



How Are Companies Leveraging the Freelance Economy?

MARCH 2021



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Table of contents

Introduction 3

Key Findings 4

Chapter 1 - The Value of Working
with Freelancers and Contractors 6

Chapter 2 - The Age of Contractors &
Freelancers is Coming. Are You Ready? 3

Summary 3



Introduction

The modern workforce is experiencing a seismic shift. Today, nearly one out of three Americans perform work on a freelance basis, and this number is expected to rise over the following years. While [64.8 million](#) Americans freelanced in 2020, that number will exceed 90 million by 2028.

And yet, most organizations are not using their non-payroll workers (freelancers, independent contractors, agencies, consultants, or gig workers) strategically. Most view freelance work on a transactional basis, without seeing the value of establishing a long-term work relationship with highly skilled, professional, and in-demand talent. In fact, Deloitte found that just [8% of organizations have a process](#) in place to manage an alternative workforce.

In order to learn how companies are utilizing the freelance economy, we surveyed 200 US senior hiring managers (directors, VPs, and C-level leaders) in tech companies of 500-3,000 employees. We commissioned survey firm, Global

Surveyz, to ask these hiring managers how they currently use freelancers and contractors, how their reliance on freelancers will change in the future, and what challenges they face in making this shift.

The results paint a picture of how hiring managers view and manage their alternative workforce. They illuminate a decreasing reliance on a payroll-only workforce (employees) and a rising eagerness to harness the flexibility and value of freelance talent. **They demonstrate the connect between a flexible workforce, business agility, and competitiveness, but also draw our attention to the barriers hiring companies face in maximizing productivity and value from these workers.**

The survey results allow us to draw two main conclusions: today's companies are not equipped to manage a growing body of non-payroll talent, and those companies should be prepared to get left behind.



Key Findings

1 **More than 90% of hiring managers see working with independent contractors as important to meeting their business goals**

All departments overwhelmingly agree that leveraging non-payroll talent is essential to getting the job done. However, Marketing departments, which rely the most on independent contractors, view freelancers as vital to their business more than other departments.

3 **Different teams use independent contractors for different reasons**

R&D and IT teams turn to outsourcing when they have a non-permanent need for someone with unique expertise. They rely more on staffing agencies who vet the talent on their behalf, and also tend to have significantly longer relationships (average of 8.6 months) with each contracted worker. Meanwhile, Marketing teams seek outsourced talent when they need to execute urgent tasks. They tend to leverage freelance marketplaces such as Fiverr and UpWork, as they enable them to find the talent they need quickly. They also tend to have shorter relationships with the workers they hire (average is 3.1 months).

2 **Tech companies are increasingly tapping thefreelance economy**

Whether it's because of Gen Z'ers who want more control over their work-life balance, a challenging job market, or experts that want to monetize their expertise through consultancy – freelance economy is booming. Today, companies are leveraging it more than ever before. Almost all tech companies (90%) are increasing the number of non-payroll workers they hire in 2021, with 81% expecting to grow these numbers by 10% or more.

4 **Hiring managers say sourcing talent is their greatest challenge when working with independent contractors**

Hiring managers are sourcing freelancers and independent contractors through online searches, their networks, freelance marketplaces, service providers and staffing agencies in pretty equal percentages. Although almost 50% stated they are satisfied with the effectiveness of their sourcing process, 74% also said it is the greatest challenge when it comes to working with outsourced talents.



5

Hiring managers believe their companies work well with independent contractors, despite the many challenges

76% of the respondents believe their company has the right tools and processes in place to manage independent contractors properly. However, most hiring managers find it challenging to source the right independent contractors in addition to handling the back office overload. A myriad of tasks related to accounting, IT support, and regulatory compliance consume valuable time and breed frustration.

In addition, 67% of companies are managing freelancer activities through spreadsheets and emails, so it's no surprise senior managers are struggling to track everything accurately.

6

Most companies' work processes with independent contractors are severely inefficient

93% of all hiring managers, regardless of department, seniority, or company size, report that almost 90% of their contractors do not meet their deadlines with the agreed upon deliverables. Surprisingly enough, most don't view this issue as one that can be resolved. Instead, their attitude is, "this is just how it goes with freelancers and contractors."



An illustration on a purple background with wavy patterns. A path made of paper airplanes leads from the top left to the bottom right. A woman in a white shirt and black pants with a blue cape is jumping over a green airplane. A man in a blue suit is running on a light blue airplane. A woman in a purple shirt and white pants is jumping over a light purple airplane. A man in a white shirt and black pants is falling off a dark purple airplane at the end of the path.

CHAPTER // 01

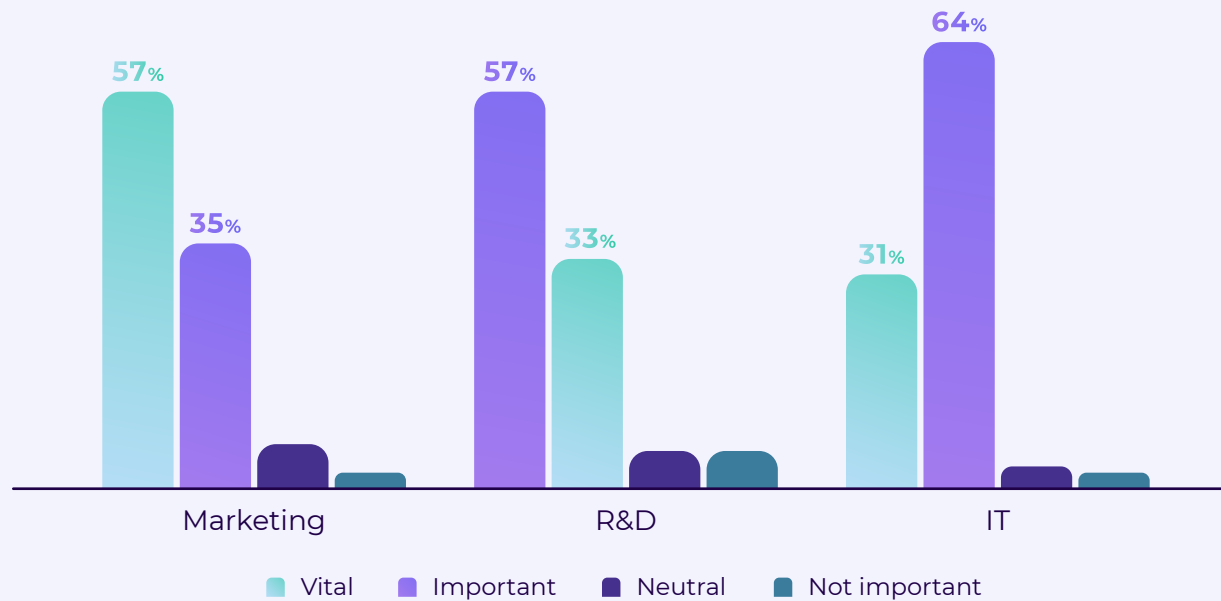
The Value of Working with Freelancers and Contractors



One of the first things we wanted to understand through this survey was how critical non-payroll workers (freelancers, contractors, agencies, gig workers and consultants) are to different departments in pursuit of their department goals.

