

The State of the Free Agent Nation and Contingent Workforce 2020

Leverage new work arrangements to boost agility and productivity



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Contents

Executive Summary	3
The Contingent Workforce Landscape	
How Widespread Is the Contingent Workforce?	7
Is the Contingent Workforce Growing?	8
Why Do Organizations Employ Contingent Workers?	9
How Well Do Organizations Hire and Manage Contingent Workers?	10
How Are Organizations Recruiting Contingent Workers?	14
How Do Organizations Source Contingent Workers?	16
The Future of Contingent Work	20
Practices Linked to a Greater Chance of Success	
How Do We Classify High Performers?	23
What Do Higher Performers Do Differently?	24
Key Takeaways	29

Executive Summary

In recent years, many organizations have tapped into the contingent workforce, but the future of such work arrangements is uncertain. Organizations want to know, “How important will the contingent workforce be over the long-term?” and, “If it is here to stay, how should we efficiently and effectively source contingent workers?”

To gain a better understanding about how organizations acquire and manage the contingent workforce, we investigated a range of issues, such as:

- how widespread the contingent workforce is today
- why organizations are using contingent employees
- whether organizations are managing their contingent workforces well
- the common sources of contingent workers
- the practices that seem most closely associated with success

About this Survey

The State of the Free Agent Nation and Contingent Workforce survey ran from October 2019 to January 2020. We gathered 324 usable responses, 224 of which were complete. The respondents are HR professionals in virtually every industry vertical. Respondents are located all over the world, but the large majority reside in North America, especially the United States.

The participants represent a broad cross-section of employers by number of employees, ranging from small businesses with under 50 employees to enterprises with 20,000+ employees.

Definitions

For the purpose of this report and the survey from which it is derived, we used the following definitions:

Contingent worker: Refers to any worker who is not viewed as a traditional full-time employee. Such workers may be freelancers, independent contractors, consultants, temporary employees, part-time employees, volunteers, or other outsourced and non-permanent workers.

Free agent nation: Refers to a term coined by management writer Daniel Pink, in which he refers to all people who work as contingent workers.

Below are key findings from the study

Major Finding One: The contingent workforce is widespread, with the vast majority of organizations using contingent workers for some portion of their workforce.

- In 47% of organizations, contingent workers make up just 1% to 19% workforces, but some firms are “power users” of such employees, with 22% of firms saying contingent workers make up more than 50% of their workforces.
- Just 9% of organizations don’t use contingent workers at all.
- About half of HR professionals say the percentage of contingent workers in their organizations has grown over the last three years, while only 11% say it has shrunk; the rest suggest it has stayed the same.
- Roughly half expect the size of their contingent workforce to increase over the next three years.

Major Finding Two: Organizations recruit contingent workers for a number of reasons:

- reduce cost (42%)
- boost skill levels when needed (37%)
- maintain a nimble business model (35%)
- increase agility (35%)
- vet potential full-time employees (27%)
- increase speed of hiring (23%)



Major Finding Three: More than two-fifths struggle to acquire and manage contingent workers well, though they struggle with some types more than others. Among organizations that acquire and manage such employees:

- Half say they are good or excellent at managing consultants, freelancers, and independent contractors.
- Only 43% say they are good or excellent at managing temporary workers from staffing agencies.

Major Finding Four: HR is most likely to be involved in hiring and/or contracting with contingent workers, but line of business managers are close behind.

- Thirty-two percent say their HR department (including the talent acquisition function) is involved in the hiring and/or contracting process to a very high degree.
- Twenty-four percent say their lines of business are involved to that same degree.
- By comparison, only 5% say their procurement departments are involved to a very high degree.

Major Finding Five: Staffing and temp agencies are most likely to be sourced for acquiring contingent workers.

- 45% use staffing firms
- 39% use temp agencies
- 34% use recruitment process outsourcing agencies
- 25% use online talent/freelancing platforms



Major Finding Six: Cost and quality are the most important criteria organizations consider when choosing a source that provides access to contingent workers.

- About three-fifths select a contingent source based on rates and fees (59%).
- Nearly as many select based on quality of personnel (57%).
- The third most widely cited selection criterion is industry specialization (45%), followed by ease of use (40%).

Major Finding Seven: Organizations that are good or excellent at acquiring and managing contingent workers are also more likely than others to take specific actions. In particular, they are more likely to:

- use contingent workers to garner skills or maintain a nimble business model
- involve HR to a higher degree in the hiring of contingent workers
- use online talent/freelancer platforms
- get useful data and analytics from their top sourcing providers
- think technologies for assessing contingent workers will grow in importance in the future



The Contingent Workforce Landscape

How Widespread Is the Contingent Workforce?

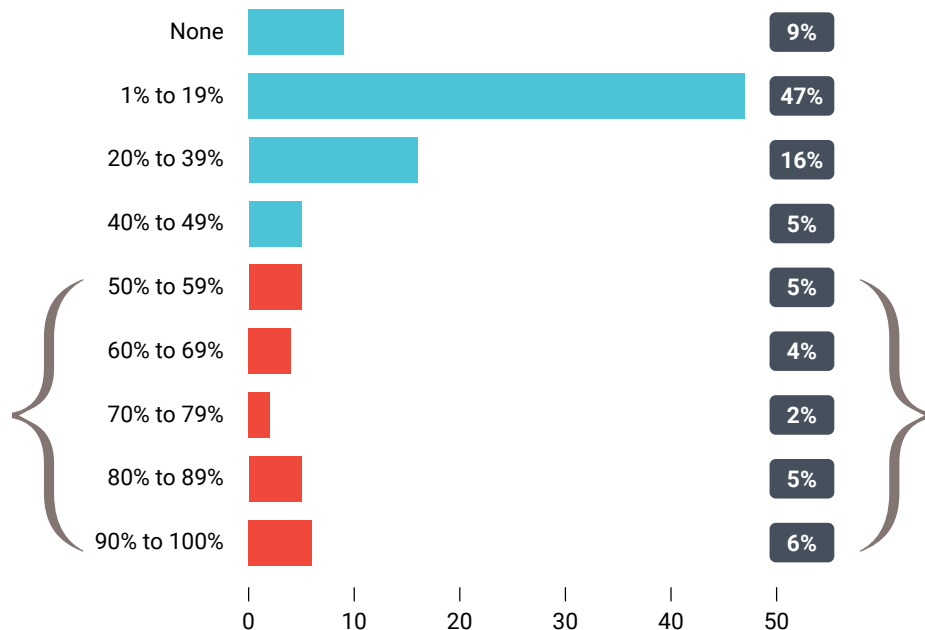
Finding: The majority of companies today make use of contingent workforces

Ninety-one percent of organizations use contingent workers. In 47% of organizations, contingent workers make up just 1% to 19% of workforces. However, some firms are “power users” of contingent arrangements, with 22% of responding firms saying contingent workers make up more than 50% of their workforces.



