



WHITE PAPER:

THE FREELANCER MANAGEMENT SYSTEM:  
What Is Required For  
The Next Frontier of Enterprise  
Contingent Workforce Management

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WHITE PAPER:

# THE FREELANCER MANAGEMENT SYSTEM: What Is Required For The Next Frontier of Enterprise Contingent Workforce Management?

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FREELANCER MANAGEMENT — WHAT’S THE PROBLEM?

A significant and growing business risk is not being addressed today by enterprises and their Contingent Workforce Programs—that is the problem of identifying, monitoring, and managing the already large, rapidly expanding, and increasingly mission-critical “freelancer workforce.”

For nearly two decades enterprises have built Contingent Workforce Programs (CWPs) centered on Managed Solution Provider (MSP) solutions and Vendor Management System (VMS) tools. The CWPs were geared to delivering “individual contingent workers” placed with enterprises on assignments or projects lasting days to months. But for a variety of reasons (talent scarcity, urgency, cost-effectiveness) enterprises have needed to enact more flexible and efficient work arrangements—utilizing freelancers and independent contractors for smaller, shorter, specialized assignments and projects (gigs, small projects, micro-jobs) that tend to escape the scope of current CWPs.

These “freelance work arrangements” are already present—though not programmatically managed—across enterprises today (representing significant spend levels and compliance risks). And they are likely to be increasing significantly in coming years (as enterprises are driven toward more workforce efficiency and flexibility and as the workforce becomes more and more accustomed to flexible, independent, non-employment work arrangements).

While enterprises will be increasing their demand for talent/labor structured as “freelance work arrangements,” an expanding part of the talent population/labor supply—the “freelancer workforce”—will be self-organizing and aligning to perform in this emerging contingent workforce model.

As a result there is an already expansive and growing “freelancer management gap” at most enterprises. And this gap has significant and urgent implications for enterprises, including (a) increasing compliance and financial exposure and (b) real potential of losing competitive advantage from being unable to effectively leverage a mission-critical “freelancer workforce” in the future.

In a nutshell, the problem is the current and widening “freelancer workforce management gap” that current CWPs (including MSP and VMS components) do not and cannot address today (without additional processes enabled by the right kind of technology platform). In effect, there is also a “technology platform gap” that cannot be filled by VMS, but is necessary for CWPs and their MSPs to take on this new critical challenge.

### THE EMERGENCE OF THE “FREELANCER WORKFORCE” ECONOMY – REALITY SETTING IN...

The inclination of enterprises toward a flexible, contingent and extended workforce has been quite clear, but any shift in workforce population preferences, from “permanent” work arrangements toward contingent and “freelance” ones, has been much less visible.

The “permanent employment” work arrangement has dominated the modern industrial economy over the whole post WWII period and the overall “non-employee” portion of the labor force has remained constant since the late 1950s. But over the past decade, something different has been happening: economic and sociological factors have been driving workers to begin to revise their assumptions about how work and work arrangements can or should be structured.

While enterprises have been deliberately configuring themselves to function with a more flexible and efficient workforce, workers have been—in increasing numbers, especially since the last recession—disabusing themselves of the assumption that a full-time employment economy (based on long-term employment with specific enterprises) will continue for everyone.

We are starting to see a shift from a monolithic “permanent employment economy” to more of a “freelancer economy” that is not only driven by enterprise needs, but also by shifts in worker expectations and preferences about how they can optimize their work and earnings, learning and careers over time. Current trends and forecasts are now more clearly pointing in that direction.

