

A Look Ahead:

Free Agents and the Human Resource Profession

Many futurists predict that the number of free agents will proliferate as market factors such as the growth of technology and the requisite increase in skills demand a different kind of work. For some, the workplace that grew out of the Industrial Revolution (the same event that necessitated the human resource function) will become obsolete, as people become more proficient at plying their skills from their homes and to many different clients. Technology plays a large part in this equation, as computers and Internet access permit effective worldwide communication.

- Leigh Branham, vice president and director of professional services for Right Management of Overland Park, Kansas, believes the workforce of the tomorrow will be mostly free agents. Branham believes the workplace will revert to the way it was before the Industrial Revolution, in which people sold their skills in the marketplace rather than worked in full-time jobs.
- Some futurists believe that by 2050, the necessity to even “go” to a job will become obsolete for the vast majority of Americans who will provide services for a living. For more than two-thirds of society, according to business futurist Bob Treadway, there will be no “place” to go to, just “tools of the trade,” as mass production and large organizations disappear.
- Canadian futurist Richard Worzel: “By 2020, self-employment will constitute more than a third of all jobs in the country.” He contends that the growth of small business, technology, and onus for employees to take charge of their own career development, globalization, and the need for a higher education all indicate that the future of work will lay with the individual, not in the workplace.
- Ed Sarpolus, vice president of EPIC/MRA, a Lansing, Michigan polling firm, predicts that by 2004, the number of free agents will grow by 11 million workers. And that by about 2020, free agents will comprise nearly fifty percent of the general workforce.

If even partly true, these predictions signal radical changes for the workplace and for employers. If most workers become free agents, what happens to employer-provided benefits such as health care, retirement, and short and long-term disability? How will employers “manage” the proliferation of free agents working for them? Will vacation and sick time become federally mandated to accommodate the new majority, or will employers still determine these benefits for their permanent employees? Will a company even have a physical location? What role will the human resource professional play in a free agent system?

Who Are Free Agents?

Even as we look ahead, there is a very basic question that needs to be asked. Who is a “free agent”? The answer varies widely, as does the debate on the efficacy of free agents in the workplace.

The Bureau of Labor Statistics (BLS) has no “free agent” classification. Rather, the agency combines a number of different types of workers into a “nontraditional workers” category.

According to the BLS, “nontraditional workers” include on-call workers, independent contractors, and temporary workers. In December, 1999, BLS identified 12.2 million “nontraditional workers,” 8.2 million of whom were independent contractors; 2 million on-call workers; and 1.2 million temporary workers. An additional 769,000 were considered “workers provided through contract firms.” The Employment Policy Foundation notes that these types of workers are often lumped together and labeled “temporary workers” by the popular press. “However defined,” the Foundation writes, “these categories constitute three percent of employment and they have not grown over time.”

Other sources disagree. *Washington Post* write Kirsten Downey Grimsley, in an article on temporary workers, writes that according to the BLS, 7.8 percent of the workforce work as temporary or contract workers. And the *Wall Street Journal*, which includes part-time workers in the “contingent worker” class, wrote in a January, 2000 article that contingent workers comprise ten percent of the U.S. labor force.

Daniel Pink, from *Fast Company* magazine, submits that more than sixteen percent of the American workforce should be considered free agents. Pink includes in his definition 14 million Americans who identify themselves as self-employed. Free agents, according to Pink, are highly skilled workers who prefer working independently on projects for a variety of clients. The information technology boom has encouraged the growth of free agency and the Internet has broken down some of the geographic barriers of contract jobs with the creations of sites like *careermosaic.com* and *monster.com*. If these highly skilled self-employed free agents are added to the mix, it could easily be said that free agency has experienced growth in the recent past.

Unlike Pink’s analysis, many in the popular media concentrate more on the growth of temporary workers than on the highly skilled self-employed free agents. The recent court decision in which temporary workers at Microsoft were found to be “common-law” employees has spurred additional scrutiny. In the Microsoft case, however, many of the “temporary” workers were, in fact, highly skilled workers and not representative of the bulk of temporary workers as defined by the BLS.

The Lure of Free Agency

Despite the BLS numbers, there is increasing sentiment that temporary and contingent work is on the rise. The American Staffing Association estimates that the use of temporary workers increased by ten percent in 1998. A January 31 *New York Times* article by Steven Greenhouse asserts that the number of temporary workers in the labor force has tripled in the last ten years. Again, these numbers encompass more than what the Bureau of Labor Statistics considers temporary workers.

In fact, a recent study conducted by Ken Hudson for the Employment Policy Institute included part-time and self-employed workers in the definition of “nonstandard work arrangements.” With these added categories, Hudson estimated that in 1997, 28.7 percent of U.S. workers were in nonstandard jobs, down from 29.4 percent in 1995.

Even in the BLS, in examining the “just-in-time” labor force, voices concerns on the use of workers in the “help supply” industry. In its *1999 Report on the American Workforce*, BLS writes:

“Despite its relatively small size [the BLS estimates that temporary help employees make up about one percent of the total employed], the help supply industry accounts for a large part of

employment change. . . .The help supply industry has increasingly become a ‘buffer’ that employers may use when they are not certain that recovery is reliably underway.”

The obvious confusion of who constitutes a contingent worker or free agent will continue for some time, as workers and employers alike grapple with the rapid changes occurring in today’s economy.

Employers have long contended that the use of free agents enables them to cope with changing work needs and skills. A recent Conference Board survey of employers found that 81 percent used contingent workers “to provide labor flexibility to meet demand fluctuations.” Forty-eight percent used contingent workers to “acquire specific skills” lacking in their permanent workforce. Only twelve percent used contingent workers to “control benefit costs.” Ray Crescenzi, senior vice president of ABN Amro, an arm of the European American Bank, notes that contingent workers result in quicker hire times, lower search costs, and a reduction of “the guilt factor” of having to fire a recent hire, especially in high tech.