Survey Question: About what percentage of your overall current workforce is made up of contingent workers? (please provide your best estimate)

Percent of company's workforce that is contingent



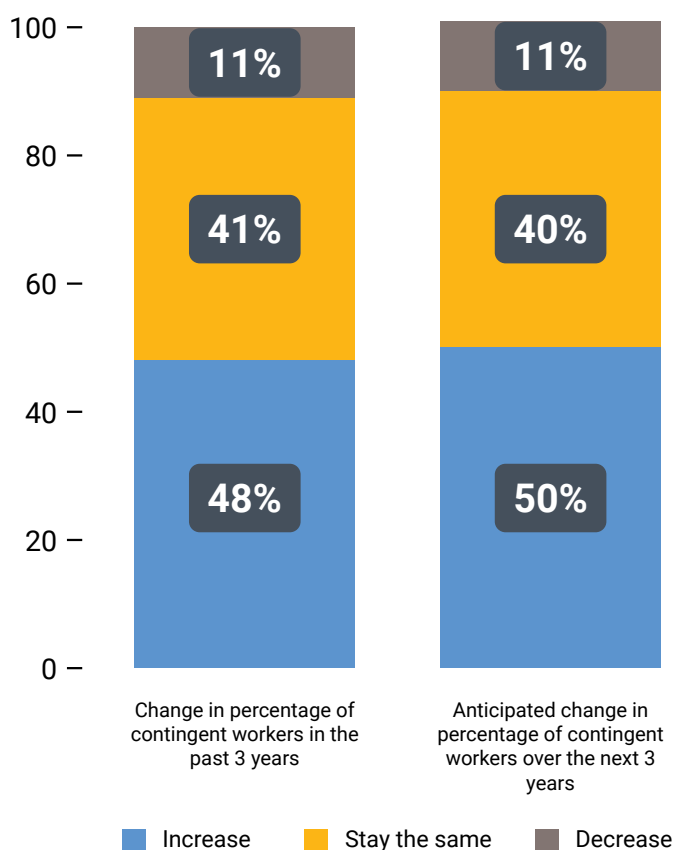
More than one-fifth use contingent workers for half or more of their workforce

Is the Contingent Workforce Growing?

Finding: About half say their contingent workforce has grown over the last three years and expect it to grow further in the next several years, whereas few expect declines

Nearly half (48%) of HR professionals say their contingent workforces have grown over the past three years, while the remaining half say it has either declined (11%) or remained stable (41%). Looking out three years into the future, a similar percentage expect their contingent workers to grow (50%) while the remaining half expect contingent workers to decline (11%) or remain stable (40%).

Survey Question: How has the percentage of contingent workers in your organization changed during the last three years and what is expected over the next three years?



Only 11% anticipate the contingent workforce will decrease over the next three years

Editor's note: Numbers do not add to 100% due to rounding.



Why Do Organizations Employ Contingent Workers?

Finding: Companies most commonly employ contingent workers to reduce costs and boost skill levels

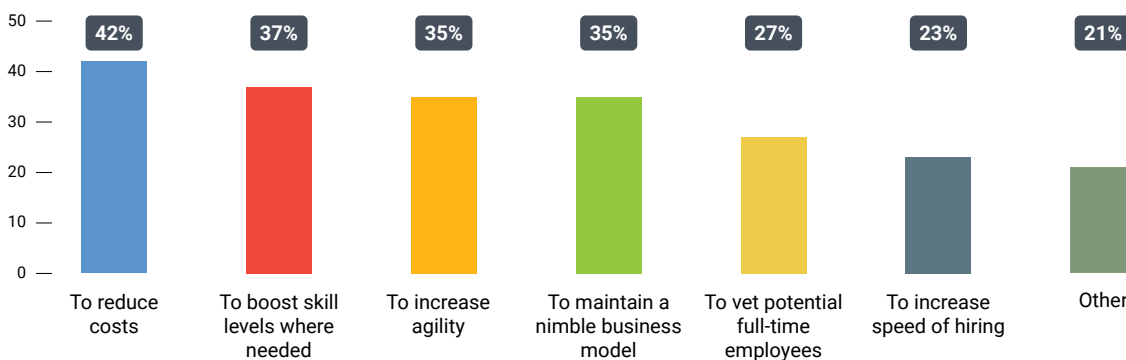
Companies use contingent workers for a variety of reasons. The most commonly cited reason is to reduce costs (42%), followed by the need to boost skill levels (37%). One reason for this may be tight labor markets leading to skills shortages. Sometimes companies need the addition of certain skills for short periods. On the other hand, about one-quarter (27%) use contingent workers to vet potential full-time employees.

Agility is also a major factor. Thirty-five percent use contingent workers to boost agility and help them maintain a nimble business model. Such workers can especially help companies that have unpredictable or seasonal workloads and need to manage peaks and valleys in their business. Agility is, of course, often associated with speed, and 23% say they use contingents to increase the speed of the hiring process.

Other reasons for employing contingent workers are to handle special projects assignments or fill short-term vacancies, such as those due to medical and family leave.



Survey Statement: Why does your organization employ contingent workers? (choose all that apply)



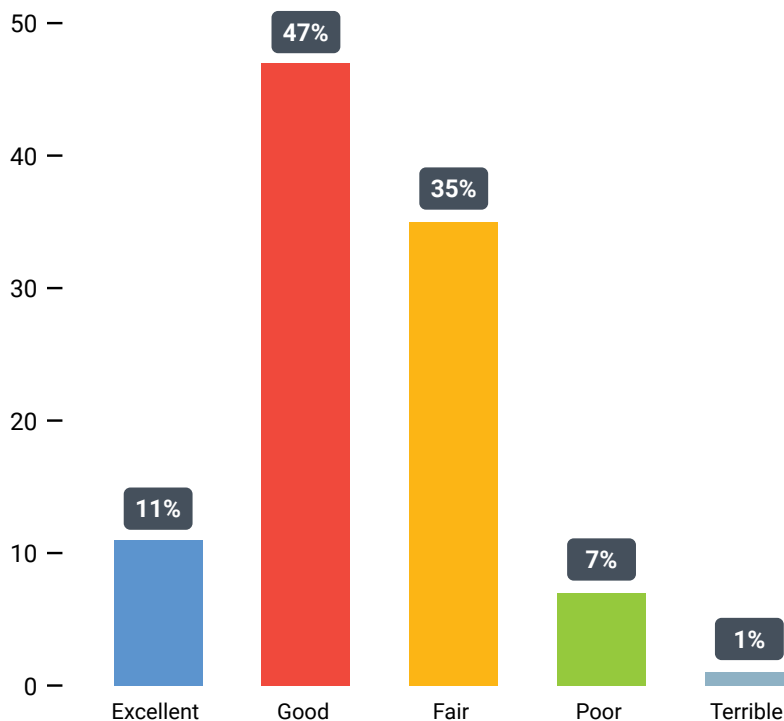
Organizations use contingent work arrangements to meet a wide range of needs

How Well Do Organizations Hire and Manage Contingent Workers?

Finding: Just under three-fifths (58%) think their organization is good or excellent in this area

HR professionals most commonly think their organization does a decent job at acquiring and managing the contingent workforce. In fact, 58% report their organization is good (47%) or excellent (11%) at acquiring and managing the contingent workforce. However, a significant portion (42%) thinks their organizations could do considerably better.

Survey Question: Generally speaking, how good is your organization at acquiring and managing contingent workers?

