

# 2014

## INDEPENDENT CONTRACTOR WORKFORCE REPORT



# BACKGROUND

---

MBO Partners and the HRO Service and Technology Association have collaborated on a comprehensive examination of the challenges and opportunities of working with the independent contractor workforce. Specifically, the research determines long term vs. short term strategy for independent contractors, how they are being managed within the firms using them, the satisfaction and importance with key metrics reporting the progress of the contractors, and considerations for using them in an organization.

For the purposes of this report, we are defining an independent contractor (IC) as a person who provides services to another entity under terms specified in a contract or statement of work. Unlike an employee, an independent contractor does not work regularly for one employer but works for one or multiple clients as desired.

According to the 2014 State of Independence in America Report<sup>1</sup>, the impact of independent contractors is enormous and expanding. The report states that there are 17.9 million independent workers. This is up 1.2% from 2013 and 12.5% since 2011. In fact, if one includes those working as independent contractors as a part-time "side-gig," there are another 12.1 million, for a total of 30 million workers.

# METHODOLOGY

---

In June 2014, a series of 15 in-depth interviews were conducted among managers involved in the independent contractor process within their organizations. The responses to these interviews were then used in the design of a quantitative online questionnaire. This questionnaire was sent to readers of *HRO Today Magazine* and e-newsletters via a survey link. The respondents were primarily involved in the human resources area of their respective companies. The quantitative survey was fielded during August and September 2014.

In total, 298 respondents replied to the survey invitation.

---

<sup>1</sup> MBO Partners, "2014 State of Independence in America Report," 2014.

# EXECUTIVE SUMMARY

---

1. **The Invisible Workforce.** The sheer size of the independent contractor workforce, 18 million strong in 2014 and growing in the US, suggests both large and small companies need to be more aware of their presence. Responsibility for engaging this type of human capital is spread throughout organizations, from HR to Purchasing to individual departments that need them.
2. **A Systematic Approach.** Independent contractors should be managed with a systematic program, like a benefits or employee engagement program, with centralized processes. This disciplined approach will alleviate many of the concerns Human Resource Managers have, such as the hiring manager's willingness to work within guidelines (when in fact there are guidelines), the increased opportunity to source freelancers through the online marketplace or addressing securing concerns about both systems and facilities through the vetting to mitigate risk.
3. **Specialization Needed.** Partnering with a firm which does not specialize in independent contractors, such as an MSP, can lead to frustration. Low satisfaction scores with the way MSPs support HR with engaging and managing the IC workforce support that another solution is needed. MSP providers traditionally provide Vendor Management Systems (VMS) designed to manage staffing firms and other suppliers. The ideal partner brings methodology, experience, and technology to the table to best ensure maximization of success.

# INDEPENDENT CONTRACTOR OUTLOOK

## Use on Continuous Basis

*Does your firm use independent contractors as part of its workforce on a continuous basis?*

Survey participants indicated that nearly three-quarters (71%) of survey respondents use independent contractors as a part of their workforce on a continuous basis.

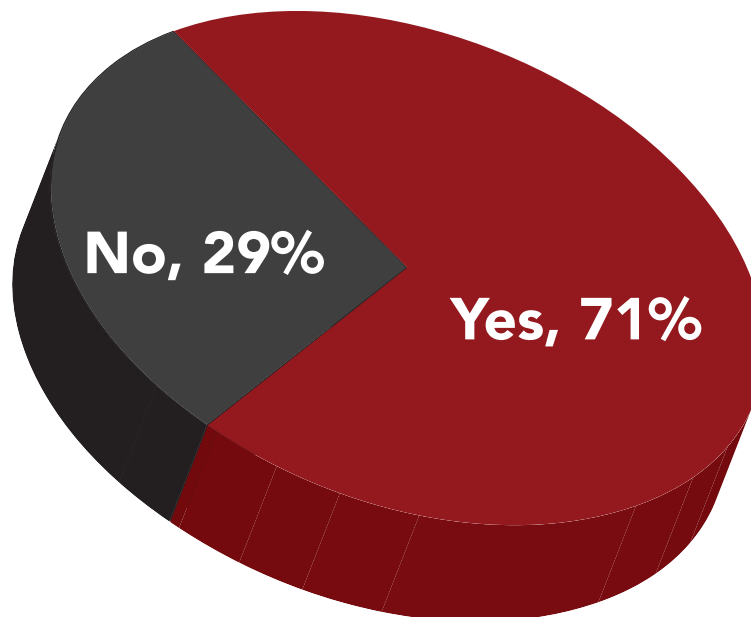
The 2014 State of Independence in America Report<sup>1</sup> supports the notion that the IC workforce in the US is massive, with 30 million participants.

While the 71% represents a huge proportion of IC use, that number may be understated. Respondents to the study were primarily from the Human Resources area. But as subsequent findings will show, responsibility for engaging with independent contractors is spread throughout an organization. Often ICs will remain “invisible,” operating outside normal worker parameters. In fact, many companies have policies that prohibit the use of ICs, so many HR executives mistakenly believe they have none, when in fact they are brought in under service agreements or outside their purview.

“No one had a list. Who were these people? They were just listed as “cost” on reports and there were thousands of them.”

