What is a Freelancer Management System (FMS)
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The future of work has arrived. What skilled workers define as “work” and how they choose to work have drastically changed in the past decade. In the U.S. alone, the number of freelancers has grown by 3.7 million since 2014, currently making up more than one-third of the U.S. workforce. Globally, there are approximately 77 million freelancers in the United States, Europe, and India, and that figure will only continue to go up.

To adapt to the shifting landscape, companies have also accelerated their usage of freelancers, as evidenced by the 26% growth in projects sourced through online freelance platforms between 2016 and 2017. Furthermore, roughly 40% of companies worldwide expect to see a higher utilization rate of contingent workforce—including freelancers, contractors, and gig workers—in the next 5 years. That’s why many forward-thinking organizations, such as Deloitte, PwC, Washington Post, and Microsoft, have begun to build flexible talent networks as an answer to the ongoing workforce transformation.

40% of companies worldwide expect to hire more freelancers in the next 5 years.
However, managing freelancers comes with its unique set of challenges:

1. **Project-based Engagement:** Unlike traditional employees whom companies work with on an ongoing-basis, freelancers are hired either on a project or contract-basis. The distinct nature of freelancing makes it difficult for companies to store information, assign projects, and manage relationships using the same framework designed for full-time employees.

2. **Worker Classification:** In legal terms, full-time employees and independent contractors are two distinct worker status. It is critical for companies to classify freelancers correctly according to the scope of work and contract terms. Any misclassification may bring severe legal and financial implications. The problem is that the classification process is often lengthy and laborious.

3. **Payment:** Paying freelancers can be a convoluted task as projects vary in length and payment terms. The complication multiplies particularly when payments need to be made internationally. As a company increases its freelancer usage, the amount of administrative work can be difficult to keep up.

Since existing Human Resources Management Systems (HRMS) and Vendor Management Systems (VMS) were built for traditional HR and procurement functions, they haven’t been able to address challenges specific to freelancer management. As a result, a growing number of companies are desperately seeking a dedicated Freelancer Management System (FMS), also known as Freelancer Management Software, Freelancer Management Solution, or Freelancer Management Platform.

**What is a Freelancer Management System?**

So, what is a Freelancer Management System exactly?

A Freelancer Management System is a software solution that helps companies streamline their engagement with freelancers at scale. It should not be confused with a freelance marketplace, which focuses on talent sourcing but lacks the features to handle complex operational needs of companies with a large freelancer workforce.
Who needs an FMS within an organization?

Beside freelancers, an FMS serves 3 types of users within a company:

1. Hiring: Teams that hire and work directly with freelancers, most commonly software development, data science, IT, marketing, sales, product design, and creative teams.

2. Operations: Teams that offer administrative support related to working with freelancers, such as HR, legal, procurement, and program management teams.

3. Payment: Teams that handle freelancer invoicing, payment, budgets, and expenses, such as accounts payable and finance teams.

The three types of users play distinct yet related roles in managing a company’s freelance workforce. As the freelance economy continues to evolve, we might even see new job functions emerge to tackle additional freelancer-related matters, such as freelancer benefits and reward. If a company wishes to build a successful freelancer program, it must select a freelancer management system that satisfies the needs of all user groups in order to gain support internally.
We are still at the early stage of freelance revolution, which means there is not an archetype of freelancer program companies model after. Some companies allow individual teams to define their own workflows, whereas others appoint dedicated program managers to lead all freelancer initiatives. Despite the wide range of variations, all freelancer programs share 4 universal elements—Sourcing and Onboarding, Talent Pool Management, Collaboration and Project Management, and Payment. Most features of a freelance management system revolve around these key elements. Let’s take an in-depth look into each of them.
SOURCING & ONBOARDING

The process of hiring a freelancer is a long, multi-stage funnel. It can be divided into two halves: sourcing and onboarding.

At the top of the funnel is sourcing. It involves finding and qualifying freelancer talents. To begin the hiring process, an FMS allows you to create a job opening that can be distributed via different channels, including freelance marketplaces, job boards, referrals, and internal talent pools. This usually comes in the form of a dedicated page with project description, skill and availability requirements, and a portal for freelancers to apply. Once a freelancer submits the application, the FMS will act as an Applicant Tracking System (ATS), putting the candidate through various stages of information collection, skill assessment, and interviews until the hiring decision is made.

But sourcing the right talent only completes half of the equation. Before the freelancer can start working, your company’s HR and legal teams must conduct background check, sign contracts, gather documents, classify worker status, set up payment method, and give proper tool access. These stages are collectively referred to as onboarding, the bottom half of the hiring funnel. A good FMS will not only allow you to track freelancers’ progress throughout the onboarding stages but also automate many of the repetitive, mind-numbing tasks. For example, as soon as a freelancer passes background check, the system can automatically send out a contract for him or her to sign. Once the contract is signed, it can trigger another email to the IT manager so internal tool access can be given.

Ideally, you should be able to set up customized workflows in an FMS based on how you hire. It will reduce your time and effort while expedite the entire hiring process.

TALENT POOL MANAGEMENT

Sourcing and onboarding freelancers is a demanding process, but what if you don't have to do it from scratch every time?

A main reason why companies embrace the freelance workforce model is the agility it brings as opposed to the long and costly recruiting process of traditional employment. It wouldn't make sense if hiring a freelancer takes just as much effort. That's why maintaining a database of freelancers who are ready to work is such
an important aspect of any freelancer program. Traditionally, this is all done in spreadsheets. Not only do they require constant maintenance, the information is often fragmented.

