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## Negotiating the Freelance Economy

By SARAH E. NEEDLEMAN

***(See Corrections & Amplifications item below.)***

In April 2008, Rebecca Haden lost her job when the small store she managed went out of business. A year later, she's working as many as 40 hours a week and earning much more than she did before -- even though she still doesn't have a job. Her formula? Freelancing her Web skills.

Ms. Haden, of Fayetteville, Ark., is among a growing number of professionals who are making ends meet by working on a project-by-project contract basis. Even as permanent- and temp-job opportunities are shrinking, the amount of contract work to be found on freelance-jobs sites is expanding. What's more, it's moving beyond computer-programming and graphic-design gigs for small employers to include listings from larger companies and assignments in fields such as accounting, law, engineering and sales.

Between January and March, employers posted 70,500 of these work-for-hire positions on [Elance.com](http://Elance.com) and 43,000 on [Odesk.com](http://Odesk.com), which represents increases of 35% and 105%, respectively, from the same period in 2008. [Sologig.com](http://Sologig.com), which lists remote and on-site freelance jobs, says its average monthly postings have more than doubled to around 13,500 per month in the past year. In March, there were 750 jobs listed on [VirtualAssistants.com](http://VirtualAssistants.com), versus 400 in March 2008.

At the same time, the number of U.S. workers employed by temporary-help-services firms in March fell 27% to 1.8 million from the same month in 2008, according to the Labor Department.

As the recession takes hold, more employers are using freelance workers to avoid the expenses associated with hiring permanent staff, says Fabio Rosati, chief executive officer of Mountain View, Calif.-based Elance. "The power of online work is that it's immediate, cost-effective and flexible," he says.

Indeed, freelance workers are often cheaper and more flexible than temp workers, whose jobs, though short-term, tend to be full-time, subject to temp-agency fees, and bound by agency restrictions, such as limits on the permanent hiring of temps.

[Mr-SEO.com](http://Mr-SEO.com), an online marketing firm with eight employees, began using freelance help a year ago to handle tasks in Web-site development, administrative services and copywriting. The five-year-old Seattle-based company hired 17 freelancers through [Odesk.com](http://Odesk.com) for projects that lasted as little as a few days or as long as eight months and counting. "It gives us the flexibility to expand our work force depending on client demand," says Greg Gaskill, the company's president.

Like many workers who turn to freelance positions, Ms. Haden, a 51-year-old mother of four, didn't plan to take on piecemeal work after her layoff. At first, she approached a local Internet company about a permanent job doing Web optimization -- a technique for boosting a site's search-engine rankings. It was a skill she had learned while overseeing her former employer's online store and blog. The firm wasn't hiring, but it offered her a short freelance assignment. She accepted.

Ms. Haden, who holds a master's degree in linguistics, wrote about the experience for a popular blog on Web optimization. "People started approaching me with work pretty soon after that," she says.

### *'I Just Do the Fun Stuff'*

One gig she landed introduced her to Odesk, which, like some other contract-job sites, can monitor freelancers' work. Since then, Ms. Haden says she's landed a steady supply of Web-optimization assignments through Odesk, as well as through her personal Web site and blog. Most months, she earns more than double her previous income. Ms. Haden says the work has been fulfilling, and she has put her permanent-job search on hold indefinitely. "I get to pick and choose what I do now," she says. "And I just do the fun stuff."

Many other laid-off professionals appear to be taking up freelancing, either as a new career or as a way to weather the downturn. Freelance-job sites say membership among individuals, which is free in many cases, has risen sharply. For example, [Guru.com](#) has nearly 878,000 freelance members today, up from around 760,000 a year ago.

Freelance-job sites also say they're seeing more midsize and large employers posting assignments, and the jobs have expanded into more business functions, such as finance, manufacturing and law. For example, roughly 1,700 new jobs were added to the sales and marketing category on Elance in March, a 50% increase from a year ago. That's led to new types of contract workers, too.

Last month, Lynn Welch became one of those new freelancers when she began a 96-hour home-based consulting stint for Axsys Technologies Inc., a large, publicly traded manufacturer of infrared technologies based in Rocky Hill, Conn. She was laid off in March from a senior marketing position at a midsize technology firm and says her Axsys contract is one of four freelance assignments she's landed either through networking or Guru. She's so far earned roughly \$10,000 from freelance gigs in online marketing.

### *Pitfalls of Contract Work*

Despite her successes, Ms. Welch, who is 40 and lives in a Washington, D.C., suburb, says she still deals with some of the pitfalls that come with contract work. For example, she says she once spent several hours researching and explaining how she'd handle a potential project, but didn't get the gig. "Some [employers] want to pick your brain and have no intention of paying you," she says. Now Ms. Welch is more cautious about sharing information with employers before a contract is signed. "If they're asking for a lot of details, that's a warning sign," she says.

Sites like Odesk, Guru and Elance guarantee payment after jobs are completed in return for commissions of about 6% to 10% of freelancers' fees. But many other sites hold individuals fully responsible for billing clients and collecting payments.

There are other downsides to freelancing, from the lack of health coverage and paid time off to the need to make your own retirement contributions. Striking out on your own also requires regularly searching for and vetting potential new assignments, while ensuring that you complete on time the ones you've already secured. Furthermore, you may need to invest in equipment such as computer software and a business phone line.

### *Carving Out a Niche*

Should you decide to take up contract work, there are ways to help ensure the process goes smoothly. First, make sure to

be very specific about your skills and expertise when you fill out a profile on a freelance job site, says Kate Lister, author of "Undress for Success: The Naked Truth About Making Money at Home." Doing so will help you stand out from the competition. "You want to carve out a niche," she says.

To figure out how much to charge for your work, research the rates that experienced freelancers demand for similar services, suggests Ms. Lister. The information can usually be found in members' profiles on freelance job sites. "Look at their portfolios and ask yourself, could I produce that level of work? Could I do much better than that?" she says. After settling on a figure, Ms. Lister suggests starting out at a slightly lower rate to build a track record.

Another option is to offer to work for just a few hours at first to prove yourself, suggests Gower Idrees, founder of RareBrain Capital LP, a consulting firm specializing in high-growth businesses in The Woodlands, Texas. Since early 2007, Mr. Idrees has hired about 1,500 freelancers from Guru -- including former big-company executives, many as consultants. "I've used them in every way possible," he says.

Mr. Idrees recommends discussing potential projects with hiring managers over the phone whenever possible, rather than using email, in order to build trust and negotiate a fair pay rate. That way, a potential freelancer "can educate [the company] on what the challenges really are," he explains. Sometimes, he says, employers aren't aware just how many hours a project will require.

**Write to** Sarah E. Needleman at [sarah.needleman@wsj.com](mailto:sarah.needleman@wsj.com)

### **Corrections & Amplifications**

Mr.-SEO.com, an online marketing firm based in Seattle, has hired 17 freelancers through Odesk.com in the past year. A previous version of this article incorrectly stated that the company hired freelancers through another job site.

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