



 Solar Staff

Navigating the Global Freelance Economy:

Challenges and Opportunities
for Small and Medium-Sized
Businesses

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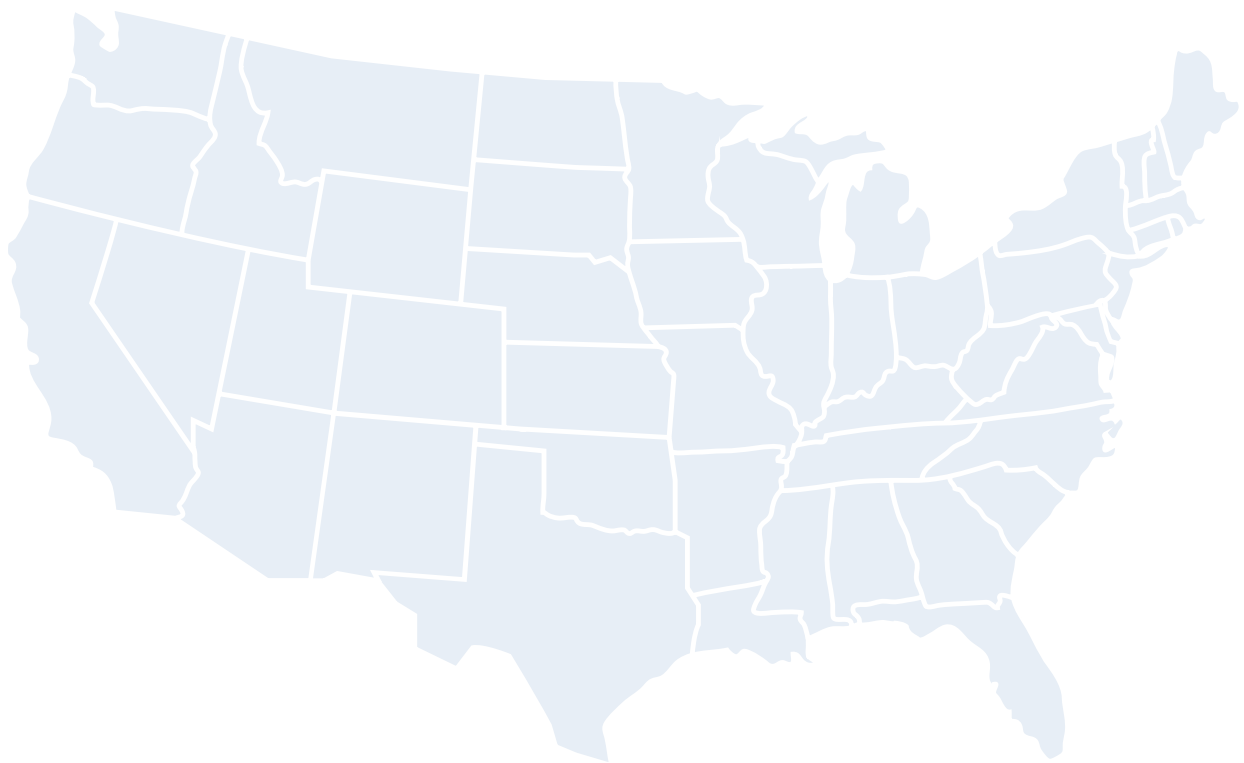
Methodological Approach

As our survey respondents, we targeted C-level founders of small and medium-sized companies based in the United States. The survey was administered using a custom-designed form, with respondents drawn from the existing Solar Staff client base and SurveyMonkey's database.

To ensure the relevance of the responses, we posed a screening question:

"Do you work with international performers?"

This approach effectively filtered out unsuitable participants, yielding answers from 400 representatives of small and medium-sized businesses.



About SurveyMonkey

Momentive Global Inc. (formerly SurveyMonkey Inc.) is an experience management company that offers cloud-based software for brand insights, market insights, product experience, employee experience, customer experience, online survey development, and a suite of paid back-end programs.

On June 9, 2021, SurveyMonkey announced its rebrand to Momentive to better represent its business-to-business product suite. SurveyMonkey will continue to operate as a subsidiary survey platform. The Momentive Inc. product portfolio includes Momentive, GetFeedback, and SurveyMonkey.

Critical Challenges in Working with Contractors

The First significant challenge SMBs encounter when collaborating with international contractors is locating individuals with the appropriate skill set, as 62% of the respondents indicated. This critical issue arises for two main reasons:

Companies need more expertise: often, organizations seeking a contractor must be better-versed in the field requiring assistance. Consequently, they may need help to accurately define the requirements for the contractor and ultimately select the wrong candidate.