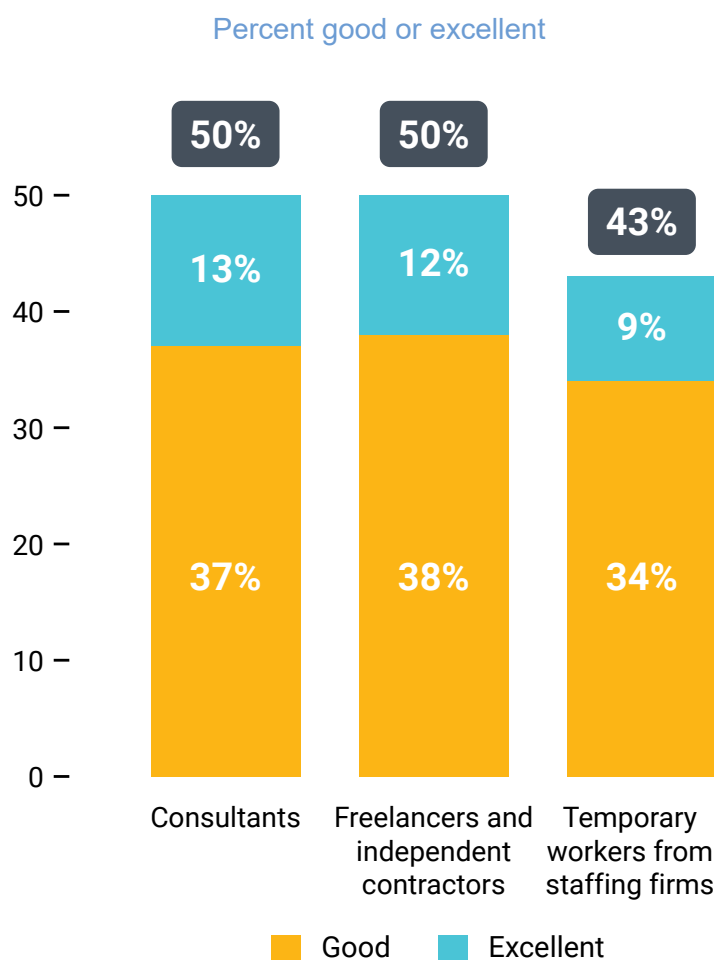


Many fall short in acquiring and managing their contingent workforces

Finding: Companies have a harder time managing temporary workers from staffing firms

Half of HR professionals say their organization is good or excellent at managing consultants as well as freelancers and contractors. They apparently have more trouble managing temporary workers from staffing firms well (43%). Perhaps this is because some managers feel they have less control over where and how their temporary employees work.

Survey Statement: How good is your organization at acquiring and managing the following types of contingent workers?



Consultants, freelancers and independent contractors are easier to acquire and manage

Finding: Organizations struggle most with engagement

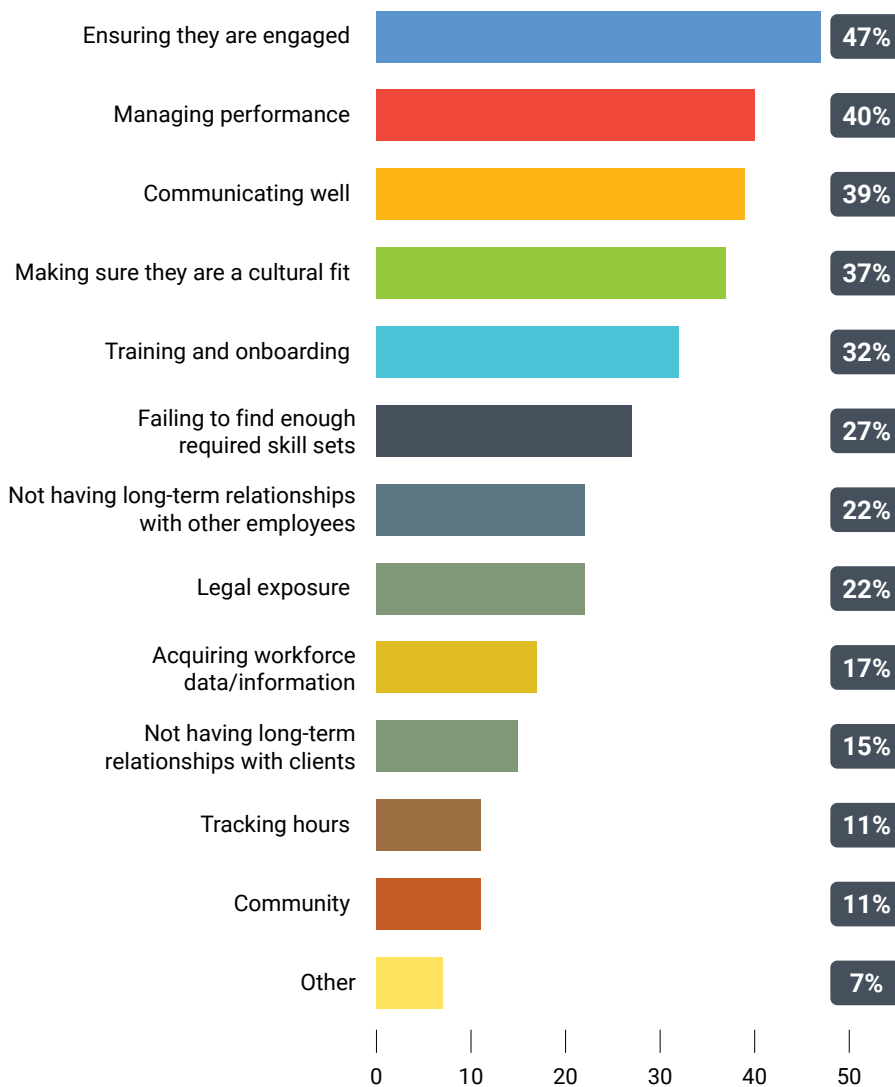
We asked participants to indicate their top four challenges related to managing contingent employees. Nearly half (47%) say a top challenge is “ensuring they are engaged.” Previous HR.com reports have shown that engagement levels are widely seen as affecting performance, so perhaps this is one reason why many HR professionals also have a difficult time managing contingent worker performance (40%).

In addition, HR professionals cite difficulty communicating well with contingent workers (39%). This may be because managers are too busy to regularly convey important aspects of daily tasks, or it may be because there is a lack of adequate technology to communicate effectively with contingent staff members.

Hiring is also a challenge. Two-fifths indicate their organization has difficulty making sure the contingent worker is a culture fit (37%) and another quarter say their organization fails to find enough of the required skill sets (27%). Moreover, post hire, one-third of companies struggle with training and onboarding (32%). This, too, could lead to performance issues.



Survey Question: What are *four* key challenges associated with managing contingent workers? (select up to four)



Managing contingent workers brings a host of challenges

How Are Organizations Recruiting Contingent Workers?

Finding: Companies involve HR and line managers to a high or very high degree 60% of the time

When hiring contingent employees, companies generally need to pay attention to a host of legal, financial and human capital considerations, yet HR and line of business managers are not highly involved in such decisions 40% of the time. Most of the time, however, they are involved to at least a moderate degree.

HR is more likely to be very highly involved with such hiring decisions than line managers, but line managers are slightly more likely than HR to be involved to at least a moderate degree (82% vs. 78%).

Sometimes organizations rely on procurement or purchasing departments to help make contingent hires, but this survey suggests that it is the exception rather than the rule. Procurement/purchasing departments are only highly involved in 18% of organizations. This can be interpreted two ways. On one hand, HR and the line know their markets best and should own most of the hiring process. On the other hand, procurement may have more experience negotiating contracts. Moreover, when procurement oversees vendor relationships across the company, there is the potential for better pricing.

What's What?

Staffing agency: These agencies tend to focus on the long-term needs of their clients. They can generally offer temporary workers to their clients, but may also place candidates in what can become full-time employment with corporations.

