

issues & trends

A KELLY SERVICES® REPORT

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THE RISE OF FREE AGENTS

Thirty Million Strong...And Growing

For many of today's companies, the latest trend in meeting staffing requirements is to employ independent professionals, commonly referred to as “free agents.” Free agents are employees who, rather than stay with one company for their entire careers, choose to offer their skills to clients on a temporary basis. Free agents already comprise nearly one-quarter of the U.S. workforce, and their share of the labor market—and their importance to companies—will continue to grow. Free agents are members of the workforce who exist outside the parameters of a traditional employee/employer relationship. Instead of working full-time for one company, free agents have the skills and flexibility to complete assignments

on a temporary, contract, or similar basis before moving on to the next project—often at the next company.

Free Agency: A Growing Force

Today's sophisticated economy is increasingly conducive to the use of workers who can come on board to achieve a specific objective, and then take their skills elsewhere. Therefore, companies that can find and deploy free agents effectively are not only more proficient but also more efficient. “Three of the most important causes of the increase of the free-agent workforce are the shortening of job life cycles, an increasing trend toward more project-based work, and the acceptance of

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Typical free agents include not only temporary and contract workers but also freelancers, consultants, and independently employed entrepreneurs and professionals. Twenty-two percent of the workforce works as free agents. They outnumber all federal, state, and municipal employees, including police and teachers.

As the role of free agency continues to expand, companies will increasingly need assistance in finding the right workers at the right moments. “It’s much more like an open market; you need intermediaries in the middle to help the markets operate. And the intermediaries are the people who can help match workers to jobs,” explains Peter Cappelli, Director of the Center for Human Resources at the Wharton School of Business. “Companies such as staffing companies or temporary help companies and executive search companies are all part of the infrastructure that can make this work.”

Wave of the Future

Kelly Services commissioned an extensive 2004 Workforce Study to assess whether the present trend toward free agency will intensify. The study concluded that the U.S. is likely to experience substantial future growth in free agency, in both absolute and percentage terms. Many retiring baby boomers are opting to start new careers, often as free agents. Additionally, a majority of current free agents have no desire to return to traditional jobs; in addition to enjoying higher levels of job satisfaction, sixty percent can earn greater compensation as free agents. Furthermore, changing economic and labor trends will continue to fuel strong demand for free agents.

As Camden notes, “one market research firm predicts that the free agent population will account for forty percent of the workforce by the year 2014.” Global trends mirror those of the U.S. At an Australian Human Resources conference, the keynote speaker predicted that free agency would become so prevalent in coming decades that the term ‘free agent’ could largely supplant the word ‘employee.’

Numbers do not lie, and the indisputable truth is that free agents already rival traditional employees in importance to the economy. In fact, Kelly Services’ free agents contribute

approximately 18 million work hours to the economy each year. Just as successful professional sports teams look to free agency to plug holes in their lineups and augment their homegrown talent, astute companies consider free agents when they need specialized skills on a temporary basis or need to upgrade their capabilities for a specific project.

Free Agency is the Worker’s Choice

As a group, free agents boast admirable credentials: 20 percent hold advanced academic degrees, while 57 percent are college graduates. Because of their advanced educational and skill levels, they are usually well paid.

Indeed, the actual professional and educational qualifications of free agents dispel the myth that non-traditional employees are somehow less adequate than their traditional counterparts. The myth stemmed from a “certainty culture” that placed a high premium on the stability of long-term, traditional employment. Because of the struggles faced during the Depression and World War II, the certainty culture peaked because it not only satisfied workers’ desire for security and “lifetime employment”, but it also met the economy’s need for a large, traditional labor force. This era also contributed to the linkage of worker benefits to traditional employment, a system that now limits the career options of many workers and thereby impedes the momentum of non-traditional employment such as free agency.

Sixty-eight percent of all retirees, workers nearing retirement, and persons entering the workforce would consider free agency as a long-term career solution. In addition, the willingness of many younger workers to consider free agency from the outset of their careers confirms that the long-term trend towards free agency is unlikely to reverse course.

Free Agents are More Loyal and Satisfied

Despite the relative impermanence of working on a contractual basis, free agents themselves are often more loyal to companies than traditional employees. Their greater loyalty stems in large part from the following factors: high levels of workplace satisfaction; greater recognition for their efforts and therefore more overall personal gratification; more of a relationship of equals in dealing with supervisors; and less chronic or “bad” work-related stress (which often results from office politics and other factors not directly related to work output). Additionally, free agents enjoy sufficient lifestyle

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flexibility, as Camden observes, “to fit their work around their life instead of their life around their work.”

