Plugging into the gig economy

The truth about the gig economy and how it is influencing the future of talent management
With the pressure of a changing labor market and a precarious economic culture, a trend of freelance or self-employment has been on the rise and is becoming widely referred to as the "gig economy." The rapid shift towards the gig economy is visible on both a micro and macro level. On a consumer level, a choice to take an Uber to work versus a taxi cab is one example of how people are utilizing this model. Within a corporation, it could be a decision to shift from using in-house IT to enlisting the services of a freelance software developer in order to create a new Web site.
While popular examples like Uber and TaskRabbit may first come to mind, the gig economy reaches far beyond our favorite phone apps with up to 57.3 million workers participating in 2017. Particularly with advances in technology, this allowing millions of people around the globe to opt for greater independence in their work lives.

Whether someone is completely dedicated as an independent contractor or dabbling outside of their full-time position, the gig environment has evolved and expanded its opportunities over the years as a result of increased mobility and the rising digital age. Gig opportunities and platforms range from crowd sourcing, app or web-based bidding and task-based work activities, to the demand for outsourced providers with special skills. For example, crowd sourcing invites organizations or individuals to access an online platform to outsource tasks to registered members. Others tap into the gig economy through advanced freelancer platforms which allow individuals to set up a profile, bid on jobs relevant to their skills, and set their rates utilizing a mobile bidding platform.

With the benefits as a result of this new dynamic, though, comes new challenges for many organizations entrenched in the war for talent. To better understand the talent implications and proactive solutions organizations should be considering, it is important to first answer a few key questions: Who makes up the gig economy, why does it continue to grow, and where is it headed?

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Who is getting onboard?

To the surprise of many, gig workers are not all millennial hipsters seeking alternative career paths and flexible work arrangements. In fact, one in every three Americans works as a freelancer, making the sector a critical part of the labor market.² It is projected that 7.6 million Americans will be working in the gig economy regularly by 2020.³

**Occupations**

We are seeing a rise in gig occupations across the following fields where workers may be hired for on-demand jobs or single tasks:

- Arts and design
- Computer and information technology, specifically software/Web developers and programmers
- Construction and extraction
- Media and communications
- Transportation and material moving (i.e., ridesharing and on-demand shopping services)⁴

**Demographics**

A report from the Aspen Institute in January 2017 found the lowest concentration of gig workers in Northeast and Upper Midwest states, while the highest concentrations resided in Mountain and Pacific states. Gig workers, when compared to traditional workers, were also found more likely to be married, more reliant on part-time work, and more likely to have been previously laid off, perhaps a result of the Great Recession.⁵

Other research indicates that the gig economy has provided an interesting alternative specifically for women in the workforce. In fact, the number of women in this economy has outgrown that of their male counterparts recently.⁶ Previously, women may have felt forced between two options: either participate in the workplace or opt out altogether. But today, the gig economy presents an alternative source of employment that more effectively supports a balance between work life and family.⁷

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⁷ Ibid.
In developing a talent strategy that draws upon both the value of a full-time employee and the those high-end independent professionals from the gig workforce, companies can not only adapt to this future of work model, but use it as a competitive differentiator.
Will the gig economy continue to grow?

Several factors have led to the rise of the gig economy. As the average length of individual unemployment increases, fewer employees adequately save for retirement, cost of living continues to rise faster than wages, and advances in automation continues to change current jobs, it is easy to see why freelance work has become a popular alternative.

A survey conducted by LinkedIn in 2017 found that professionals are most likely to enter the gig economy in order to earn more money, add greater flexibility in schedules, set a better work/life balance, and create greater autonomy. With many organizations already testing and realizing those benefits, it is unsurprising that the same survey found that 67 percent of professional freelancers were either satisfied or highly satisfied with their work. If the gig economy is allowing greater flexibility, another stream of income, and greater satisfaction in employees, there is little reason to expect a reduction in size or organizational impact of the gig economy.

What does the future look like for the gig economy? Will it continue to grow at the same rate? The same LinkedIn survey referenced above found that 81 percent of freelancers are planning to continue working in the gig economy with 47 percent of freelancers planning to increase their working hours. By 2020 the workforce is expected to be made up of 43 percent freelancers, a striking difference to the 6 percent in 1989. With younger generations like Generation Z valuing flexibility and freedom to innovate and possessing an entrepreneurial spirit, it is likely the gig economy will continue to grow and likely, evolve in the years to come.

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9 Ibid.
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Disrupting the traditional talent model

The evolving work model is producing a ripple of talent and structural implications for many organizations. On one hand, some may feel the need to combat the growing popularity of the gig economy with a talent campaign that extenuates the full-time career benefits their organization can provide. Alternatively, some organizations have strategically embraced the gig economy as the new normal focusing efforts on how to effectively integrate gig workers into their talent ecosystem. Either way, having a greater understating of the specific talent implication brought on by the gig economy will help organizations make better talent decisions. Organizations taking the following actions will more effectively embrace and exploit this disruption.

- Reexamine the workforce composition
- Infuse a “gig” culture into the work environment
- Redefine the Employee Value Proposition
- Evaluate HR policies
Reexamine the workforce composition
Reexamine the makeup of the workforce and the impact on the business as a whole. If there is a stronger desire for current and future employees to participate in gig work, organizations should ensure their number of full-time positions reflect business needs. If the need for specific roles is likely to reduce due to automation for example, now may be a good time to revisit strategic workforce planning efforts.

Redefine the Employee Value Proposition
Since gig employees do not have the same legal protections or benefits as full-timed salaried employees, organizations may consider revamping their Employee Value Proposition to shine light on this advantage, particularly for those talented employees they want to retain. Currently, many of the gig economy jobs require lower skill set to support transactional work, not requiring a degree or specialization. This not only puts some gig work at risk of being eliminated to automation, but also may limit those workers’ career development for a short-term paycheck. If organizations are able to articulate the value and opportunities to develop strategic capabilities and skills of the future, they may be more successful in retaining talent considering the jump to full-time gig work.

Infuse a “gig” culture into the work environment
Given the emphasis younger generations are placing on entrepreneurial spirit, incorporating more entrepreneurial aspects to existing roles in the organization and how they incorporate this to enhance the employee experience could reap major benefits for the growing Generation Z workforce. Where possible, offer more virtual flexibility and create new career paths where employees will develop skills such as autonomy, analytical thinking, and problem solving to name a few, which can be leveraged throughout various parts of the business.

Evaluate HR policies
Revisit HR policies and align them to their strategic talent efforts as it relates to the gig economy. Policies such as noncompetes and the benefit packages between full and part time employment may need to be modified to account for gig employment.
Talent management calls for balancing short-term skills gaps with the long-term needs of the core workforce. Smart companies combine the core and contingent workforces and are invested in retraining employees and providing them with new career opportunities.10

Key questions to consider:

— In a world where workers are rethinking how they balance the flexibility that independence offers against the security of traditional employment, how do we create a future of work that works for both full-time and gig talent?

— How does our organization ensure fairness in how we reward permanent and flexible employees?

— How do we help managers support a distributed team of fixed, flexible, remote, and local individuals?

— How do we develop people who join our company on a flexible basis?

— How important is cultural fit with our gig workforce?

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