– Terry Piccolo, Warner Music Group

## Continuously Use Independent Contractors

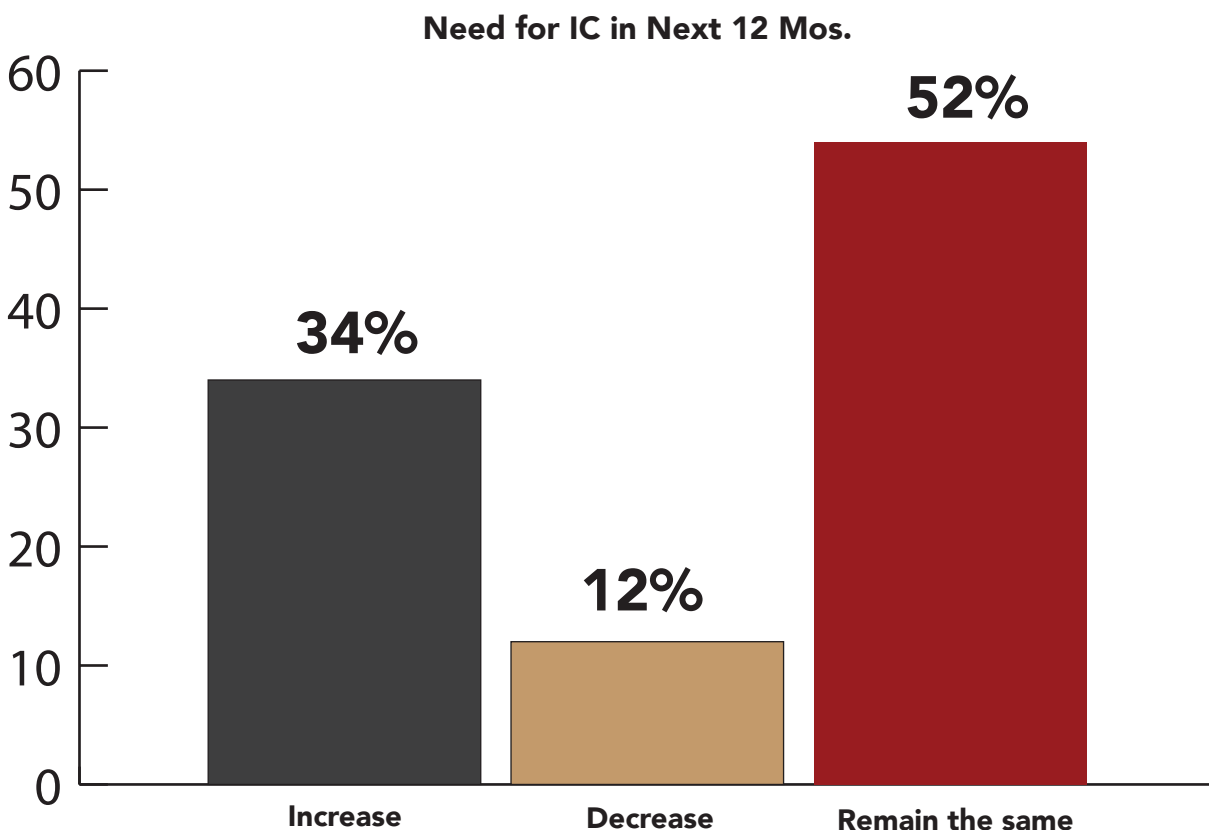


<sup>1</sup> MBO Partners, “2014 State of Independence in America Report,” 2014.

# INDEPENDENT CONTRACTOR OUTLOOK

*How do you anticipate your need for independent contractors will change in the next 12 months?*

The majority (54%) of respondents predict the need for independent contractors will remain stable in the next 12 months. The number of those anticipating an increase (34%) outnumbers those anticipating a decrease (12%) by nearly a 3:1 ratio. Given the already enormous base of workers who are independents, the proportion stating a stable need isn't surprising. Further, the 2014 State of Independence in America Report suggests fairly modest year-over-year growth rate (1.2%) from 2013. Companies using ICs feel the same way, according to these findings.



# INDEPENDENT CONTRACTOR OUTLOOK

## Temporary or Long-Term Plans for Independent Contractors

Where appropriate in the analysis, study respondents have been broken down by company size. The largest sized respondents have more than 10,000 employees, while the smallest less than 500.

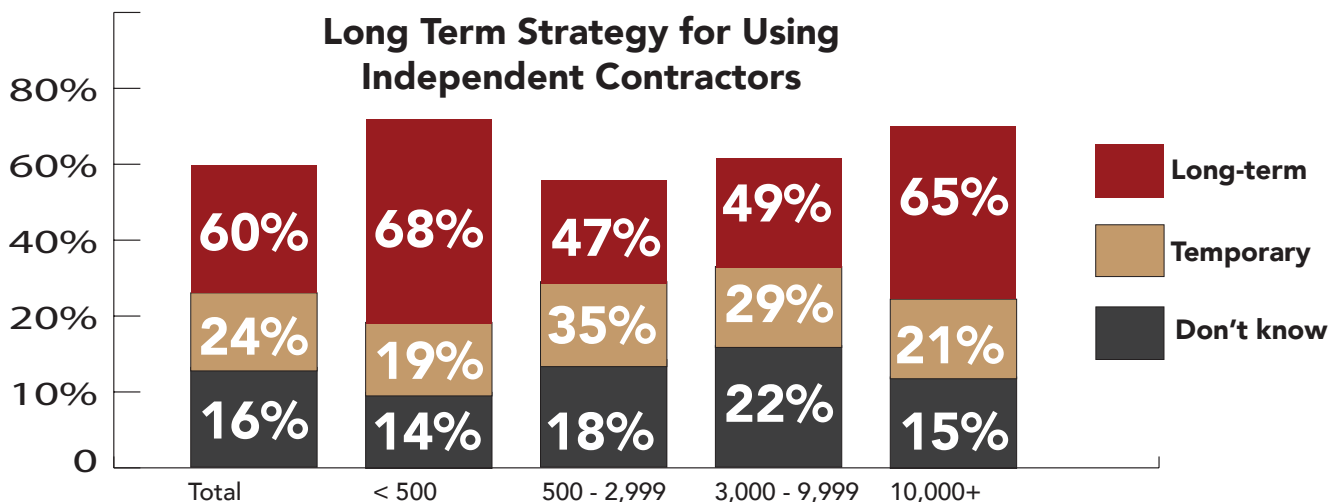
*Is the use of independent contractors a temporary or long-term strategy in your company?*

