs. The extended workforce is gaining traction in China and is often considered an attractive option to engaging a permanent workforce. Having an extended workforce can support the sudden spikes and declines of the hiring needs of companies, which is key in today's rapidly changing world.

Takeaway: Get Intentional About Reexamining Job Requirements

The basics of reexamining job requirements sound simple. Look at every role and consider where location requirements, functional requirements and qualifications are essential to success or a nice-to-have addition. Simply prioritising levels of need can go a long way toward making a role more attractive to qualified candidates who may not otherwise apply.

Adjusting job requirements is not an easy task – nor one that hiring managers may embrace immediately. Collaboration is critical. TA resources should establish close relationships with line-of-business decision-makers to facilitate this reexamination. Don't underestimate the culture shift needed to make the adjustments. A talent partner can provide a valuable objective and informed resource for rethinking requirements and driving change.



A Rising Gig Economy and Extended Workforce

The term “gig economy” typically refers to a workforce that’s broader than independent contractors or gig workers such as delivery workers and drivers, who can now access work through technology platforms.

The “extended workforce” is a more accurate term, and it refers to all non-permanent employees engaged by a company, including contingent workers and their suppliers, independent workers, and those who work through a service provider (e.g., a consulting company) engaged by the organisation.

The extended workforce is not new, yet its growth and adoption rates have fluctuated over time. That said, leveraging the extended workforce has become more closely aligned with many organisations’ core missions and capabilities of late. People with high-demand skills increasingly embrace flexible work as a preference. In turn, companies often use those workers to perform activities (e.g., technology implementations, consulting or customer service) they otherwise may not reliably staff in today’s market.

An Emphasis on All Workforce Alternatives

Survey respondents confirm the continuing expansion of the extended workforce as a factor driving companies’ growth and success. About half (51%) say their use of the extended workforce has increased over the last two years. In addition, 48% anticipate increasing their use of the extended workforce over the next two years.

At the same time, many companies’ strategies fall short of their potential for accessing the extended workforce. Nearly half (41%) still have an ad-hoc or cost-focused strategy for the extended workforce. Challenges to

Use of the Extended Workforce is Booming

51%

of respondents have increased their use of the extended workforce over the past 2 years

48%

plan to increase use of the extended workforce in the next 2 years

Yet Work Remains

41%

still have an ad-hoc or cost-focused strategy for the extended workforce

27%

report a need to improve internal systems to better manage gig workers

engaging those resources remain significant, including gaining access to talent (cited as a key issue by 83% of survey respondents), controlling costs (75%) and managing compliance (67%).

The continuing challenges are significant, but many organisations embrace new measures to address them. For example, 21% of the surveyed decision-makers say they will partner or collaborate with professional recruitment agencies to manage gig workers. Likewise, 27% believe they need to improve internal systems/management to better manage gig workers.



Lily Ye

General Manager, AGS China

// Many companies see the gig economy and the extended workforce as mere cost-saving measures, but having access to additional talent pools is about business sustainability and organisational effectiveness – which was the original intention of having a permanent workforce. To change this perception, senior leaders within the company should work in partnership with their HRBP to shape a strategy that revolves around their people and their contribution instead of which talent pool they are hired from. When the extended workforce enjoys access to workplace culture and benefits, and feels appreciated, their work output and productivity goes up.

The performance management methodology is unique given the mobility of the gig economy and extended workforce. When disruption of work happens, it often takes place in real-time and affects tracking. That’s why companies can consider having a third party that can manage a centralised, end-to-end tracking system with up-to-date reports and analytics to accurately measure the performance of the workforce.

Utilising the extended workforce comes with associated compliance risk, which are generally found in two areas: business and labour. Companies should have a clear definition of business and compliance regulations and laws, and hire people who are familiar with the laws and regulations in the countries they operate in. This can help ensure that companies do not break the law unknowingly and mitigate any potential compliance breaches. Safeguarding our clients’ legal interests and adhering to global workforce regulations is one strong forte of AGS and the deep domain expertise we bring to each client relationship.

Takeaway: Expand Stakeholders' Access to the Extended Workforce

Successfully leveraging the extended workforce means breaking out of legacy, ad-hoc means of engagement. Priorities should begin with a realignment of processes for identifying and engaging workers. A common governance model and approach can help to ensure workers are paid at consistent rates across the enterprise, that their experiences are positive, and that performance and outcomes are tracked and managed.

