



# FREELANCE MANAGEMENT SOFTWARE INDUSTRY ANALYSIS



## EXECUTIVE SUMMARY

Imagine a world in which businesses could leverage the collective intelligence of online communities to quickly solve problems and complete large-scale projects at a fraction of the cost of traditional hiring. With the rise of advanced freelancer management software, this is not only possible, it's **inevitable**.

Just as businesses are moving IT infrastructure to the cloud to achieve scale and streamline processes, efficiencies of similar proportion can be gained by tapping into the cloud for talent. Freelancer management software creates virtual workspaces that facilitate collaboration in a way that could not have been imagined 25 years ago, allowing workers to productively contribute without physically clustering together.

The following industry analysis examines the key drivers of this shifting business landscape, the technology powering it, and provides perspective on what the future holds for the freelance economy.



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## THE EMPLOYMENT LANDSCAPE IS EVOLVING.

Technically, it's always been evolving; the last significant shift saw a substantial drop in median employee tenure, especially among younger workers.<sup>[1]</sup> The newest trend redefines the fundamental definition of "employee" and forecasts a sustainable business model in which a company need not have employees at all.

As it gains momentum, this phenomenon, along with the workers powering it, has earned a variety of names, including the freelance economy, on-demand workers, solopreneurs, independent or contingent workers, and finally, borrowing from cloud computing terminology, "talent-as-a-service."<sup>[2]</sup> In the same way that many businesses pay cloud vendors for the use of computing servers, rather than maintaining the hardware on site, businesses are now able to engage the services of the exact talent they need when they need it without adding personnel to their payroll budgets.

According to Forbes, cloud computing is a \$13 billion dollar industry<sup>[3]</sup> with an expected workload growth rate of over 40%.<sup>[4]</sup> Cloud computing has transformed how businesses and individuals interact with computers.

The shift from traditional employment to "talent-as-a-service" (TaaS) is poised to have a similar impact on the way businesses and individuals interact with the workforce.

Just as businesses are moving IT infrastructure to the cloud to achieve scale and streamline processes, efficiencies of similar proportion can be gained by tapping into the cloud for talent.

<sup>1</sup> Bureau of Labor Statistics

<sup>2</sup> Wired

<sup>3</sup> Forbes

<sup>4</sup> Silicon Angle



## CURRENT DATA AND FORECAST

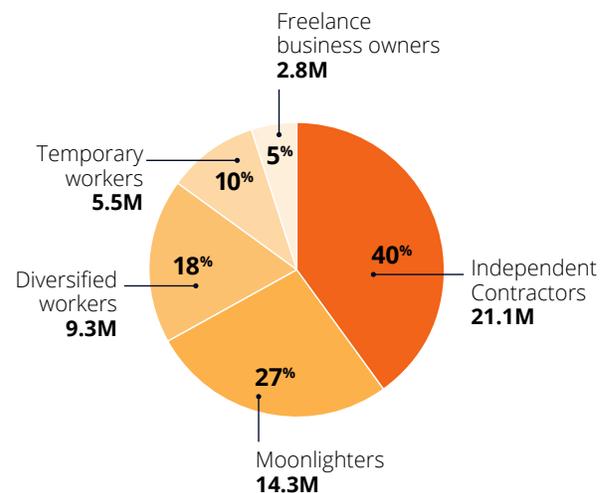
Freelancers can be divided into five categories: independent contractors, moonlighters, diversified workers, temporary workers and freelance business owners.

- The first group, **independent contractors**, makes up the largest contingent of freelancers. Independent contractors are the “traditional” freelancers who work for a variety of clients on a project-by-project basis.
- **Moonlighters** have traditional full-time jobs, but do freelance work on the side.
- **Diversified workers** are those who have part-time jobs and fill the remainder of the work-week doing freelance work.
- **Temporary workers** work with a single employer, but with temporary work status.
- **Freelance business owners** are those who run small businesses, generally performing project work, but still identify as freelancers.