62.07%

Find the contractor with the proper skill set

52.30%

Ensuring quality and consistency of work

1

Demand for specialized skills is increasing: A global division of labor has emerged, leading to the proliferation of highly technical professions (e.g., influencer marketing) within broader fields (e.g., marketing). Companies increasingly seek these specialists to address specific challenges that may need to be apparent to generalists.

2

Communication is the second most significant challenge, cited by 58% of respondents. According to the "Deloitte Global Outsourcing Survey," U.S. companies frequently collaborate with contractors from India, Mexico, Brazil, and Eastern Europe due to their cost-effectiveness and skilled workforce. However, this geographic disparity can create communication barriers from language differences and cultural inequality. 52% of respondents also consider an issue ensuring that freelancers complete tasks effectively and punctually

3

Although the freelance market is expanding rapidly and attracting more project-based workers, the culture of self-management has yet to become ingrained among many freelancers.

The third challenge that may surpass the first two in the near future is the need to stay up-to-date with regulatory changes and ensure compliance requirements are met. With only 22% of businesses relying on a team of experts to keep abreast of these regulations, while 66% use tools to help with compliance issues, it is a critical topic, especially when it comes to cross-border payments.



Paul Shynkarenko
CEO of Solar Staff

Self-employed individuals outside the corporate culture often miscalculate their time and overestimate their abilities. It's important to recognize that this doesn't render them ineffective professionals but complicates collaboration. Furthermore, the market has yet to establish standardized rules or frameworks for project work — each company manages teams of freelancers to the best of its ability.

Unfortunately, not all companies excel in this area, contributing to the prevalence of this issue.



The Seek For The Perfect Payment Method

Today, companies collaborating with project implementers can access many payment methods, including P2P solutions, cryptocurrencies, traditional bank transfers, and specialized contractor management services.

Most respondents reported using multiple payment methods concurrently, as each process is suitable for specific situations. Key factors influencing this choice include



Type of contractors: project-based or long-term



The number of contractors engaged per month



Average monthly earnings per contractor



Contractors' geographic location

43.68%

Crypto

46.55%

P2P solutions (such as Wise)

42.53%

Contractor management systems (such as Deel)

57.47%

Wire transfers



Anna Likhopyorskaya
COO of Solar Staff

Regarding bank transfers, which remain the most preferred payment method (cited by 57% of respondents), it's important to recognize that this is a suitable option when working with contractors from Latin America, where fees are minimal (around \$10), and transactions are completed within a day.

However, when working with Asian contractors, fees may be as high as \$100 per transfer, and transactions can take several weeks to process.



