



**workmarket**<sup>®</sup>  
an ADP<sup>®</sup> company

# Freelance Management Systems 101:

Everything You Need To Know

**T**he freelance economy is booming and showing no signs of slowing down. An estimated 50-53 million people in the United States complete some form of freelance work (Forbes, January 26, 2016). This number will continue to grow.

In fact, \$300+ billion is spent worldwide on contingent labor, 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 a fairly new endeavor for most businesses.

Most businesses simply don't have the technology or tools in place to properly manage this talent. According to procurement analysts Ardent Partners, nearly 60% of all contingent labor is unaccounted for in financial planning, forecasting, and budgeting within the average company ("On-Demand Talent and the Rise of Work Market and the FMS Platform").

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 antiquated strategies — disparate technologies, spreadsheets and phone calls — to find and manage their contingent 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.

“Now employers are hiring millions of workers worldwide to do information-based work through online marketplaces; each worker is rated by previous employers, and you don't pay unless you're satisfied with the work.”

– GEOFF COLVIN, FORTUNE CONTRIBUTOR



# What Is A Freelance Management System (FMS)?

**An FMS is a cloud-based workforce solution** that empowers businesses to manage end-to-end freelance workflows from a single platform. Everything from sourcing, managing, vetting, reporting, payment, and compliance is under one roof.

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, verify worker qualifications, curate simple groups of talent pools, manage on-site assignments, pay contractors flexibly, and rate worker performance.

Efficiently and compliantly organize, manage, and pay all your freelancers.



**Organize**, vet, and track all your freelancers logically.



**Manage** and engage all your freelancer workflows from one dashboard.



**Pay** your freelancers conveniently and on your terms.



**Report** and track on every aspect of your freelance workforce.

# Organize

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



## Capabilities of an FMS include, but not limited to:



**Ability to find, 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, credentialing, and curation** of talent (including drug and background checks)



# Manage

An FMS user has the capacity to manage and engage hundreds of freelancers across the country, 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:



Web and mobile real time communication



Contract, documentation, and workflow management



Enterprise management tools including bulk upload capabilities

# Pay

An effective FMS allows innovative payment terms that mimic real-world payment cycles, empowering businesses to conveniently pay their freelancers instantly, automatically, and by any method.



## Automated payment processing capabilities include:



API integration with third party payment processors like Netsuite



Invoicing and transaction status

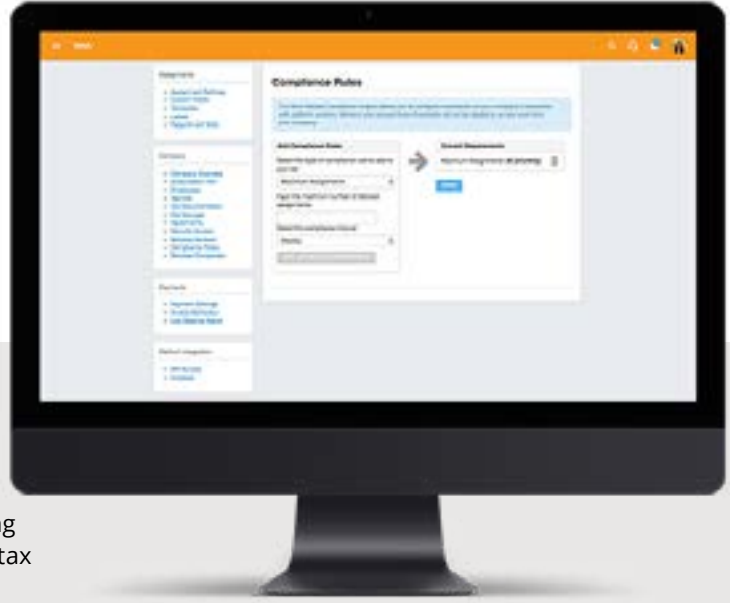


Hourly billing or milestone billing



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

# Compliance



Any business that is engaging an independent workforce needs to take steps to ensure they remain compliant with federal, state, and local laws and regulations. Those that don't risk being subjected to lawsuits, government audits, and tax liability/penalties.