While more than 90% of all departments agreed that freelance talent is important to their business, **it is obvious that marketing leaders view them as vital to their business.**

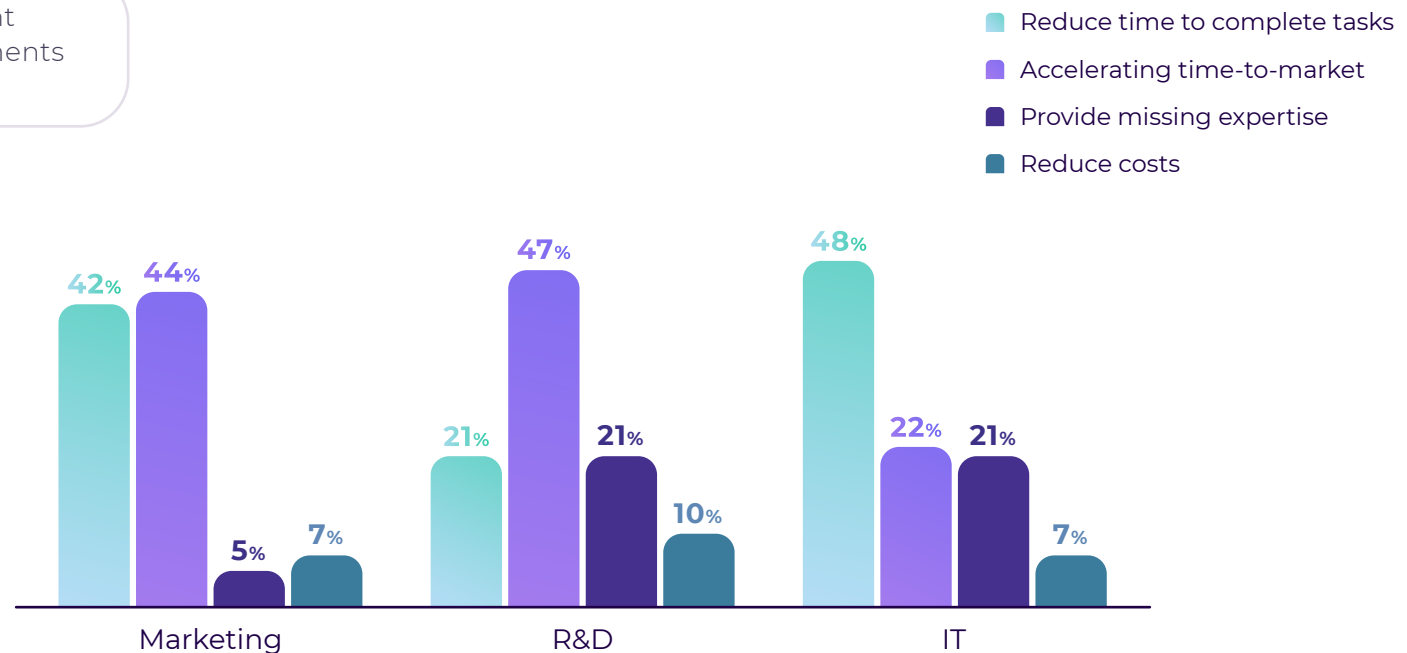
Figure 1. Independent Contractors' Criticality in Meeting Department Goals



When we asked leaders from each of these departments how their independent contractors are helping them meet their department goals, the teams' different attitudes regarding freelance talent were apparent.

Marketing sees freelancers as equally important for speeding up the pace of work and accelerating time-to-market. R&D cares most about accelerating time-to-market, and IT's biggest priority is completing daily tasks faster.

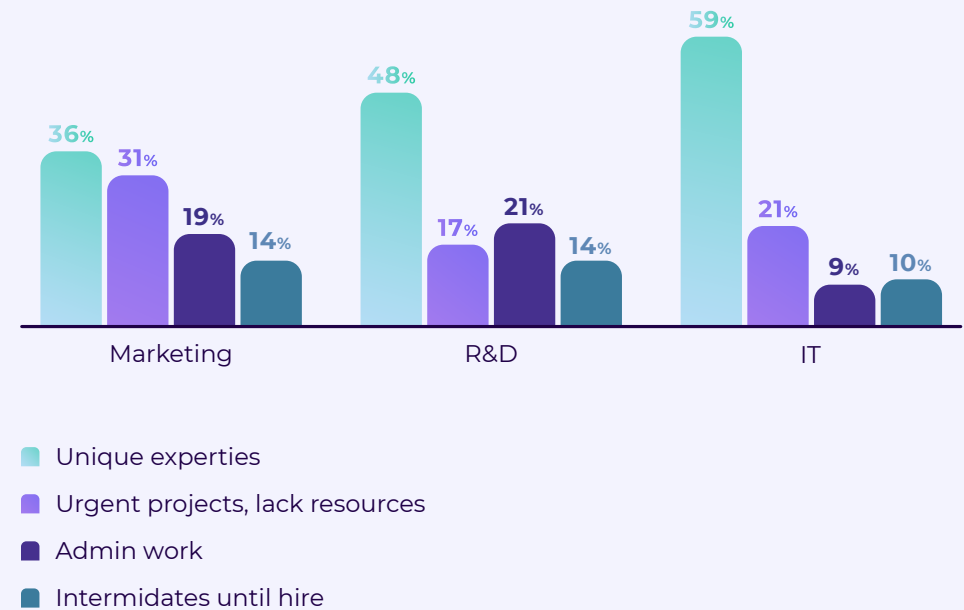
Figure 2. How Independent Contractors Help Departments Achieve Their Goals



To better understand how the Marketing team's use of freelance talent compares to other departments, we tried to define each team's motivations for hiring independent contractors.

The results illuminate a significant difference. For R&D and IT, unique expertise is by far the most important driver. For Marketing, there is almost an equal split between the need for unique expertise (36%) and a lack of resources for urgent projects (31%).