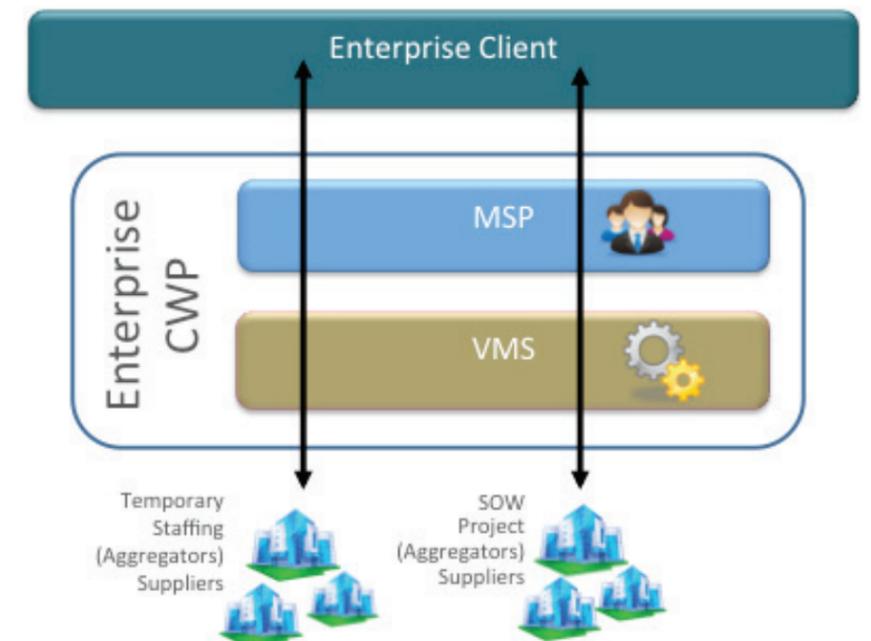
Today there is an estimated 30M or more of these “non-employees” that are performing full or part time work for many businesses in the US. According to most forecasts the number of independent workers is expected to grow at a high rate (in contrast with the more or less steady state that prevailed for many decades after WWII). One forecasting firm predicts that the 2013 independent worker population of 30M in the US could double (or more) in 10 years (and account for about half of the private, nonagricultural workforce). There are also predictions that, by 2020, 1 out of every 2 workers in the US will have spent some of their career as a freelancer. Most available forecasts are all directionally similar and they do not vary much in the predicted magnitude of the shift in the workforce.

Clearly, in the not-so-distant future, a much larger part of the labor force will—across many different work segments—consist of independent workers whose individual economic optimization (earnings maximization, more flexible lifestyle, learning to keep up skills, etc.) will rely on providing new kinds of units of labor services to multiple businesses/enterprises at a time. A very large portion of this “freelancer workforce” will be engaging in “micro jobs” (delivering short projects, tasks, on-going intermittent services, etc.) outside of “traditional” work arrangements models. In addition, it is likely that the most valuable and scarce talent populations rapidly adopt the “freelancer” work model, presenting a unique challenge to enterprises which critically need that high value talent.

The “freelancer workforce” is likely to become a larger and more significant portion of the US workforce over the course of the next 10 years. But are enterprise CWP and their MSPs prepared to deal with this shift of how work gets done and how work is arranged?

### ENTERPRISE CONTINGENT WORKFORCE PROGRAMS: BENEFITS AND CURRENT LIMITATIONS

Business enterprises (especially very large ones) recognized that “non-employees” were becoming a more and more significant part of their workforce, a larger portion of their total workforce spend, and an increasing source of complexity and risk that must be managed. This recognition led to the development of CWPs, including the key program components of MSP and VMS.



CWPs (and by extension MSPs and VMSs) have grown and have come to process more and more of the contingent workforce spend (especially for larger enterprises). They have offered a means to bring formal structure, control and transparency to the use of a semi-fluid workforce, the traditional contingent staff resources – mostly driven by finance and procurement via supplier consolidation and standardized rate structures.

The major focus of MSPs has been on the management and control of temporary worker staffing; and, as such, it has tended to focus on management of staffing suppliers (vendors) through VMSs. Only in past years has there been a shift of focus in the CWP/MSP world to another category of contingent workers who are defined by their working on a project/SOW (statement of work basis). This category of work, increasingly supported by MSPs (and gradually by more VMS systems), tends to be characterized by larger-scale, fixed high-dollar value professional services projects.

A February 2013 Staffing Industry Analyst article entitled “Expanding MSP Scope to Include IC Compliance” proclaimed: “Last year, the buzz was about statement of work (SOW) consultants; companies wanted their managed service provider (MSP) to oversee SOW consultants. That buzz has not gone away, but it has evolved to include ICs as well. ... It makes better sense for the buyer of staffing services to have one point of contact—the MSP provider—for all non-employee activity.” One staffing expert quoted in the article stated: “The scope of the MSP has expanded. Customers are looking to the MSP today to manage their independent contractor risk mitigation efforts.”