FIGURE 1:  
THE FIVE TYPES OF  
FREELANCE WORKERS

### 53 MILLION FREELANCERS

How non-traditional jobs add up in a survey of U.S. workers.



Source: Edelman Berland, as commissioned by the Freelancers Union and Upwork | [hbr.org](http://hbr.org)

The consensus is that the freelance economy is large and growing. Although differing definitions and survey methodologies are used to estimate the size of the freelance economy, freelancers likely represent 30%+<sup>[6]</sup> of the current labor force, and this number is expected to grow 5–7% through 2020.

<sup>6</sup> Freelancers Union

TABLE 2:  
SIZING THE SHIFT TO TAAS

Number of Workers			Year over Year Projected Growth	Source's Definition of Freelancers	Source
Past	Present	Future			
<i>n/a</i>	53M (2014)	79.5M (2020)	7.0%	Individuals who have engaged in supplemental, temporary, project-based or contract-based work in the past 12 months	Freelancers Union / Upwork <sup>[7]</sup>
<i>n/a</i>	43.9M (2012)	64.9M (2020)	5.0%	Small and mid-sized independent firms, agency temp workers, contract company workers, day laborers, direct-hire temps, independent contractors, on-call workers, self-employed workers and standard part-time workers	Mavenlink / BLS & CNN Money <sup>[8]</sup>
<i>n/a</i>	30M (2014)	40M (2019)	5.9%	Anyone 21 years or older who self-describes his or her job status as one or more of the following: <ul style="list-style-type: none"> <li>• An independent consultant/contractor</li> <li>• Self-employed</li> <li>• A freelance worker</li> <li>• A temporary worker</li> <li>• A fixed term contract worker</li> <li>• An on-call worker</li> <li>• A small business owner with fewer than four employees</li> </ul>	MBO Partners <sup>[9]</sup>
42.6M (2006)	No government data since 2006			Contingent workers – independent contractors and part-time, temporary, seasonal and leased workers (as defined by the U.S. Government Accountability Office)	GAO <sup>[10]</sup>
20.8M (2006)	22.7M (2012)	<i>n/a</i>	<i>n/a</i>	Non-employee businesses; sole proprietor – those business entities that do not report having employees  This is a useful number for sizing because these businesses comprise a single person, who may in many ways operate like a freelancer.	US Census <sup>[11]</sup>

<sup>7</sup> Ibid

<sup>8</sup> Mavenlink

<sup>9</sup> MBO Partners

<sup>10</sup> U.S. GAO

<sup>11</sup> U.S. Census



Drivers of this growth include technology, demographics, a shifting business landscape and shifting worker preferences.

### **Technology**

Improvements in broadband and wireless connectivity are driving this shift. Beyond just strict connectivity, social media is making it easier for freelancers to find work and for work to find freelancers. Additionally, collaboration technologies are improving team efficiency across multiple geographies.

### **Demographics**

Millennials are an obvious driver, but even late career baby boomers are shifting to freelance work in order to have more control over their schedules. According to MBO partners, millennials represent 28% of the independent workforce, while baby boomers make up 30%.<sup>[12]</sup>

### **Shifting business landscape**

Businesses increasingly are looking to hire people on a project-by-project basis, freeing them from the costs associated with long-term staffing commitments. Just as cloud computing has freed businesses from long-term capital commitments to physical servers, the shift toward freelancers is freeing them from long-term employment contracts.

### **Shifting worker preferences**

Worker engagement is extremely low, with Gallup reporting 70% of employees feeling unengaged at work,<sup>[13]</sup> while a survey conducted by the Conference Board recently found that fewer than 50% of American workers were satisfied with their jobs.<sup>[14]</sup>

One of the drivers of cloud computing is increased utilization of resources on a per-server basis. In similar fashion, TaaS is increasing freelancer utilization relative to desirable projects. As a result, 82% of independent freelancers report a high degree of job satisfaction. People want control of their income, projects, hours and work-life balance, and the numbers dramatically demonstrate that freelance work is meeting this need.<sup>[15]</sup>

Another perspective on the future size of the freelance economy can be examined and measured through the investments being made in companies using on-demand freelancers. Inasmuch as investment is a vote of confidence in success potential, as well as a proxy for user demand of the services offered by these types of workers, 2013 laid a bullish foundation for the future of the freelance economy.

