Freelance Management Systems 101

Everything You Need to Know

The **freelance economy is growing** and showing no signs of slowing down. According to Forbes, by 2050 an estimated 50% of the U.S. workforce will be made up of freelance or contingent workers. (Forbes, January 26, 2016). This number will continue to grow.

In fact, **$600B-1.4T is spent worldwide on the extended workforce** (freelancers), according to a recent Accenture report. That figure will explode over the next several years becoming a nearly trillion-dollar market, as more businesses begin realizing the benefits of leveraging a flexible workforce of freelancers and independent contractors.

The challenge many businesses face as they continue investing in non-traditional labor is lack of visibility into and control of their extended workforce. Managing hundreds, in some cases thousands, of independent contractors is time consuming for most businesses.

Most businesses simply don't have the technology in place to properly manage this talent. According to procurement analysts, Ardent Partners.

To date, most organizations have taken a hands-off approach — leaving the process largely in the hands of Managed Service Providers (MSPs), line of business owners, and hiring managers. Others rely on dated strategies — disparate technologies, spreadsheets and phone calls — to find and manage their extended workforce.

Traditional HR and human capital management (HCM) platforms are not designed to manage the nuance and complexity of freelance work. Conversely, Vendor Management Systems (VMS) are largely used to manage the procurement and sourcing of talent through third-party staffing firms.

Simply put, businesses need to become more proactive and engaged when it comes to managing the growing legion of freelancers in their agile workforce. Fortunately, the emergence of Freelance Management Systems (FMS) are empowering them to do just that.

Capabilities of an FMS should include:

✓ **Ability to find and view** the credentials/profile/work history, hire, and pay a specific independent worker.

✓ **Sourcing** and **grouping**, which can include talent pools, online talent marketplaces, and "preferred provider networks".
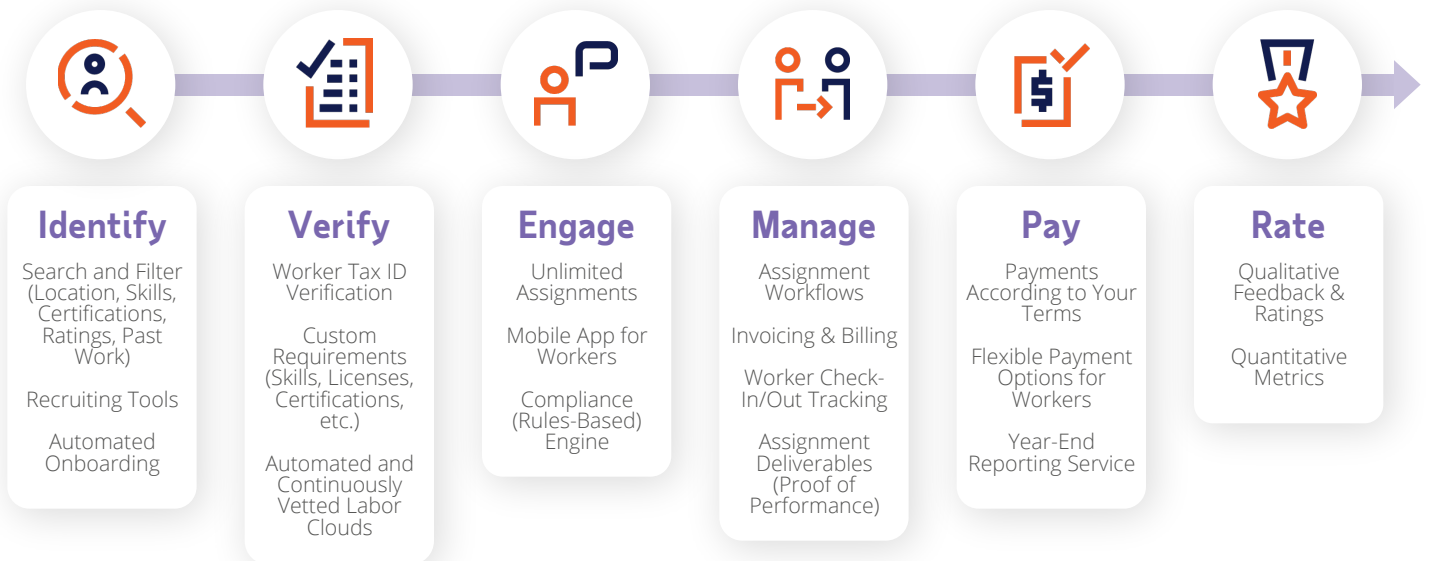
✓ **Vetting**, **validating**, and **curation** of talent (including drug screening and background checks).
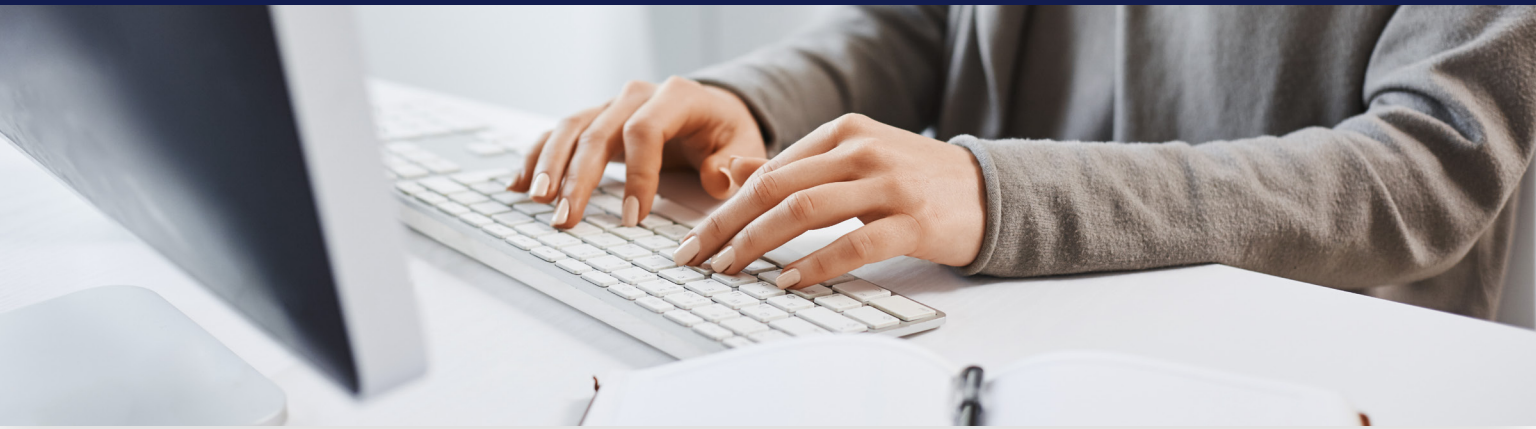
What Is A Freelance Management System (FMS)?