Supporting the best practice process, effective use of technology should provide the means to track activity, costs and talent supply across all external resources

and engagement. This visibility into the extended workforce enables the organisation to utilise the right talent for the work at hand and get proactive about aligning flexible resources to future demands.

Finally, organisations seek support for a third priority: managing compliance risk. With new and emerging regulatory demands, prioritising visibility and consistent engagement processes is essential. Doing so will provide the means to identify and address issues such as worker misclassification, improper treatment of resources or other risks related to engaging the extended workforce.



The Push for Holistic Workforce Strategies

Many organisations treat hiring new employees and engaging the extended workforce as entirely different activities with unique processes. This divide was widely accepted as a part of normal business in the past. Unfortunately, the practice cuts off a valuable pool of workers before recruiting even begins. If looking for an employee, potential contractors are left out of consideration – or vice-versa.

Today, companies around the world are beginning to bridge the divide between permanent and extended workforce options early in their planning processes. That approach effectively gives decision-makers the ability to assess their options for achieving an outcome and choose the best path based on availability, performance, costs and role within the business. Such a holistic approach begins when leaders and managers decide to rethink how they plan work and then have the choices at their fingertips to draw from all workforce options.

The Divide Between Talent Categories is Top of Mind

Companies in China are beginning to adopt holistic workforce strategies, but much work needs to be done. The survey found that 62% of organisations have yet to employ a total workforce strategy, but 46% are prioritising it.

Challenges associated with legacy processes spur a growing push for a holistic approach. For 53% of surveyed decision-makers, their inability to leverage all worker types through a single process negatively impacts their ability to secure talent with the right skills at the right cost or speed. The top three challenges they face include recruiting and retaining talent, difficulty in recruiting workers with the right technical skills, and difficulty in managing talent and delivering on outcomes.

Even as some companies embrace the need for an all-options approach, 97% report a negative impact on securing talent due to their inability to access all worker types through a single strategy. The pain is real, but taking action to solve the issue is not always quick or easy.

Holistic Strategies a Work in Progress

62%
of organisations have yet to employ a total workforce strategy.

Yet,

46%
are prioritising such a strategy.





Molly Tam

Executive Director, Service Excellence,
AGS APAC

// From what we have observed in China, there is a growing appetite for the sophisticated workforce strategies that are available in the market but not a lot of education and awareness about long-term, holistic workforce planning strategies that include contractors and the contingent workforce.

Generally, companies in China usually hire permanent workers when they see a business need and are not proactively thinking of alternative pools of talent to address that need. This approach was largely exacerbated by the pandemic when companies were forced to make quick, tactical decisions to avoid further disruption of their business. That leads to a trade-off where immediate workforce needs are addressed but strategic long-term workforce planning for future business growth is compromised.

Companies that want to expand and retain their talent supply should focus on marketing their company's employer value proposition (EVP) and increase awareness in the talents pools they want to attract. Engaging talent advisors and solutions providers like AGS to educate themselves on the best practices to engage and learn how to market themselves is an option, too. Companies do not have to outsource all parts of their business, but they can explore opportunities and learn from others to create a sustainable, holistic workforce planning strategy to support their business growth.

Takeaway: Treat the Holistic Workforce Vision as a Journey

Bringing together different worker types under one engagement umbrella is essential for most companies as advanced skills continue to experience increasing demand. Rather than treat the holistic approach as a single project with a single outcome, successful organisations will likely be those who treat it as a journey.

The journey entails three practical areas of focus. First, look to optimise processes associated with current TA and extended workforce models. These processes, supported by mature recruitment process outsourcing

(RPO) partnerships and managed services provider (MSP) solutions for extended workforce engagement, are the steppingstones to success.

Secondly, an opportunity for early wins should be on any organisation's radar. Distinct business units or locations lend themselves to coordination across procurement, HR and hiring managers needed to leverage all resource options. Capturing results, whether revealing improved access to talent, speed or cost control, or reliability of outcomes, can be valuable in bringing widespread adoption of the holistic workforce approach over time.





Sarah Wong

VP, AGS APAC

One of the most interesting aspects of this survey is that 72% of respondents believe it is easier to acquire employee talent or engage the right contractor today compared to two years ago. At the same time, 96% report business issues stemming from the changing workforce landscape over the last two years. Increased costs, longer hiring cycles, lower workforce engagement levels and reduced productivity are among challenges cited.

