The Freelancer: A Conceptual Review

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Abstract

This paper provides a detail review of conceptualization of a freelancer, describing its history, jobs, earnings, top hiring, freelancer countries, popular websites those serve as broker between employer and freelancer. Study also elaborate differences between an entrepreneur and a freelancer. Study supported by empirical evidences through a non-systematic narrative review of the existing literature. Study exposed facts about freelancers. Firstly, it was found that current organizational structure is changing to support labor market and technological changes, this shows sustainable growth in individual contractors, now referred as freelancer. Secondly, literature review shows that the freelancing is rooted back to 1970s and started growing continuously since 1980s. Thirdly, study distinguished that the entrepreneur is a person who engages service or product of someone’s to establishes a business; whereas a freelancer is a person who engages own-skills to serve client(s), he/she serves multiple clients for multiple job types. Lastly, empirical evidence shows that freelancing is still considered as a new and different area, researchers and policy makers may explore it further.

Keywords: Entrepreneur; freelancer; contractor; boundary-less worker; portfolio-worker

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1.0 INTRODUCTION

Privatization, technological, organizational restructuring and regulatory change in market contributed to the externalization of labor in recent decades. Organizations are increasingly seeking to match labor inputs more closely to commercial requirements to achieve numerical flexibility and cost savings (Purcell, 1998; Stanworth & Stanworth, 1997b); hiring freelancers is one means of achieving this flexibility. Further, discussed in changing organization structure section of this paper.

History of freelancing growth mentions that initially freelancer was referred as “Boundaryless Worker” in the 1970s at the Massachusetts Institute of Technology (Tams & Arthur, 2010). This name was given because freelance have no boundaries to get jobs, the client may belong to any part of the world. Most of the jobs done online, one computer with webcam and high speed internet connection is sufficient to get job done. Although a bank account is required to receive payments.

Freelancers sell their professional knowledge and skills, but nothing else. This sets them apart from other entrepreneurs who sell tangible products or services, often made by other manufacturers. To be successful, an independent professionals needs a different skill set than the average entrepreneur. Human capital is almost certainly more important to the freelancer than for the entrepreneur in a retail or industrial world. But access to financial capital is less important, as most freelancer / independent professionals work within services where capital requirements are almost irrelevant. The other difference that freelancers may be set apart from other entrepreneurs, is that they do not hire employees. Leadership, organizational, and administrative skills, which are necessary when one has to run an organization, are not of much benefit to the average freelancer (J. Van den Born, 2009).

The organizations now changing its job structure and outsourcing jobs to freelance contractor. This gives them cost benefit and highly professional workers. The changes in organizational structure, technological change, entrepreneurship, and new labor characteristics open doors for new research.

1.1 CHANGING ORGANIZATIONAL STRUCTURE

Commercial contractors have replaced employment contracts in many cases, as jobs previously performed by employees have been outsourced to freelancers, many of who have been ex-employees (Boyle, 1994). This type of freelancer work for their ex-firms as well with other companies as consultants.

There is some evidence of a growing use of temporary jobs for high discretion freelancers (Stanworth & Druker, 2006; Ursell, 2000), it is estimated that independent professionals create about 60 percent of the total production of the UK media industry said(Storey, Salaman, & Platman, 2005) all over the media industry, large employing organizations, such as television corporations, have cut their long-
term staff and replaced these workers with freelance labor, the shift in the media sector, where in less than a decade the majority of workers became independent professionals.

(Ashford, George, & Blatt, 2007) estimates that there were about 10.3 million independent contractors in the US in 2005, representing 7.4 percent of the workforce. This is a growth of 24 percent since 1995 when independent contractors represented 6.7 percent of the workforce. Since the last decade we have been confronted with a new generation, grown up with the computer. They ask for new labor relations. Why go to the office, if you can do it at home? (VAN DER KAMP, 2011).

The large number of companies are hiring Individual Professional to perform their highly technical jobs. Recently, (Rodrigues & Guest, 2010) showed for multiple countries that the collapse of the traditional career model does not supports current job tenure data. This is easy to continue or discontinue job contract with freelancer as compare to permanent staff, which is hired on annual contract bases. Freelance contract is only for one job, further jobs may be assigned on mutual interest bases. This gives flexibility to both the client and freelancer.

### 1.2 HISTORY OF FREELANCING GROWTH

The boundaryless career perspective was really developed further in the 1990s, especially through the efforts of (DeFillippi & Arthur, 1994, 1996) and (Arthur & Rousseau, 1996) defined boundaryless careers as “sequences of job opportunities that go beyond the boundaries of single employment setting”. In the mid-1990s, (Arthur, Claman, & DeFillippi, 1995) pointed to strong links between (Quinn, 1992) intelligent enterprise and the boundaryless career concept. They argue that the creation of the intelligent enterprise requires intelligent careers, which are built upon principles from the boundaryless career concept. (Marler, Woodard Barringer, & Milkovich, 2002) argues that a new type of contingent worker is emerging: the boundary less temporary worker. What distinguishes these boundary less temps from traditional temps is their preference for temporary work and their high level of skill and experience.