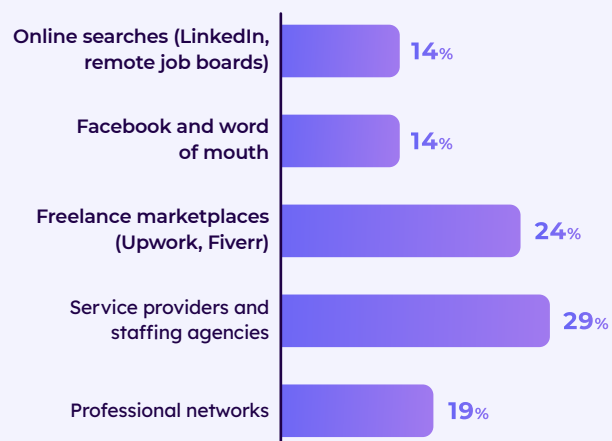
Figure 3. Top Drivers For Working With Independent Contractors



Different motivations impact other aspects of utilizing freelance workers, such as the way teams source new talents.

Marketing team leaders and hiring managers usually **first turn to freelance marketplaces (36%) as these are the most flexible and agile solution.** The next most popular sourcing method for Marketing is performing online searches on LinkedIn or freelance job boards (32%). On the other hand, R&D and IT rely more on **service providers and staffing agencies (39% and 43%, respectively) that can provide more highly vetted and better-qualified workers.** However, enlisting these services comes with longer response times and premium fees.

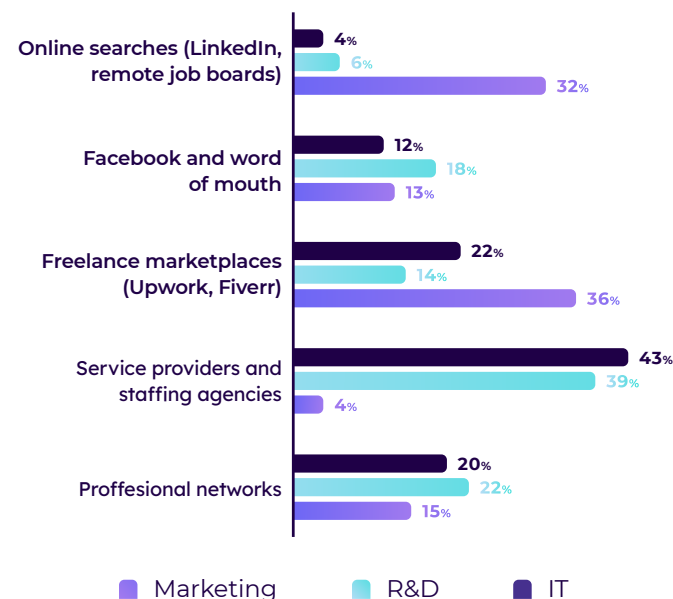
Figure 4. Top Sources for Finding independent contractors



This is consistent with the data we've analyzed from our platform, Stoke. **Engineering departments tend to hire freelancers for continuous lengths of time** (8.6 months per contractor on average) with a somewhat fixed monthly payment.

Marketing teams usually utilize freelancers and independent contractors for task-based assignments with volumes of work and payments that differ greatly from month to month. For Marketing, the average length of engagement with a single freelancer is around 3.1 months.

Figure 5. Top Sources for Finding Non-Payroll Workers by Department



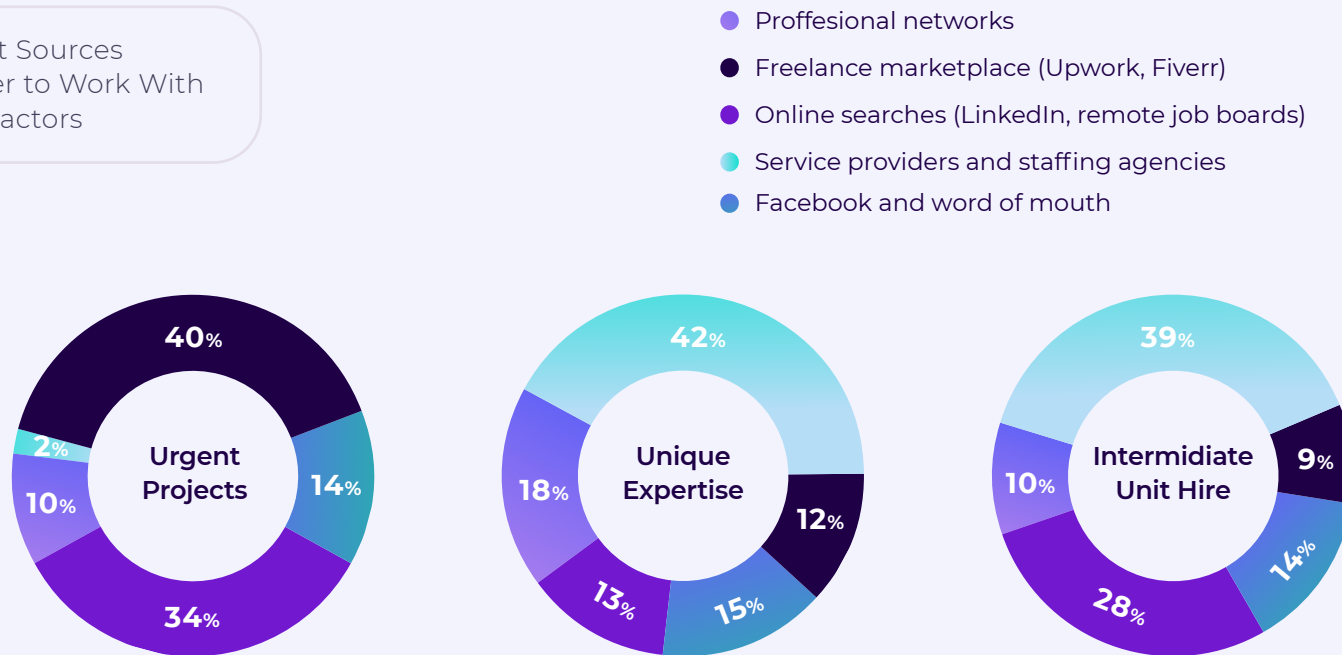
When comparing the sourcing channel by the motivation to hire, we can see **the reason basically defines the sourcing channel.**

When the main reason is an urgent project, 74% of the hiring managers will opt for freelance marketplaces and online search, as these are the most agile solutions.

When seeking unique expertise, most managers will rely on service providers and staffing agencies.

Only when it comes to enlisting a stable intermediate until finding a suitable full-time employee, we can see the differences between the teams; Marketing will search online and IT teams will rely on staffing agencies. The difference is probably due to habit.

