

Kantata

Contractors, Freelancers, and Gig Workers: The Changing Face of the Modern Workforce



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Introduction

Organizations that require a liquid workforce to remain competitive and successful can now fill gaps in capacity and satisfy needs for specialized skills.

Early in 2021, the U.S. Department of Labor finally ruled on independent contractor status under the Fair Labor Standard Act (FLSA). The ruling provides clarity – and more latitude – as to how employers classify workers as independent contractors instead of employees. It's a boon to organizations: those that require a liquid workforce to remain competitive and successful can now fill gaps in capacity and satisfy needs for specialized skills.

This ruling is the latest reminder why the on-demand workforce has continued to gain popularity over the past decade as a hiring model for organizations. Indeed, contractors enable elasticity: They are highly skilled individuals that can be hired according to an organization's need to scale up or down at will. Employing these temporary, specialized workers keeps operations agile and lean, while still allowing innovation.

COVID-19 has only accelerated the reliance on the on-demand workforce. After all, when the economy is unstable and the outlook is uncertain, organizations are reluctant to hire permanent workers. As organizations shed millions of full-time jobs during the pandemic,

many unemployed professionals have turned to contract work. In fact, a recent study by [Upwork¹](#) revealed that 36% of professionals are now full-time contractors — an 8-point increase from 2019.

For their part, contractors, too, benefit from on-demand work. Their choice to freelance reflects a fresh perspective on employment, enabled by collaboration technologies, the cloud, and video conferencing platforms like Zoom. Where once the staid 9-to-5 corporate structure underpinned the work world, today's on-demand workforce can work anytime, anywhere, and on varying projects with different durations. They enjoy more flexibility and variety enabled by dynamic work opportunities.

This report seeks to shed light on how and why organizations are increasingly using freelancers and contractors; what sectors are most likely to hire them; and where technology can significantly help manage this growing workforce.

We hope the insights gained from our research will help business leaders and their organizations as they build the best teams for driving profitability and efficiently growing their business.

Three trends emerge identifying the powerful forces driving the changing face of the modern workforce:

- 01 Significant barriers to leveraging contractors exist in organizations
- 02 Demand among specific industries is increasing for project work and specialized skills
- 03 Organizations must rethink how they engage with and manage their on-demand workforce



Research Methodology

Kantata commissioned Atomik Research to conduct an online survey of 1,006 individuals in diverse roles from professional services organizations that span accounting/financial services; technology; managed service providers; management consulting; marketing/advertising/communications/PR agencies (marketing/agencies); and technology. Participants' companies employ 100 or more individuals and leverage contractors as part of their workforce.

The margin of error is +/- 3 percentage points with a confidence interval of 95%. The fieldwork took place between January 21, 2021 and January 26, 2021. Atomik Research is an independent creative market research agency.



Trend 1

Finding and Effectively Deploying a Liquid Workforce

Back in 2015, the title of a contributed article in TechCrunch boldly proclaimed that “[In the Future, Employees Won’t Exist.](#)”² At the time, the liquid workforce was experiencing an upswing, with predictions from [Intuit](#)³ that by 2020, 40% of the U.S. workforce would be “contingent workers.”

Turns out, they were four percentage points shy of hitting that target: A [report](#)⁴ released earlier in 2021 showed that in 2020, contractors comprised 36% of the U.S. workforce, and it’s expected to grow from 59 million to 90.1 million in just seven more years. Our own research supports this projection: 52% of our respondents say they’re looking for contractors to fill gaps to meet business needs in their organizations, with 58% of those searching for talent monthly and 27% searching quarterly.

36%

of 2020 U.S.
workforce comprised
of contractors

57%

Increased use of
contract workers
since COVID-19

29%

Expect use of
contractors will
increase

Of course, the pandemic has had some bearing on the demand surge for contractors. As COVID-19 continues to ravage the economy, many organizations have had to shed jobs, leaving gaps in their base of full-time employees. As a result, organizations are looking for greater flexibility in their hiring models, and a liquid workforce fits the bill. In fact, over one-half (57%) of respondents say that COVID-19 has led to their increased use of contractors. Another 29% say their use of contractors will increase post-pandemic.

