

The Emergence of the Gig Economy

Thought Leader Paper:

Education & Training Policy Team



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Key Points

- The gig economy refers to the growing number of workers abandoning traditional 9 to 5 employment in favour of working independently on a task-by-task basis for various employers.
- Workers (particularly millennials) are expressing an increasing demand for flexible and autonomous work, prompting many to engage in freelancing.
- The emergence of digital talent platforms linking workers and employers is the driving force behind the increasing prominence of the gig economy.
- This growing labour trend has the potential to have real economic effects by addressing dysfunction in the labour market and providing transparency about jobs of the future.
- As the number of individuals partaking in the gig economy rises, so has the popularity of co-working spaces: environments where professional freelancers work on separate projects in a communal setting.
- The gig economy is challenging existing labour institutions and the way the workforce is viewed.
- Companies can enjoy numerous benefits from working with freelancers such as a fluid workforce adaptive to change, wider access to hyper-specialised talent, cost savings, and an increase in productivity.
- For SMEs who have traditionally lacked the resources to recruit and retain the best talent, this increased access to on-demand workers is of particular benefit.
- To harness the benefits of incorporating freelancers into the workforce, companies will require new tools and approaches.
- Leading companies must attract and retain the best talent as well as implement systems to manage them and address the challenges of a new workstream.
- As the gig economy continues to grow, it is likely that traditional corporate structures will adjust. In many organisations, a core team will embody the values and philosophy of the company whilst the remainder of tasks are allocated to temporary workers.
- The business case for workplace flexibility has been well-established and companies should consider providing such arrangements to existing employees.

What is the gig economy?

An increasing number of people are veering away from traditional employment models in favour of undertaking freelance work. By 2020, it is forecast that contingent workers will exceed 40 per cent of the US workforce.¹ Freelance work arrangements have long been common in writing, consulting, design and skilled trades but have now moved into a broader range of occupations and industries. Many workers (particularly those of Generation Y) are disenchanted with their 9 to 5 routine and have an increasing need for flexible and diversified work.² Others, unable to secure employment in the challenging labour market, have turned to freelancing out of necessity. Whatever the motivation for freelancing is, it is indisputable that this mode of work is rapidly growing alongside the emergence of digital freelance marketplaces. Individuals are increasingly shaping their careers with these avenues by working on a task-by-task basis for different employers concurrently. This trend has been termed the “gig economy.”³

In Australia, the largest freelance category is web, mobile and software development (44 per cent), followed by design and creative (14 per cent), customer and admin support (13 per cent), sales and marketing (10 per cent) and writing (8 per cent). Data revealed that 4.1 million Australians, or 32 per cent of the workforce had freelanced between 2014-15.⁴



Source: Deloitte Access Economics based on Collaborative Lab and VisionCritical data (2014).

Growth of digital platforms

Digital platforms allow freelancers to swiftly connect with employers to find more assignments, market their skills, manage various clients and accept secure payments. A whole host of tasks are available, ranging from household chores and errands to high level professional projects, making freelancing accessible to anyone, regardless of skill level. For some, freelancing is a means of generating additional income outside of regular employment.⁵ Others have turned it into a full-time job. Australian platform, [Freelancer.com](http://www.freelancer.com) is the world’s largest freelancing and crowdsourcing marketplace, connecting over 19 million

¹Intuit 2020 Report: Twenty trends that will shape the next decade, Intuit, October 2010, page 21.

²The Best Freelance Careers, Jenna Goudreau, Forbes January 28 2013.

<http://www.forbes.com/sites/jennagoudreau/2013/01/28/the-best-freelance-careers-job-openings/#3b9b4a281f23>

³A labour market that works: Connecting talent with opportunity in the digital age, McKinsey & Company, June 2015, page 31.

⁴Australia’s freelance economy grows to 4.1 million workers, study finds, Frank Chung, 27 October 2015.