Figure 6. Top Talent Sources Organized By Driver to Work With independent contractors



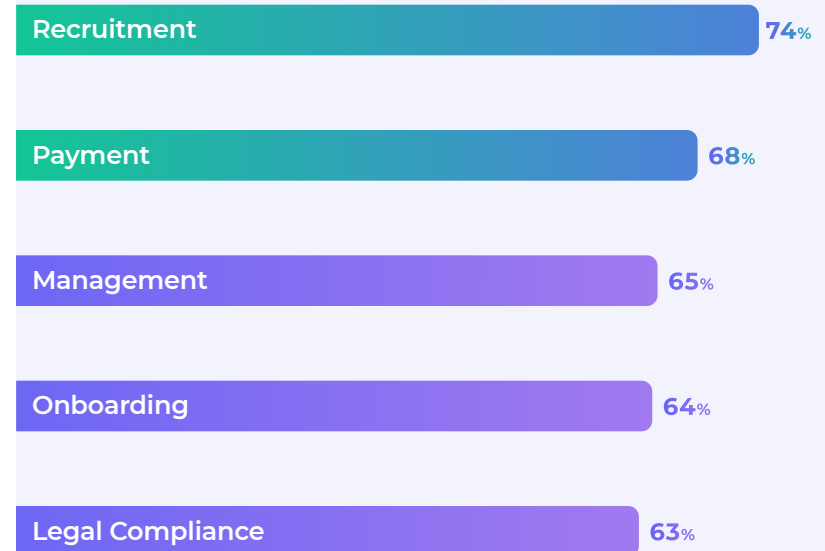
When asked about the main challenges of working with independent contractors, most senior managers stated that all aspects are challenging.

The most prominent challenges are around recruitment (74%), including finding high-quality talent and doing so within a reasonable time-frame.

Payments are the second-biggest challenge (68%). This group includes challenges in managing invoices and the ability to meet freelancers' expectations to get paid on their terms.

Arguably, recruiting talent that is experienced and skilled enough to fulfill their duties, and providing a satisfactory payment experience are the two most important components of working with freelancers. With both of these presenting major challenges for senior managers, there is a critical need for improvement.

Figure 7. Top Challenges of Working With Independent Contractors





CHAPTER // 02

The Age of Contractors & Freelancers is Coming. Are you Ready?



Nearly all (90%) of the senior managers that participated in our survey indicated they have worked with 10 or more non-payroll employees over the past 12 months.

Only 4% managers claim their team didn't work with any non-payroll employees.

As can be expected, Marketing teams worked with the highest number of freelancers in the last year, with over 71% indicating they've worked with 30 or more non-payroll workers.

The majority of R&D and IT teams also work with a high number of independent contractors. At least 60% of both departments enlisted more than 30 freelancers or independent contractors in the last 12 months.

While we know that the motivation that drives different departments to enlist non-payroll talent may be different, it's clear that they provide essential value across the organization.

