



How To Manage Freelancers In The Gig Economy

Insights

6.08.16

It is estimated that more than one in three Americans currently perform some freelance work, whether as a supplement to their day jobs, or as their full-time gig. We all know (because the media tells us) that millennial workers are flocking to freelance work. But a changing work culture means that more experienced workers are also embracing “free-range employment,” either by choice or necessity.

Are freelance employees right for your business? What does it even mean to have “freelance” employees? We have all heard about the Uber litigation, so how does an employer stay on the right side of what appears to be a constantly changing legal landscape?

Freelancers are just employees for whom I don’t pay taxes, right?

Although the definition of “freelancer” can vary, a freelancer is generally hired by the project and may be working for several entities or individuals at a time. The freelancer does not expect benefits from the company for which she is working, and pays taxes on any income earned as if she were her own business (which she is, really). This term overlaps with, and is often used interchangeably with, “independent contractor,” which could be used to describe the same relationship, but is often used to describe someone who performs work for one company at a time, but usually for short periods of time only. Similarly, the independent contractor pays her own taxes because she is her own business entity, and does not receive benefits from the company for which she performs work. *Caution:* If your freelancer or independent contractor is working for you long-term performing the same work as an employee, they just might be an employee.

Over the years, the line between independent contractors/freelancers and employees may have become a bit blurred, but in general, an employee is someone who performs work for one company, is paid an hourly wage or salary, and often receives benefits. The Internal Revenue Service considers an employee to be someone who performs work at the employer’s direction, with the employer controlling the means, method, and result, regardless of what title the person is assigned. An independent contractor or freelancer typically only needs to be accountable for the result.

Managing freelance employees without losing your mind. Or getting sued.

If your company is considering hiring independent contractors or freelancers (and we’ll refer to them all as “freelancers” going forward because it’s a little hipper and a lot less clunky), there are a few tips to consider as you embrace the gig economy:

- Freelancers value their freedom to choose when and where to work. If having your freelancer perform web design at the local pub or at the beach does not sit well with you, freelancers may not be a good fit. Consider whether your company needs to exert such direct control, or whether a firm deadline with specific deliverables and quality standards will be enough to get the quality results you require. Keep in mind that the more control you exert over the means and method, the more likely that the IRS (and your state Department of Labor) will find that your freelancer is really an employee;
- Technology is key to enable freelancers (and employees!) to successfully perform remote work. If you make it difficult to perform work remotely, freelancers will likely get frustrated and move to another job;
- And while we are discussing the wonders of technology and the ability to work remotely, a word about security: before your Company starts handing out system access to freelancers, consider system security needs and how to give the freelancer just enough access to perform her duties, but not so much that she could, wittingly or unwittingly, bring your system down through a security breach;
- Consider making one employee at the company the point-person for all freelancers. That person will be responsible for ensuring that consistent standards are applied to all freelancers throughout the company, that all freelancers are provided adequate access to company resources to complete their jobs, are paid on time, and will ensure that an employment relationship is not created by mistake;
- Ensure regular communication with your freelancer. This does not mean regular performance reviews, but short and concise feedback helps to keep projects and costs on track and provides workers with helpful feedback;
- Set up short periods of time for freelancers to brainstorm with each other and relevant employees within the company. Although working remotely can be very productive, it can also be very isolating. Workers benefit from time spent discussing ideas with each other; and
- Make the case for freelancers to your traditional employees and incorporate them into the planning process wherever possible. The most productive and successful teams do a good job of integrating traditional employees and freelancers.

Related People





Danielle S. Urban, CIPP/E

Partner

303.218.3650

Email