The use of free agents, or contingent workers, appears, by many accounts to be a win-win situation for both the free agent and the employer. A BLS survey of contingent and temporary workers found that only fifteen percent said it was the only work they could find. Thirty-six percent of contingent workers responding to the survey said they chose the line of work because they were in school or training. Nearly twenty percent said they enjoyed the flexibility of the schedule. Only thirteen percent cited “personal reasons” for contingent work.

Many free agents, particularly those working in the high tech industry, do so because they can earn more money working for a number of clients, rather than for one employer. Others find that working as free agents liberate them from the traditional hierarchy, infighting, and office politics seemingly inherent in traditional employment. Many free agents thrive in their careers, preferring to set their own hours, choose their own projects, and work from their homes. The flexibility free agent work offers many—to spend more time with family and the freedom to do the work they want—also lures many workers into the fold. As one free agent explained: “Free agency forces you to think about who you are and what to do with your life.” Another free agent said simply, “Work is fun.”

If being a free agent is so liberating, why are there so relative few? One person noted in an article in *Newsweek* (Why aren’t we all free agents? June 14, 1999) that the real reason that “career workers haven’t become extinct is that it doesn’t make economic sense. Companies depend on people who know their products, customers, markets, and work methods. This takes time and costs money. Higher turnover is disruptive. People without long-term attachments are more mistake-prone, more ignorant and indifferent.”

Free Agency Pitfalls

The life of a free agent may be attractive to some, but there are inherent risks. Free agents may be free of an employer’s hierarchy and politics, but, for the most part, they are also free of employer-provided retirement planning, health care, vacation and sick time, Free agents may also find themselves continually trying to collect payment for completed work from a “deadbeat” employer. And the freedom to set one’s own hours may also entail all-nighters to complete a project on the contracted due date.

The increase in the number of women entering the workforce may, in some ways, have encouraged people to plunge into free agent work, since there are fewer families relying on one income (and hence health care coverage and pension planning). The proliferation of “free agent agencies” may also ease some of the stress by allowing free agents to negotiate group health care insurance, plan for retirement, collect payment from clients, and communicate with other free agents via the Internet.

Technology and Free Agency

The Internet is also contributing to the growth of free agents. T.C. Doyle and Jan Stafford write in *Varbusiness* that “in the past two years alone, literally tens of thousands of IT service professionals have struck out on their own. Estimates vary, but as many as one million more may do the same by the end of the year.”

The proliferation of personal computers, Internet job sites, and online free agent agencies have all contributed to the free agent frenzy. Job sites like monster.com, hotjobs.com, and free agent agencies like Opus360 and Aquent have made free agency a more viable occupation. And executives from online job search engines have taken advantage of a tight labor market, noting that for the first time in history, workers, not employers, have the upper hand. For all the activity, though, there is little evidence that free agents have actually found contract jobs through online postings.

The potential these organizations have to influence the free agent network should not be underestimated, however. High tech workers, those most likely to take advantage of the new medium, have become disenchanted with the long hours and stress of Internet startups and are turning to the Internet to jump start their free agent careers. As workers in other industries become more comfortable with using the Internet, expect to see more job listings for a wide variety of careers on Internet job sites.

The HR Implications of Free Agents

Free agents promise to change the nature of the human resource profession. Researchers Mary Mallon and Joanne Duberly write in the *Human Resource Management Journal* (January 1, 2000): “If individuals are developing a new set of career expectations, in effect operating as career free agents, is the HR function equipped to cope?”

Other researchers (Denise Rousseau and Michael B. Arthur) note that the advent of free agents promises to radically alter the already eroding social contract. They write:

“In effect, we are witnessing a shift in the assumption upon which HR is predicated. Traditional ‘personnel management’ was founded on a machine-like view of people. This emphasized the importance of job descriptions and analysis, and a clear specification of skill requirements and duties. The ultimate goal was a precise, orderly work structure with people conforming accordingly in predictable interests of the firm. Now, some see the HR function as the ‘last bureaucracy’ . . . rather than an effective strategic agent for either employer or employee.”

HR professionals may soon find themselves squeezed between competing demands to increase retention and employee loyalty and the movement for workers to leave the confines of “traditional” employment to seek more flexible contract work. Mallon and Duberly also

recommend in their study that HR professionals become more involved in the actual hiring of free agents (they found that most free agents were hired by department supervisors without the review of HR) and to offer free agents more training for projects for which they are contracted. This later recommendation, while perhaps desirable, may, under existing interpretations of the law, make these workers “common-law” employees.

To become an “effective strategic agent” for an employer and employee, as Rousseau and Arthur recommend, may also mean that human resource professionals take the lead in discussing the ramifications of free agents in the workplace and finding the balance between the old notion of the workplace and the new trend of free agency.

Strategy Suggestions for Employers

Employers should prepare for the eventuality that more free agents will enter the marketplace. For employers, this may require a review of how free agents are used and their effect on the workplace.

- Review the organization's use of temporary and contract workers to ensure that they are being used in the proper manner, i.e., for short-term employment, rather than as a means to avoid employing permanent workers.
- Evaluate industry trends and workplace needs to plan strategically for the use of free agents within the workplace.
- Ensure that free agents hired by your organization are contracted with the knowledge of and discussion with the human resource department.
- Increased use of free agents may encourage change in health care and pension laws. Human resource professionals should stay abreast of any proposals that may adversely affect traditional workers.
- Human resource professionals should be aware that the increased use of free agents will alter the dynamics of the workplace for employers, employees, and free agents.