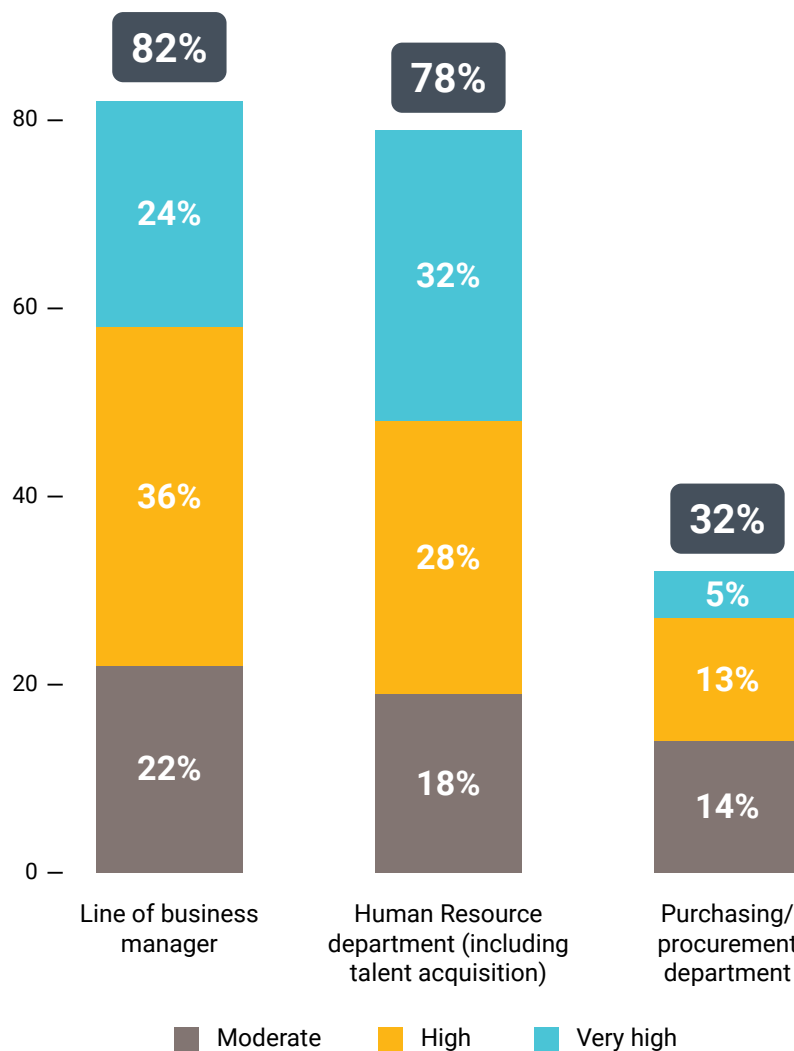
Temp agency: These agencies focus on supplying businesses with workers for a limited period of time, ranging from a few weeks to six months or more.

Online talent platform: Sometimes known as freelancing platforms, these provide online peer-to-peer intermediation through which users can have temporary access to other users' services. Payment tends to be made through the platform.

RPO service: Recruitment Process Outsourcing (RPO) firms can outsource activities associated with recruitment and selection. Activities usually include job advertisement, preselection of candidates, and interviews conducted by phone, video or in-person.

Executive recruiting firm: These firms provide specialized recruitment services that find candidates for senior, executive, or other highly specialized positions. Sometimes this includes candidates who can serve as interim executives.

Survey Question: In your organization, to what degree are the following departments or functions involved in the hiring and/or contracting with contingent workers?



Companies involve purchasing/procurement less frequently

Note: This data doesn't include "Don't Know" responses for any of the three categories.

How Do Organizations Source Contingent Workers?

Finding: Organizations use a variety of sources while acquiring contingent workers

Generally speaking, companies turn to third-parties when they do not have the in-house expertise, time, or technology to source contingent hires on their own. HR professionals most often turn to staffing (45%) and temp agencies (39%) for these services. Staffing agencies will sometimes specialize in certain industries and temp agencies sometimes specialize by job function.

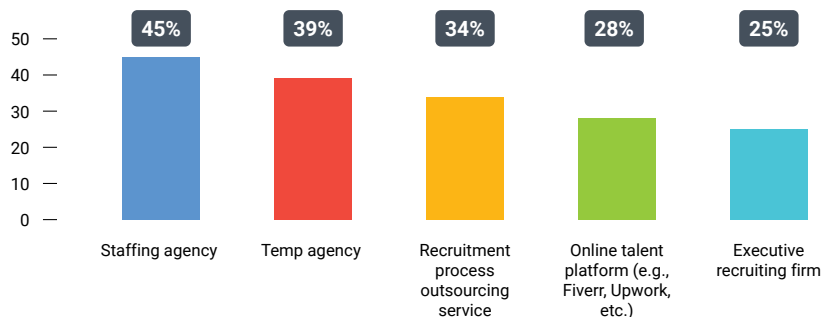
A little over one-third of organizations use recruitment process outsourcing service providers (34%). Companies may engage in relationships with RPO firms when they need to hire high volumes of workers (e.g., call centers), and may find it expensive or cumbersome to maintain enough in-house recruiting expertise.

We found that large companies (1,000 or more employees) tend to use RPO more, 50% versus 39% for mid-size organizations and 25% for small organizations.

One-quarter of HR professionals also use online talent or freelancing platforms (25%). This is particularly true when companies are sourcing contingent hires internally or when an organization wants to reach out directly to a candidate instead of using a third-party.



Survey Question: Which of the following sources does your organization use to acquire contingent workers? (choose all that apply)?



Only about one-quarter are tapping into online freelance talent platforms

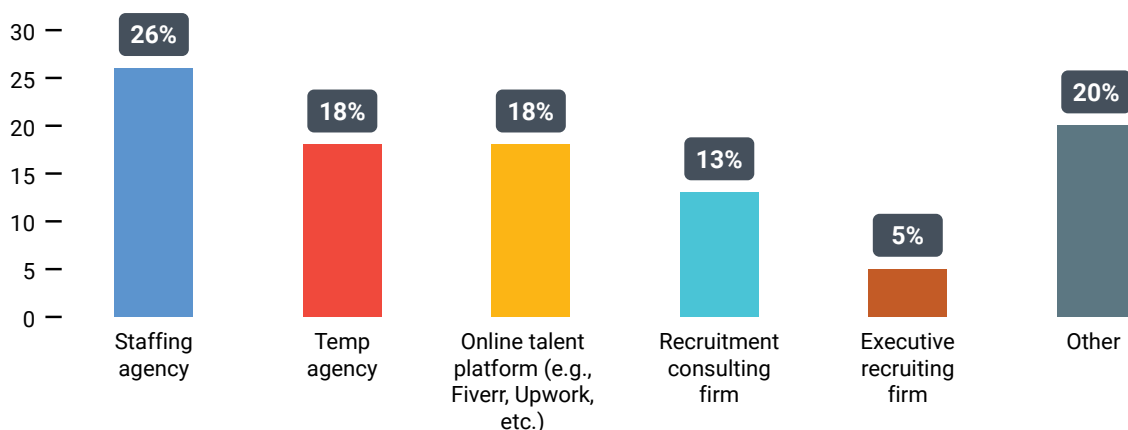
Finding: There is no consensus on which sources are most useful for acquiring contingent workers

The source most widely considered useful is staffing agencies (26%), followed by temp agencies and talent platforms, both at 18%. The reported value of staffing and temp agencies makes sense. After all, these services are the traditional sources of contingent workers, are most widely used, have long-term relationships with contingent candidates and employers, can leverage industry expertise, and are practiced at the screening stage for contingent workers.

