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# The Gig Economy: Reshaping the Future Workforce in the Competitive Landscape

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## **ABSTRACT**

The purpose of this research is to identify the challenges and opportunities that are emerging out of the "Gig Economy" and how it is reshaping the future workforce in the competitive landscape. The goal of this paper is to demonstrate, how throughout the world this model is gaining momentum and changing the perception of the employee in today's workforce. In addition, we will provide recommendations of best practices for integrating the gig economy as a solution to workforce issues and business growth. This model provides instant access to employment opportunities ("gigs") with flexibility for users of the virtual environment and companies do not have to offer employee benefits. These emerging entrepreneurial activities are disrupting traditional business models; affecting the traditional workforce. The gig economy can be precarious, but can also be lucrative and desirable. Companies such as Uber, Lyft, AirBnB, Taskrabbit, and Etsy are now coming under scrutiny because of their business practices. However, as the gig economy gains strength, new laws will need to be created to protect companies, the freelance workforce, and traditional employee/employer relationships. The gig economy is innovative and as governments all around the world start to recognize this form of business, creation of laws to incorporate the gig economy model into the economic structure is necessary. We will also analyze the contributions this global force has had on economic growth, society, and a multitude of industries. By examining existing initiatives, we will create solutions and recommendations for ensuring that this business model is sustainable and efficient in the ever changing economic climate and identify opportunities for government involvement to ensure the rights and freedoms of all workers involved. This paper will use surveys, articles, and other resources to analyze the effectiveness of different gig economy business models. The gig economy is a relatively new concept. As such, there is limited research on its success and there is minimal established research on the subject. We will determine successful strategies that employers, employees, and the government can apply to ensure success. The research and analysis will focus on providing a description of the impacts of the gig economy on companies, employees, and the government. Additionally, it will place focus on the advantages and disadvantages of pursuing the model further. It will conclude with a discussion of the economic model's future viability and where the team sees the future of the Gig Economy.

## **Keywords**

Gig economy, freelance economy, shared economy, on-demand economy, access economy

## **1 INTRODUCTION**

The gig economy arose to redefine employment opportunities, to create more flexibility in the workplace, to reduce the rising cost of employment, to acquire valuable talent or to increase work productivity; giving both employee and employer a competitive edge in today's work environment. While it is hard to measure the exact size of the trend globally, the 1099 Economy Workforce Report (2015) shows that American freelancers now comprise 34% of the United States workforce and, according to Intuit Inc. (2015), 7.6 million Americans will be working in the on-demand economy by 2020. The idea of working as a freelancer (self-employed workers who generate income through a series of jobs and projects) is not a new concept; since 1995, the United States has observed a rising trend among companies to hire temporary, replaceable workers. Although the gig economy can be considered an expansion of the traditional freelance work environment, it is emerging as an alternative to the traditional model of employment, embedding itself in the digital environment and dramatically changing employment opportunities.

The gig economy is modern and gaining popularity, providing a number of financial benefits for startups and the unemployed, while the traditional way of doing business is becoming inefficient and costly. The demand for a sharing market has grown significantly with consumers, as well, who may prefer sharing the benefits of products and services instead of ownership, which is typically more expensive. Combine this trend with the accessibility to social networks, electronic markets, and mobile devices and it is clear why the gig economy has risen.

In addition, individuals do not necessarily commit to lifetime careers or consider stability in one company as a targeted focus; people transition from one position to another approximately every 4.4 years on average and for the future of the workforce, 91% of millennials are expected to stay at one job for less than 3 years, according to Forbes (2015). To stay in business, employment practices will need to adapt to an evolving technological world.

## **2 THE EMPLOYER'S PERSPECTIVE**

### **SWOT Analysis**

We used a SWOT analysis to further analyze challenges and opportunities that exist in the gig economy from the employer's standpoint.

#### **Strengths**

A major strength from the employer standpoint results in the reduction of labor costs since working with independent contractors is temporary and does not require offering employee benefits. Similarly, operational costs are lower since larger facilities may not be required to accommodate employees. The savings can help keep prices of goods or services reasonable compared to the traditional business model, which can provide a competitive edge over the other competitors. Because of these strengths, there has been high company valuation and rising interest by investors. For example, according to Bloomberg (2016), Uber was last valued by investors at \$62.5 billion, and the company has raised more than \$10 billion in the past five years. In addition, using digital platforms provides access to a wide group of potential labor and consumers and enables fast expansion to the new markets around the world. Lastly, by limiting their own liability, the risk of the business is transferred to gig workers, not to the gig-friendly companies.

#### **Weaknesses**

The freedom that comes along with this type of employment limits the employer's ability to oversee workforce performance. For example, Uber drivers have been accused globally of misconduct; such as, rape, undoubtedly giving a bad name to the company despite their limited liability from the situation. Also, because of the lack of training provided, there is the threat of providing low quality service provided by independent workers. Therefore, investment in the workforce is important and without it, there could be a snowball effect of risks that can potentially threaten the company.

#### **Opportunities**

The gig economy is a rapidly developing trend, according to PwC (2015), gig economic output will be worth almost \$63 billion globally by 2020. One of the biggest opportunities of the gig economy is that companies have no established major competitors (for example, Uber has only two main direct competitors in that of Lyft and Curb, but they still operate on a significantly smaller scale). For start-up companies looking to penetrate the market, this model can help start-ups build strong recognizable brands and dominate many segments of the gig market, simply because the competition is minimal. Equally, the gig economy is very appealing to customers because products or services are available immediately and when needed. According to a PwC survey (2015), 72% of American responders agreed that the sharing economy is appealing and useful. Thus, companies using the gig economy are much more accommodating in meeting the consumer's desires and are able to adapt to fast-changing economic situations because it relies on technology and the on-demand employee.