An FMS ease the headaches by offering built-in talent pool management features, enabling hiring managers to search freelancers by skillset, availability, rate, location, and custom tags from your private talent database. Team members can also leave reviews for freelancers they have worked with for others’ reference. You can trust these reviews more than the ones on public freelance marketplaces because they come from colleagues you work with. Most importantly, you will invest very little time in re-onboarding as the freelancers have already gone through all the compliance steps. In the long run, the larger your freelancer talent pool is, the more efficient working with them will become.

COLLABORATION & PROJECT MANAGEMENT

Collaborating with freelancers differs from working with full-time employees in two ways.

First, companies hire freelancers in order to reach a wider talent pool and have more flexible commitments. On the flip side, it means many freelancers work remotely on their own schedules, sometimes in different timezones. While it might not be a problem for companies with a strong remote culture, it is certainly a challenge for those that are used to only face-to-face communications. An FMS can solve this problem by either having basic collaboration functions for remote team, such as team messaging, video calls, task management, and time tracking, or integrating with popular tools you are already using.

Second, freelance projects often have pre-agreed timeline, budget, and scope specified in the statement of work, and their deliverables are commonly tied directly to payments. What this implies is that any change occurred in a project would also require contract and payment adjustments. It would traditionally be a hectic task to update everything manually as they are handled by different teams. Nonetheless, in an FMS, all aspects of a freelance project are connected. You simply have to update the project status, and its impacts will reflect on other areas with minimal manual efforts.
PAYMENT

Approximately 1 in 2 freelancers has experienced late payment at one point. In most of these cases, clients don't have bad intentions. They simply have poorly managed internal processes. More often than not, the people who work directly with freelancers don't even have the visibility and control of payment status, especially at large enterprises. Fortunately, an FMS can solve this problem by giving all parties the transparency they deserve. It streamlines the workflow from invoicing, approval, scheduling, to payment and updates the status every step of the way.

However, even with a well-managed workflow, paying freelancers internationally can still be a major challenge. Companies often struggle with currency conversions, payment option unavailability in certain countries, complex fee structure for international transfers, unpredictable processing time, and tax compliance. The good news is, an FMS can simplify all of the above. It collects tax forms from freelancers and sets up their preferred payout methods during onboarding, then acts as a payment service provider to send out payments globally. All your accounts payable team has to do is hit “pay”—and that's it!

With all the payment information stored in a centralized system, organized by project, freelancer, department, and purchase order, you can easily track your spending and optimize your budgets accordingly. Over time, your company will become progressively more cost-efficient at utilizing freelancer talents.
How to evaluate an FMS?

Choosing the right freelance management system is critical to a company’s long-term freelancer program success. An ideal freelance management system should save a company time and resources while maximizing the benefits of leveraging a freelance workforce. Below are few key criteria to consider when evaluating a freelancer management system:

1. **Configurability:** When it comes to managing freelancers, each company has its own set of practices. You should exam how customizable a freelancer management system is in terms of settings, so the solution can be tailored to your organization’s specific processes instead of the other way around. Additionally, different teams within your company need to operate differently. A marketing team will unlikely work with freelancers the same way an engineering team does. Hence, it is important to make sure that configurability is also possible at the team level.

2. **Scalability:** As your freelance workforce expands, how you manage, collaborate, and pay them will also change accordingly. You will need a freelance management system that is robust enough to grow alongside your freelance program. It will be wise to consider not only the challenges your program is facing today but also the results you want it to produce in the next 2 to 5 years. Also, do not overlook the macro environment factors that are influencing the freelance economy as whole. In the next 10 years, maturing government regulation, the demographic change in the labor market, the rise of remote culture, the formation of freelancer associations, and emerging freelance tools and services will have profound impacts on how companies work with their freelancers. It is never too early to prepare ahead.

3. **Integration:** An FMS’ true value comes down to its ability to integrate with other systems. It should work in conjunctions with software your organization is already utilizing for day-to-day work. Seamless integrations among multiple systems will translate to less time spent on manual operations, lower probability of errors, and higher data quality. Freelancer management systems commonly integrate with human resources
management systems (HRMS), human resource information system (HRIS), enterprise resource planning (ERP) systems, vendor management system (VMS), accounting software, applicant tracking systems (ATS), E-signature and contract management software, project management software, and various sorts of collaboration tools.

4. **Ease of Use:** Due to the wide range of users an FMS serves within an organization, the solution must have an intuitive interface and a low learning curve. Remember, an FMS is there to make the lives of full-time employees and freelancers easier, not to give them more headaches. A frictionless user experience will also boost team members’ confidence in the freelancer program, making it easier to be adopted across your organization.

Before you set out to evaluate freelance management systems, make sure to align with key stakeholders from hiring, operations, and payment teams to develop an evaluation plan. By outlining a clear set of requirements and agreeing on a scoring matrix, your team will be able to assess each solution more objectively.

We will soon enter the next phase of freelance economy. While it is uncertain whether freelancing will surpass full-time employment in the next decade like experts have predicted, its impact will undoubtedly reach more functional teams, industries, and geographical regions. By 2020, enterprise companies that have not yet developed a scalable freelancer strategy with proper FMS in place will find themselves losing edges on corporate productivity. If your company is still managing freelancers on a spreadsheet, now is the time to start looking for a full-fledged freelancer management system.