



## **Surveying the New World of Work**

The Freelancer Model for Enterprises:  
Drivers & Difficulties

By: Joslyn Faust





# Surveying the New World of Work

## The Freelancer Model for Enterprises: Drivers & Difficulties



### A WORLD OF WORK IN TRANSITION:

Over 60% of companies expect to hire more freelancers in the next year.

“With the volatility in the market and need for specialized skills, we often turn to freelancers.”

–A leading digital strategy and design firm

A 2013 report by Accenture estimates that enterprises now spend \$300 billion per year on contingent labor, a trend that signifies dramatic change in the world of work.

**Businesses in the US are sourcing freelance talent, including contingent workers and contractors, more than ever before. Many economists predict that this trend will continue to accelerate.** Findings by the US Bureau of Labor Statistics, for example, suggest that the employment services sector will experience disproportionate growth in the near future, adding as many as 637,000 jobs over the next decade. The overall economy is only expected to grow by half that pace during the same period.

Tower Lane, an independent consulting firm, was hired by Elance to conduct a double-blind study of freelance hiring behaviors among major US businesses. This study aims to identify the key drivers behind today's hiring shift, as well as its most pressing challenges.

### FREELANCE HIRING IN THE US: A STUDY

**WHO:** 260 staffing decision-makers from leading mid-size corporations with more than 10 freelancers

**WHAT:** Four tiers of survey questions about freelance hiring behaviors, process, and projections

**INDUSTRIES:** Technology, Internet, Online Media, Consumer Goods, Manufacturing, Retail

**Conducted by: Tower Lane Consulting**

Through extensive surveys and interviews, we explored how businesses are adapting their hiring and management practices in order to tap freelance talent.

**The results suggest that adopting the freelancer model has become necessary for today's enterprises. The study also shows, however, that businesses need help maximizing the benefits of this new, crucial source of talent.**

## COMPANIES WANT HELP HIRING & MANAGING THEIR EXTENDED WORKFORCE

*Of companies surveyed...*

**37%** feel they can't find qualified freelancers

**36%** find the process of paying freelancers cumbersome

**34%** find it hard to manage and communicate with their freelancers

**68%** have "very strong interest" in a freelancer hiring and onboarding tool

**60%** expressed interest in a tool that could provide better visibility and reporting capabilities over all their freelancers

## Key Insights

• **In today's economy, businesses need freelancers with specific skills to help them remain competitive through fluctuations in demand.** 75% of companies surveyed use freelancers because they need different skill sets at different times.

• **Freelancers also provide their expertise on-demand and by contract, which allows companies to spend more flexibly.** Half of the companies we spoke to use freelancers to save money on fixed employee expenses.

• **But freelancers that fit are hard to find.** Companies surveyed noted that identifying appropriate talent was the strongest freelancer-related challenge they face.

• **Enterprises also struggle with the efficiency risks that arise when managing freelance staff.** One-third of companies surveyed found "strong" or "very strong" difficulties with cumbersome payment processes and communication methods.

• **And existing recruiting systems haven't made the process of finding and managing freelance talent any easier.** At least one-third of companies surveyed faced challenges throughout their entire experience with freelancers. 47% use third-party recruiters.

“

To hire a full-time employee, you have to have a long term need. But a lot of the time, we only have an immediate need. It's much easier to budget for a contractor.

– A representative from a leading biotech company

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## What's Causing The Shift In Hiring?

Industries the world over are experiencing significant disruption. Global demand for products and services continues to fluctuate due to unstable economies. Technologies that become obsolete quickly have pervaded all aspects of contemporary life, requiring businesses to continually refresh their offerings, and their resources of talent. Millennials just entering the workforce are meanwhile opting to follow unconventional career paths that allow them to maintain their independence.

These factors have led US enterprises to rely increasingly on contingent labor. Our study results suggest the breadth of this trend in the short term. **Over 60% of the companies we surveyed expect to hire more freelancers in the next year, and 20% plan to significantly increase their freelance staff.**

One central cause of this shift is the volatility of the current economy, which encourages brief relationships between companies and the talent they need. **88% of companies surveyed use freelancers for projects that last less than one year.** As a result, opportunities for freelancers are highly variable, and contingent upon whatever skills are required to implement specific initiatives and strategies.