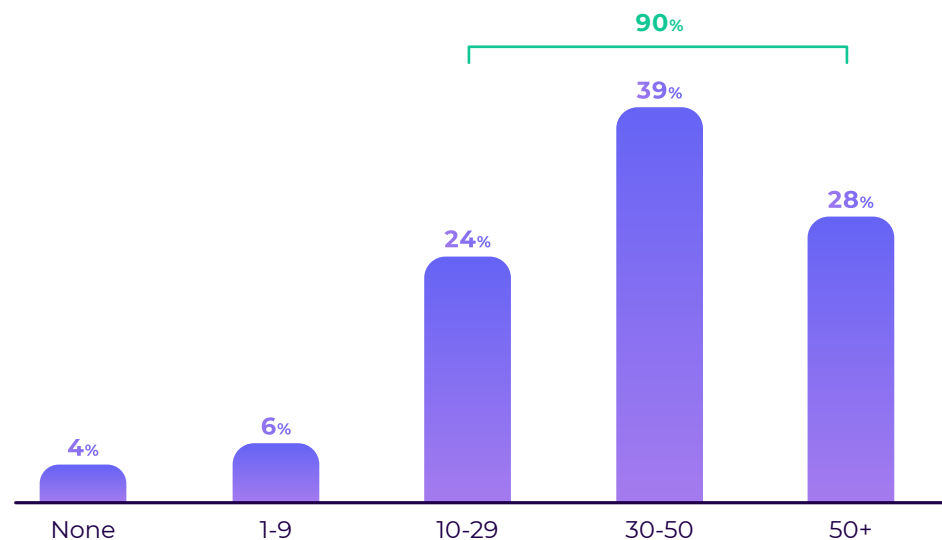


Figure 8. Volume of Independent Contractors - Past 12 Months

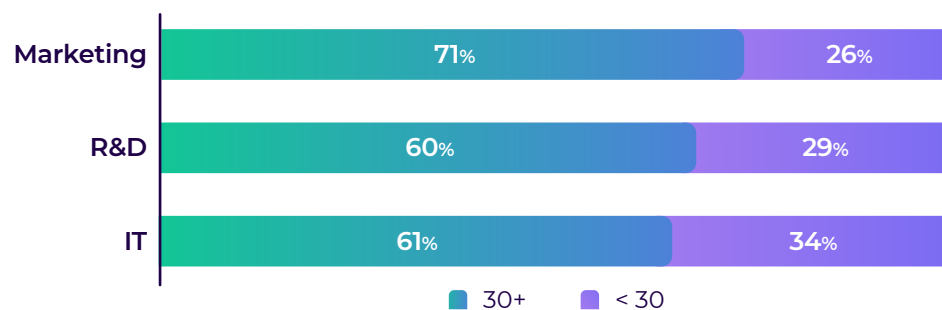


Figure 9. Volume of Independent Contractors by Department

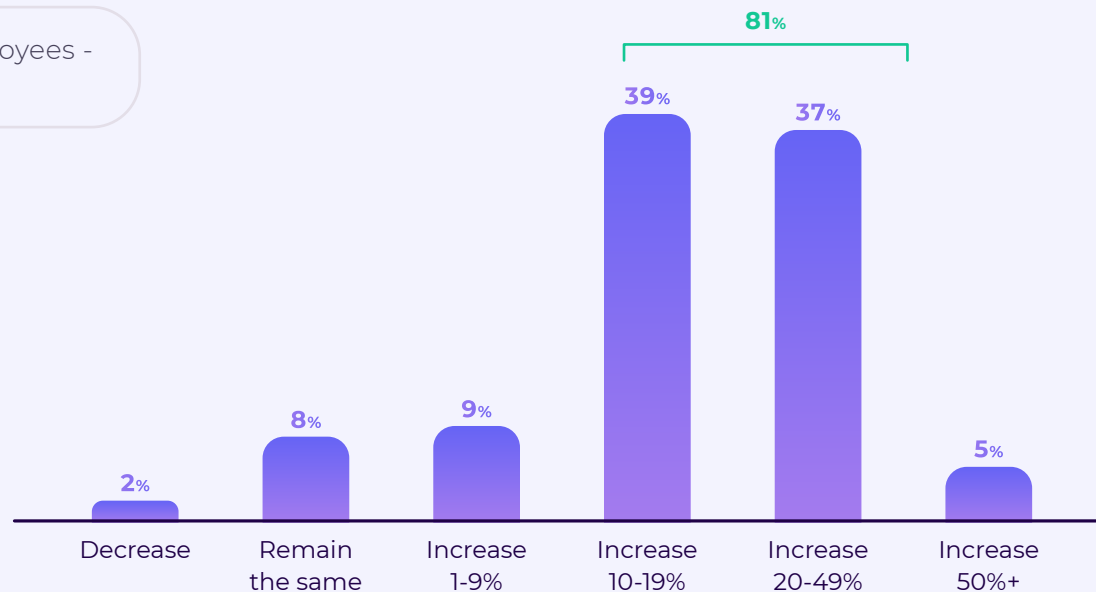


When asked about the expected growth in the coming 12 months, the vast majority of companies (90%) stated they **expect to increase their reliance on freelancers and independent contractors.**

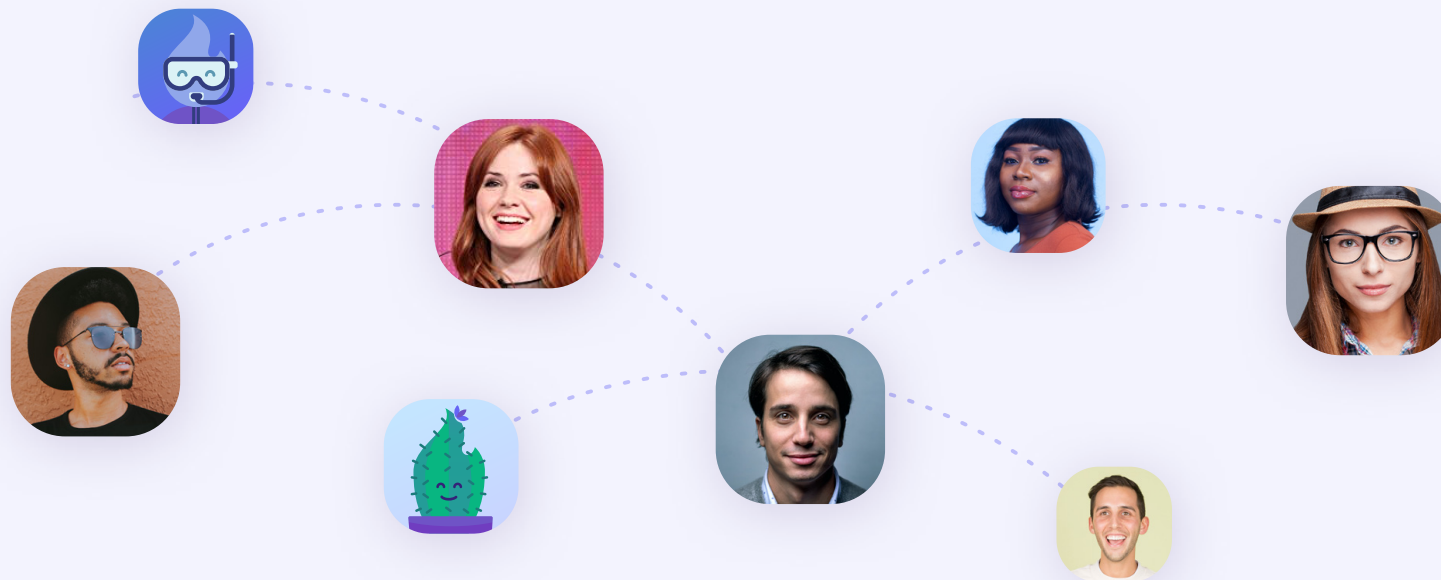
81% stated they plan to grow their ranks of non-payroll workers in 2021 by 10% or more.

This shows that in volatile and unpredictable business landscapes, company leaders understand the necessity of building an agile workforce. Freelance talent plays a significant role in this goal already, and their importance will only rise as competition and the need for speed increases.

Figure 10. Non-Payroll Employees - Expected Growth in 2021



With this in mind, forward-thinking businesses are beginning to ask themselves, *Are we prepared to manage freelancers and independent contractors at scale?*



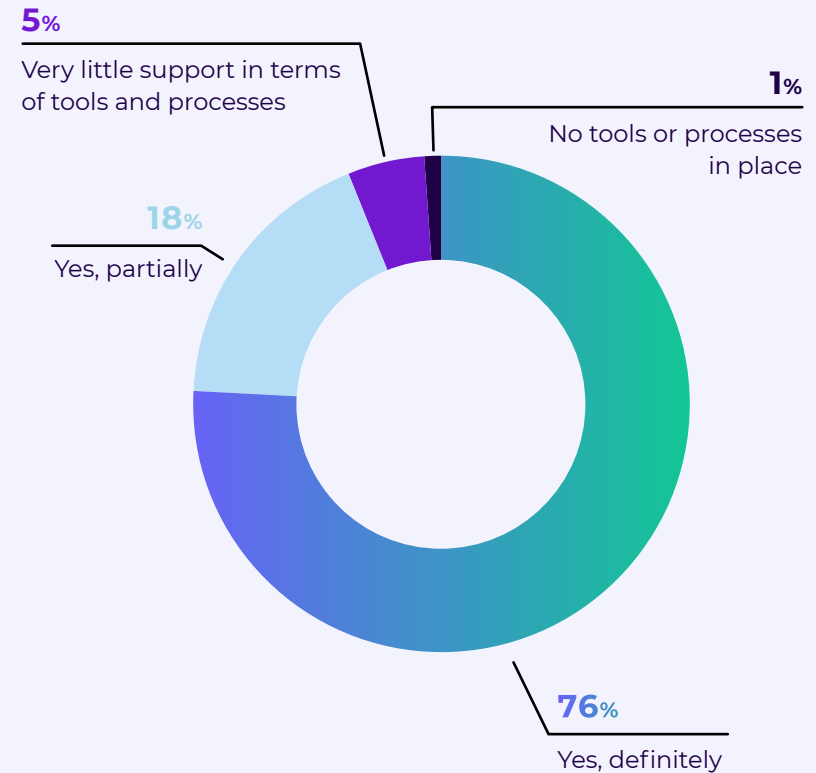
When we asked the senior managers if their company is ready to scale contractor management, 76% said yes.

