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SEEDING

Social Economy Enterprises addressing Digitalisation,
Industrial relations and the European Pillar of Social Rights



**CASE
STUDY
GERMANY**

4freelance recruitment eG

4freelance

Transparenz
Qualität
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4freelance recruitment eG



NAME OF THE PRACTICE **4FREELANCE RECRUITMENT EG**

Responsible actor	<ul style="list-style-type: none"> company management / members
Type of practice	<ul style="list-style-type: none"> cooperative business plan
Challenges addressed	<ul style="list-style-type: none"> platform work
Employment impact	<ul style="list-style-type: none"> job instability job loss working conditions other: prevention of poverty
Geographical coverage	The cooperative is based in Munich and is active throughout Germany and Austria.
Sectoral coverage	Placement of experts (freelancers) especially in the IT sector.
Company coverage	The cooperative was founded in 2014 by Timo Bock, a personnel service provider for IT services, and his colleagues/collaborators. It has been in operation since 2015. Its headquarters are in Munich. The background to the foundation was the fact that the self-employed often work under unfair conditions, contracts are not transparent, and the customers receive a low-quality service, since, more often than not, the freelancer willing to accept the lowest rate is selected, not the most suitable one.

	<p>Furthermore, commercial agencies want to make as much profit as possible, so their margins are simply too high, at the expense both of the freelancer as contractor and of the customer as client. And so the idea for 4freelance recruitment eG was born: an agency of freelancers that places freelancers.</p> <p>To ensure that the agency really belongs to the freelancers themselves, the cooperative form was chosen. This means that every member has a vote and can actively participate in shaping the cooperative. The goal of the cooperative is to help each other, to enable freelancers to share as many good projects as possible, to create a transparent and fair placement system for all members and to ensure a fair income for the freelancers, as well as providing networking and knowledge exchange opportunities and infrastructure. The cooperative's values are: "The fair cooperative alternative: transparency quality community".</p> <p>Joining the cooperative is financially very attractive for the members. Freelancers can become members by subscribing to a cooperative share of only €100 plus administrative fees of €50.</p>
Occupational coverage	<p>Approximately 95% of the member freelancers are highly skilled and work in the IT sector in the broadest sense. They include programmers, IT administrators, project managers, specialists in agile software coaching, process experts and enablers, who analyse operational processes and work out improvement proposals for suitable IT solutions for the digital infrastructure of companies, as well as maintainers and engineers for various hard- and software developments. The following skills and experience are currently in demand when placing freelancers: Scrum Master / agile coaches, project management / PMP / Prince2, IT Security / BSI / ISO27001 / Firewalls, SAP / ABAP / BASIS, JAVA / JEE / JavaScript, full-stack developers / frontend / backend, IT architects / network designers, database specialists / SQL / Cobol and system administrators and maintenance engineers. At the moment, few specialists come from other core areas such as engineering, finance, healthcare or sales and marketing. The cooperative estimates that this small proportion will grow in future years.</p>
Workforce addressed	<p>The cooperative currently has 4 employees: Mr Timo Berg (also a member of the board of directors), who has been managing the mediation and key accounts /cooperative business since 2017, another employee, a working student for 20 hours/week and an administrative employee with marginal employment. Mr Berg receives a basic salary as well as a commission for successful placements at new and existing clients.</p> <p>The number of members has increased relatively quickly. By 2019, the cooperative already had over 600 highly qualified members. This makes it the largest cooperative of freelancers in Germany. Members make good use of the benefits of membership, especially the members' exclusive 4freelance forum on Slack and the intensive exchange with other freelancers as well as the project acquisition of the cooperative. One of the customers is also a member of the cooperative, and supports its cause. In addition, the cooperative's database contains about 2,500 profiles of freelancers who are evaluated in the screening process if no suitable freelancers are available from among the members. Incoming project vacancies are initially only presented internally to members so that these get a first-mover opportunity. Many members express great satisfaction with their membership of the cooperative. This is well documented on the website: https://www.4freelance.de/mitglieder-testimonials/</p>

ACTORS INVOLVED IN THE ACTION

Company management	Yes
Worker members of the cooperative at large	Yes
Works councils	No
Trade unions	No
Employers' organisations	No
NGO	Yes
Public authority	No