*Our pipeline of work varies. When we close a lot of projects, demand rises in our resource pool. We often get a rush of clients who need services in a short period of time. **It's sometimes feast and sometimes famine.***

*- A hiring manager from a leading digital strategy and design firm*

Indeed, 75% of companies surveyed turn to freelancers to close different skills gaps at different times. And for 90%, the decision to hire freelancers is primarily made by individual departments as their demand requires, further confirming the strong need for specialized, short-term labor.

## KNOWLEDGE WORKERS: THE TOP 5 MOST SOUGHT-AFTER FREELANCER SKILLS IN THE US



We've had a never-ending stream of projects over the last 5 years, which strains our in-house resources. With freelancers, we can augment our workforce and tap specialized knowledge for 3 different departments: IT, operations, and finance.

*- A hiring manager from a leading printing software company*



# Navigating The Global Pool Of Talent

Freelancers are completing far more than computer-based tasks in the new world of work. They're acting as customer service representatives, providing market research and promotional consulting, translating content for new markets, and more. Accenture estimates that as much as one-third of the current US workforce is comprised of independent contractors. **These workers and millions more from around the world have formed a robust talent pool to which every company has access.**

To some, however, this talent pool is more like an ocean. "There are millions of freelancers on Elance," says the co-founder of a leading web application design agency.



It takes time to identify your core set of freelancing talent that you can count on. If you always have to churn through different candidates and freelancers on every project, it can be very painful.

—A representative from a leading digital strategy and design firm



"Imagine me going through millions of people. As a business owner I'm just overwhelmed."

While all companies who participated in our study noted difficulties with the entire freelance hiring and management process, 21% identified "finding qualified freelancers" as the biggest challenge they face.

**Another 68% of companies surveyed expressed a "strong" or "very strong" interest in a tool that would enable easier and quicker hiring and onboarding.**

Most companies aren't just looking for any freelancer—they're looking for the right fit for a specific project. While the talent pool available to businesses through online platforms and traditional recruiting companies is now larger than ever, finding professionals who are both skilled and trustworthy requires investment.

Navigating the public talent pool can also create security and intellectual property risks. To find the right talent, a company has to be specific about project terms. But doing so on a public job board could tip off competitors to new and confidential developments. A representative from a leading healthcare consumer products provider notes: "When you post a project on a site, it's really sensitive. You expose [the details] to the industry."

## The Necessity Of Freelancer Management Tools

The process of filling different skill gaps at different times has come at a steep price for some companies. Hiring freelancers typically enables increased flexibility when spending

on talent. **But many companies are discovering that without a strong management tool in place, freelancers are no more efficient than full-time employees.**

Despite the quick project turnover rate experienced in today's economy, many businesses invest significant time and funds in the onboarding process, which must be repeated every time a new project begins. **67% of companies surveyed expressed a "strong" or "very strong" interest in a tool that could scale freelancer management up and down quickly.**

A representative from a leading destination discovery website noted the challenges with managing a large rotating pool of freelance writers. "We have a lot of NDAs and documents, and every time we onboard somebody they have to get a packet. It's a challenge keeping track of all of that and keeping it current. When our writers move, they don't always update us with their new mailing addresses, so checks can't be sent."

34% of companies surveyed also expressed dissatisfaction with the time-consuming methods they currently use to communicate with their freelancers. Unless businesses source all their freelancers from a single agency, which is an unlikely and expensive scenario, they're forced to juggle multiple contact points.

This leads to cumbersome payment processes and poor visibility over the work that their freelancers complete. **Two-thirds of companies surveyed currently manage their freelancers on-site for full visibility, even though much of this work could be done remotely.**

## ENJOYING THE FULL BENEFITS OF AN EXTENDED WORKFORCE

*When managed properly, freelancers provide flexible, cost-efficient, and high-quality talent. Our study suggests that these benefits could be maximized with a tool or service that does the following:*

- Allows corporations to source skill-specific freelance talent **discreetly and efficiently**
- Makes the **highest quality freelance talent visible**, as through a ranking system that acknowledges satisfactory project completion
- Reduces costly and cumbersome **payment, onboarding, and tracking** methods with automation
- **Scales workforce volumes and management** processes up and down easily



I have to go through 5 agencies to work with my freelancers. I would prefer to have a centralized portal with as few contact points as possible.

