



# The Rapidly Evolving Freelance Ecosystem

---

New business models are emerging to support the evolving ecosystem for freelancers and replace laggard institutions



**FlexingIt™**  
**2017**

# Summary

By 2020, 43% of the US workforce will be freelancing and this is rapidly creating new businesses but also straining our existing institutions. Much of the labour force ecosystem was designed over a century ago and these traditional institutions that manage labour laws, provide banking services, health and retirement plans, education etc will need to revolutionise in order to remain relevant to a non permanent workforce. This report outlines those challenges and also describes the emergent supporting industries that are already being created to support freelancers; including new financial services modules, freelance management systems and other intermediaries.



## Introduction

Work when you want, with whom you like and on what you want to - this is the goal and the flexibility of a project consultant. The outsourcing economy has moved from Airtasker and Uber to high-end platforms such as Flexing It, Catalant. These have become the early agents of change helping independent professionals find short-term projects and remote work assignments. They are transforming the way we look at work while providing professionals the freedom and ability to work on their own terms.

A recent study conducted by the McKinsey Global Institute found that 20-30% of the labor force in both the U.S. and the EU-15 is now made up of independent workers. Another report, the Internet Trends report 2015 by Mary Meeker predicted that 43% of the workforce in the United States will be freelancing by 2020. Worldwide, the contingent labor market is expected to hit \$1 trillion by 2025 predicts Forbes. Independent studies by Accenture and Deloitte on the workforce confirms the trend that flexible, decentralised workforce is the new norm.

There is also the other school of thought with the belief that freelance work is not all upside as it typically lacks the safety net of benefits accorded to those with a regular, permanent work arrangement. The key structures in any society, such as credit markets, insurance, membership referees, labour laws, visa requirements, physical work location, employment agencies, and education institutions are reliant on a permanent employee workforce structure and often penalise freelancers or contractual workers.

**A recent report by McKinsey Global Institute - October 2016 states that**  
*'independent work is rapidly evolving as digital platforms create large-scale, efficient marketplaces that facilitate direct and even real-time connections between the customers who need a service performed and the workers willing to provide that service the so-called on-demand economy is growing rapidly.'*



This ecosystem represents a huge growth opportunity for adaptive fast moving service providers and we are witnessing the mushrooming of new industries which were not prevalent some years ago such as:

- **Co-working spaces:** The advent of co-working spaces with low membership costs is the new trend with start-ups, individual entrepreneurs, consultants and others who prefer a flexible & professional work environment. In 2011 there were only 43,000 people working in coworking spaces and in just 3 years the numbers increased to 295,000 which are expected to grow even further to almost match the population of Manhattan. The success of [WeWork](#) the biggest co-working space company currently valued at \$18 billion with 30,000+ members across 19 states in US and 11 countries can be credited to this blended workforce culture.
- **Reputation Management Services:** There has been a recent spurt in companies offering reputation management services which primarily aim at freelancers / individuals for improving or repairing their online presence. Organisations are increasingly looking at the social presence of an individual / company prior to hiring and a major part of their decision depends on the person's reputation.
- **Freelance Education Courses:** A few years ago courses were aimed at people taking up full-time jobs or for specific domain areas. There has now been a boom in the freelance education world, where there are courses being offered to freelancers on 'how to build yourself as a brand', 'how to find clients', 'increasing demand of your product or services' and so on.

# Challenges and Opportunities

Although there are many advantages to being a freelancer, it also involves challenges and trade-offs. Lack of benefits and a safety net is perceived as a major risk globally. According to a [survey by EY](#), 70% of contingent workers would like to get more options on healthcare and pension. Unlike regular employees, freelancers have added responsibilities- from filing their taxes, financial planning, saving for retirement to purchasing insurances and creating a safety net to fall on in case of an emergency. These challenges are garnering increased attention from policy-makers and CEOs alike. Social and employability benefits for independent workers have become the agenda for many politicians. This has led to innovative solutions from the private sector and lawmakers that are focussed on meeting the growing needs of the self-employed.

Governments are seeking innovative ways to support and offer life-term benefits to independent professionals. Public policy is responding to the dynamic changes in the nature of employment. An example of recent policy intervention is the [Freelancer Isn't Free Act](#) in the United States. The law effective May 15, 2017 enhances protections for freelance workers, including the right to receive a written contract, the right to be paid timely and in full, and the right to be free from retaliation. Another example is the European Commission's [Late Payments Directive](#) of 2011. The directive allows creditors to add an extra €40 to any invoice that is more than 60 days overdue, plus interest on the unpaid amount.