15%

respondents reported working with contractors through marketplaces

46%

utilized P2P solutions respondents

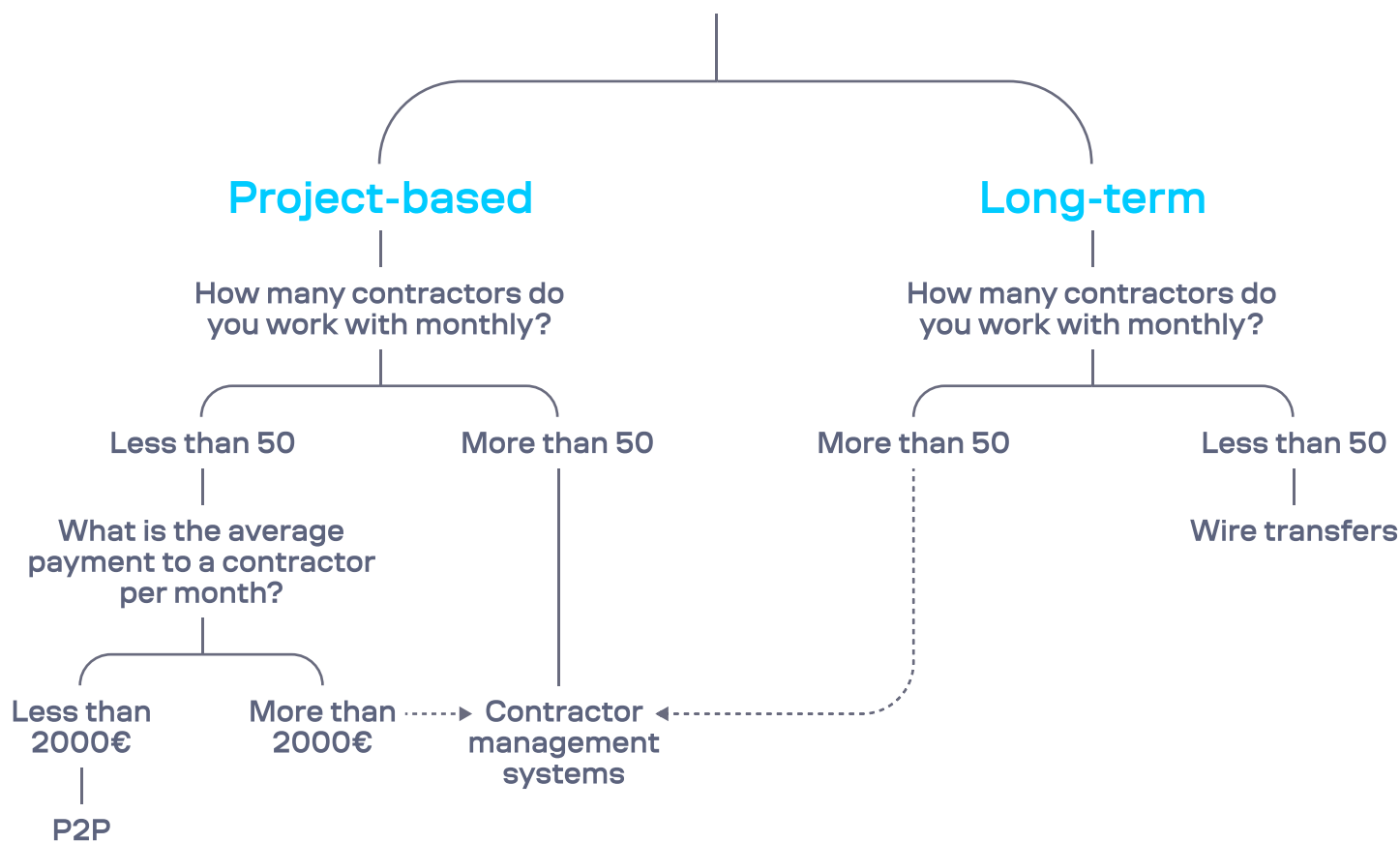
44%

employed cryptocurrencies respondents

The Payment Methods Guide

We prepared a short infographic to help you understand the appropriate payment method for your case.

Do you have long-term or project-based contractors?



The Dual Nature of Payroll Issues

Only 38% of respondents reported encountering payroll challenges, primarily because many U.S. payment solutions facilitate transactions with contractors in developing regions. PayPal, for example, is a popular option.

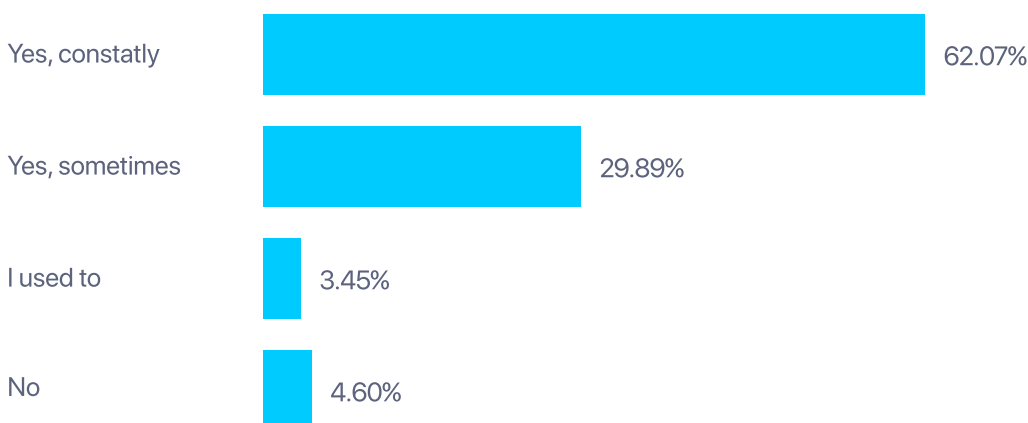
However, it's crucial to acknowledge that customer-friendly solutions may pose difficulties for contractors in certain situations. Indian contractors using PayPal may face issues such as

- High withdrawal fees
- Inability to withdraw funds to local payment methods
- Lengthy withdrawal times

This factor is less relevant when freelancers rely on clients, which is often true for entry-level and mid-tier professionals. However, it becomes more significant when companies work with highly skilled contractors. The same issue is noted with crypto payments occasionally used by companies, but potentially causing problems with legitimizing the earnings.