What is a little more surprising is that just as many respondents cited talent platforms as temp agencies. Most of these platforms have only been around for a decade or so, thus the utility cited here suggests they have carved out a successful niche in today's labor marketplace.

The “other” category, cited by 20%, is composed mostly of respondents who think their company's internal sourcing channels are most useful. As organizations use social media and other sources to develop networks and external pools of talent, internal sourcing becomes more feasible.

Survey Question: Which of the following sources do you consider most useful for acquiring contingent workers in your organization?(select one)



Companies find staffing agencies most useful

Finding: Speed and agility appear to be the common characteristics of providers of contingent labor

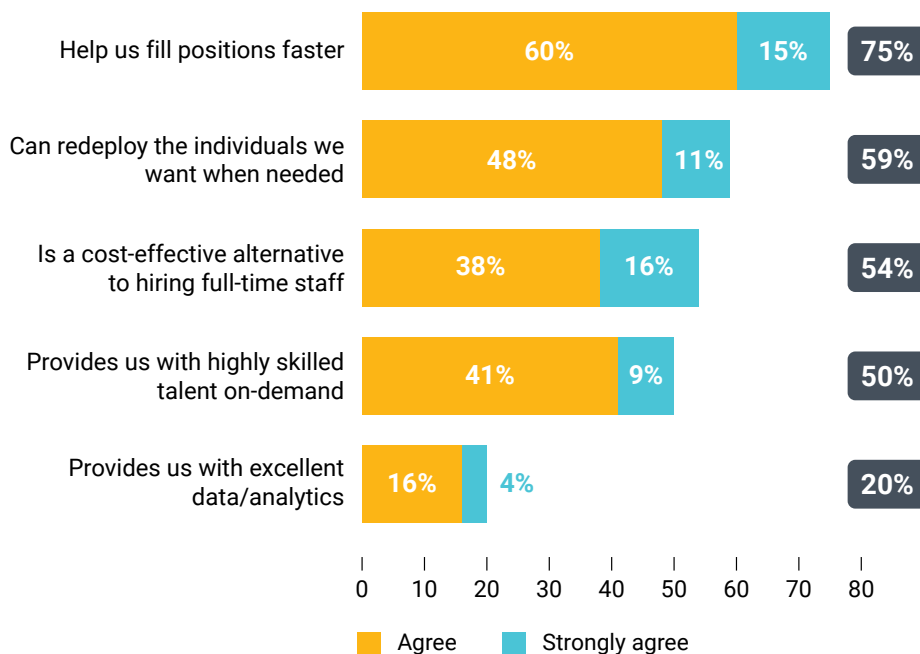
Based on their responses to the previous question about their most useful sources of contingent staffing, participants revealed their perceptions about the key benefits of those sources. Three-quarters agree or strongly agree that their top source helps them fill positions faster. Fifty-nine percent say that their top source can redeploy the individuals they want when needed. The fact that these two characteristics are most widely cited suggests that speed and agility are most highly valued.

Fewer say their sources of contingent workers provide cost effective solutions relative to hiring full-time staff (54%), offer highly skilled talent on-demand (50%), and provide excellent data/analytics (20%). This suggests that many third-party providers value speed and agility before lower cost or skills.



Survey Question: Relative to your most useful source of contingent hiring, to what degree do you agree with the following statements in your organization?

Percent responding agree and strongly agree



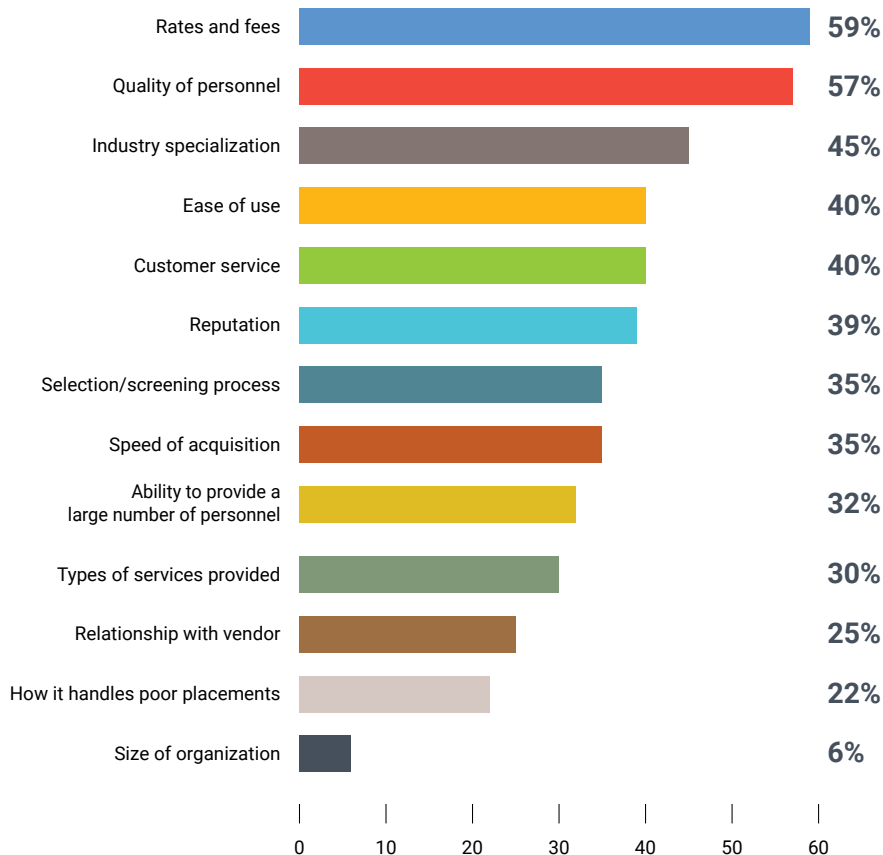
Fewer organizations cite cost effectiveness, highly skilled talent, or good data

Finding: Companies evaluate a variety of criteria before engaging with a third-party

Prior to beginning a relationship with a third-party sourcing provider, companies assess a variety of criteria. The most commonly cited criteria are rates and fees (59%) and quality of personnel (57%). These are the only two criteria cited by more than half. Other top criteria include industry specialization (45%), ease of use (40%), and reputation (39%).

Fewer (35%) look for speed of contingent candidate acquisition or screening and selection processes. This is interesting because speed is what employers are most likely to get out of their providers, whereas they are less likely to say they get some qualities they want even more, such as cost effectiveness and high levels of skills.

Survey Statement: What criteria do you use to select top contingent sources?