These statistics are in direct contradiction of each other, so it begs the question, are companies targeting the right talent? If it is easier to find talent and yet the workforce is not performing at the right level, it indicates companies are going with a 'what's available' approach – not what's right for the business.

Taking a more long-term approach would undoubtedly set companies up for long-term success. To do that, you have to execute a business strategy that uses an outcome-first approach to aligning workforce and resource needs to the work that needs to be done. Only then can you truly unlock enterprising synergies of an inspired workforce.

At AGS, we're talking to organisations about ways to drive transformational change on a journey to a harmonised workforce strategy. It starts with breaking down silos so you can see all the resources available to get work done (i.e., employees, contingent workers, service providers and automation). From there, we lead companies to focus on the tasks needed to achieve those roles, as opposed to focusing on the titles of team members traditionally used to deliver the outcome of the tasks. The next step is to leverage technology to ensure data-led decision-making to get work done effectively and efficiently.

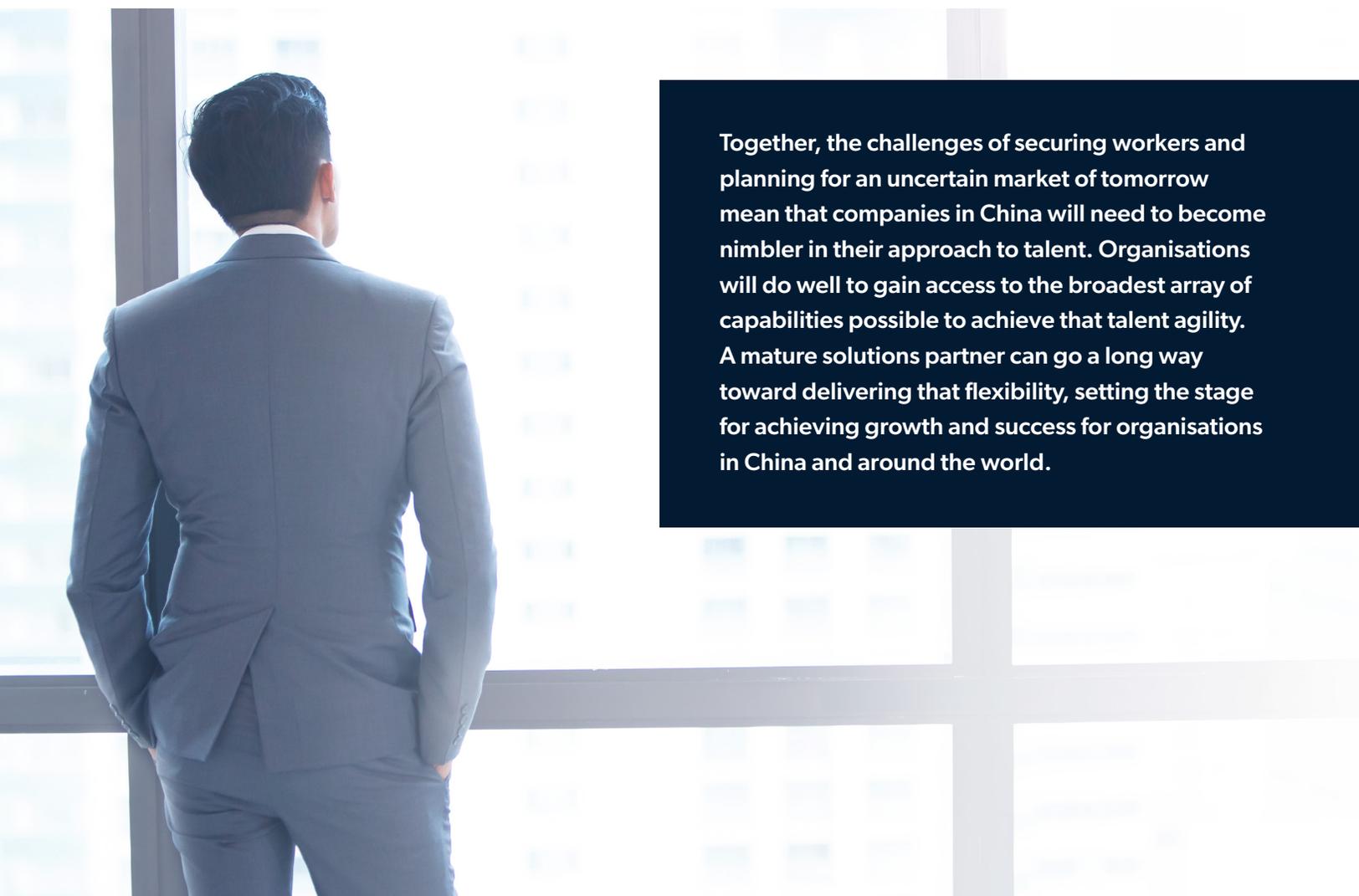
We see a greater commoditisation of talent generally in China than the rest of APAC, and this needs to change. When you place value on the attraction of acquiring the right talent and have a holistic long-term view, outcomes will start to change.