The portfolio career is perhaps the most extreme orgpure appearance of the modern boundaryless career. A portfolio career is per definition boundary less, being associated with a strong mobility preference. The individual career path is not influenced by any organizational career management activities, such as: mentoring and training programs or other forms of organizational support. In this ‘free’ world only individual choices and market opportunities determine someone’s career path and career success. Charles Handy named these employees portfolio workers, as they create a portfolio of work for themselves.

Freelance employees, also known as independent contractors, are individuals who work on their own, without a long-term contractual commitment to any one employer. A freelance employee usually performs services or completes work assignments under short-term contracts with several employers, or clients, who have the right to control only the final result of the individual's work, rather than the specific means used to get the work done. Examples of positions held by independent contractors range from doctors and computer programmers to maids and farm workers. Freelance employment can offer a number of advantages to individuals, including flexibility work arrangements, independence, variety, and some tax deductions. It can also hold some pitfalls, however, such as assuming risk in business dealings, paying self-employment taxes, and taking personal responsibility for health insurance, disability, and retirement coverage.

At present, academic researchers typically use the term freelance to refer to own-account workers in creative and media occupations, including journalism (Baines, 1999), television and radio (Dex, Willis, Paterson, & Sheppard, 2000; Saundry, Stuart, & Antcliff, 2007), film (Davenport, 2006), publishing (Stanworth & Stanworth, 1995), public relations (Tench, Fawkes, & Palihawadana, 2002), as interim managers (Goss & Bridson, 1998) and artists (Menger, 1999). Own-account workers in other occupations tend to be described differently, as contractors or consultants, and itinerants in IT (S. Barley & Kunda, 2004; S. R. Barley & Kunda, 2006), and as locums in social work (Kirkpatrick & Hoque, 2006).

While most research has centered on creative and media occupations, we argue that own-account workers in managerial, professional, scientific and technical occupations should also be treated as part of the freelance workforce.

### 1.3 FREELANCER JOBS

oDesk is the famous web portal and platform for freelancer and employers to find each other. oDesk job list shows the job freelancer performs, listed in Figure 1.1 List of Jobs of Freelancer.
1.4 WHAT DO FREELANCER EARN


Elance-oDesk serves as a broker between companies that need skills and freelancers eager to supply them sees 2.7 million freelance jobs posted a year. According to the company, the total earnings of freelancers have grown 50% compounded annually over the past five years. From Rosati’s perspective, so many businesses are hiring these workers because they need work done on demand, typically for a short stint. In those cases, a marketplace like Elance-oDesk becomes like the Amazon Prime for jobs. It’s a win for both the employer, who can hire on an as-needed basis, and for the worker, who has flexibility of schedule and location.

What’s more, freelancers with the right skills can earn a great living from the comfort of their homes, if the highest-paying freelance jobs are any indicator. The wage numbers in Figure 1.2 come from the combined databases of Elance.com and oDesk.com, pulling from January 1 to May 31 of 2014.

![Figure 1.1 List of jobs of freelancer](image1.png)

![Figure 1.2 Top 20 highest-paying skills the hour](image2.png)
1.5 TOP HIRING AND FREELANCER COUNTRIES

Elance is another web portal that is platform for hiring freelancer. In January 2014, Elance released its 2013 Global Online Employment Report revealing a record-breaking year for growth for the freelance economy. Over 1 million freelancers and 410,000 businesses joined the Elance community last year alone, contributing to an increase in freelancer earnings of nearly 50% year-over-year. Figure 1.3 shows the top hiring countries, top freelance countries in the world.

![Top 10 Hiring Countries and Freelancers Countries](http://www.elance.com/d/online-employment-report)

Figure 1.3 Top hiring countries, and top freelance countries

1.6 WHERE DO FREELANCER GET JOB

Freelancing is a great way of working. You can work from anywhere, choose how much you want to work and what time you want to work. You don’t have to worry about waking up early or taking a long holiday. You are your own boss.

As the freelance culture grew famous during all these years, hundreds of websites have been launched that provide freelance services. I researched on the web and found some freelance websites that are really very good and are already established as mega sources of freelancing and outsourcing.

**oDesk**

Started in 2005, grew so fast and now it is one of the most preferred freelance websites for startup freelancers. oDesk is designed for freelancers who prefer hourly wages as opposed to flat fees. They are a little more expensive in their commissions, but they cover employer tax costs if the employer wants to hire you through their payroll service. You need to log in to the website while you work so it can record screen shots.