Change needs to occur in the ways social security benefits are currently structured. It has been proposed that these benefits should be transportable- following the employee as opposed to being tied to the employer. As the new breed of professionals is more likely to move from one gig to another, adapt to skills and sectors, benefits and protection must be linked to the individual, supporting all and any non-standard employment structures.

Several private sector firms are offering unique solutions for the self-employed. [Intuit](#) manages tax-based workload of the contingent workforce, playing an important role in e-governance, tax compliance and highlighting policy issues. The [Freelancers Union](#) in the United States promotes the interests of independent workers through advocacy, education, and services. It offers benefits such as health insurance products and other supporting services.

Diverse initiatives bridging the gaps for freelancers and the public sector are sprouting across the world. They are creating an ecosystem of support services to protect the interest of the future workforce. [Bonsai](#) in the United States is assisting freelancers in tedious administrative work and ensuring a fair and timely compensation. [Agora collective](#) in Berlin provides not only co-working spaces and collaborations, but on-going dialogues and projects that invite new ways of thinking about work and how it should be valued.



# Emerging trends and opportunities to tackle these gaps

Shifts to independent work have led to innovative thinking and modernised frameworks that seek to address the hurdles faced by freelancers. Some of these are:



**Platforms connecting freelancers and organisations** - The opportunities available for independent professionals and consultants are gaining structure with the rise of platforms like Flexing It and Catalant that help freelancers find short term or 'gig' jobs on the go by matching their skills to organisations that need them. Such platforms are helping bridge the gap that has traditionally prevented transparency between organisations and independent professionals.



**Rise of Freelance Management Systems** - Various digital platforms are helping professionals with ancillary services. These systems, such as Work Market, provide a measure of credibility and trust with their feedback and rating mechanisms bringing transparency in the flexible skill marketplace. Pre and post transaction non-payment risks can be monitored by these systems by enforcing conditions for participation on the platform. These management systems also record grievances and can provide advisory support for disputes. The large freelance marketplace can be digitally tracked by such systems to ensure fair practices and benefits for its stakeholders who might be across borders.



**New policy measures**- Policy makers are assessing measures to improve the economic prospects and bring stability for gig workers. These are aimed at enabling professionals to unlock benefits of working with greater freedom and satisfaction. These efforts seek to address income protection and ease administrative hurdles for workers, including retirement and income security systems, ability to challenge late/no payments and safety nets to cover disability, sickness and additional protections. Governing bodies in the developed nations are slowly accommodating the rights of independent workers with shifts in tax and revenue policies.



**Stronger legal recourse** - Current gaps call out for speedy and cost effective legal redressal mechanisms. Today, freelancers have limited options to take actions against non-payments, fraudulent clients and compensation against health injuries. Low-cost redressal and grievance support will be necessary to meet the needs of growing independent workforce.



**Rise of new intermediaries/ancillary services** - The challenges faced by freelancers have ripened the market for innovative models that have come up in response to fill the benefits gap for freelancers from the private, non-profit, social sectors. Many start-ups in the developed and developing nations have grabbed this space, creating solutions geared towards freelance workers. Focussed on cooperation and reduction of income volatility they are providing financial solutions to freelancers. They are addressing need for private insurance cover, development of new skills and training programs, licensing help, credit providers and administrative support. Cooperative movements are gaining impetus across the globe to create a portable benefits system that ties the benefits to the employee rather than the employer. To name a few:

- Self-employed workers can purchase relatively affordable private income protection insurance in the UK and join IPSE (Association of Independent Professionals and the Self Employed), a British association for the self-employed, which offers an insurance policy that pays out up to £2,000 if a member is sick for more than three weeks.
- [Broodfonds](#)- Netherlands: Self-employed workers have created a system to financially support each other when they fall ill by paying into a mutual sickness funds.



**Financial Services** - There is an emergence of new providers of financial services to freelancers in terms of insurance, loans etc. For example [eager.to](#) is a portal that provides liability insurance for freelancers. The non-profit Freelancers Union(USA) offers liability and life insurance, along with other benefit products, tailored for its dues-paying members. However, most traditional institutions have made limited progress. A few have started easing documentation requirements for providing loans to freelancers.

**To summarise:**

***Governments & Institutions are starting to realise the importance of adjusting for the new blended workforce. In spite of institutional sluggishness; the freelance ecosystem is thriving with new life from fast moving new service providers.***

For more information visit  
**[www.flexingit.com](http://www.flexingit.com)**

write to us at [info@flexingit.com](mailto:info@flexingit.com)