DESCRIPTION

Rationale for the adoption of the practice	There were no organisations or institutions that influenced the establishment of the cooperative. The reasons for the foundation and operation of the cooperative lie in the above-mentioned dilemma of qualitatively unsatisfactory placement and the profit orientation of the commercially-oriented recruitment agencies operating in the market.
Process of the adoption of the practice	4freelance recruitment eG is a member of VGSD e.V., the Association of Founders and Self-employed Persons in Germany, a lobby for the self-employed. The main focus is on the consistent avoidance of deemed employment. The cooperative passes on important recommendations and information from the association to its members. Some members also take part in meet-ups, expert conference calls, and seminars of the association. Furthermore, the cooperative is a supporting member of DBITS, the German Federal Association of Information Technology for the Self-Employed, with similar political objectives to strengthen the role of the self-employed. A close cooperation exists with a second cooperative: the Consulting Union eG, which also focuses on freelancer placement on a cooperative basis. Like 4freelance recruitment eG, it works transparently on an open book basis. The cooperation primarily involves mutual support in filling open projects with suitable freelancers. Both cooperatives support each other in various areas. Members of 4freelance recruitment eG have already been successfully assigned to projects through this cooperation.
Description of the practice	A first very important success factor of the cooperative is the high quality of the mediation and service delivery. Members of the cooperative are preferred over non-members if they have the relevant qualifications and experience; they are the first to be offered or sent project requests from potential customers. If the internal pool of members is not sufficient, the contract is offered to the freelancers in the internal data pool and, if necessary, also offered on the website or other channels. This is done so that non-members also receive the chance of being contracted on a fair basis.

Furthermore, once a customer is satisfied with the service of the cooperative, even if the first candidate is a non-member, the chances increase for future business suitable for other members at a later date. More customers translate into more opportunities for everyone. The cooperative initially supports the freelancers in creating their profile, if they so wish. In addition, the account manager (especially Timo Berg) makes sure that the search profile of the potential customers is accurately defined and, if necessary, supports clients in fine-tuning the search parameters. This is done so that the vacancy has the highest probability of being fillable, which helps clients and freelancers alike in setting realistic expectations. The cooperative then prescreens potential candidates, which is a large part of its service to the customer who consequently saves a lot of time and only has to select from a few qualified candidates who match the essential requirements. 4freelance supports this process by checking references, arranging interviews and making personal suggestions about the soft skills of relevant candidates. The final decision is naturally in the hands of the customer, since they know their own project requirements and technical details best.

The services of the cooperatively are very well accepted by the clients, with one of them already having 10 freelance members under contract at the same time. IT specialists in the field of agile software development (agile frameworks Scrum and Kanban) and/or with cloud experience are particularly in demand. It should be noted that the internal program for the forums via Slack was developed and used very early on, so that the communication between the members runs professionally. The effective networking of the members and the constant exchange of knowledge are some of the most appreciated advantages of membership, in addition to the certainty of being represented fairly for adequate hourly rates without unnecessary overhead. The quality of the mediation also includes the fact that obviously dubious customers who act immorally or illegally with regard to their employees (e.g. who do not pay their social security contributions or who have undeclared workers) are rejected.

The above-mentioned aspects, among others, have led to a placement rate of about 70%, meaning that more than two-thirds of vacancies processed by the cooperative are filled with freelancers suggested by 4freelance; this is a much higher ratio than the traditional profit-oriented placement agencies, where empirically often only 10-20% of vacancies are filled.

A second success factor is the cooperative's pricing model with its lean structure: clients only have to pay a margin of 10% of the hourly or daily fee for the mediation of members, or 12.5% for the mediation of non-members (comparatively, profit-oriented mediation agencies normally charge a standard margin of 20-30%, and this often with poorer quality). The low margin of 4freelance is therefore attractive for the clients.

The freelancers can also get a part of the 10% margin back. The 10% is divided up as follows: 3% is for the cooperative to cover overhead, 4% is for sales personnel and 3% is for resourcing staff. For the 3%, the cooperative is the liable contractual partner. It issues invoices to the customer, monitors payments and clarifies any discrepancies. The eG is responsible for central marketing and maintenance of the freelancer database. It also coordinates all participants in the value chain. These agents can be employees of the cooperative or in some cases external partners and freelancers.

A third success factor is the transparent, fair and short framework agreements that the cooperative has developed with the freelancers' best interests in mind and without the sort of questionable paragraphs that can be encountered in other companies. There are two options: preferably, the established classic agency model (freelancer-cooperative-client) because many are used to it and want to keep working in this fashion, which also has advantages for the contractor (such as the possibility of quicker payment); or, if necessary or requested, a direct contract between the freelancer and the client. In this case, the cooperative receives its margin from the company separately.

