

# Freelancers your flexible workforce

Protecting & promoting the interests of freelancers

“Freelancers are educated, teched-up, and confident in their ability to sell their services and to move flexibly from project to project.”

**John Leach**  
Head of Integration  
Chime Communications plc



The many myths, misconceptions and laws surrounding employment can be overwhelming, and freelancers have a valuable role to play in complementing your permanent workforce, allowing you more flexibility to expand and shrink your human resource pool. Hiring a freelancer for a specific project or period makes it easier to accommodate fluctuating resource requirements.

Freelancers are often recruited to cover needs that fall outside the production of ordinary goods or services. A freelancer with specialist expertise can usually get started quickly and with minimal control or instruction, leaving you more time to run your business.

By using a freelancer, you avoid the financial and administrative costs associated with having an employee, including payroll taxes, National Insurance contributions, and other benefits. Freelancers often provide their own equipment and work space. They cover these costs themselves, so their hourly rates are typically higher than you would pay for an employee, but overall, the total cost of hiring a freelancer tends to be lower.

Engaging freelancers also reduces risk of wrongful termination and other employment litigation. Your commitment extends only for the length of the contract, and you can more easily terminate a freelancer either by letting the contract expire or ending the relationship according to the terms of the contract.





## Surviving and thriving in a changing world

The global economy is restructuring in a fundamental fashion and in its wake changing the entire way in which businesses and labour markets operate.

Between 1979 and 2001, the proportion of managerial and professional workers who were self-employed grew by almost 300 per cent. In his address at the PCG conference in October 2003, Professor Richard Scase, from the University of Kent at Canterbury, predicted that 40% of the UK's workforce would be freelance by 2010. According to Professor Charles Handy, for many years a professor at the London Business School, just half the working population is employed within an organisation.

This trend towards freelancing and flexible working may be attributed to three key factors - economics, technology, and demographics.

## Freelancing is the future

In this changing world, freelance, interim and fixed-term assignments have become a white-collar phenomenon.

Employers expect more in terms of the effectiveness and performance of new hires, but in return they offer less security, and less certainty about long-term career progression and reward.

Freelancers in turn want to maximise their talent, opportunities and employability, and recognise that permanent jobs may deliver that less effectively than a succession of quality, short-term assignments.

Freelancers are not looking for employers to whom they can belong, but networks in which they can thrive. Equipped with sought-after knowledge and networks, they are the expert

Businesses are now competing not only with their neighbours in their own countries and business sectors, but also with those outside their countries. No matter how large or small a business, it has global competitors, and protected markets no longer exist. Corporations need to adapt to survive and to thrive. Volatility and uncertainty in the economic markets have led to down-sizing and continuous corporate restructuring, as well as skills shortages and a tight labour market for the foreseeable future.

The Internet revolution has had a major influence on the global economy and the way in which business is conducted.

Demographic and socio-cultural factors also come into play. There are larger numbers of women in the workforce, and with an ageing population throughout Europe, more over 45s of working age. The "job for life" concept is vanishing, and loyalty to any one firm diminishing.

The key challenges for organisations - large and small - have become how to make no binding commitments to their size and shape in two years' time, how to devolve decision making to front line staff, business units and teams so that they can deliver more to the customer, and how to get talent on the right job and project, or in the right team, as quickly as possible.

Cultures of conformity are no longer competitive, and in the global interconnected economy, businesses need to compete by leveraging creativity. "Just-in-time talent" allows organisations to be agile and competitive.

pollen of the new economy, moving quickly between jobs and assignments, transferring ideas, skills and positive attitudes.

The freelance market is rich in talent - candidates endowed with precisely the skills, capabilities and attitudes most in demand from employers. John Leach, Head of Integration at Chime Communications plc describes them as "media age mercenaries" who are free to recommend the most appropriate solution, rather than a solution driven by the need to sell the services of a pre-defined team structure with fixed costs and overheads.

Freelancing used to be the only option available to those who could not find permanent employment. Self-employment has now become the status of choice, the preferred way of working, for the very best talent in all sectors.