But does their perception reflect their reality?

Senior leaders' sense of confidence in managing a growing rank of non-payroll workers seems at odds with their previous indication that all aspects of managing freelancers pose a challenge.

After all, if their companies' processes for managing independent contractors were working well, **why did almost 70% of senior managers claim that at least 4 out of 5 aspects of working with independent contractors are challenging (page 12)?**

Figure 11. Companies' Readiness With Tools & Processes to Support Independent Contractor Management



We received a similar answer when we asked about their companies' ability to pay independent contractors on time.

93% stated they are capable of paying contractors on time always or most of the time.

However, most freelancers would disagree.

In a recent survey by [PYMNTS.com](https://pymnts.com), freelancers said that late payments are their main struggle.

Nearly **three-quarters of freelancers (71%) claim they have worked with companies that have either paid them late or not at all.**

Businesses have a strong imperative to ensure they are well equipped to pay their freelancers and independent contractors promptly, in the right currency, and through the desired method. **Nothing sours a freelancer work relationship like payment delays** or having to bear unexpected transfer fees.

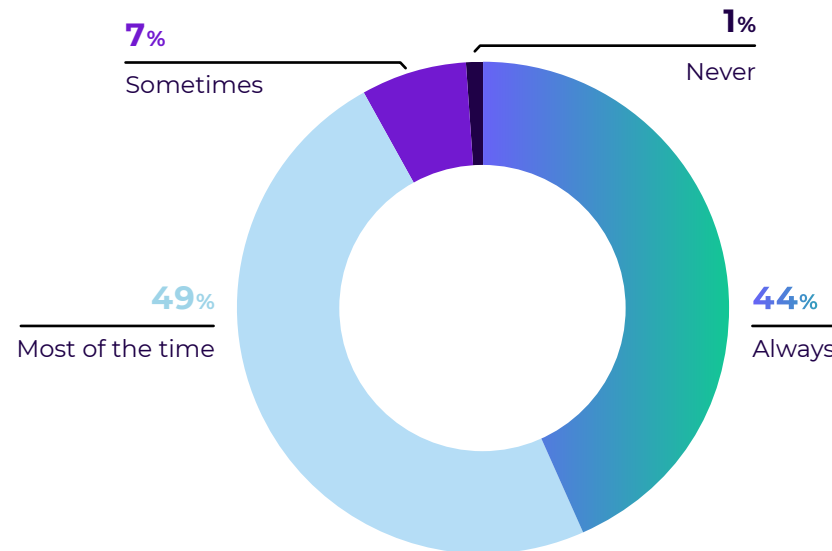


Figure 12. Facing Challenges in Managing, Tracking, and Paying Independent Contractors

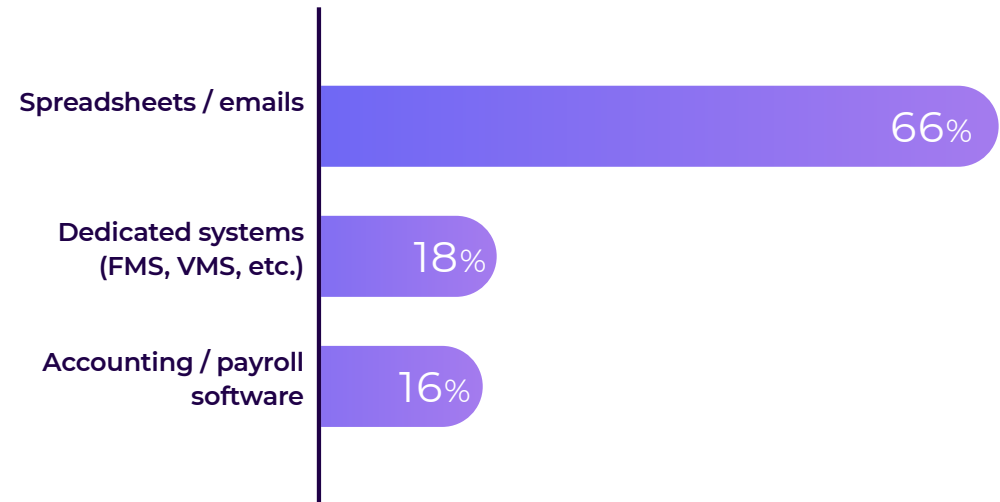


For companies that wish to retain the talent they spend so long sourcing and vetting, payment efficiency must be a top priority.

It was also surprising to learn that while survey respondents were confident in their companies' processes, 67% of senior managers were using spreadsheets and email to manage their independent contractors.

For organizations where manual work and expense management are the status quo, this may not seem problematic.

Figure 13. Tools and Software used to Manage independent contractors



But what is problematic is **the missed potential to minimize the time they currently spend on monotonous spreadsheet updating** and maximize their productivity on more meaningful work.

Moreover, manually managing talent with spreadsheets and emails inevitably leads to communication mishaps, information gaps, and an inability to centralize information for all necessary stakeholders (such as HR, finance, and legal).

Another two common methods of managing independent contractor processes are accounting/ payroll systems and freelance marketplaces like UpWork or Fiverr.

However, these solutions do not provide a scalable system for managing the five core aspects of freelance and contractor management:



1. Recruitment



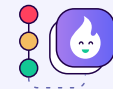
2. Onboarding



3. Management



4. Payments

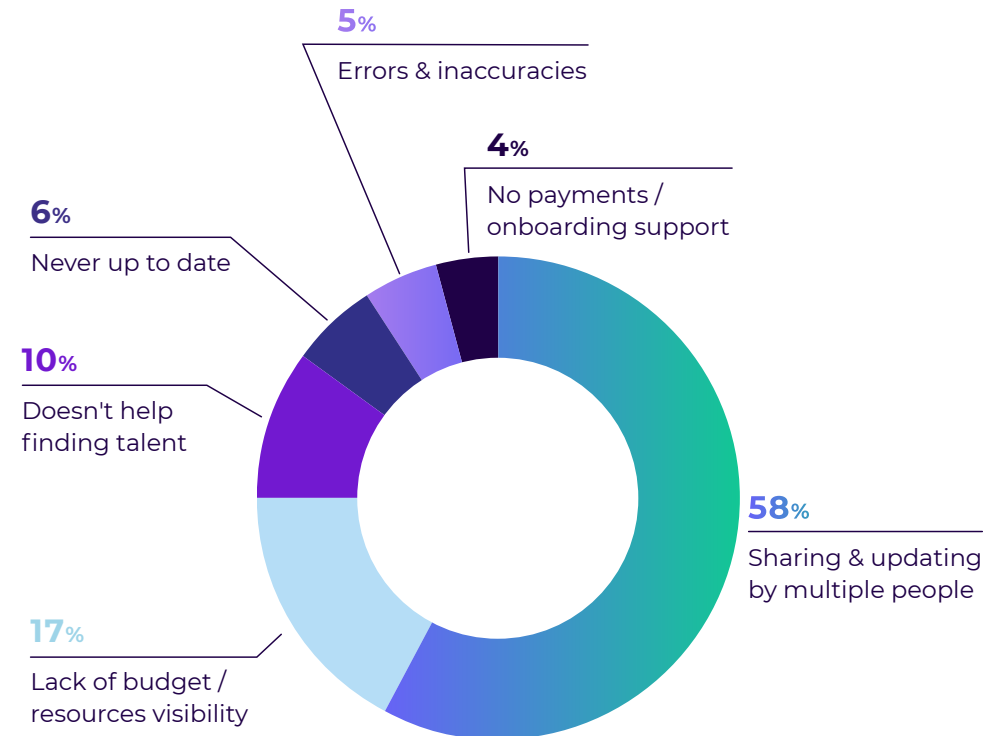


5. Compliance



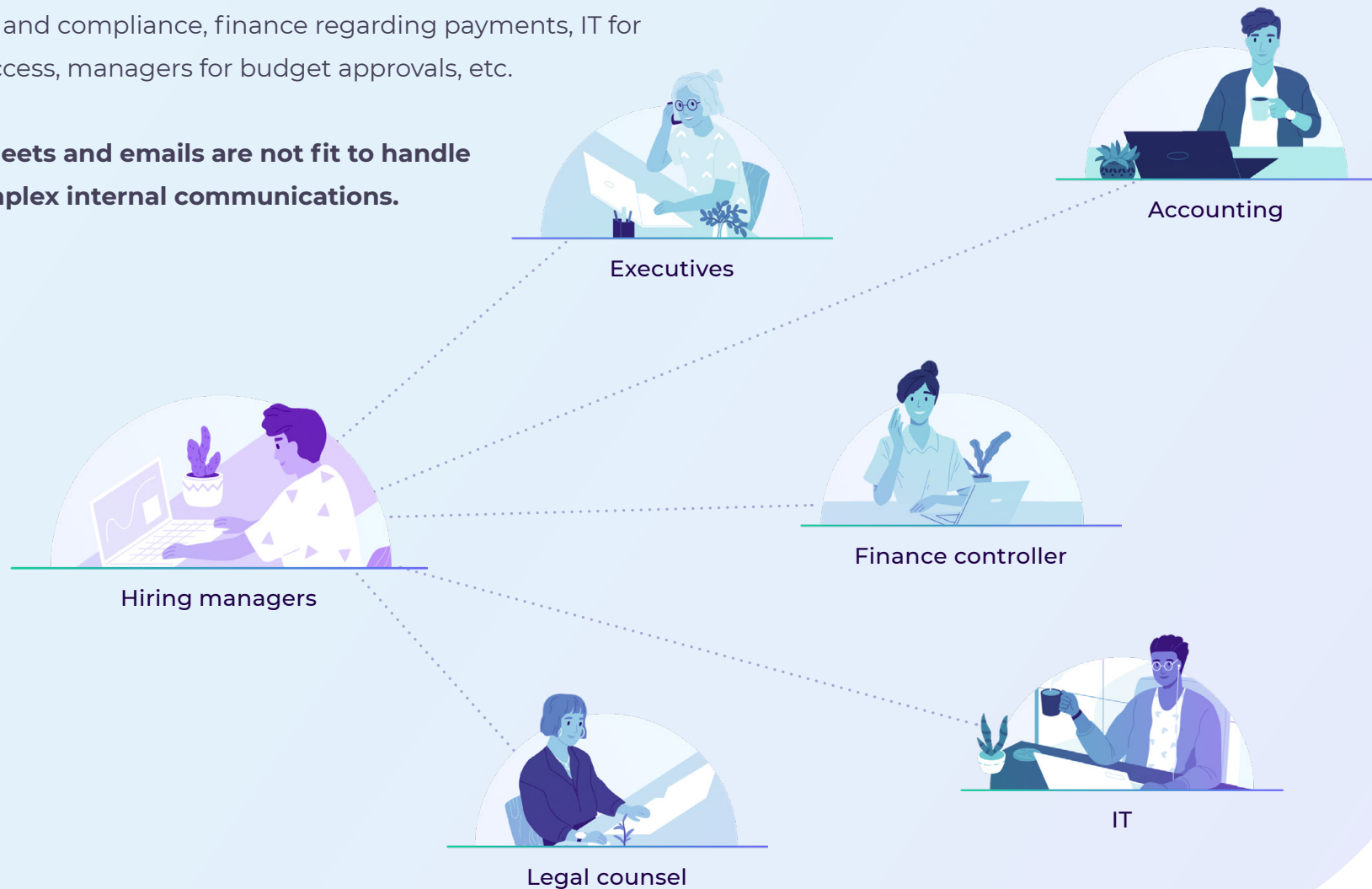
When we examined the challenges companies face when using spreadsheets and emails to manage independent contractors, **we found that the main problem (noted by 58% of respondents) is sharing information and updates** with multiple people.

Figure 14. Top Challenges of Managing Independent Contractors Today



This is an obvious challenge as hiring managers are required to align with many teams within the company when working with independent contractors, for example legal regarding legal contracts and compliance, finance regarding payments, IT for system access, managers for budget approvals, etc.

Spreadsheets and emails are not fit to handle such complex internal communications.



Another reason senior managers' confidence in their preparedness for managing independent contractors is surprising is that only 7% of hiring managers say their independent contractors meet their deadlines more than 90% of the time.