<sup>12</sup> MBO Partners (2014 State of Independence in America Report)

<sup>13</sup> Gallup

<sup>14</sup> WSJ

<sup>15</sup> MBO Partners 2014

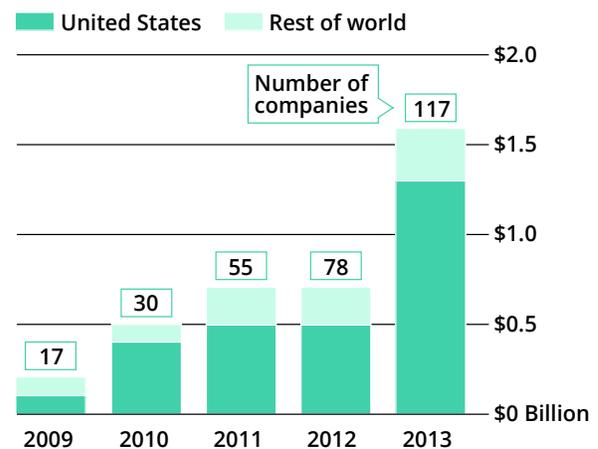


FIGURE 2:  
VENTURE CAPITAL  
INVESTMENT IN THE  
ON-DEMAND ECONOMY<sup>[16]</sup>

### HERE'S AN IDEA

The On-Demand Economy has captured the attention of venture capitalists. See chart.

**NOTE** Companies can take 5–10 years from receiving venture funding to reach scale. As an example, Uber's first major wave of venture funding was in 2011.<sup>[17]</sup>



## PROS AND CONS OF THE SHIFT TO TAAS

TaaS is giving freelancers more control and providing companies the flexibility to respond to changes in the business climate. These and other pros are the driving force behind this trend. There are, however, a few downsides to consider.

From the worker perspective, many have noted that freelance work limits the safety net and, in some cases, increases individual liability.<sup>[18]</sup> Freelance work also requires a certain industrious disposition that may not fit some people's personalities. Finally,

a freelancer may find that the additional skills required to manage a freelance career, such as self-promotion and accounting, do not come naturally.<sup>[19]</sup>

From the perspective of the company utilizing on-demand talent, handling TaaS represents some new challenges as well. Coordinating projects with freelancers comes with a different set of management requirements than working with in-house employees.

<sup>16</sup> The Economist, Crunchbase

<sup>17</sup> Crunchbase

<sup>18</sup> Fast Company

<sup>19</sup> Gigaom

<sup>20</sup> The Economist

A key success factor for businesses struggling to develop best practices when it comes to managing remote labor is having the right partners to help shape a freelancer strategy.<sup>[20]</sup> For example, quality control procedures need to be a key component in any TaaS initiative. The best-in-class companies will adopt quality assurance processes for managing and reviewing freelancer work.

Despite challenges faced with a shift to TaaS, many businesses will prefer this new model, given some of the limitations of hiring and maintaining a workforce of traditional freelancers. For example, the inability to elastically scale a traditional workforce up or down based upon changing business needs can be costly and inefficient. Businesses either pay to keep underutilized workers on the payroll or risk missing key opportunities due to understaffing.