– A hiring manager from a leading printing software company

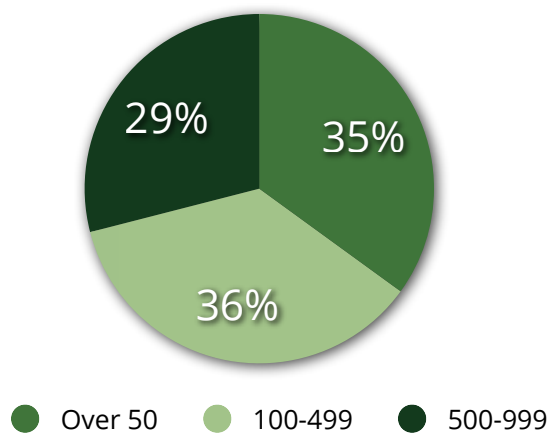


# Methodology

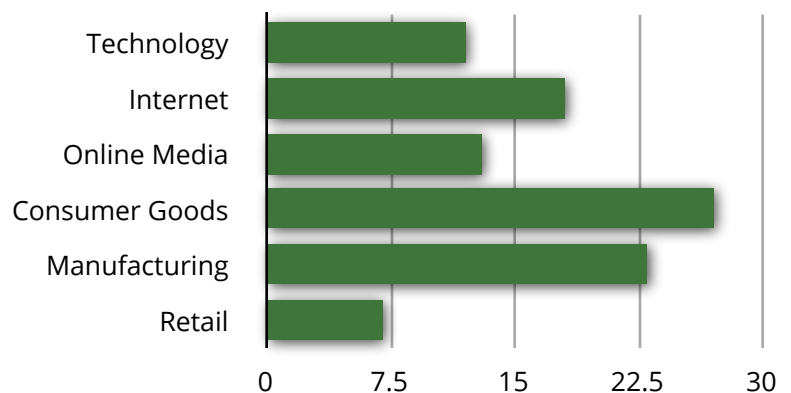
Tower Lane Consulting collected data from 260 freelance hiring decision-makers at leading US corporations. These professionals were polled on their current use of freelance labor and relevant drivers; how they expect to use freelancers in the future; and the main difficulties they face when sourcing freelancing talent. Surveys featured four tiers of questions and were administered in two ways--online, to 250 participants, and via 10 one-on-one executive interviews. The full case study features the text from these interviews in their entirety, as well as several charts reporting qualitative data culled from the online surveys.

Targeted respondents were representatives of US companies employing more than 50 full-time workers and more than 10 freelancers, though most respondents were associated with much larger corporations. (36% of respondent companies have between 100-499 full-time staff; 29% of respondent companies have between 500-999 full-time staff.) All respondents were in some way responsible for hiring and managing freelance talent. Respondents were also derived from a broad cross-section of industries: Technology (12%), Internet (18%), Online Media (13%), Consumer Goods (27%), Manufacturing (23%), and Retail (7%).

**Full-time Staff Members of Respondent Companies**



**Percentage of Respondents by Industry**



## About the Author

Joslyn Faust started Tower Lane Consulting as a way to provide clients with the same high level of strategic insight and market analysis as traditional consulting firms, but without the high price tag and large project teams. Ms. Faust brings a wealth of strategy consulting and market research experience to the firm, including several years of freelance consulting, and over 11 years of experience working at Gartner, the leading IT research and advisory firm. While at Gartner, she was a technology industry analyst, covering trends, go to market strategies and communications technologies for small and midsize businesses (SMB), and publishing research such as MarketScopes and Competitive Landscapes. Previously, she was a strategy consultant within Gartner Consulting, helping both large and small technology companies with their offering, marketing, and go to market strategies. She also spent several years in the finance industry, including tenure at Goldman Sachs and Merrill Lynch. Joslyn Faust has an MBA from Cornell University and a BA in International Relations from U.C.L.A. Tower Lane Consulting can be found on Elance under "TowerLane."