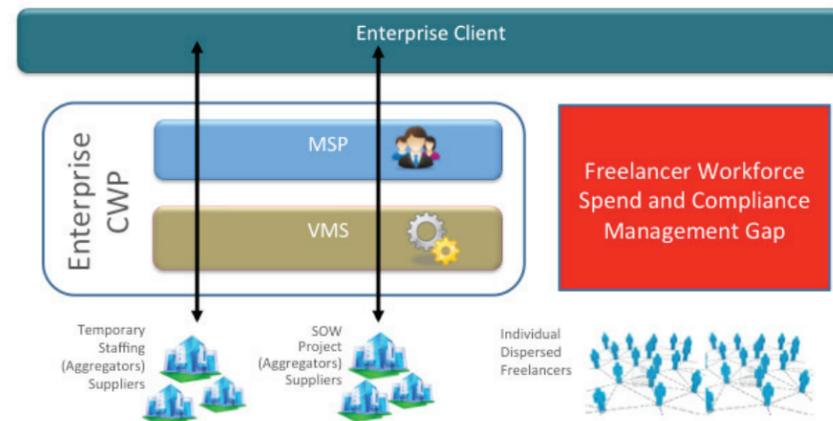
While businesses have seen that CWP (MSPs and VMSs) have been successful in bringing control and compliance across some kinds of work arrangements, some are realizing there is a big gap related to the increasingly important “freelancer workforce” and new kinds of work arrangements (tasks, gigs, “micro jobs,” etc. can be more dynamic, less predictable, more variable, shorter, less continuous, more intermittent, etc.).

But does enterprise MSPs really have the capabilities and systems to manage the “freelancer workforce” and these new work arrangements?

The answer is not yet—there is a gap. And enterprises that do not move to address that gap are exposed to significant legal compliance and financial risk and—of rapidly increasing importance—the loss of competitive advantage due to failure to be able to leverage critical talent in the form of the freelancer work arrangements.

### THE “FREELANCER WORKFORCE” MANAGEMENT GAP

The “freelancer workforce” and “freelancer work arrangements represent a critical legal/financial risk and workforce management gap that exists today in all enterprise CWPs:

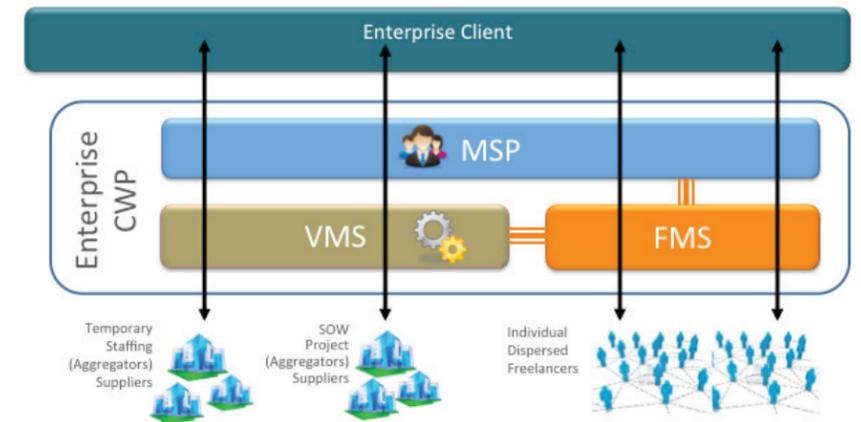


Many enterprises are now realizing that significant numbers of freelancers are already being engaged in their businesses, while not being adequately identified, tracked, classified, and compliantly managed (compliance and financial risk looms large). In addition, many are realizing the need to engage this “freelancer workforce” in the future will not decrease; it will definitely expand and become more pervasive and critical part of their organizations.

But what all enterprise managers, CWP professionals, and MSP operators must also begin to realize is that a different kind of technology-based workforce management solution is needed. To mitigate risk it is imperative adequate control, visibility and legal compliance is achieved to gain control over the already existing “freelancer sprawl.”

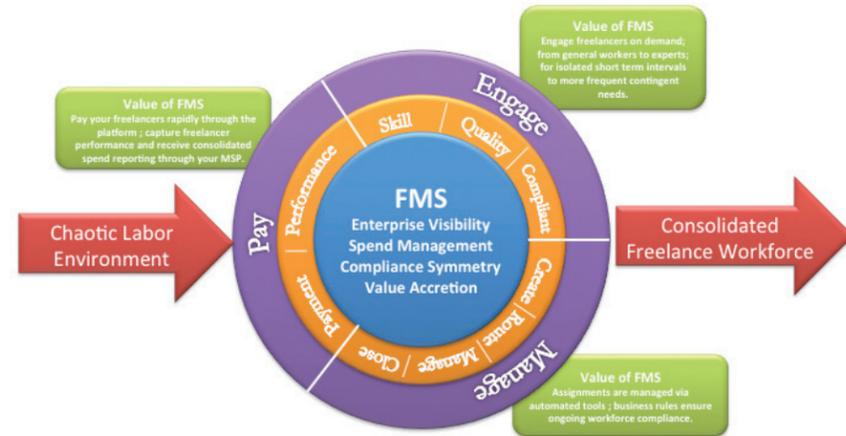
### CWPS AND MSPS NEED A NEW TECHNOLOGY-BASED PLATFORM: FREELANCER MANAGEMENT SYSTEM (FMS)

Enterprise CWPs and MSPs will increasingly require a Freelancer Management System (FMS) -- a workforce management technology solution that efficiently engages, tracks, and manages the “freelancer workforce” that is increasingly becoming a vital and critical party of every enterprise workforce.