Companies' reliance on independent contractors shows no signs of abating. Overall, 60% of those surveyed consider them a long term solution. A fairly small group, 16%, doesn't know about the long-term vs. short-term outlook. This suggests the strategy for independent contractors has been planned for the foreseeable future. No doubt, some of the anticipated use for ICs is a combination of a plan to meet business objectives vs. acknowledgment of a likely more reactive stance when unforeseen circumstances arise.

Interestingly, about two-thirds of both the smallest (less than 500 employees) and largest companies (10,000 or more employees) are planning to use ICs for the long-term, 68% and 65%, respectively. These groups' long-term plans exceed those of companies sized in-between.

Why are independent contractors a particularly big part of the long term plans for these two groups? Smaller companies, by definition, have fewer employees to address the work load. This suggests that augmenting the workforce in order to accomplish unique projects with tight deadlines can best be addressed with the flexibility and skillset of independent contractors. Further, the smallest of companies, start-ups, often need not only the flexibility of the IC workforce, but need to be nimble and very cost conscious. The Subject Matter Experts (SMEs) they wish to use may only want to engage as independent contractors. ICs are often the only option for a start-up.

Larger companies typically have the most varied workforce, supporting a myriad of strategies and tactics that can be local, regional, or global, along with a vast array of products and services. Further, because of their scope, using independent contractors can broaden expertise to support geographic areas where the company may not have a particularly large physical presence yet, but still needs the knowledge base to meet objectives. Unique circumstances, such as in product development or where databases need updating can also be addressed by independent contractors who move on once the one-time task is accomplished.



# HUMAN RESOURCES' ROLE WITH INDEPENDENT CONTRACTORS

## Department Role with ICs

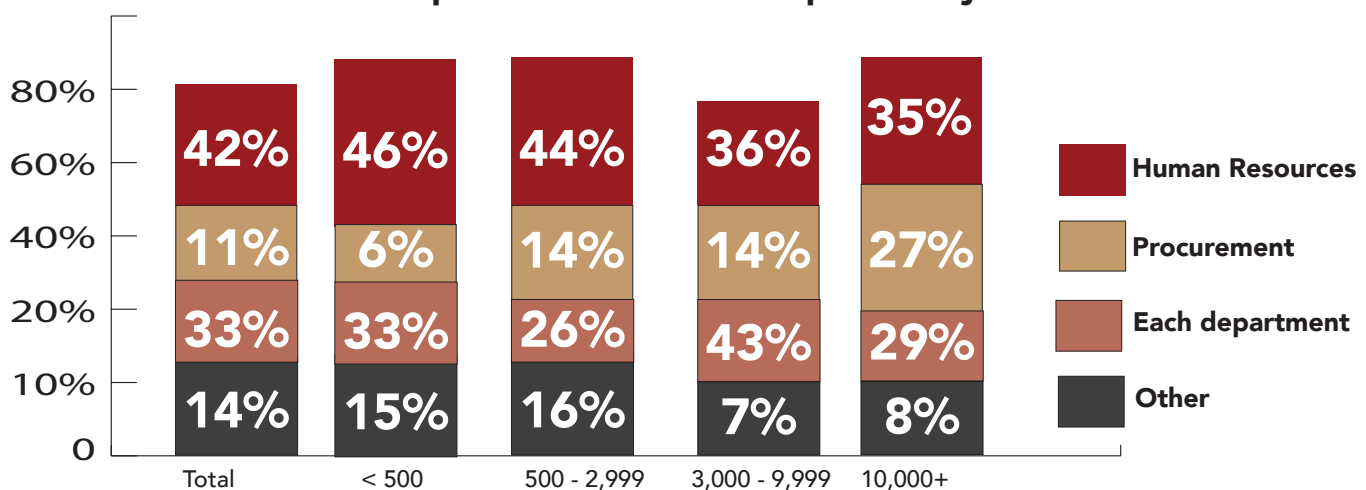
*Which department in your organization has primary responsibility for engaging and tracking independent contractors?*

The Human Resources Department is the most commonly cited (42%) department for having primary responsibility of managing independent contractors. That said, the responsibility is often in different parts of The company, with the hiring manager's department being used by one-third (33%) and Procurement Departments being used by 11%. Logically, smaller companies are also less likely to have a separate Procurement Department.

Interestingly, as company size increases, the primary responsibility for engaging and tracking independent contractors varies more. The largest companies, those with 10,000+ employees, have given almost equal responsibility to HR (35%), Procurement (27%) and each individual hiring manager's department (29%). Given the invisibility that many ICs have, their presence is often lost on an HR person who does not have the tools or responsibility to track them. The largest companies have departments which are more inclined to engage the contractors on their own.

As subsequent findings will show, the largest companies typically have the greatest need for a more disciplined approach to managing independent contractors. Yet they are the least likely of any companies to have a single area like HR with a focus on managing them.