Rates and quality are most widely cited as selection criteria

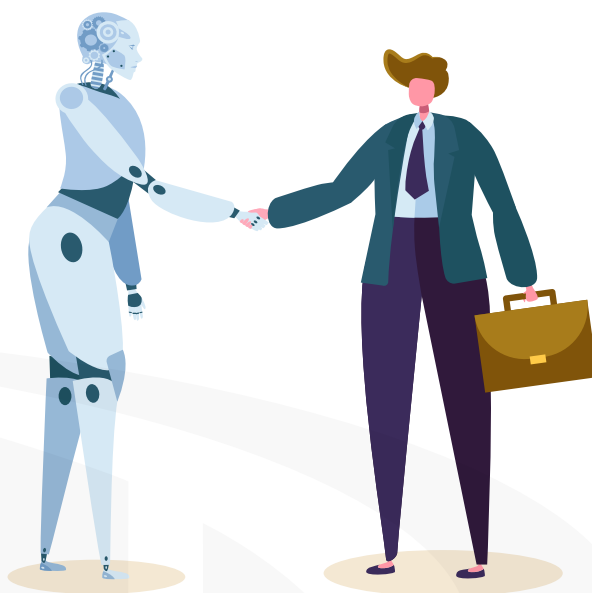
The Future of Contingent Work

Finding: Artificial intelligence and assessment technology seen as important to the future

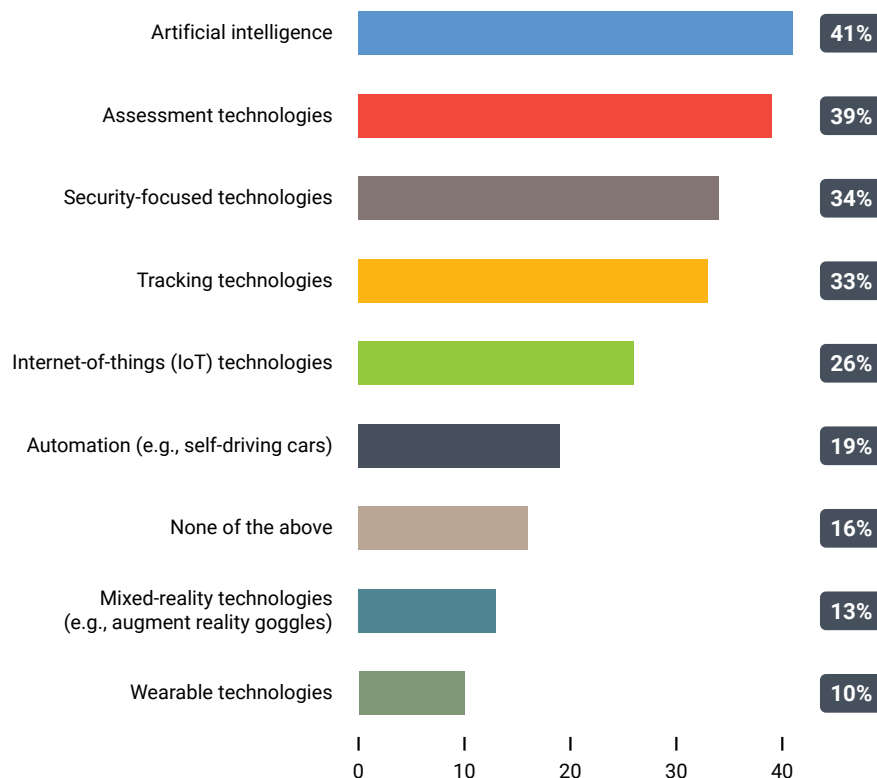
When asked about which technologies will become more important to managing the contingent workforce over the next three years, respondents most commonly point to artificial intelligence (AI), cited by 41%. Other HR.com studies have also shown that AI plays, and is likely to play, a major role in the talent acquisition function.

Assessment technology (39%) is also expected to play a major role. This may be because many practitioners think the potential for an ongoing rise in contingent workers will cause a more profound need for screening. With assessment technologies, organizations can evaluate skills and cultural fit at the point of hire as well as post-hire.

One-third say security-focused technologies will be useful (34%). Consider, for example, a contingent software engineer who needs to access systems with confidential information. A third also report tracking technologies will become more important. Such technology may apply to remote workers or those using vehicles on a daily basis.



Survey Question: Which of the following technologies will become more important to the management of the contingent workforce over the next three years? (choose all that apply)



About one-third feel security-focused technologies will be more important

Finding: Most believe the contingent workforce will continue to grow

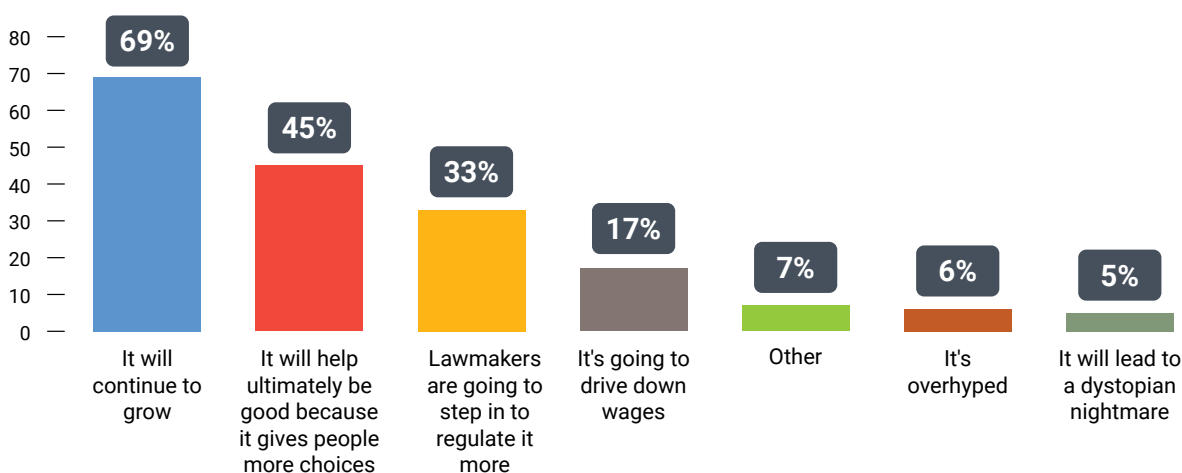
More than two-thirds of HR professionals believe that, in general, the contingent workforce will continue to grow in coming years, whereas few (6%) believe the concept is overhyped.

This does not mean, however, that there will not be complications in the future. Indeed, about a third of HR professionals think that regulators are going to need to step in and manage the contingent workforce more. Today's labor regulations delineate the classification of full-time worker from a contingent worker. As companies work harder to collectively hire, engage, manage and reward full-time and contingent workers, some companies may struggle with state and local labor laws and regulations. In such cases, it is generally wise to defer concerns to internal or external legal counsel.

In general, HR professionals seem more likely to hold positive rather than negative views of contingent work. Whereas 45% say that the contingent workforce is good because it offers people more choice, just 17% say it will drive down wages or that it will "lead to a dystopian nightmare" (5%).



Survey Question: How do you personally feel about the contingent workforce? (choose all that apply)



Few believe that the contingent workforce is an overhyped topic

Practices Linked to a Greater Chance of Success

How Do We Classify High Performers?

For this report, we conducted various analyses to gain insights into which practices are most widely used by organizations that are good at acquiring and managing their contingent workers. Specifically, we analyzed responses and segmented the data into two groups:

- **Higher Performers:** These represent respondents who indicate that their organization is good and excellent at acquiring and managing contingent workers.
- **Lower Performers:** These represent respondents who indicate that their organization is fair, poor, and terrible at acquiring and managing contingent workers.

Of course, correlation is not the same as causation. While we cannot state that any particular practice will definitely lead to success in optimally acquiring and managing the contingent workforce, we do see intriguing relationships that might result in better chances of success. These relationships are discussed below.