An FMS is a sophisticated online/digital workforce platform that is in some ways analogous to a VMS. But unlike the architecture of a VMS that is optimized for the management of “traditional contingent” temporary workers and their suppliers along with an increasing number of SOW work/suppliers, the architecture of the FMS is optimized to enable the management and control of the individuals making up the growing “freelancer workforce” and the varieties of work it performs. Accordingly, the FMS platform will be designed to allow CWPs and MSPs to extend/augment the scope of their enterprise program management (from that enabled by VMS for traditional contingent workforce) to now include and integrate control and management of the “freelancer workforce.”

So what would an FMS do? In very simple terms, an FMS would allow an enterprise to bring the needed level of “spend and compliance management” to the existing and growing “freelancer workforce.” Whereas previously individual freelancer engagements and contracting transactions were dispersed in isolated instances across an enterprise and rarely monitored, aggregated or controlled. With the FMS platform, this “freelancer sprawl” would be managed systematically on a unifying platform.



To give enterprises the power to gain control over an existing “freelancer workforce” and to enable the expansion of a cohesive, controlled and compliant future workforce segment made up of dispersed individual freelancers doing “micro jobs” (including those that may be brief, time-sensitive, specialized, one-time, recurring, sporadic, et al), an FMS would provide a range of unique capabilities to solve the unique problems of freelancer management.

MSP Benefits	FMS Features
Best Practices & Business Rules	Client adjustable business rules and best practices for <b>managing the full life cycle of the freelancer work assignment</b> from initiation to completion are fully embodied in the software workflow.
Process Outsourcing	<b>Finding, engaging, managing and paying freelancer</b> is entirely embodied in software virtually eliminating all manual processing of freelancers and 1099 administration.
Control of Spend	The FMS platform provides a direct connection between the buyer and the freelancer with visibility into skills, quality, proximity factors and a <b>mobile application reducing time to fill to within minutes</b> of posting a work assignment. unmanaged spend now under control.
Compliance Management	An FMS contains a record of all tasks performed, the timing of task performance and who performed the work. <b>Co-employment risks are greatly mitigated as the FMS provides analytical evidence of compliance.</b>
Supplier Consolidation and Managing the Vendor Pool	An FMS can assimilate an existing labor pool or help clients build an entire network from scratch with all freelancers consolidated onto a single platform.
Consolidated Invoicing	Consolidated invoicing is still performed through the MSP tool set with an FMS providing all freelancer work history and associated costs reported to the MSP for consolidation.
Spend Management and Control	By consolidating all freelancers onto a single platform all independent work engagements are visible with cost traceability to the individual, the work performed and the supporting organization.
Administration and Reporting	All administration and reporting is done under the umbrella of the MSP.
Timekeeping and Invoicing	<b>Timekeeping and invoicing are virtually eliminated</b> as freelancers are paid through the software via a prefunded account that results in payment within days.
Contractor Management	An FMS is <b>designed to manage both the work and the freelancer</b> . Therefore, the platform incorporates work management aids such as job templates and work routing rules as well as complete visibility into freelancer work history and performance.

In short, the solution needed is something that we can now call an FMS, an online/digital platform with a unique set of capabilities designed to enable enterprises to augment/extend their existing VMS/MSP-based CWPs to manage the “freelancer workforce” now, the new critical workforce of the future.

### CONCLUSION: WHY FMS?

The “freelancer workforce” is already used extensively across all kinds of enterprises, and in the future successful enterprises require more effective methods and systems to make increasing use of it easier. There is a dangerous gap in enterprise CWPs today: the inadequate management of the “freelancer workforce.” Contemporary enterprises, even those with well-developed and mature CWPs, can no longer afford to ignore this gap. To fill the gap, CWPs and MSPs need another kind of technology solution beyond VMS. That is an FMS. A new kind of technology-based platform solution that enables enterprises (and there CWPs and MSPs) to manage and control that critical economically efficient, legally viable, and flexible “freelancer workforce.”



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