## Access rather than ownership

Accessing key resources is more important to the success of a business than owning them. If that is true of ICT and physical infrastructure, it is even truer of human capital. Tomorrow's winning businesses will be those that have built up a bank of key freelancers and trusted advisers, and who have great networks that they can use to leverage value and ideas into their businesses. They will have built freelance relationships of real quality and trust, so that their freelancers will be advocates for their businesses when they are not working with them.

"Just-in-time talent allows organisations to be agile and competitive. Making the best of freelance talent requires a change in mindset, moving the emphasis from ownership to access."

John Knell  
Intelligence Agency

Any company that ignores freelancers will be turning its back on a segment of the labour market that is rich in talent, ideas and value.

The network economy is creating the reputation economy. Freelancers live or die by their reputations - on the quality of their last piece of work, on their networks, on their ability to make things happen quickly and effectively.

Businesses should think about access and relationships, business agility and adaptability, insight and value, rather than handcuffs and permanent contracts.

Why and how one accesses and manages talent matters more than how one contracts with it.

John Knell is a co-founder of Intelligence Agency, a new ideas consultancy. Visit the web site at [www.intelligenceagency.co.uk](http://www.intelligenceagency.co.uk).



# A few facts and figures

PCG estimates that there are around one million freelancers in the UK.

According to PCG member surveys undertaken during 2003:

50% of respondents had degrees, 15% had masters degrees, and 83% had undertaken specialist training.

76% of respondents participated in ongoing training programs, which they funded themselves.

71% of respondents have been freelancing for five years or more.

43% of respondents were in the 35-44 age group, and nearly 85% were over 35.

Sectors currently represented by PCG members include information technology, financial services, engineering, oil and gas, telecommunications, management consulting, design, media, entertainment, pharmaceuticals, publishing, research and marketing communications.

## The benefits of employing freelancers

### 1 Staffing flexibility

Manage requirement uncertainty and take advantage of rapid, low-cost hiring and/or obligation-free downsizing.

### 2 Access to high calibre professionals

Expert consultants are notoriously difficult to find and often harder to afford. Most are committed to project based work where they can use their skills and experience.

### 3 Knowledge transfer and best practice

Freelancers bring knowledge and best practice into your organisation for the benefit of your permanent staff. Their experience is often enriched and enhanced by working for several clients.

### 4 Meeting project deadlines

Freelancers usually have the experience, knowledge and expertise to be able to contribute and add value from the outset. Just as importantly, they are free to focus solely on the task in hand.

### 5 Cost-effective deployment

Independent freelancers provide a genuine low-cost solution, without costly overheads to support or the burden of employment costs and responsibilities. Freelancers are project-focused, so that one pays only for the time it takes, or for performance of the agreed task or project.

## Value for money

Freelancers generally charge hourly or daily rates based upon their skills, experience and expertise. As well as benefiting from minimal recruitment costs - or even none at all - their clients typically need not worry about:

#### Statutory expenses

Employers' NICs  
Holiday pay  
Sick pay  
Redundancy costs  
Maternity and paternity leave

#### Voluntary benefits

Pension contributions  
Training costs  
Medical and life insurance

#### Additional perks and benefits

Training costs  
Company car or car allowance  
Gymnasium

## HOW DOES PCG HELP YOU FIND THE BEST FREELANCERS?

PCG's aim is to work for proper recognition of independent freelancers as a genuine and valuable sector of the economy, generating wealth and employment, providing industry with a flexible workforce. PCG is a not-for-profit organisation run by freelancers for freelancers, and is committed to promoting members commercially and supporting their development. PCG now represents some 11,500 freelance businesses who pay an annual membership subscription.

- Members are concerned with the image and well-being of their sector and are actively involved in promoting best practice.
  - They are genuine businesses - not temporary workers seeking their next position.
  - They have commitment, confidence and cutting edge skills that enable them to sell their services on the open market.
  - They have a wealth of PCG information to help them run their businesses and contribute efficiently towards yours - for example, draft business-to-business agreements are available.
  - They have access to top level accounting, legal and tax advice, so they are up to speed on key freelancing issues and legislation.
  - They can take advantage of low-cost indemnity insurance, required by many end users.
  - Many participate in online forums covering a range of topics, where they can exchange ideas and share advice about technical, accounting, legal, marketing and other relevant matters.
- A searchable database of freelancers is available, free of charge, on the PCG web site. Visit the Portal and search for the skills you need.