**Departments with IC Responsibility**



## HR's Future Role with Independent Contractors

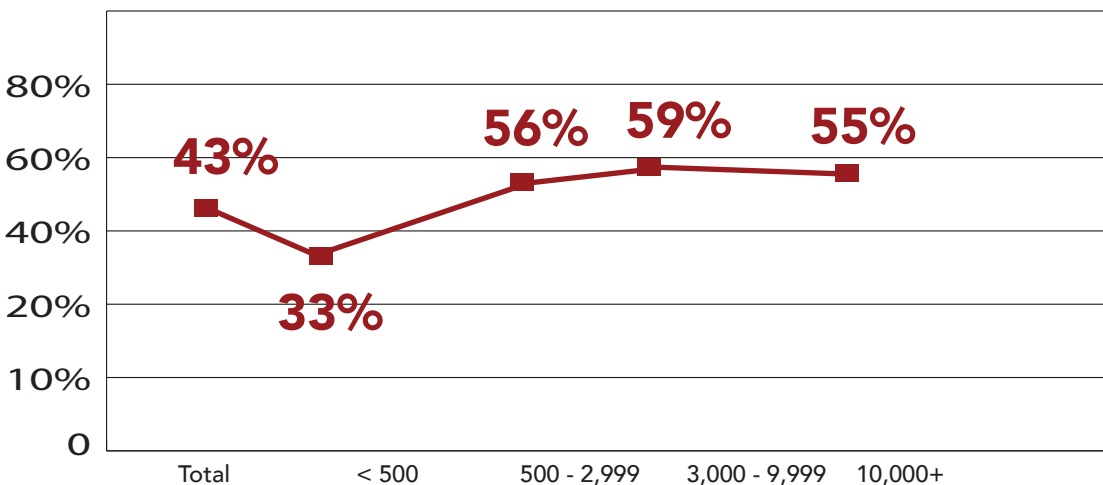
*How do you feel the involvement of Human Resources with respect to independent contractors will change in your company in the next 12 to 24 months? (Asked among those that didn't select HR previously).*

Among those who indicated that HR does not currently have primary responsibility for ICs, 43% anticipate an expanded role for HR. Companies with at least 500 employees are most likely to move IC responsibility to HR, as more than one-half plan to do so.

Interestingly, 55% of the largest firms (10,000+ employees) expect the role of HR to increase over the next 1 to 2 years. This is particularly significant since currently the Human Resources department in this group has the lowest IC responsibility (35%). The largest firms are the most likely to have Contingent Workforce Programs (CWPs), and HR is more likely to be involved when companies have CWPs.

As firms become larger, they tend to have increased specialization in employee roles. This applies to the Human Resources Department as much as or even more so than other areas of a company. The data suggests greater responsibility for HR with managing independent contractors. That may lead to positions within the department that deal exclusively with this task, or at least have it as a major component of their own job functions. These are the individuals that can use the most education about all the processes involved in working with ICs, as well as how to best understand, support and forecast company-wide needs, both short-term and long-term. Firms that offer this expertise to them will be valuable, as they can provide the guidance needed to educate clients and implement programs to best leverage and manage the independent workforce.

### % Expect Role of HR to Increase with Independent Contractors





# HIRING MANAGER EDUCATION WITH IC PROCESSES

*How educated would you say the hiring managers are in the internal processes needed for obtaining an independent contractor?*

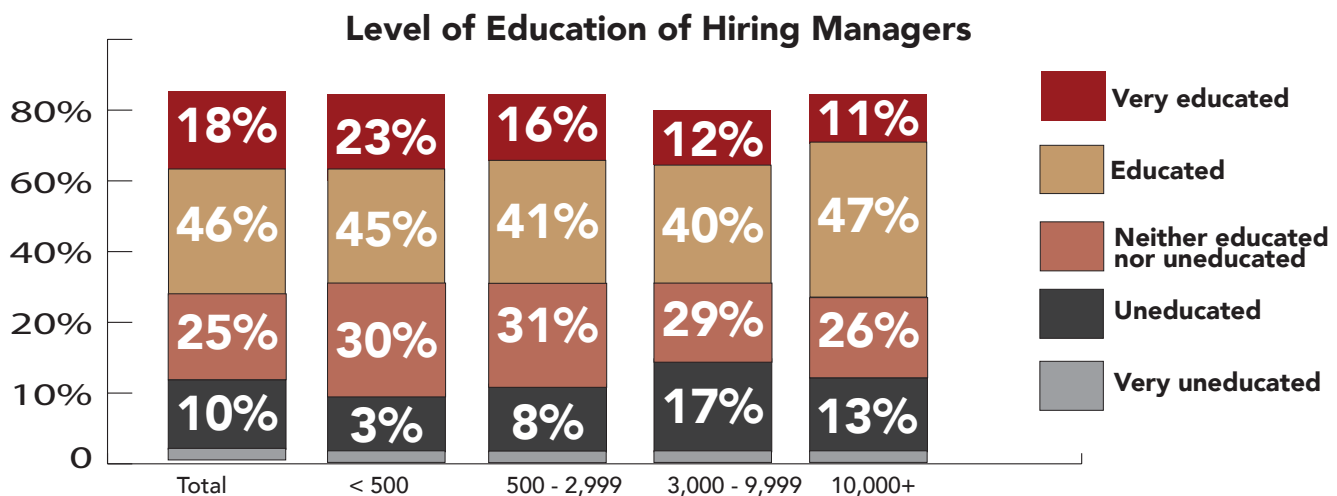
Nearly two-thirds (64%) of respondents indicated that they felt the hiring managers within their organizations were educated about the internal processes needed when obtaining an independent contractor. But digging down deeper into the data, more trends emerge. Respondents from companies with more than 500 workers were less likely than those from the smallest category of companies to say the hiring managers were educated about the process. Those from companies under 500 employees rated the level of education as 68% educated (Top-2 box). But larger sized companies were rated typically 10 percentage points less.