Dismissed alternatives

none

ASSESSMENT
IMPACT OF THE PRACTICE ON:
Job stability and secure employment

All the above measures together contribute to the economic stability and satisfaction of the freelancers. In the case of the cooperative acting as the intermediary agency, the freelancers have the option to choose between different payment terms regarding the payment speed of their invoices. They can even be paid before the cooperative has received the payment from the client. The freelancers are thus protected from customers' sometimes poor payment practices. A further advantage for the stability of the freelancers is the possibility to receive discounts negotiated for members e.g. for occupational liability insurance.

Through membership and the close connection with their cooperative, freelancers increase their chances of being placed, ensure a higher quality and quantity of placements and receive fair payment for their services.

The freelancers themselves decide on their hourly or daily rate, but the cooperative generally does not mediate below an hourly rate of €40 (an annual revenue of €64,000 should not be undercut). Hourly rates of between €70 and €125 are the most common. It is important for the cooperative to ensure that freelancers can pay their own health insurance, pension contributions and taxes, so that their financial security is secured. According to the board of directors, the fact that the customers feel more secure that the cooperative's mediation helps avoid problems with deemed employment also plays a role in its success. While this is a complex topic, the cooperative educates clients and candidates and takes measures to minimise the risks associated with deemed employment. The transparent distribution of the low margin of 10% is not only fair for the members, but also has a stabilising economic effect on them, as they can be sure that they are not being exploited through unfair margins. This is also evident in the cooperative's "Bring-Your-Own-Project Programme": if the freelancer and the client already agree, but are unable to enter into a contractual relationship directly, the cooperative offers its mediation contract for this purpose. The companies will be charged a margin of 5% of the hourly rate for ongoing administration if the freelancer is a 4freelance member, otherwise 6.25% for non-members.

Mutual support of the members in the mediation: The members report project positions that become open to the cooperative. The cooperative establishes contact with the person responsible for staffing at the client and explains the cooperative model. Thus, the cooperative grows and can prove itself to new clients who often become repeat customers. If the members actively participate in the mediation, they are also eligible to receive a finder's fee for bringing new business, incentivising them to grow the cooperative.

Skill needs and training	<p>Appropriate further training is one of the existential issues for these specialists – they must keep themselves up to date since this area is developing comparatively quickly. Many freelancers are themselves involved in further training with the various clients. Therefore, there is an extensive transfer of knowledge among the members of the cooperative. They recommend among themselves up-to-date and qualitatively very good training facilities, academies (such as the Bitcom Academy) and various seminars/webinars.</p> <p>The cooperative provides various forums for know-how exchange, a cloud-based applicant tracking system with appropriate software, but also "offline" annual meetings and regular newsletters.</p> <p>A big plus is the constant professional exchange among the members, for example on the subject of avoiding deemed employment as well as on relevant legal and tax issues. This takes place via the cooperative's internal forums and internal e-mail distribution lists. According to the members themselves, these instruments are of great value to them.</p> <p>Last, but not least, the cooperative has negotiated preferential rates with established providers of training and education in relevant topics and certifications, allowing members to save money while receiving education that is highly valued by the market (Prince2, Scrum, agile methodologies etc.)</p>
Working conditions	<p>The concrete work organisation and working time arrangements are in the hands of the freelancers themselves. They have the personal responsibility for it in direct contact and coordination with the client, of course. Since the new 2017 law on deemed employment it has become easier.</p> <p>Since the ability to work remotely is one of the characteristics of a true freelancer (as opposed to a normal employee who is often required to be in the office from 9 to 5), the percentage of remote working time has increased significantly. Contractors can now work more from home – with appropriate access to the client's systems). As an intermediary, the cooperative only has an indirect influence on this, but through all its activities it strives to make it easier to reconcile family life and work through the overall package of measures and services for members and freelancers. The feedback shows that they are very well motivated by this and that their health, freedom and satisfaction is strengthened overall. They have the secure feeling that they are adequately paid for their work and are not exploited.</p>
Company performance	<p>For obvious reasons, most members do not yet have a contract via the cooperative because they are for example still bound by other contracts, not all member skills are equally in demand at any given time, plus the time to administer this would be immense. However, they use the network of members effectively and appreciate the exchange of experiences, services and advantages of the member community. However, the number of simultaneously running mediation contracts of the cooperative and also the turnover has been and is constantly increasing. In 2016 the turnover was €1.42 million, in 2017 €1.57 million with 9 customers, in 2018 €1.8 million turnover with 17 customers.</p>