Free agent loyalty is also a byproduct of the increased opportunities for skills acquisition and growth that are available to workers who choose free agency. Free agents rate such opportunities second in importance—behind only compensation—when evaluating their work situations. As a result, training is one of the best ways to bolster skills and attract top free agents. “Providing innovative training methods is one way we reach out and bond with free agents, and it differentiates us from other free-agent pathways,” notes Camden.

Author Daniel H. Pink examined the free-agency phenomenon in his influential book, *Free Agent Nation*. Pink concludes that free agents are “free from the bonds of a large institution, and agents of their own futures. They are the new archetypes of work in America.” Free agents balance lifestyle, the enhancement of their skills, and a variety of changing workplaces in such a manner that they enjoy more satisfaction than the “company man” of previous generations who might have done the same monotonous thing, in the same stressful place, day after day.

In fact, free agents have even redefined the “bargain” between workers and those who hire them. “It used to be that the bargain between employee and employer was that the employee gave loyalty and the employer gave security,” notes Pink. He explains the new arrangement: “The bargain now is that the individual gives talent and the organization provides opportunities.”

Health Insurance and Other Benefits: A Limit on Free Agency

The current employee benefits regime has its origins in the post-World War II age, when people often worked decades for the same traditional employer. As a result, many people who might consider free agency are limited in their choices due to their need for the benefits provided by traditional employment. Therefore, uncoupling health insurance and other worker benefits from the traditional employer model would unlock the free agency option for even more workers.

While economic and labor models have evolved to the point that free agency now claims more than 20 percent of the workforce, the benefits model has all but ignored the rise of the work-performed or project-based market—the

“employment-based model”—and therefore the traditional benefits model utilized by many companies has failed to make adequate provisions for free agency. Lagging benefit laws have perpetuated a daunting barrier to free agency, because work is now often portable while benefits lack portability.

Indeed, while approximately three-quarters of free agents have benefits such as health insurance, they usually obtain their benefits through a spouse. The spousal option does little to help many potential free agents, such as single people, traditionally employed people who might want to follow their spouses into free agency, or anyone else who might fear losing good benefits when contemplating free agency. Underscoring the restrictive nature of the employer-based model, approximately half of traditional workers would consider free agency if they could be assured of having benefits comparable to those provided to traditional employees.

The U.S. should amend its laws to incorporate free agents more fully into the system of benefits delivery by allowing the portability that would link benefits to work performed. “We need significant changes in legislation and regulation to adapt to the free-agent workforce in the areas of health, retirement, occupational safety, and others,” says Camden. Such alterations would serve the compelling interests of economic dynamism and fundamental fairness to non-traditional workers.

Conclusion: Free Agents are Vital in the Race to Remain Competitive

Avoiding free agents is a dubious tactic that will become decreasingly viable in the coming years. “Companies that exclusively focus on traditional employment models are limiting themselves to a declining segment of the market while depriving themselves of a highly skilled and growing segment of the labor pool,” explains Camden. “That is a recipe for failure.”

Looking ahead, free agents will constitute an ever more critical component of successful business models. “In devising their human resource strategies, today’s companies need to consider free agents,” continues Camden. “Companies must develop or acquire the expertise necessary to incorporate free agents into their businesses.” Enterprises that can successfully exploit the growing free agent market will enjoy a significant advantage in the short term and a possibly decisive advantage in the long term.



About Kelly Services, Inc.

Kelly Services, Inc. (NASDAQ: KELYA, KELYB) is a *Fortune* 500® company headquartered in Troy, Mich., offering staffing solutions that include temporary staffing services, staff leasing, outsourcing, vendor on-site and full-time placement. Kelly serves 200,000 customers through 2,500 company owned and operated offices in 27 countries. Kelly provides employment for nearly 700,000 employees annually, with skills including office services, accounting, engineering, information technology, law, science, marketing, light industrial, education, health care and home care. Revenue in 2004 was \$4.98 billion. Visit www.kellyservices.com.

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RESOURCES

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U.S. Department of Labor (www.dol.gov)

AARP (www.aarp.org)