The trend is even more pronounced when looking only at the “very educated” classification. Again, those from the smallest companies rated the education the highest, 23%. But as company size grew, this group consistently declined, down to 11% among companies with 10,000+ employees. The largest companies often use Procurement Departments for managing ICs, and traditionally Procurement does little to educate the company. One reason smaller companies have hiring managers more educated is they have to be more involved in the process, again alluding to less specialization in small organizations. As previously shown, the hiring managers are much more likely to have primary responsibility for managing their own independent contractors.

Independent Contractors  
should be managed with  
a systematic program, like  
a benefits or employee  
engagement program,  
with centralized processes.

Taking a step back, measures of education are subjective. If for example, the definition of education in this case is the department head knows where to call or what link to use to bring in an IC, then they would be considered educated by some, but lacking by others, who know a great deal more about engaging an independent, who is often classified as a small company (LLC) vs. an employee. Details like how documents are processed or the things to look for to maximize success with ICs may not be considered. IRS concerns and other legal implications for qualification may not reside in the HR Department.

The need to be very educated, and adhere to the right processes, has never been greater with respect to independent contractors. Increased government oversight, spurred by the tax implications of classifying workers as employees or independents, ever increasing security fears over access to confidential records or customer data as well as multi-nationals need to find contractors in the most remote or dangerous parts of the world all mean the need to adhere to not only satisfactory but best practices is vital.



# CONSIDERATIONS WHEN USING INDEPENDENT CONTRACTORS

*Please indicate how much of a concern each of the factors listed below are when dealing with independent contractors.*

The single biggest concern indicated by respondents is the “Monitoring of work relationship and independent status to maintain non-employee status,” cited by nearly two-thirds (65%) of respondents. Independent contractors are often viewed by many hiring managers as an extension of the workforce, a way to get around budget and headcount limitations. Unfortunately, recent changes in how 1099 workers are classified, driven by tax implications as well as the Affordable Care Act, have increased emphasis and regulations about a much more precise definition of whom is an independent contractor vs. an employee. Simply put, independent contractors should not be told where, when or how to do the work. This is different than part-time workers, who are more an extension of the current workforce and can lend assistance to accommodate temporary highs in the workload.

Addressing security concerns is also a major consideration for nearly two-thirds (62%) of respondents. It seems every week there is more news about yet another company that has suffered a security breach, usually retailers reporting that customer profile and financial data has been infiltrated. Even in corporations that are in the business-to-business sector, security concerns abound. Not only are corporate accounts at risk, but there is often a direct link to consumers through a portal with the B-to-B company. Customer data can be obtained for financial exploitation, but also for the havoc that can be wrought if the data itself is compromised. Further confidential records can be manipulated or sold to other interested-though-unscrupulous parties. Given the number of independent contractors and the current degree of invisibility many have, it's logical to think that more security programs should be in place. Further, if a company doesn't monitor the ongoing relationship with the IC, a false sense of security may prevail.

Also cited by 62% of respondents is ICs being able to comply with state and federal regulations about operating as independent contractors, which in part includes tax regulations as well as business insurance. Closely related to maintaining the non-employee status, operating as an independent contractor (or a very small business) has its own requirements and implications that employees of companies do not contend with.

Another concern is access to facilities. These concerns are about the impact of an attack to the physical property, either to cause physical harm to employees or customers, or the destruction of records. Independent contractors often have access to sensitive records and facilities, and therefore a stringent vetting process is mandated.

Measuring the success of an independent contractor's assignment is an enigma to many. Usually there is no formal review process, or even structured check-in points during the duration of an assignment. Certainly no system is used to provide feedback and other management tools. The only metrics many, if not most, look for are: Was the job done on time, and was it completed on budget. Beyond that, accountability is often very low. A more structured systemic review of assignments both during the process and after completion could only lead to better work being done, and more appropriate contractors being hired in the future.

## Issues When Using Independent Contractors

	% Indicating Concern
Monitoring of work relationship and independent status to maintain non-employee status	65%
Addressing security concerns about access to systems and facilities	62%
ICs being able to comply with state and federal regulations about operating as an independent contractor. This includes tax regulations	62%
Measuring the success of the IC's assignment	59%
Concerns over background checks being complete and thorough	57%
Hiring manager's willingness to work within system guidelines for getting ICs	54%
Use of ICs for unique role, not as additional help already done by employees	46%
Adherence to company employee practices, such as smoking policies, drug tests, etc.	44%
Managing expectations about work day hours	43%

But not every sized company has the same concern. The table below shows that the largest companies generally show more concern about each issue stated. This is because of the complexity of the largest organizations, from products to geographies as well as internal department processes and procedures. There are also potentially greater legal and tax implications if there are inherent systematic breakdowns.

While the relationship to the extent of each concern to the size of the company wasn't always linear, there were consistent trends between the smallest and largest respondents:

- Monitoring the work relationship and independent status is an even greater concern for large companies, according to nearly three-quarters (73%) of respondents from that group.
- Addressing security concerns about access to systems and facilities was cited by 71% of respondents from the largest companies. Related to that are concerns over background checks, high at 61%.
- Measuring the success of the IC's assignment was a major concern of the largest companies, cited by 69%.
- Hiring manager's willingness to work within system guidelines for getting ICs was a concern of two-thirds (65%) of the largest companies.