An FMS is a cloud-based workforce solution that empowers businesses to manage end-to-end extended workforce assignments from a single platform. Everything from identify, verify, engage, manage, pay, and rate contingent workers for assignments via an end-to-end platform.

This software also arms HR and business executives with a powerful analytics engine they can use to better track, manage and understand their freelance costs. Leveraging FMS technology, businesses can find qualified freelancers and independent contractors, identify worker qualifications, verify worker skills, credentials and qualifications, organize simple groups of talent pools, manage on-site assignments, pay contractors, and rate worker performance.

An End-to-End Freelance Management System

Identify
Search and Filter (Location, Skills, Certifications, Ratings, Past Work)

Recruiting Tools

Automated Onboarding

Verify
Worker Tax ID Verification

Custom Requirements (Skills, Licenses, Certifications, etc.)

Automated and Continuously Vetted Labor Clouds

Engage
Unlimited Assignments

Mobile App for Workers

Compliance (Rules-Based) Engine

Manage
Assignment Workflows

Invoicing & Billing

Worker Check-In/Out Tracking

Assignment Deliverables (Proof of Performance)

Pay
Payments According to Your Terms

Flexible Payment Options for Workers

Year-End Reporting Service

Rate
Qualitative Feedback & Ratings

Quantitative Metrics

What a Freelance Management System Should Do

With an FMS, businesses can easily onboard and organize their existing freelancers and independent workforce into groups. Anyone in the company can access this hub and track a worker's location, skills, experience and certifications — a sort of single source of truth for their contingent workforce.

Businesses set rules through an FMS to help reduce their likelihood of misclassifying their workers.

Some rule limitations include, but not limited to:

Number of assignments a freelancer can complete

Amounts paid to a specific worker

Number of hours a freelancer can work

Percentage of total work from one worker

The capacity to manage and engage hundreds of freelancers, track their work, and collaborate with them in real-time. Customized workflows can be easily built allowing thousands of assignments to be loaded into the platform through:
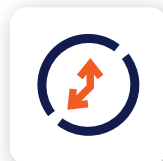
Automated payment processing capabilities include:

API Integration with third party payment processors like Netsuite

Invoicing and transaction status

Hourly billing or milestone billing

Flexibility through an ACH deposit, credit card, or wire transfer

Benefits of a Freelance Management System

Staffing Industry Analysts (SIA) reported that companies who consistently use an FMS rather than a VMS to engage independent workers reduce risk and increase compliance.

An FMS, by the very nature of the technology, encourages proper reporting to tax authorities by automatically generating auditable paper trails, and help businesses lower risk from misclassification by allowing organizations to add requirements based on their understanding of compliance roles and their risk tolerance.

Organizations have traditionally used several disparate tools, networks, and services (i.e., excel spreadsheets, job boards, project management software, 3rd party payment systems and HR solutions) to manage their independent workforce. These engagements were often handled in a "one off" fashion, making consolidated reporting and compliance with uniform policies difficult.

Businesses using an FMS have consistently consolidated the management of independent workers onto one single source of truth platform so that policies are implemented uniformly while "rogue spend" — those costs outside of the guidelines of an organization's contingent workforce program — can be analyzed and optimized.

The Aberdeen group concluded organizations that utilize freelance management technologies, like an FMS, can gain insight on the true value of their non-employee efforts and plan more accurately for future staffing needs. When organizations have greater visibility into their freelance workforce, they are also better able to mitigate risks and control labor costs.

With global businesses spending millions on non-traditional talent, they can no longer afford not to have a system in place to manage and measure this incredibly important, and rapidly growing, segment of their workforce. At its core, FMS software allows businesses to compliantly scale an on-demand workforce of hundreds or thousands of independent professionals.

Many enterprises have already started to reap the rewards of a well-implemented FMS and industry analysts are starting to document the effectiveness of this technology.

According to Gartner, nearly 60% of HR leaders will use a unified talent management strategy by 2020. Today's top HR executives understand the importance of building an on-demand workforce that can adapt to an unpredictable market in real-time.

Freelance management is transforming the fundamental dynamics between skilled professionals and businesses around the world. By arming companies with the systems, process, and data to manage on-demand labor at scale, the FMS evolution will help power the future of work.

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