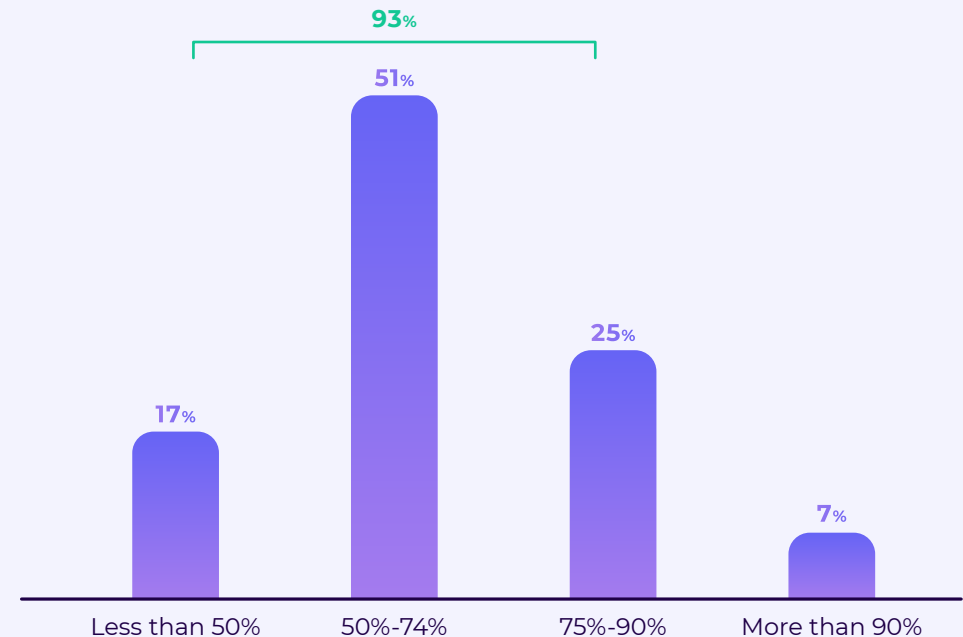
The rest (93%) indicated independent contractors usually do not complete their work on time, with the largest proportion (51%) reporting that just 50%-74% of non-payroll staff meet their deadlines.

Perhaps the contradiction stems from the belief that the status quo is good enough.

Meaning, current processes may appear to work well enough to get the job done, even if they are producing suboptimal results.

Settling for disorganization, payment delays, a heavy administrative burden, and suboptimal outputs from independent contractors is surely not what all of these strategic businesses had in mind when they began enlisting freelance talent.

Figure 15. What Percentage of Independent Contractors are Meeting Their Deadlines

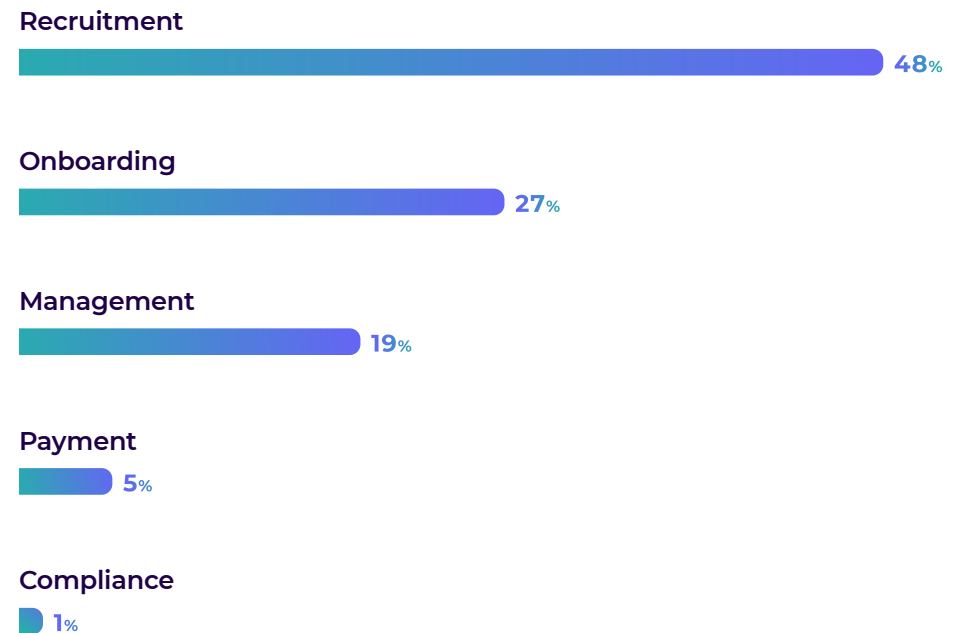


Even when asked what will help companies get more out of their non-payroll workers in the next 12 months, 32% of senior managers pointed to two or more areas for improvement that would help them reap more value from their reliance on independent contractors.

The No. 1 “trigger,” or aspect that would enable better use of freelance talent, was recruitment – how to find better talent quickly. 48% of survey respondents say better recruitment methods are an integral first step.

Other main triggers mostly center on onboarding, with 27% asking for simplified finance and legal processes, and 19% requesting improved management.

Figure 16. Triggers for Higher Reliance on independent contractors



Summary

This survey raised an interesting contradiction: **Why are hiring managers experiencing so many challenges, yet believe they have the tools and capabilities to handle freelance management at scale?**

Based on the results of this survey, it's clear that companies need to reevaluate their approach to outsourced talents since they plan on increasing their reliance on freelancers and independent contractors, but...

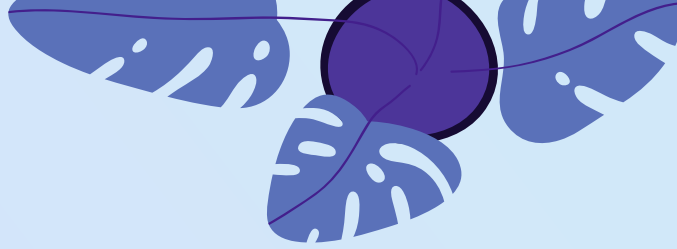
One of the biggest issues standing in their way is a lack of awareness of how much easier things could be. The result of that is missed potential and lost benefits.

The first step to resolving the issue of suboptimal freelancer management is identifying each of the core areas of improvement. With every aspect of freelancer management posing a challenge for hiring managers, it's accurate to say that most companies need to reevaluate their entire approach, including sourcing talent, onboarding, managing payments, and keeping workers on schedule.

From there, it's a matter of choosing the right path forward. Today, manually managing freelancers on Excel spreadsheets and email chains is a recipe for error. Not to mention, it adds an inordinate amount of manual work to employees' days. When the goal is greater efficiency, companies need an efficient solution.

Stoke's freelance management system (FMS) is designed to simplify all of the processes related to working with freelancers, eliminate manual work, centralize information for all stakeholders, and ensure fast payments. By automating core processes such as invoices, onboarding, and compliance, Stoke helps companies in dozens of industries capitalize more on their non-payroll talent, build long-term freelance relationships, and get more work done.





For more information,
please visit us:

WWW.STOKETALENT.COM | [EMAIL: INFO@STOKETALENT.COM](mailto:INFO@STOKETALENT.COM)