## Issues When Using Independent Contractors: Large Companies

	% Indicating Concern
Monitoring of work relationship and independent status to maintain non-employee status	73%
Addressing security concerns about access to systems and facilities	71%
Measuring the success of the IC's assignment	69%
Hiring manager's willingness to work within system guidelines for getting ICs	65%
Concerns over background checks being complete and thorough	61%
Use of ICs for unique role, not as additional help already done by employees	60%
Adherence to company employee practices, such as smoking policies, drug tests, etc.	42%

# MANAGEMENT IMPROVEMENT OPPORTUNITIES

*Please indicate how much each of the below areas present a challenge to you with respect to independent contractors.*

Nearly two-thirds (64%) of respondents cited “determining competitive rates” as a challenge with respect to independent contractors, and 67% of those in companies of 10,000 or more employees indicated competitive rates were a challenge.

Competitive rates can be difficult to determine for a variety of reasons. The independent contractor is not selling something necessarily comparative. They deliver on a fixed price, and what they provide is often more about the value the company received than the cost. Further complicating the matter, since HR is often not involved with the IC to any great extent, they would be unaware of the rates agreed to with them.

Once again, the data suggests that larger companies are more inclined to cite an issue as a challenge. Each area examined shows a greater proportion of respondents from larger companies citing the challenge. On-boarding or vetting was cited by 62% as a challenge overall, and 69% of large firms. Security concerns likely drive the issue for large companies along with a more geographically dispersed workforce leading to even less of an idea as to independent contractor status.

## Top Opportunities for Management Improvement

	Total Respondents	10,000 + Empl.
<b>Determining competitive rates</b>	<b>64%</b>	<b>67%</b>
<b>On-boarding or vetting</b>	<b>62%</b>	<b>69%</b>
<b>Handling expenses</b>	<b>46%</b>	<b>50%</b>
<b>Aligning with policies for larger service providers</b>	<b>45%</b>	<b>54%</b>
<b>Re-engagement of proven talent</b>	<b>44%</b>	<b>45%</b>
<b>Distinguishing between agency temps and ICs</b>	<b>38%</b>	<b>50%</b>

# INDEPENDENT CONTRACTOR METRICS IMPORTANCE AND SATISFACTION

*Please indicate your satisfaction with the metrics you receive about your independent contractors for each of the areas below, as well as how important each issue is to you.*

In the age of Big Data, metrics become both all-important and often overwhelming. Survey respondents were asked to rate both the importance and their satisfaction on a 1-5 scale with a series of metrics designed to track the progress and status of their independent contractors. Many respondents are familiar only with the metrics they would use to track a temporary worker, not those that could best capture what's needed to properly engage an independent worker.

Having said that, the most important metric about the status of independent contractors is the "Rating of work completed," as indicated by 91% who rated it as a top-2 box (Very important/Important). But this near unanimous rating of importance is contrasted sharply by the satisfaction with the reporting of the information. Only two-thirds (64%) were satisfied with how well the metric reported what it was supposed to indicate. That's a gap of 27 percentage points. Further, if no one is measuring the work completion centrally, the data may not be stored and inaccessible for future reporting.

One would think that the most obvious metric that can be tracked is the total amount spent on an independent contractor. While over three-quarters (76%) of all respondents consider it important, only just over one-half (53%) felt satisfied with the accuracy of it. Again, there is a very big gap, 23 percentage points, indicating there is much room for improvement. Given the lack of certainty about determining competitive rates of a metric that is vital to how organizations track their independent contractors and fundamental to measuring the Return-On-Investment of a project.

## Ratings of Key Metrics for Independent Contractors-Top Two Box: All Companies

	Importance of Metric	Accuracy of Metric	GAP
Rating of work completed	91%	64%	27%
Total amount spent on independent contractor	76%	53%	23%
Duration of assignment	71%	71%	0%
Number of hours worked	60%	66%	-6%
Ability to process payments that are not strictly hourly based, like SOW, fixed price, milestone based or other	50%	43%	7%
Demographic diversity	48%	45%	3%
Roll up of key metrics across independent contractors	41%	28%	13%

Duration of the assignment, rating of work completed and total amount spent are also key for the respondents from the largest companies. But the disparity between importance and satisfaction with the accuracy of the metric is often even larger, particularly duration of the assignment, with a 60 percentage point gap. A system that tracks usage, performance and other KPIs is absent and thus a huge disparity between importance and satisfaction with the accuracy of the measurement exists.

Demographic diversity traditionally is used as a measurement examining an employer's workforce. But independent contractors are more like small businesses (LLCs) so a large company may benefit from tracking this measure, particularly if they work with state or federal agencies.

### Select Ratings of Key Metrics for Independent Contractors-Top Two Box: Large Companies

	Importance of Metric	Accuracy of Metric	GAP
Duration of assignment	100%	40%	60%
Rating of work completed	100%	80%	20%
Total amount spent on independent contractor	71%	60%	11%
Roll up of key metrics across independent contractors	67%	25%	42%
Demographic diversity	57%	40%	17%

The implications of the disparity between the importance and the satisfaction of metrics in determining the success of an independent contractor is huge. Organizations as a whole have no plans to reduce the role of independent contractors; in fact, the role will only expand over the next several years. But there is all too often no satisfactory way to measure the most important aspects of using independent contractors, such as rating their work or even the amount spent on them. Only by implementing better practices can an organization truly gauge the ROI of any particular project involving an IC or their contribution overall to enterprise-wide initiatives, both locally and globally.

# VIEWS ON FACTORS IMPACTING INDEPENDENT CONTRACTORS

*Please indicate the extent of your agreement with each of the statements below.*

Respondents were asked the extent of their agreement with a number of statements about issues surrounding independent contractors. Below are beliefs human resource professionals have about ICs.

Overall, there was not one issue that over one-half of respondents agreed with. This suggests a general lack of knowledge about this often invisible group, or much insight into the factors that pertain to them.