#### **Threats**

Lastly, there is the serious threat of the growing competition, to employee recruitment and lower profitability in the long term. The social injustice that has risen as a result of the gig economy business model such as potential exploitation of workers, avoiding proper tax reporting, and offering lower prices that attack traditional business models could create bad publicity for the gig concept. With that being said, the profitability of the model is its greatest strength; however, companies will need to address the rising concerns of offering more benefits for independent contractors, which could take away from its profitability.

With many recent legislative changes, there is also the threat that government interference will debilitate the gig economy such as in Germany, France, and Spain where Uber has been outlawed. Even if it is not banned, government regulation does pose the threat of increased compliance costs and further the possibility of decreased profits. Since the gig economy continues to emerge, there have been many legal challenges. It is hard to tell exactly where judicial resolutions across different countries and political domains will end up. With many companies in the midst of legal battles, there are precedents to be set which could have a huge impact on the future of gig ecosystems.

In addition, the high valuations of these new firms could potentially lead to overinvestment in locations where there is no room for businesses of a similar type. Also, the development of more innovative solutions could challenge the gig economy. For example, new technologies; such as, self-riding cars and autonomous robots could replace the gig workers for companies like Uber or TaskRabbit, respectively.

## **3 THE CONTINGENT WORKER'S PERSPECTIVE**

### **SWOT Analysis**

We used a SWOT analysis to further analyze challenges and opportunities that exist in the gig economy from the contingent worker's standpoint. Using the SWOT analysis for both the employer and worker's point of view is essential in order to recommend a best practices approach to this type of employment opportunity.

#### **Strengths**

This model offers the contingent worker more flexibility, independence, earnings and an increase work-life balance. These types of workers do not have to commit to an employer, they chose project they want to be involved in. In addition, this model can offer contingent workers with new career paths or opportunities to grow, in turn, maximizing earning potential and increasing their skill-set in an ever-changing work environment.

With the flexibility, an independent contractor can schedule work around their personal endeavors with ease since they do not report to a supervisor. Additionally, the contingent worker avoids the monotonous traditional work environment.

In addition, this model can also increase the earning potential for women and other groups that have historically encountered pay inequality because the employer is hiring the talent or skill-set rather than the person.

### **Weaknesses**

Major weakness within this model is the lack of security, volatile streams of income, lack of benefits including social security, legal protections and tax implications.

Gig type projects, products and services result from an on-demand situation; therefore, without a demand these types of employees do not work. Also, this type of employment can be very attractive and employers may not seek to have a consistent relationship with a contingent worker instead seeking the best talent for a particular project.

While flexibility is attractive, independent contractors forfeit benefits which can be essential, especially in terms of medical benefits. An independent contractor can lose income and medical costs may become expensive. Equally, other expenses; such as, legal and tax expenses can drive an independent contractor to seek other employment to survive.

### **Opportunities**

As the gig economy continues to emerge, multiple opportunities can arise for the gig worker. Gig workers can turn assets, talents and resources into income generated vehicles. Moreover, since companies are starting to penetrate into this market, this type of worker may have more of an opportunity to reshape alternative employment opportunities by setting prices on their talent, skill-set or the product offered which results in an increase in income and influencing gig economy worker's rights and protections.

### **Threats**

Legal implications and government regulation seem to be the biggest threat to this type of employment. As the government sets regulations on gig economy, gig work can become an illegal practice.

Also, negative feedback from clients can impact income, the workers reputation and advance work opportunities.

As technological advances continue to emerge autonomous robots may threaten the livelihood of the "gig" worker. As Uber partners with Volvo to create a self-driving vehicle, drivers may no longer be needed.

Additionally, as traditional workers continue to work boundary-free the need for independent contractors may dissipate. Although, this is unlikely because "gig" workers bring a different perspective and offer additional talents that may not exist in the corporate culture, this threat must be considered.

## **4 CONCLUSION AND RECOMMENDATIONS**

With every emerging trend, a set of policies that protects all stakeholders is necessary. The gig economy faces a number of controversies and unique situations indicating that further controls are definitely needed on a global front.

Although new trends in employment are emerging both traditional and alternative employment workers feel exploited by employers when benefits, training, and opportunities to grow within a company are cut. With economic volatility, companies continue to incorporate new business practices and creative alternatives in order to eliminate competition; as seen with Uber and traditional taxi drivers. Governments continue to struggle to define the gig economy worker and have inadequately responded to the developing issues with this model.

To continue to resolve the issues impacting the gig economy, governmental intervention is necessary to avoid a snowballing of problems. The government should consider redefining the laws that exist to help these types of workers. Currently, the law doesn't provide support to freelance workers because this type of employment provides the employee a great deal of choice and flexibility. Corporations are not required to provide benefits to these types of employees and as employment trends continue to change and the cost of offering employees benefits rises, employers may find this type of employment extremely favorable in comparison to employing the traditional workforce, which can result in taking advantage of workers. Government intervention and clear laws can limit the number of independent contractors a company can hire, can set regulation regarding time commitments and so forth.

With the problem of gig-friendly companies undercutting traditional companies, there is a process of natural selection taking place. Traditional corporations must consider strategies to compete with this new business model or creating relationships with these companies. Both models can benefit from each other in many ways. Traditional corporations can help gig economy businesses improve workers' rights and benefits while the gig model can help improve the traditional models business practices.

Moving forward, the gig economy is a brand new, powerful initiative that ambitiously seeks to change the economy and shake up the employment as we know it. Through government intervention and stakeholder cooperation, the sharing economy can be set on track to help everyone in society for good.

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