A remarkable 91% of respondents reported using contractor management systems in their operations, with 62% doing so consistently. These platforms are pivotal in managing onboarding, KYC-checking, task setting, payments, and closing document preparation.

Do you use payment/HR/payroll platforms to work with freelancers?

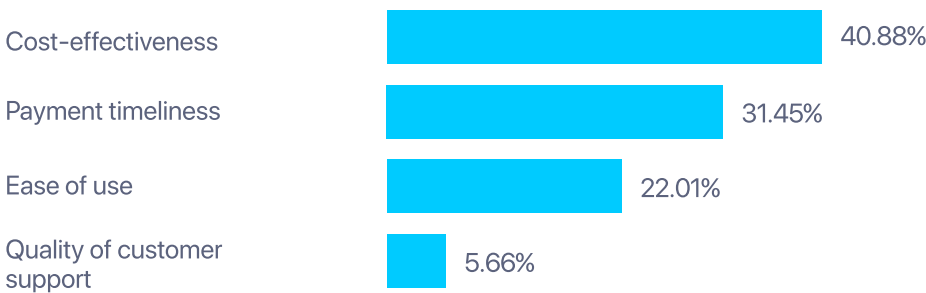


Primary Selection Criteria

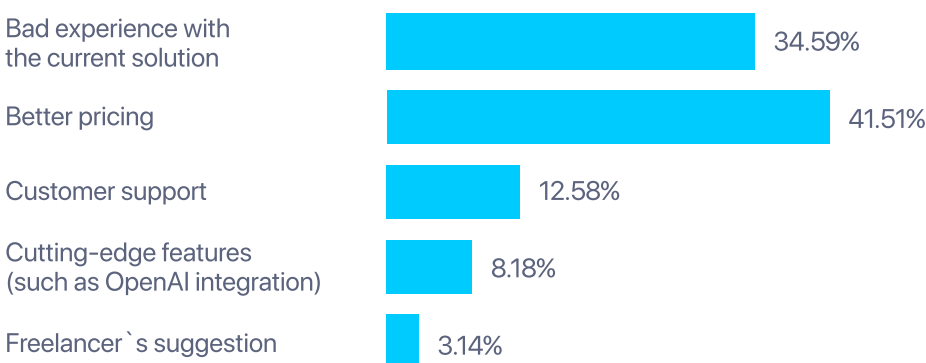
The principal factor for small and medium-sized businesses (SMBs) in evaluating the efficacy of payroll processes is cost-effectiveness. According to 40% of respondents, this is the primary consideration. Consequently, cost emerges as the predominant motive for an organization to adopt a new payroll solution for contractors, as 41% of the respondents stated.

Although the market is saturated with information and updates regarding the advancements in AI-driven solutions, a mere 8% of respondents indicated that such features significantly influence their choice of a payment solution. Instead, the ease of integration into the existing business infrastructure takes precedence, with 68% of respondents highlighting its importance. Other essential attributes a payment solution should possess include a diverse range of currencies (63%), and a responsive support team (48%).

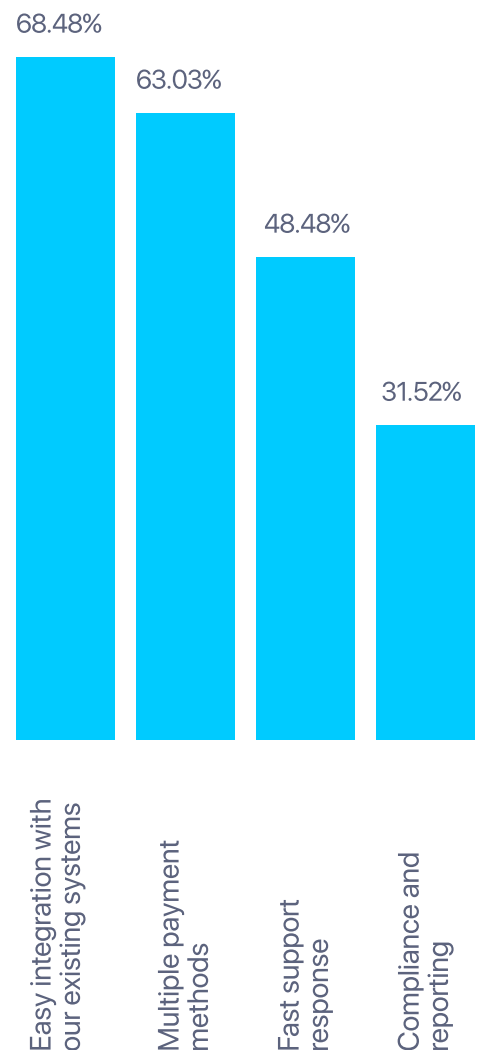
How do you evaluate the effectiveness of your current payroll processes?