Conclusion: In China and Globally, Transformation Will Drive Success

The results of the China decision-maker survey underscore the challenges companies face in securing talent today. In most cases, companies find that improving talent acquisition or extended workforce engagement processes will yield some impact today. However, long-term workforce readiness will require more than near-term improvements.

The elements of success are present in the challenges addressed in the survey. Recognition that talent issues directly impact the business means that successful companies will have broad participation of all leadership – not just HR and procurement – in fixing talent issues. The growing flexibility of work options will require organisations to rethink their work requirements, focusing on the essentials needed to achieve desired results.

A growing gig economy underscores the necessity for organisations to better access and manage their options for leveraging the extended workforce. And finally, the troubles of disconnected processes highlight the causes driving forward-thinking companies to handle employee TA and the extended workforce through a single holistic strategy.

A man in a dark suit is seen from behind, standing by a large window and looking out at a cityscape. The window frame is visible, and the background shows a blurred view of buildings and sky.

Together, the challenges of securing workers and planning for an uncertain market of tomorrow mean that companies in China will need to become nimbler in their approach to talent. Organisations will do well to gain access to the broadest array of capabilities possible to achieve that talent agility. A mature solutions partner can go a long way toward delivering that flexibility, setting the stage for achieving growth and success for organisations in China and around the world.

Appendix: Survey Demographics

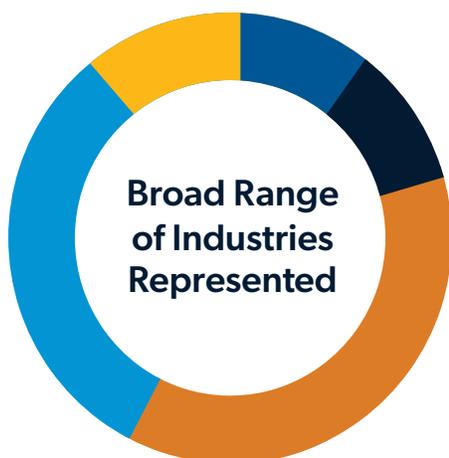
AGS partnered with research firm M-Brain to collect responses from 100 senior managers and above in China with HR and procurement in their titles. Data was collected and analysed in 2022, resulting in this report.



- 16%: Executive, Assistant Vice President, Vice President, President
- 56%: Director, Senior Director, Head of Department (Procurement, HR or Talent Acquisition)
- 28%: Senior Manager



- 30%: 1,000-4,999
- 25%: 5,000-9,999
- 45%: 10,000 and above



- 11%: Financial, Business Services and Consulting
- 12%: Healthcare, Pharmaceuticals and Life Sciences
- 34%: Consumer Products/Services, Retail and eCommerce
- 31%: Industrial, Manufacturing, Utilities and Energy
- 12%: Telecommunications, Media and Entertainment

About Allegis Global Solutions

The world of work has changed. As the leading provider of workforce solutions, Allegis Global Solutions (AGS) guides companies through a transformative journey to redesign the way work gets done. We know what it takes to attract the best talent while simultaneously building and executing strategies that align workforce capabilities with the agility required to stay ahead of what's next. With decades of experience, continuous investment in innovation and a robust portfolio of workforce analytics and insights capabilities, we're equipped to help companies better navigate uncertainty and complexity by empowering their ability to run, grow and transform in a way that dramatically improves business outcomes while enhancing the work experience for all.

Learn More

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