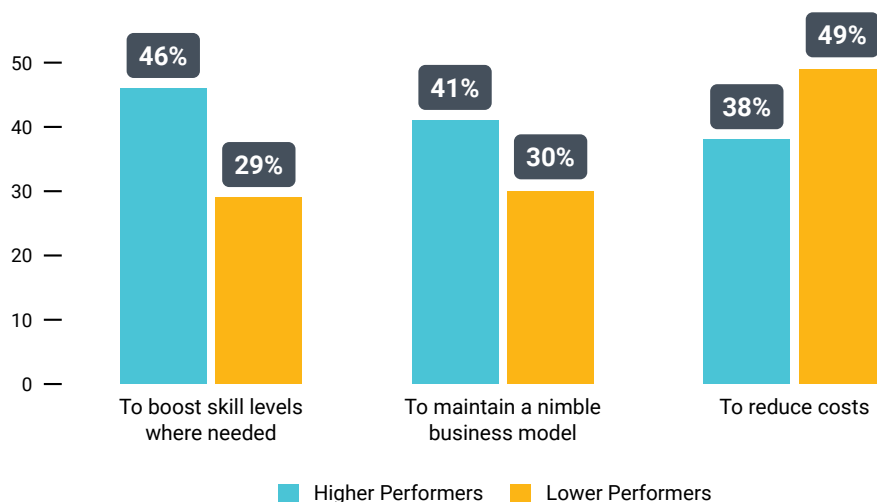
What Do Higher Performers Do Differently?

Finding: Higher-performing organizations use contingent workers more strategically

Higher-performing organizations do not focus on using contingent workers to reduce cost (38%) as much as lower performers (49%). Instead, higher performers are more strategic about incorporating talent to boost skill levels where needed (46% vs. 29%) and maintain a nimble business model (41% vs. 30%). One reason for this may be that Higher Performers believe contingent workers are skilled and use them to augment their existing workforce and are less likely to think of contingent workers as unskilled. Therefore, they are more strategic about how they hire contingent workers and are more successful in their management efforts.

Likewise, many Higher Performers use contingent workers to be more nimble in their hiring efforts. This group likely views seasonality and economic cyclicalities foremost as an opportunity to be more nimble. This is not to say that Higher Performers fail to consider costs. Having the right skills on hand and balancing labor demand with supply is likely to minimize unnecessary cost and also maximize productivity in the business while potentially preventing burnout of workers.

Survey Question: Why does your organization employ contingent workers? (choose all that apply)

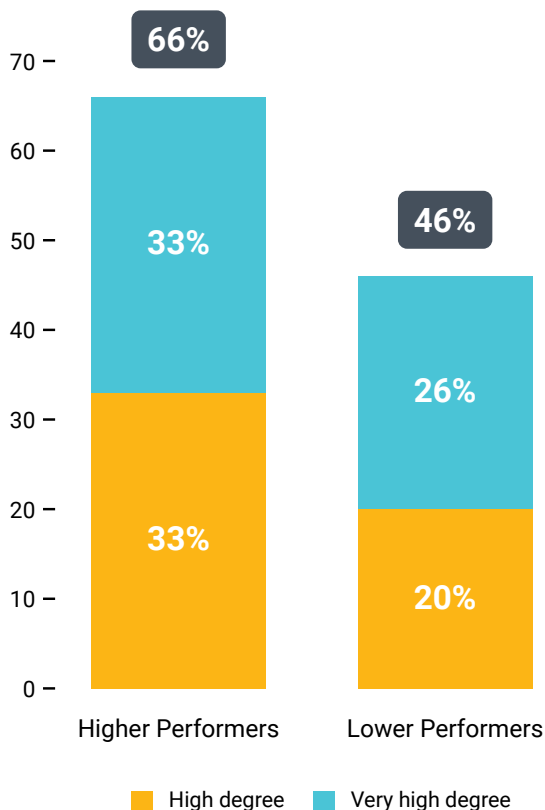


Lower Performers
focus more on cost
than skills

Finding: Higher-performing organizations involve HR to a much higher degree

Higher-performing organizations involve HR to a higher degree (66%) compared with lower-performing organizations (46%) when hiring contingent workers. Perhaps HR's involvement permits organizations to more effectively and efficiently fit contingent workers into a broader talent management plan.

Survey Question: In your organization, to what degree are the following departments or functions involved in the hiring and/or contracting with contingent workers?

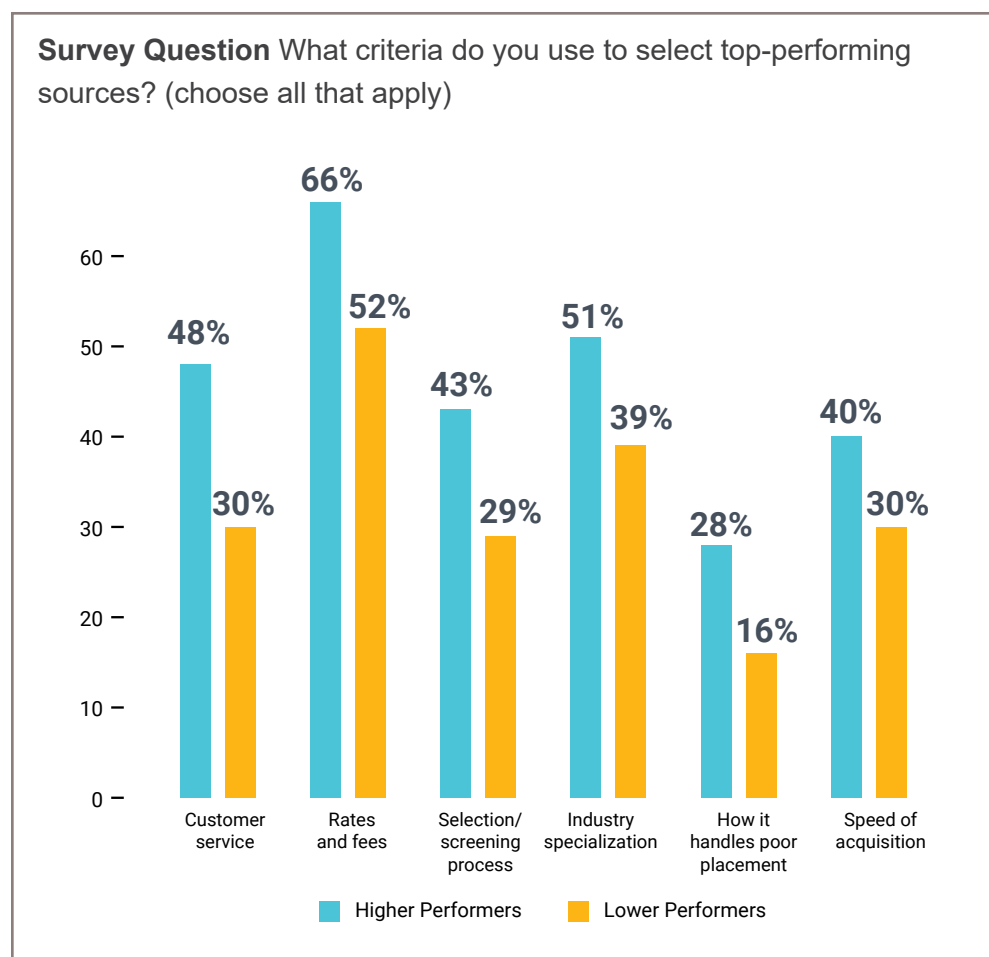


Lower Performers involve HR to a lesser extent



Finding: Higher-performing organizations pay more attention to a variety of selection criteria

Higher Performers are more likely to home in on a variety of criteria more than Lower Performers. In essence, Higher Performers appear to be doing more of the due diligence that is necessary to form a good partnership with an external third-party sourcing provider.