While the contractor pool is large and demand certainly exists, 31% of our respondents say finding good contractors is a challenge. Part of that may be attributed to a lack of internal processes and technology: Our research reveals that those surveyed see a need for their organizations to improve their processes for identifying (70%) and selecting (53%) skilled contractors. Once hired, additional challenges related to internal structure are laid bare. For example, how organizations onboard, collaborate with, and manage their contractors remain concerns among our respondents.



Key areas businesses need better processes and technology to manage contractors:

70% Identifying contractors

53% Selecting contractors

48% Staff and resource planning

37% Collaborating with contractors

25% Managing contractor work and performance

Specific reasons for hiring contractors vary, but a majority points to hopes for gains in efficiency as the main driver, according to our report. For example, 71% of respondents in the accounting and financial services sector say they need to fill gaps in efficiency; that number drops slightly to 66% of our respondents in the technology sector and 50% in the marketing/agencies sector.

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The primary drivers for use of on-demand resources:

65% Efficiency

54% Profitability

52% Ability to scale

38% Create new business line

29% Access to specialized skills

Questions to consider

- ✓ How often do you face volatile demands and challenges in scaling?
- ✓ How long does it take to recruit and onboard contractors?



Organizations Want Contractors With Specialized Skills but Vary in Their Requirements for Experience

Traditionally, contract work has consisted of administrative or operational tasks, as opposed to more strategic work. However, our research found that to be changing as 92% of respondents say they're very or extremely comfortable giving mission-critical work to contractors. Despite their comfort in assigning mission-critical work to their on-demand employees, 45% of our respondents indicate that a primary challenge for them is having confidence that contractors will actually deliver.

Contractors with specialized skillsets are in high demand among our respondents. A total of 29% say they're looking to find contractors to fill gaps in specialized skillsets, and 91% of respondents say they anticipate specialized skills will be needed more often over the next 12 months. However, required levels of experience vary depending on industry. For example, our respondents in the accounting and financial services sectors are picky about how many years of experience their contractors have, with 44% looking for contractors with five or more years of experience.

Conversely, only 24% of respondents in the marketing/agencies sector look for contractors with more than five years of experience. This 20-percentage point difference may be attributed to differences in industry culture: the marketing/agencies sector is more creative and project-driven in nature, whereas accounting and financial services organizations have long been associated with more traditional and linear thinking.

To be fair, this sector is also bound by strict regulations and compliance mandates, so it makes sense that contractors with more experience are better suited to working in this sector.

92%

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45%

indicate that a primary challenge for them is having confidence that contractors will actually deliver

29%

are looking to find contractors to fill gaps in specialized skillsets

Questions to consider

- ✓ Given the unique talent needs of your organization, can you meet up-to-the-moment client demand with the right mix of skills and people?
- ✓ How long does it take to recruit and onboard contractors?

The Right Technology is Paramount to Effectively Managing an On-Demand Workforce

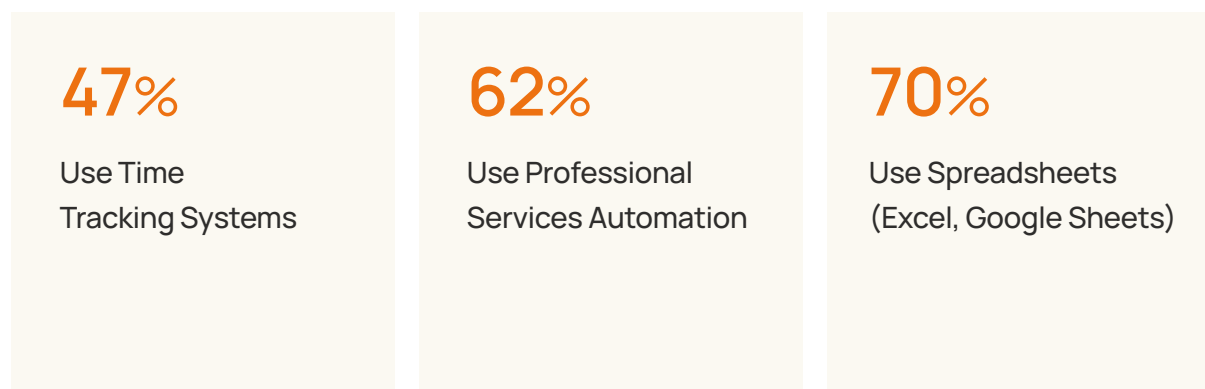
While organizations can benefit significantly from using contractors, in practice, managing a widely dispersed, on-demand workforce can be complicated. In fact, 94% of respondents acknowledge that managing a contractor is different than managing an employee. Success in doing so will likely be dictated by the strength of the technology used. To that end, 62% of our respondents say they use a professional services automation (PSA) system to manage their contractors and the diverse projects they work on; 47% use time tracking systems.