**Elance**

It is the oldest and one of the most trusted freelance website. It was launched in the year 1999 and since then it has done a total freelance transaction of about half a billion dollars. With a large number of freelancers in different fields like web designing and development, graphics design, content writing etc and about 50,000 jobs posted every month, there’s always a huge scope in getting fresh jobs here. There are five major job categories on Elance: Programmers, mobile developers, designers, writers and marketers. But you can drop down into a wide ranging list, too. As one of the top freelancing websites, they maintain a great site and service. The commission is higher than most. They offer escrow payment and dispute resolution, for those jobs that don’t go right.

**People Per Hour**

This website is quiet young with respect to others big boys mentioned above. Although it was launched in the year 2008 it has gained significant popularity now. It is a good place for programmers, graphic designers, content writers and virtual assistants to get good paying projects. If you have a talent (such as being able to design a business card in one hour), PeoplePerHour is the freelancing website for you.
It works like the other freelancing websites, but also allows you to post “hourlies” to drive business to you. In general, there are fewer jobs, but they are higher quality.

**Fiverr**

It is the world’s largest marketplace for small services. The most interesting part is you can create gigs for as low as $5. It can prove to be a money making system for you even if you don’t know the coding or design stuff. Just have a look at the gigs others are creating and see if you can do that too. If you can do something very usual that people may be willing to pay $5 for then you can make significant amount of money here.

### 1.7 FREELANCER VERSUS ENTREPRENEUR

Many freelancer thinks themselves an Entrepreneur (Gandia, 2012). Freelancers might be defined as those genuinely in business on their own account, working alone or with co-owning partners or co-directors, responsible for generating their own work and income, but who do not employ others; Freelanders operate under a range of legal business forms: as self-employed sole proprietors or partners in unincorporated businesses, as directors of their own limited companies, as owners of unincorporated businesses, as directors of their own limited companies (Kitching & Smallbone, 2012). In the framework of collaboration between companies and freelancers, task, work, pay and other components of the commission are laid down on a project-related basis in a contract for work and services, or a service contract (Süß & Becker, 2013).

Freelance refers to a type of job where the worker is self-employed. A freelance worker works for themselves and bids for temporary jobs and projects with one or more employers. Other terms used are independent contractor and consultant (Stephen & Lisa, 2005).

Characteristics of a freelance worker include:
- Expertise or a skill in high demand
- A proven record of success and several years of experience
- A self-starter who enjoys working independently
- A self-marketer, who enjoys promoting and selling his or her services, and who has a strong marketing vision and strategy
- Ability to wear multiple hats, including handling clerical, billing, and accounting procedures
- Able to handle high risk - including the lack of job security, no company provided benefits, and no steady paycheck
- A strong network of personal and professional contacts
- Excellent written and oral communications skills
- Creative, innovative problem-solver

Entrepreneur owns a small business, uses his business idea, hire individuals’ skills, and buy product from others; to sell for profit into a market segment. Most of the time a freelancing serves as the foundation for Entrepreneurship. Entrepreneurship drives economic innovation and job formation. Business-ownership participation rates vary dramatically among those ethnic groups accounting for the largest demographic growth rates (Barth, Yago, & Zeidman, 2006).

Frederick J. Beste III with his 33 years of experience dealing with entrepreneurs shares the twelve characteristic of entrepreneurs (Beste III, 1996):