# The growth of freelancing in marketing and communications

According to research undertaken by London Business School (LBS) in 2003, the future of the communications and marketing sectors will be based on flexible hiring, following the trend set by IT and publishing. They share similar dynamics:

- A highly mobile workforce - average tenure of people being two years
- Work is increasingly project based
- The work is creative and knowledge based
- Employees value flexible working practices and dislike formal hierarchies
- Staff represent over 50% of agencies' running expenses, so variable costs make sense

The LBS research recommends that all organisations should have flexible hiring as a key part of their HR strategy, rather than taking an ad hoc approach. It also explodes the myth that hiring freelance consultants is an expensive option. Permanent staff salaries represent only one component of actual employee costs, and total costs can mean an increase of 31% - 56% over salary costs for a permanent employee compared to just 12.5% - 17.8% for a freelancer.

75% of corporates surveyed found that using freelancers was cheaper than employing permanent staff.

The LBS research was commissioned by freelance matchmaking service, Xchangeteam, which sponsored another survey in 2001, conducted by UMIST School of Business Psychology and Leeds Business School. Using both qualitative and quantitative data to analyse freelance trends and working practices along lifestyle and psychological factors, in a sample size of 259, it found that 45% had left permanent employment in the last three years, 50% were relatively new to freelancing, and that 55% planned to continue freelancing or set up on their own.

Both freelance consultants and clients rated positive attitude and integrity as important factors in defining a good freelancer, with consultants citing flexibility as being essential too, whereas clients also valued hard workers, quick learners and experience.

In 2000, 33% predicted that they would be using more freelancers in 2000, and this translated into 51% who actually used more freelancers in 2001.

According to Emma Brierley, CEO of Xchangeteam, "The future of communications and marketing will be based on flexible hiring. Its inherent creative and knowledge based nature, along with it becoming more project led, means it is ideally suited. Organisations need access to talent rather than infrastructure. They want to be able to tailor expertise to suit their requirements and pay for performance rather than tenure. Ultimately if they want the best, then they will need to go to the independent sector, because people are voting with their feet and increasingly choosing to go freelance."

“Organisations need access to talent rather than infrastructure. They want to be able to tailor expertise to suit their requirements and pay for performance rather than tenure.”

Emma Brierley, CEO,  
Xchangeteam

## Sectors and disciplines

Freelancers add value to most sectors and disciplines within the economy. Here are a few examples:

Advertising	Research
Aerospace	Sport
Banking	Business consulting
Branding	Copywriting and proof reading
Broadcasting	Film
Construction	Television
Design	Financial services
Education	Hairdressing and beauty therapy
Engineering	Information technology
Entertainment	Interim management
Fashion	Management consulting
Football	Market research
Law	Project management
Media	Public relations
Oil and gas	Telecommunications



“The best freelancers to work with are those who can rapidly become trusted advisers and have a clear understanding of the psychological contract with their clients. Working across a wide range of projects and clients, they thrive by using their huge wealth of experience and expertise to deliver tangible benefits to the projects that they undertake, without being constrained by a job for life.”

Colin Butcher

Technical Director of XDelta Limited  
and freelance consultant

## Freelancing in information technology

Information technology has become an integral part of almost every business in the UK today. It encompasses hundreds of specialist activities, from the design and programming of computer systems, applications and web sites, through testing, project management, training, maintenance and support.

IT was one of the first sectors to exploit the growing trend towards using freelance consultants, and now benefits from a mature and well-established freelance community. Large organisations need a range of specialist skills for specific projects, which do not always warrant headcount increases. Similarly, small businesses need IT support, but in many cases cannot justify the costs of full-time employees. It makes good business sense to use freelance resources for these requirements, and thus a new way of working was born. Whilst IT freelancers may not have been the pioneers, they have made a major contribution to the prevalence and standing of freelancing in the UK today.