However, a whopping 84% of those surveyed say they believe their organization has a technology gap in managing contractor resources. This becomes clear as we look at the number of respondents (70%) that say they still use spreadsheets to manage their on-demand workforce.

Our report shows significant differences among specific sectors as to how they manage their on demand workforce. For example, 79% of respondents in accounting and financial services rely on spreadsheets, as compared with 60% of respondents in marketing/agencies.

Those numbers change to 60% and 62%, respectively, when the same respondents were asked about their use of PSA systems. More than 50% of our respondents in the technology sector say they use time tracking systems to manage their diverse (full time, part time and contractors) workforce and the projects they work on. But only one-third (35%) of organizations in the accounting and financial services sector can say the same.

We suspect these deltas are a result of how differently these industries deliver work. It's important to note, however, that shifting consumer behaviors brought about by the pandemic have forced many organizations in these sectors to accelerate their adoption of technology solutions, so we may yet see this delta narrow over the next year and beyond.



Questions to consider

- ✓ Are you still using a CRM or ERP system, project centric point solution, or legacy PSA system?
- ✓ Would a solution that was purpose-built help you better manage your business?

Conclusion

Kantata integrates seamlessly with key systems, data, and workflows to maximize the value of the tech stack.

While this report shows the growth of contract work and the common needs to be filled in professional services organizations specifically, there remains a challenge: the lack of innovation in technology to support a dynamic workforce.

Indeed, professional services organizations – uniquely people dependent and often facing challenges in scaling – have remained underserved by technology, with little innovation to support a modern, on-demand workforce. These organizations must choose between leveraging ERP or CRM systems, project centric point solutions that create silos of information, or legacy PSA systems built for a different era. As a result, opportunities to scale, grow margins and maximize outcomes for every project are difficult to realize.

But there is a path forward, and it begins with the **Kantata Industry Cloud for Professional Services™** – purpose-built to liberate professional services organizations and help them find and engage with their ideal dynamic workforce. With the Kantata Industry Cloud to manage the resource relationship at every stage of the professional services engagement life cycle, businesses can optimize demand forecasting and match project needs.

Organizations gain a new level of visibility across the entire resource value chain to drive scale, profits, and competitive advantage, and they can drive more predictable outcomes by improving their processes and practices. Finally, the Kantata Industry Cloud integrates seamlessly with key systems, data, and workflows to maximize the value of the tech stack.

The ability to optimize and manage a liquid workforce is increasingly important and will continue to be a cornerstone of success. Meeting the moment with tools that are purpose-built for optimally managing dynamic resources will ensure organizations have the right mix of resources that underpin a competitive edge and drive greater profits.



Sources

¹ Independent Workforce Report, Upwork, <https://www.upwork.com/documents/independent-workforce-report>

² In the Future, Employees Won't Exist, TechCrunch, Tad Milbourn, June 13, 2015 – <https://techcrunch.com/2015/06/13/in-the-future-employees-wont-exist/>

³ Intuit 2020 Report: 20 Trends That Will Shape The Next Decade, Intuit, October 2010 – https://http-download.intuit.com/http-intuit/CMO/intuit/futureofsmallbusiness/intuit_2020_report.pdf

⁴ Number of Freelancers in the US 2021/2022: Demographics, Platforms, and Trends, Finances Online, Astrid Eira – <https://financesonline.com/number-of-freelancers-in-the-us>

Learn how Kantata optimizes so much more than project management. The **Kantata Cloud for Professional Services™** is providing services organizations with the tools they need to tackle unique, modern projects with clarity, control, and confidence. Learn more about what the transformative power of Kantata can do for your business.

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