The issue with the most agreement is that independent contracting appeals to older workers not interested in traditional employment, as cited by 44% of respondents, most of whom were in the Human Resources Department.

There was little variance in responses between respondents of different sized companies, with one notable exception. The largest companies (10,000 employees) are more likely than any other to agree that workers increasingly prefer the flexibility independent contracting affords them, 8 percentage points higher (46%) than the total of 38%.

Remarkably, there were few (27%) who agreed that the Affordable Care Act would result in more people working as independent contractors. The act is still in its infancy, with long term implications being hotly debated. It will likely be years before there is a consensus on the impact that act has on many things, independent contractors included.

## Extent of Agreement with Factors Impacting Independent Contractors

	Total
<b>Independent contracting appeals to older workers not interested in traditional employment but still needing to remain productive.</b>	<b>44%</b>
<b>Millennials (born after 1982) are willing to exchange traditional benefits in exchange for the more flexible arrangements independent contracting offers.</b>	<b>41%</b>
<b>More workers are increasingly preferring the flexibility independent contracting affords them.</b>	<b>38%</b>
<b>The Affordable Care Act will result in more people working as independent contractors.</b>	<b>27%</b>



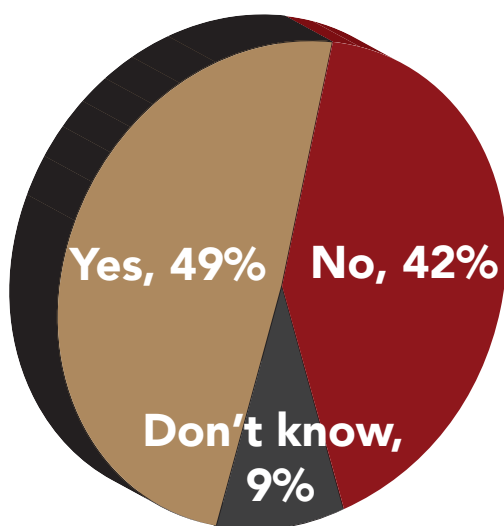
# THE ROLE OF MANAGED SERVICE PROVIDERS

Survey respondents were asked if they used an MSP (Managed Service Provider). Managed services are the practice of outsourcing day-to-day management responsibilities and function as a strategic method for improving operations and cutting expenses as they relate to outsourcing HR activities, in this instance. Those that used an MSP were asked a series of questions about their experience as it related to independent contracting.

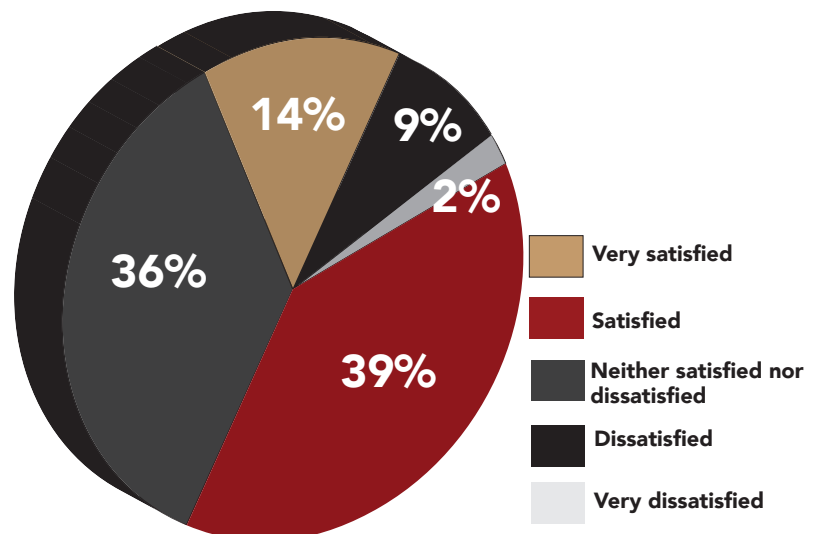
*Do you use your MSP for assistance with independent contractors?*

Respondents were asked if they used their MSP for assistance with independent contractors. Overall, less than one-half (49%) use them in this regard.

**Use MSP for Independent Contractors**



**Satisfaction with Support From MSP**



*How satisfied are you that you have the support you need from your MSP to educate hiring managers about the independent contractor hiring process?*

Satisfaction with the support needed from their MSP about educating hiring managers regarding the independent contractor hiring process was ascertained using a five-point satisfaction scale. Just over one-half (53%) of those with MSPs were satisfied, suggesting there is room for improvement in this area. Managing independent contracting is an evolving process, becoming more complex with increasing regulations. HR managers, hiring managers and those in procurement still involved in the process need the most recent information about what impacts who they can bring aboard, and what the ramifications are, for the organization from a legal perspective.

MSPs traditionally provide Vendor Management Systems (VMS) designed to manage staffing firms and other suppliers. As such, these tools do not support the way independent contractors work. Given low satisfaction and other focus MSPs have, the question needs to be asked if they are the right choice to manage the ICs.

*Please indicate your satisfaction with your MSP for each of the areas below, as well as the importance of each.*

Those that indicated that they did use their MSPs for assistance with independent contractors were then asked a series of questions about the support they receive from their MSP. Respondents were asked to rate the importance of the area, and the satisfaction they have with what is reported. The scale used was 1-5, with 1 being least important/satisfied, and 5 being most important/satisfied.

Paramount among respondents is that contractors were ready to operate as an IC. Nearly every respondent (94%) felt this was important. And while 85% were satisfied, there was still room for MSPs to improve with this very important metric.