TABLE 3:  
PROS AND CONS OF THE SHIFT TO TAAS

	Pros	Cons
Worker Perspective	<ul style="list-style-type: none"> <li>+ More control of career and own personal schedule</li> <li>+ More choice of work (project types and content)</li> <li>+ Increased earnings and control of earnings</li> <li>+ Not being tied to one employer</li> </ul>	<ul style="list-style-type: none"> <li>- Missing safety net, liability protection<sup>[21]</sup></li> <li>- Not a personality fit for all<sup>[22]</sup></li> <li>- Managing a freelance career can require skillsets that some workers do not have</li> </ul>
Company Perspective	<ul style="list-style-type: none"> <li>+ Increased ability to respond to changing businesses needs and climate</li> <li>+ Tighter budget control</li> <li>+ Increased work quality/ability to quality control across multiple on-demand freelancers</li> <li>+ Reduced costs<sup>[23]</sup></li> </ul>	<ul style="list-style-type: none"> <li>- Decreased oversight</li> <li>- Need for new strategies for managing freelancers<sup>[24]</sup></li> </ul>

<sup>21</sup> Ibid

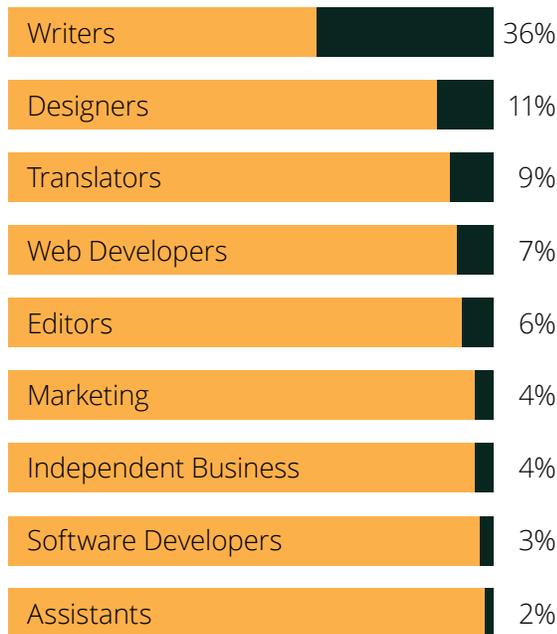
<sup>22</sup> [Washington Monthly](#)

<sup>23</sup> [Entrepreneur.com](#)

<sup>24</sup> [Forbes](#)

# SECTOR EXAMPLES: PUBLISHING AND CONSUMER SERVICES

FIGURE 3:  
SHARE OF FREELANCERS  
BY FUNCTION/INDUSTRY<sup>[25]</sup>



## Publishing / Writing

Shifts to digital are disrupting the publishing industry and causing uncertainty, as well as creating new competition in the form of project-based freelancers. Greater than 40% of freelancers are writers, copywriters and editors,<sup>[26]</sup> and this number is expected to grow as technology removes the need for content creators and editors to be geographically centralized.

FIGURE 4:  
SELECT CONSUMER SERVICES  
WITH TAAS WORKERS<sup>[27]</sup>



## Consumer Services

Mobile and web platforms are connecting mass consumers to an array of services that once were available to only a select population. Car services, house cleaning, personal assistants (e.g., FancyHands) and delivery services all are seeing broader adoption, and all of these platforms are using a significant number of freelancers. For example, the car service platform, Uber, has 162,000 active drivers.<sup>[28]</sup> The personal assistant platform, TaskRabbit, has about 25,000 active freelancers.<sup>[29]</sup> As figure 4 shows, these services have attracted high numbers of users and are forecasting user growth.

<sup>25</sup> Mavenlink

<sup>26</sup> Note: Potentially working outside of publishing (e.g., writing product descriptions for retailer)

<sup>27</sup> DMR

<sup>28</sup> Washington Post

<sup>29</sup> The Verge

## VISION OF THE FUTURE

While the future is difficult to predict, a number of trends likely will shape the employment landscape over the next 50 years.

### **Technology**

While connectivity, social media and device proliferation have driven the first wave of TaaS, artificial intelligence, sensors providing big data (and the related implications for crowdsourcing) and advanced telepresence will have profound impacts in the distant future.