<http://www.news.com.au/finance/work/at-work/australias-freelance-economy-grows-to-41-million-workers-study-finds/news-story/629dedfaea13340797c68822f4f2a469>

⁵A labour market that works: Connecting talent with opportunity in the digital age, McKinsey & Company, June 2015, page 37.

employers with contingent workers in 247 countries. Between 2009 and 2014 its number of users grew from one million to ten million.⁶

Increasing demand for flexibility

Workers are expressing an increasing demand for autonomous and flexible work. This is particularly evident amongst youth, signalling a generational shift towards greater freedom and entrepreneurship.⁷ Although this younger generation is the driving force behind flexible work demands, older workers also want to set their own schedules, choose their tasks and work in an environment that suits them. A recent study by recruitment firm Hays revealed that 55 per cent of Australians would take a 20 per cent salary cut in order to work from home. A further 22 per cent would sacrifice 10 per cent of annual income in return for flexible working arrangements.⁸ Airtasker’s 2015 survey of the future of work revealed that 85 per cent of Australians believe that the traditional 9 to 5 office hours are inflexible for both present and future workers.⁹ With the advance of digital freelance marketplaces, high speed internet and high-powered mobile computing tools, the complete autonomy that accompanies freelance work is more attainable than ever. As more people realise the benefits of working independently, the freelance economy will continue to influence the workforce and in turn, the economy.¹⁰

As the gig economy is a fairly recent phenomenon, data regarding its official scale is scarce and is largely based on estimates. Australia’s gig economy is yet to register in employment numbers but it has been a noticeable upwards trend in the US for several years. Whilst those participating in the gig economy are mostly freelancers and independent contractors, agency temps and on-call workers also feature. A 2014 US survey on societal trends revealed a growing prominence of individuals undertaking gig work.¹¹ In the following tables, Gig 1 refers to independent contractors, consultants and freelancers, Gig 2 refers to all Gig 1 workers plus temp-agency workers and on-call workers and Gig 3 (the broadest measurement) includes all Gig 2 workers plus contract company workers.

Year	Gig 1	Gig 2	Gig 3
2002	18.9 million	22.7 million	26.0 million
2006	19.7 million	24.8 million	30.0 million
2010	18.5 million	25.4 million	29.7 million
2014	20.5 million	25.8 million	29.7 million

⁶<https://www.freelancer.com/about>

⁷*The future of work: A journey to 2022*, PwC, 2014, page 19.

⁸https://www.hays.com.au/press-releases/HAYS_322060

⁹*Future of Work Research Monitor*, Airtasker, January 2015.

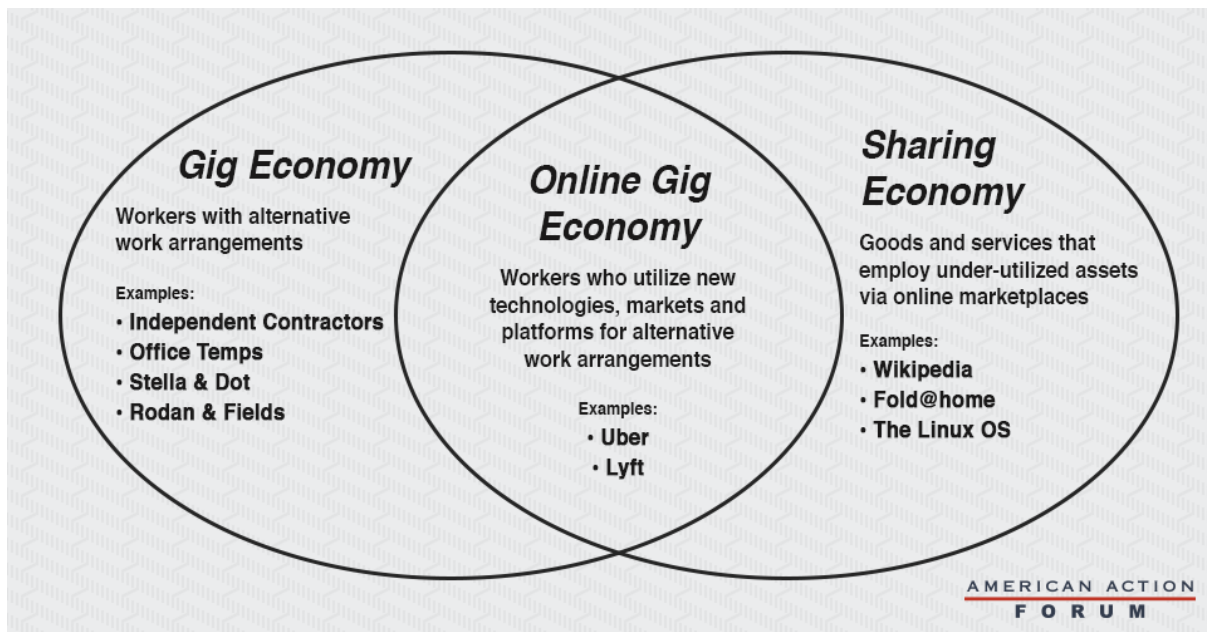
¹⁰*Intuit 2020 Report: Twenty trends that will shape the next decade*, Intuit, October 2010, page 5.