What can influence your choice and make you switch to another platform?



What features of the platform do you consider essential to the business?



Anticipated Future Challenges

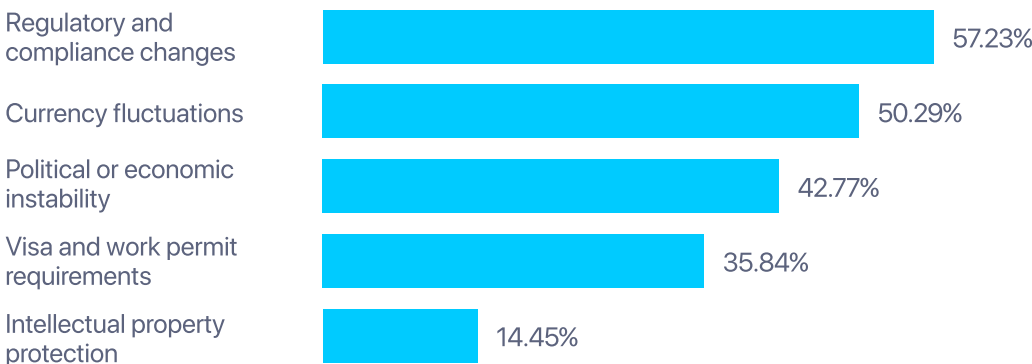
The primary challenge companies expect to face is adapting to regulatory and compliance changes when working with international contractors, as 57% of respondents indicated.

Compliance developments render contractor management processes more costly, as businesses must now furnish detailed information on contractors' work, earnings, and intended expenditures. This necessitates hiring specialized staff, obtaining transaction licenses, filing reports, or leveraging unique platforms.

Among SMBs, 66% acknowledged that platforms assist them in addressing compliance concerns.

Other issues include currency exchange rate fluctuations and economic instability, cited by 50% and 42% of respondents. The global economic recession disproportionately affects small and medium-sized businesses, which often need more financial reserves than larger companies possess.

What problems do you expect to face in the future when working with international contractors?



Paul Shynkarenko
CEO of Solar Staff



Companies are more concerned about the growing role of compliance than the economic situation, as recessions impact both companies and contractors. We'll witness a revenue decline for both parties, which somewhat balances the situation.



Future Preparations: Solar Staff Assessment

1

The increasing importance of local law knowledge: Large tech companies will establish departments dedicated to understanding taxes and payment regulations, particularly in countries with significant freelancer populations (e.g., India, Pakistan, Indonesia, and certain African nations).

2

Enhanced efficiency in freelancer collaboration: Onboarding processes will be streamlined from three days to three hours, and payments will be expedited from one day to half a day. Similarly, removing freelancers from teams will be instantaneous, allowing for rapid cost reductions or team expansions as needed.

3

Evolution of SMB team structures: The growing significance of freelancing and the widespread availability of tools for collaborating with contractors worldwide

Summary and Key Takeaways

Our research focuses on using international contractors by small and medium-sized businesses (SMBs), emphasizing freelancers' crucial role across various business sizes. Key findings include:

Payment methods:

57%

prefer bank transfers

46%

use P2P solutions

43%

employ cryptocurrencies

15%

work through marketplaces

Payroll issues:

38%

face payroll challenges

91%

use contractor management systems

Primary selection criteria for payroll solutions:

40%

Cost-effectiveness

68%

Ease of integration

63%

Diverse currency options

48%

Responsive support team

These findings underline the importance of understanding local laws, improving freelancer collaboration efficiency, and evolving SMB team structures to adapt to the growing significance of freelancing.

Significant challenges in working with contractors:

62%

Finding individuals with the proper skill set

58%

Communication barriers

52%

Ensuring task completion and punctuality

Anticipated future challenges:

57%

Regulatory and compliance changes

50%

Currency exchange rate fluctuations

42%

Economic instability

About Solar Staff

Solar Staff is an international fintech company with offices in New York, Limassol, Amsterdam, and Dubai. We are enabling 2,500 businesses to interact with 750,000 freelancers worldwide. Our service includes talent onboarding, task management, security checks, payments made to 190+ countries and territories, copyright rights transactions, and tax payments for freelancers from different jurisdictions.

Solar Staff`s mission is to create a bridge between companies from advanced economies and freelancers from developing regions, transforming international freelance into a local, barrier-free job

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