	<p>In 2019 the turnover has risen to over €3 million, partly because of repeat business with existing clients as well as increased awareness and brand recognition as an established player. The contractors placed show this success as well: 3 freelancers were under contract in 2016, 12 in 2017, 20 in 2018, 28 in 2019 and 32 in 2020, with more growth potential. It should be noted that numerous advantages for the members are not reflected in the cooperative's turnover, and are of a more qualitative (e.g. networking) nature or do not show up in the balance sheet (e.g. discounts negotiated for members).</p>
Overall strengths and weaknesses	<p>Strengths: Overall, it can be seen that both the members/freelancers as well as the customers and the employees are satisfied with their work and development, and have a high degree of freedom of self-design. Community self-responsibility and self-help are thus directly lived and experienced in the cooperative. The motivation of the freelancers, members and employees is very high compared to other companies. Due to the very low overhead costs, the price for the end customers is also decreasing.</p> <p>Projects that previously could not be realised due to strict budget restraints can become feasible via the cooperative. Furthermore, freelancers placed via the cooperative get the optimal share of the budget, as well as the peace of mind that they are not being taken advantage of or exploited as is often the case with commercial agencies trying to maximise their own profits. A great strength is, as already described, that the cooperative has pursued a strong network formation from the very beginning, so that independent experts/members can exchange information about the cooperative's own programme in forums and different groups. Furthermore, they can not only be placed by the cooperative, but are encouraged to promote the idea and grow the business themselves through various models (BYOP), incentives and referral schemes.</p> <p>The 4freelance recruitment eG system that has been built up has no fundamental weaknesses, neither in organisational, technical nor economic terms. There is no partner who is visibly or covertly disadvantaged in any way. However, the development of the cooperative required a lot of expertise, manpower and voluntary commitment, as well as its own funds and the patience of the founders and responsible members of the board and supervisory board.</p>
Overall opportunities and threats	<p>The economic and social opportunities for the freelancers and cooperative grow with each year, as the cooperative becomes more stable in terms of communication, network and sales volume. Business and market recognition continue to grow. The cooperative business has only a few employees: on the one hand this is intended to minimise overhead and administrative costs, but on the other hand it can be a greater challenge (although not to be called a "threat") if the central mediator (employee and board of directors of the cooperative) suddenly fails. For stabilisation, suitable and equally experienced and proven experts would be desirable. This will also become possible with increasing growth as more salaries can be paid and the attractiveness of the cooperative increases.</p>

Potential for social partners and collective bargaining to upscale/transfer the practice	<p>The example of 4freelance recruitment eG as an actor in the market with a strong active role for the members and a lot of personal responsibility combined with freedom of action can be a model for the role of members and self-employed persons in new cooperatives, for example. However, companies with other forms of business could benefit, in whole or in part, from the individual instruments as the market becomes more transparent so that more money ends up in the pockets of the freelancers. Decisive points are transparency in communication and contract design, maintaining equal terms among all members involved and the constantly growing trust among the members.</p>
Potential for public authorities to support upscaling/ transferring the practice	<p>Models such as the 4freelance recruitment eG cooperative show a really high potential for transfer and publication. They reflect and show a high level of self-responsibility in an ever-stronger community (typical team empowerment) and lead to economic and work-life balance stabilisation, even for self-employed people. An important conclusion is that public institutions should support such organisations in their founding and stabilisation phase. The cooperative 4freelance recruitment eG is listed on the UNESCO website as an example for intangible cultural heritage (cooperative) worth copying.</p>
List of annexes, sources	<ul style="list-style-type: none"> • Balance sheet 2018 and 2017 • Websites: <ul style="list-style-type: none"> • https://www.unesco.de/kultur-und-natur/immaterielleskulturerbe/immaterielles-kulturerbe-deutschland/artikelserie-3 • https://www.bestcruiter.com/person/timo-berg • Framework agreement for freelancers and for customers • Articles of association • 4freelance one-pager • 4freelance market coverage
Company website	https://www.4freelance.de/

This case study was prepared by innova eG (Germany).