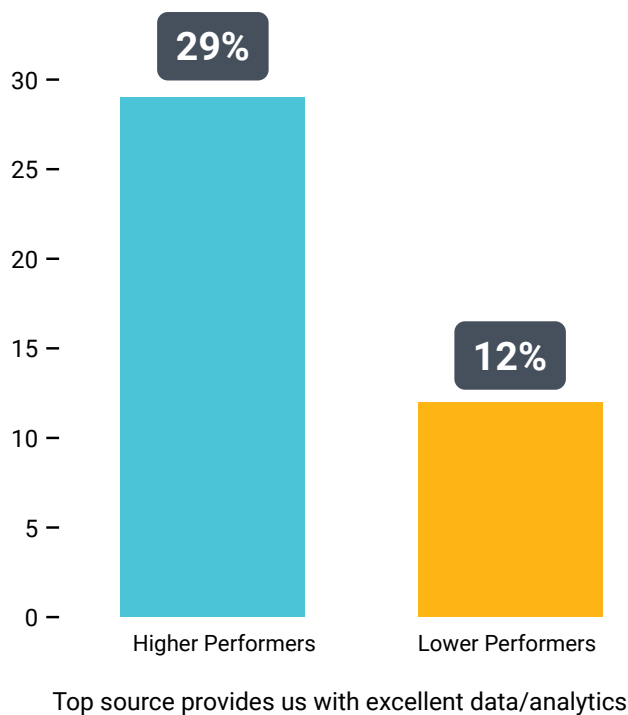
Lower-performing companies pay much less attention to customer service and screening/selection process

Finding: Higher-performing organizations get better data and analytics from their top sourcing providers

Compared with their lower-performing counterparts, higher-performing organizations are more than twice as likely to receive excellent data and analytics from their primary source of contingent employees. This might be because Higher Performers are spending more time on the vendor selection process and have HR more involved in the contingent worker selection and management processes.

Survey Question: To what degree do you agree with the following statements about the use of top contingent sources in your organization?

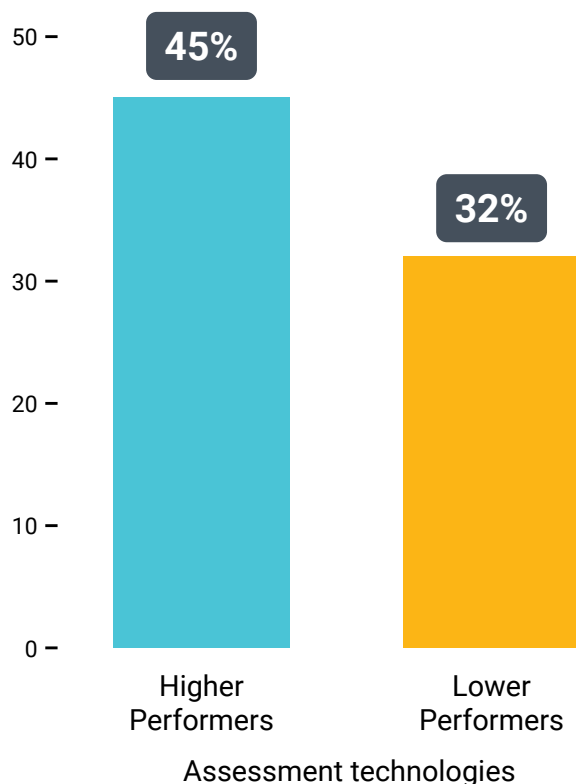
Percent responding agree and strongly agree



Finding: Higher-performing organizations think assessment technologies will become more important to managing the contingent workforce in the near future

Higher Performers are more likely to think assessment technologies (45%) will become more important over the next three years, compared with Lower Performers (32%). Higher Performers might be more likely to recognize that screening higher volumes of candidates manually can be time consuming and susceptible to error. One way to improve this would be to use assessment technology.

Survey Question: Which of the following technologies will become more important to the management of the contingent workforce over the next three years? (choose all that apply)





Key Takeaways

Below are some key suggestions for how organizations might become more successful in acquiring and managing a high-performing contingent workforce.

1

Ensure the workforce strategy evaluates and projects both contingent and full-time workers. Consider what skills are lacking in the organization and map out how the contingent workforce can supplement the teams that are in place today and in the future. Are full-time resources necessary, or will the contingent supply be adequate? Determine where your organization should upskill contingent as well as full-time employees.

2

Integrate processes for hiring contingent workers so there are fewer lapses in communication. Because organizations can be highly decentralized or plain busy, hiring and managing contingent workers either falls by the wayside or is inconsistently handled. Map out the ideal recruiting and performance management processes for contingent workers and ensure internal constituents and external contingent talent providers are on the same page. As part of this process, consider having HR take the lead but involve line managers. Consider contingent workers' job experiences. Do your talent management processes unify contingents and full-time staff so they all feel part of the same team?

3

Build a strong internal contingent workforce “sourcing” strategy. To be competitive when it comes to the war for talent, many companies have built their own proprietary sourcing strategy for full-time hires. Recruiting departments have made substantial investments in the people, processes, and technology to build talent pipelines and keep leads warm. Consider putting forth the same effort in reaching contingent candidates. Based on your organization's workforce plan, consider what contingent relationships you want to pursue and then develop a plan for reaching those audiences and sustaining relationships over time.

4

If the company decides to use a third-party for sourcing, put forth the effort required for the partnership's success. Companies all too often say they are too busy to make contingent hires or lack the expertise to source hires on their own. As a result, managers and recruiters turn to a third-party to find candidates. But our research shows too many companies fail to carefully evaluate the vendors they work with. Organizations should carefully vet their vendors based on a consistent set of criteria and select the best ones. Consider creating a business case to help the organization calibrate vendors prior to engagement.

5

Consider how best to leverage online freelance and talent portals. These portals have emerged as an important source of contingent labor. It is where many free agents do business today. Determine their relative advantages and disadvantages in comparison with staffing and temp agencies, RPO service providers, and internal referrals.

6

Think about assessments for contingent hiring and beyond. Before finalizing job descriptions, consider screening criteria that relate to competencies and culture. If your organization is working with a third-party sourcing provider, make your preferences known. Also consider leveraging assessments post-hire to blend the right teams for recurring projects and new projects. What diverse skill sets can contingent workers bring? What skills may they need to learn?

7

Learn and understand the short and longer-term needs of contingent staff to keep them engaged. Consider a survey to existing contingent employees or hold informal focus groups. What motivates and engages them? What policies might make them more productive? Does the contingent worker want a full-time role or just an exciting gig where they can learn a new skill or two? Their needs and desires may change over time, so it can be important to collect this data on a regular basis.

8

Remember to measure vendors based on a range of criteria. Our research shows that many companies say their sources fill positions quickly but are less able to provide skilled workers at an attractive cost. Hiring the wrong contingent employee can lead to poor team morale, wasted investments and could even damage the company's brand. Set clear goals with internal teams and vendors and track each position or job family over time.

9

Ramp up orientation and training programs. Many companies struggle with training and onboarding for contingent hires. Is your third-party agency training their candidates on what you need? If not, what should managers and talent acquisitions teams focus on post-hire? Make managers aware of important policies and regulations relating to contingent workers. Provide them with training and documentation to help meet these challenges.

10

Create and refine policies that take care of intellectual and proprietary policies. Many organizations convey concern about contingent workers taking propriety information to the competition. Consider what roles need non-disclosure agreements. Identify key projects that should be managed by full-time staff. Revisit these documents as company and contingent worker responsibilities change over time.

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