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

Additionally, an FMS allows companies to determine their level of engaging their independent labor workforce by creating sets of engagement rules that align with company and business processes.

## Example engagement rules include:



Pay an independent contractor for travel expenses



Pay for training or professional development



Engage only professionals who use their own tools



Allow independent contractor to work at your company's locations



Provide expense reimbursement



Always allow for price and timing negotiations

# Reporting

**Dynamic reporting tools** track every aspect of an organization's freelance workforce, including:



Client and supply side reports



Worker performance ranking, feedback system, and rating structure



Real time spend and cost analytics



Market coverage – know exactly where your workers are located across the country

**Moreover,** leading FMS providers have built their software with an eye towards the enterprise, ensuring the platform is integration-friendly. Leading enterprise workforce applications offered by ADP, Salesforce, Workday, ServiceNow, Netsuite — to name a few — effortlessly integrate with an FMS.



# 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 (“The Rise of Freelancer Management Systems”).

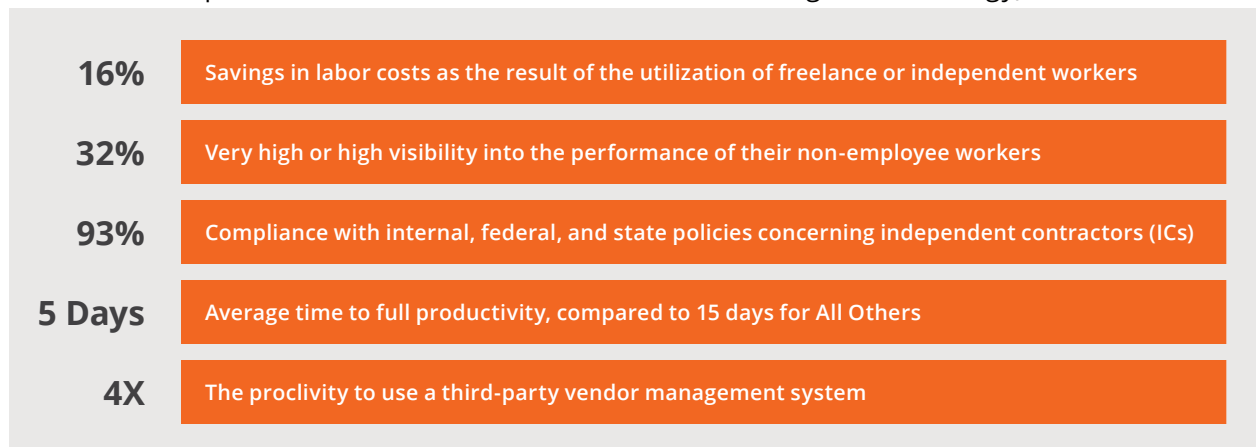
An FMS, by the very nature of the technology, encourages proper reporting to tax authorities by automatically generating auditable paper trails, and help businesses lower risk from misclassification by allowing organizations to add requirements based on their understanding of compliance roles and their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

Organizations have traditionally used a number of disaggregated tools, networks, and services (i.e., Excel spreadsheets, job boards, project management software, 3<sup>rd</sup> 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.

A 2015 Aberdeen group concluded organizations that utilize freelance management technologies, like an FMS, are able to 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 (“The Benefits of a Successful Freelance Management Strategy”).

**Organizations that consider a new approach to managing their workforce through an improved freelance management system experience** (Source- Aberdeen Group, “The Benefits of a Successful Freelance Management Strategy”):



**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 Fortune 500 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.

A new era of freelance management is upon us; one that 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 in scale, the FMS evolution will help power the advancement of the modern



**Learn more about how FMS software** and WorkMarket can streamline your company's workforce operations to enhance productivity, reduce overhead, and increase revenue. Give us a call at **(877) 654-9675** or email us at **answers@workmarket.com**.