1. They have a sound knowledge of their marketplace: “We’re part of the $220 billion electronics industry. If we get just 1/100% of it, we’ll be a $22 million company.”
2. They have a sound knowledge of their competition: They know about their competitors and the market.
3. They have a sound knowledge of the financial dynamics of their companies: Entrepreneurs exhibiting this characteristic can tell you (without looking it up) what the trend in gross margins has been over the last few months, or what the cash flow impact of a 20% shortfall in revenues would be next month.
4. They have a true understanding of the importance of cash flow: They know that cash is life and that lack of cash is death.
5. They have internal loci of control: True entrepreneurs take things personally. When they succeed, they know that they deserved to. When they fail, they know that it as their fault.
6. They have inner confidence.
7. They plan and they execute their plans: It has been said that if you don't know where you're going, any road will get you there. Entrepreneurs don't love planning. Nobody loves planning! Planning is a powerful tool, however, and the best entrepreneurs reduce their pursuit of their strategic objectives down to action plans with detailed budgets, people responsibilities and deadlines, and they monitor the assault on a real-time basis.
8. They inject reality into their attacks: Truly sound entrepreneurs not only recognize that there are risks associated with their endeavors, they have actually thought about them.
9. They hire smart: They are not intimidated by partners smarter than they. They recruit charismatically, with equity participation as bait.
10. They hit it hard: Almost everything is stacked against entrepreneurs. They even the odds with, among other things, sustained, superior effort.
11. They make it fun: There is something special though indefinable in the air at companies run by great entrepreneurs. The pursuit of their dream is punctuated by experiences which produce natural highs.
12. Maybe most important, They've got fires in their bellies: True entrepreneurs have such a strong achievement orientation that winning each marketplace battle, and ultimately the war, become compulsive needs.
Let us take an example of furniture designer to understand difference between freelancer and entrepreneur. Firstly, when a furniture designer just sells his or her skills as a designer by the hour to any furniture company (who may perhaps ask the designer to assist in creating a chair or table), the designer is clearly a freelancer. Secondly, as soon as the designer sells finished designs to the highest bidder, one may argue that the designer sells more than his/her knowledge, skills and abilities. The designer in fact sells a product. We would still classify the designer as a freelancer because: 1) the product/design that is sold is solely based on the designer’s personal knowledge, and 2) the designer still works alone, independently from any employer or employee. Thirdly, as soon as the designer starts creating his designs and building real furniture, we would still characterize him as a freelancer, as long as the designer creates this furniture by him- or herself. Fourthly, when the designer decides to outsource the building activities of the furniture (for instance to a carpenter), we would still regard the designer as a freelancer, as he sells a product that is completely based on his own knowledge, skills and abilities and he has no long term relationships with employers or employees. Only when the designer does not outsource the building activities anymore, but hires employees to create the furniture, the designer stops being a freelancer and becomes an employer (J. Van den Born, 2009).

Freelancers can be considered as a hybrid of employees and entrepreneurs. On the one hand, they are employees because they are almost always hired by (large) firms to work for a period selling nothing else but their intangible professional knowledge, which is different from other entrepreneurs and self-employed selling tangible products to customers. On the other hand, they are entrepreneurs because they work for their own risk and reward without any organizational guarantee or support. (A. Van den Born & Van Witteloostuijn, 2013).

Freelancer is characterized by vending his/her own knowledge, skills and abilities. This characteristic separates freelancer from most other entrepreneurs, for instance from owners of retail shops, who are also self-employed and may work independently from employers or employees, but these self-employed individuals sell other goods or services than their own knowledge (J. Van den Born, 2009). Although we use the above definition, it is sometimes very ambiguous, that is why more research is required on Freelancing.

2.0 CONCLUSION

Firstly, the empirical evidence through a non-systematic narrative review of the existing literature shows the shift of organizations structure, its response to technology, and dealing with Freelancers. It can be observed that organizations are outsourcing individual professionals (Freelancers) on temporary contract basis, this gives them cost benefit, and they may get services of highly skilled professional from the world. As Freelancers unlike other employees do not require salaries, medical, career development, retirement, and other benefits.

Secondly, freelancer is a growing workforce that uses new technology to perform jobs, highly skilled and professional. They like to work from their small office or home, dislikes the routine jobs and unnecessary meetings, like to work on project bases with multiple clients and they don’t believe in permanent and long-term employment. Many small businesses lack the resources to hire permanent employees to provide support for short-term projects or to provide expertise in highly technical fields, so instead they enlist the services of independent contractors. In these cases, it is to the benefit of the small business owner as well as the independent contractor to spell out the details of the work arrangement in a contract. The small business owner should also choose free-lance employees carefully to be sure that they present themselves as being in business to make a profit. Therefore, it is necessary for Human Resource department to understand their nature, how to select freelancer, assign job, get job done and end contract.

Thirdly, we find that the entrepreneur and freelancer are two different persons, entrepreneur is a person who engages service or product of someone’s, to establishes a business, uses its business intellect, hires services or skills from others professional, and products from market, then sells them for profit to market segment, this is a kind of small business owner; a freelancer uses own-skills to perform job, responsible for paying tax, accounting, marketing, and personal development.

Lastly, empirical evidence shows that entrepreneurship and freelance are fuzzy to differentiate, but the fact is, they are different. It is observed that the individual professional or freelancer are ignored due to mixing it with entrepreneur or small business owners, when addressing the needs of small businesses, most discussions center on traditional brick-and-mortar operations, and freelancers and other self-employed service providers are ignored, forgotten or dismissed. With regard to the rise of freelancers, it is important to intensify research about employability of freelancers and investigate the general consequences of freelancing concerning labor market structure and the resulting employee relations.

Review and conclusions leads to a door opening for researchers and policy makers for exploration of suggestions and policies that best fit for organization, freelancers, and entrepreneurs in the future.

Acknowledgement

We are gratifying that UTM, AFAP, MTDC, and CTMG have provided us an opportunity to present and publish our work. We are also thankful to referees who reviewed our paper and input their suggestions.

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