Almost as important is the selection of independent contractors. Often, ICs are selected based upon the recommendation of the hiring manager. But when that recommendation isn't made or the contractor isn't available, companies rely in their MSP for help. Unfortunately, many MSPs fall short of expectations, as only 70% were satisfied with what the service provided.

Other forms of assistance from MSPs were rated nearly as important, such as metrics to track IC status and the RPO for ICs. But these areas show huge gaps between what is important and the satisfaction with them, both exceeding 30%.

It's quite evident that MSPs are falling short of expectations when it comes to providing assistance with independent contractors. In fact, because so often little is known about independent contractors and what to look for to maximize success with them, the below ratings may be inflated. Until MSPs can provide a higher level of service and knowledge base to their clients seeking help in this area, companies should look to specialists to help in the managing of needs.

### Rating of MSP Help: Top 2-Box

	Importance of Metric	Satisfaction with Metric	GAP
<b>Contractor readiness to operate as an IC</b>	<b>94%</b>	<b>85%</b>	<b>9%</b>
<b>Selection of independent contractors</b>	<b>89%</b>	<b>70%</b>	<b>19%</b>
<b>Education available for hiring managers about the IC procurement process</b>	<b>83%</b>	<b>70%</b>	<b>13%</b>
<b>Metrics to track IC status</b>	<b>83%</b>	<b>53%</b>	<b>31%</b>
<b>Return-On-Investment (ROI) metrics for ICs</b>	<b>78%</b>	<b>45%</b>	<b>33%</b>

## CONCLUSION

---

HR has traditionally focused on supporting the “traditional” employee population. As the number of “non-traditional” employees or independent workers increase, the value and contribution HR makes to the enterprise will be compromised unless HR begins to broaden their support. Any program that HR uses to optimize the regular workforce should be considered to serve this new population of worker. Things like performance tracking, compliance, security, rate analysis and satisfaction are literally non-existent with this part of the workforce. As such, workforce planning, workforce optimization and total talent management will be flawed.

- Systems that HR has grown to depend on as a requirement for proper application of policies, laws and analytics do not incorporate the independent workforce. This gap has created two new concerns that should be an issue for HR: end users will be more likely to circumvent what policies are in place and an increasing attitude that HR cannot deliver the talent that is needed by the business. Both should be enough of a concern that HRIS providers need to take note and HR executives need to be asking for this functionality or seek specialized systems to fill the gap. Clearly the other non-employee systems, VMSs and MSPs, are falling short and have yet to seize this opportunity possibly because of some perceived conflict of interest with their primary stakeholders, staffing agencies.
- Ultimately it always comes down to getting the right talent, at the right time. HR and Talent Acquisition in particular have to recognize this growing trend and begin to incorporate this workforce in their total human capital strategy. Procurement, legal and the business leaders all have an interest as well as a perspective on how this faction needs to be managed. Only HR will be able to capitalize on this trend by empowering the business to use these workers wisely and properly. Small business is leading the charge out of necessity; large enterprises need to do it to stay relevant and competitive.

For a complete copy of the 2014 State of Independence in America Report, go to <http://www.mbopartners.com/state-of-independence/independent-workforce-index.html>

## Respondent Demographics:

Primary Industry:	
Advertising/Sales/Marketing/Communications	2%
Construction	1%
Consumer Goods, Electronics	1%
Engineering	2%
Finance, Insurance & Real Estate	7%
Government/Non-Profit	4%
Health Care/Health Sciences	12%
Hospitality	2%
IT, Technology, Software	11%
Manufacturing	10%
Media/Entertainment/Hospitality	4%
Pharmaceuticals	2%
Power, Oil & Energy	2%
Professional Services	7%
Public Sector/Nonprofit/Education	10%
Retail Trade	3%
Telecommunications	2%
Transportation/Logistics/Distribution/Storage	6%
Utilities	1%
Wholesale/Distribution	1%
Other	8%
Operations in the following regions:	
Asia Pacific (APAC)	18%
Europe, Middle East, Africa (EMEA)	22%
Latin America	13%
Northern America (Canada and US)	46%
Number of full-time employees globally:	
Fewer than 500	36%
500 – 2,999	23%
3,000 – 9,999	19%
10,000 – 24,999	8%
25,000 – 49,999	3%
50,000 – 99,999	4%
100,000 or more	7%

## ABOUT MBO PARTNERS

---

MBO Partners is the leading provider of management services for independent professionals and the clients that engage them. We deliver a complete Business Operating System that makes it easy for self-employed professionals and their clients to work together in a convenient, tax-efficient and legally compliant manner. For self-employed professionals, MBO Partners manages their entire business infrastructure. Our technology platform includes a proprietary process to handle billing and revenue cycle management, contract administration, business insurances, expense management, tax withholding, health and retirement benefits and more. We couple this with the benefits of direct vendor access into enterprises and the "white glove" attention of experienced business managers. For organizations that use contract talent, MBO Partners provides a complete independent contractor aggregation and engagement offering, including compliance and payment solutions for 1099s, sole proprietors and micro-businesses. To learn more, visit [www.mbopartners.com](http://www.mbopartners.com).

## ABOUT *HRO TODAY* MAGAZINE

---

*HRO Today Magazine* and newsletters are read by more than 140,000 HR executives and leaders worldwide and covers the latest industry trends in HR outsourcing, services, shared services and operations. *HRO Today Magazine* is the publication of choice for the most senior executives facing the strategic decisions about operational excellence. HRO Today and [www.hrotoday.com](http://www.hrotoday.com) offer the best content choices for the HR leaders seeking online information in the form of newsletters, webinar series and online video content. HRO Today is a product of SharedXpertise.