### **Public Policy**

Public policy and governments also will shape the future of work. The definition of a freelancer will need to evolve. Difficult questions likely are to arise regarding the way businesses classify employees, provide benefits and handle other human-resource-related technicalities. Both legislative and market solutions likely are to arise.

### **Business to Talent Industry**

Entire businesses supporting the individual freelancer will arise. This industry will capture everything from personal productivity and HR to education and job training systems. We already are seeing the beginnings of this

trend. For example, a major co-working office space company recently raised a significant amount of capital by targeting primarily individual freelancers.<sup>[30]</sup>

### **Convergence Toward Cloud Characteristics**

There likely will be a convergence in the future of TaaS with cloud computing characteristics. It also is possible that in the distant future the analogy between cloud computing and the freelance economy may become less distinct. For example, thinking 50 years out, it is conceivable that artificial intelligence and computer visioning will replace some current TaaS work.

What might be the implications of intelligent computers replacing portions of TaaS? Conversations about Artificial Intelligence (AI) have noted that humans still may program goals and values into intelligent computers. It may very well be that the future of TaaS actually is “humanity-as-a-service,” where we aggregate human potential as a guide and governor of computer intelligence.

TABLE 4:  
THE FUTURE OF TaaS

	Assessment of Current Evolution of TaaS	2025 Evolution of TaaS	2040 Evolution of TaaS	2065 Evolution of TaaS
BROAD NETWORK ACCESS	●●●●○	●●●●● Increases in connectivity and life-like telepresence		●●●●●
RAPID ELASTICITY	●●●○○	●●●●○ Businesses will have increased ability to scale up or down TaaS		
MEASURED SERVICE	●●○○○	●●●●○ Businesses serving freelance workers will increase transparency		
RESOURCE POOLING	●●○○○	●●●●○ Sensors and big data to create crowdsourced resources		
ON-DEMAND SELF-SERVICE	●○○○○	●●●●○ Businesses still will need human centered strategies for managing TaaS		●●●●● TaaS will converge toward cloud computing characteristics

**Freelance Management Software Industry Scorecard**

●○○○○○ Not yet evolved      ●●●●○ Evolved but needs improvement  
 ●●○○○○ Beginning to evolve      ●●●●● Highly evolved  
 ●●●○○○ Moderately evolved



As we peer into the future of the freelance economy, several key questions emerge, the answers to which will be uncovered sooner than we imagine.

**For public policy makers and government:**

How will public policy evolve to support the freelance economy? How will virtual work shift notions of geographic and national residency?

**For individuals:** What impact will freelance work have on traditional work-life balance? What impact will it have on standards of living?

**For businesses:** How will businesses manage a growing freelance workforce? What will be the worker composition (i.e., traditional versus freelance) of Fortune 500 companies in the future?

**For educators and the professional development industry:** How will K-12 and higher education evolve to support the freelance economy?<sup>[31]</sup> What industries and businesses will arise to support the freelance economy?

**For humanity:** How will freelance work advance human progress? What previously unsolved problems will the human race put an end to as work evolves?<sup>[32]</sup>

<sup>31</sup> Forbes

<sup>32</sup> InnoCentive is a company using crowdsourcing to solve important global problems

## CONCLUSION

The freelance economy is large, and it's growing rapidly. While this new direction faces challenges, it is giving workers more control, personal ownership, autonomy and income growth. At the same time, businesses are gaining more agility and the flexibility to respond to changes in the competitive global market. With workers and businesses

embracing the freelance economy and continual innovations in technology, this shift has all the momentum it needs to dramatically transform the employment landscape of the future.



## ABOUT ONESPACE

OneSpace is a cloud-based platform that helps companies find, curate, train, manage and pay freelance contractors. We align a skilled, scalable workforce with advanced software to solve enterprise-level content and data challenges.

Find out how OneSpace can transform your business.

Contact [sales@onespace.com](mailto:sales@onespace.com).

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