¹¹*Independent Contractors And The Emerging Gig Economy*, Will Rineheart & Ben Gitis, American Action Forum, July 29, 2015. <https://www.americanactionforum.org/research/independent-contractors-and-the-emerging-gig-economy/>

Worker Type	Percent Growth
Total Employment	7.2%
Gig 1	8.8%
Gig 2	13.9%
Gig 3	14.4%

Source: American Action Forum, 2015

From 2002 to 2014, gig workers in the US grew at a rapid pace despite the occurrence of the global financial crisis. In this period of time, total employment increased by 7.2 per cent. Meanwhile workers in the gig economy grew between 8.8 percent and 14.4 per cent. Growth in independent contractors was particularly noticeable between 2010 and 2014 with an estimated additional 2.1 million workers in this category, accounting for 28.8 per cent of all new jobs in this four year period.¹²



¹²Independent Contractors And The Emerging Gig Economy, Will Rineheart & Ben Gitis, American Action Forum, July 29, 2015. <https://www.americanactionforum.org/research/independent-contractors-and-the-emerging-gig-economy/>

Why is it important?

Not only does the freelance economy offer workers unprecedented freedom, it has real economic effects. By 2025, McKinsey's supply-side analysis shows that online talent platforms could raise global GDP by up to \$2.7 trillion and increase employment by 72 million full-time equivalent positions.¹³

Addresses dysfunction in the labour market

The gig economy is the direct result of macroeconomic forces such as globalisation, outsourcing and technology. Such forces have given rise to a fast-paced business environment, however the connection between individuals and employers has been slow to respond.¹⁴ Millions of people worldwide experience crippling unemployment, whilst at the same time employers are unable to find the right people for vacant jobs. Moreover, a significant proportion of employees feel overqualified and disengaged with their current roles. This dissonance between job seekers and employers translates into billions of dollars of wasted productivity and innovation.¹⁵ People are increasingly divided into two groups: those with money but no time, and those with time but no money.¹⁶ The freelance economy, spurred by the rise of digital talent platforms provides a bridge for these two groups to connect for mutual benefit.

The globalisation of labour is not a new trend. For the past fifty years companies have flexibly managed physical labour from various locations across the globe. However the rise of the virtual global worker is a new and potentially disruptive phenomenon.¹⁷ The breadth of flexible jobs has intensified and now includes those previously thought to be too skilled to be offshored.¹⁸ Online talent platforms and high speed internet allow contingent workers to undertake a task from any location worldwide. As a result, workers have many more work options available beyond those of close geographical proximity.

A survey from a McKinsey report on the impact of digital platforms on the labour market revealed that 37 per cent of global survey respondents cited being in jobs that underutilise their skills, resulting in a gross loss of productivity.¹⁹ According to the OECD, economic history suggests that major innovations such as that of the gig economy lead to the creation of more productive and rewarding jobs, with subsequent improvements in living standards. Most advanced economies have seen a considerable increase in the demand for high-skilled workers and increased digitised connections will facilitate more efficient matching between the demand and supply of labour.²⁰ In addition to the flexibility freelancers enjoy, they also have autonomy over the types of tasks they undertake. Having the right people in the right jobs is essential to maximising productivity, with significant flow-on effects for business and the economy.

¹³A labour market that works: Connecting talent with opportunity in the digital age, McKinsey & Company June 2015, page 6.

¹⁴A labour market that works: Connecting talent with opportunity in the digital age, McKinsey & Company June 2015, page 1.

¹⁵Ibid.

¹⁶<http://www.economist.com/news/leaders/21637393-rise-demand-economy-poses-difficult-questions-workers-companies-and>

¹⁷The New Work Order: Ensuring young Australians have skills and experience for the jobs of the future, not the past, Foundation for Young Australians, August 2015, page 13.

¹⁸The futures of work, Foresight Alliance LLC, 2016, page 7.

¹⁹A labour market that works: Connecting talent with opportunity in the digital age, McKinsey & Company, June 2015, page 44.

²⁰Automation and Independent Work in a Digital Economy, OECD, May 2016, page 1-2.

In addition to increased productivity, the rise of freelancing has facilitated greater participation in the workforce. Governments have struggled with unemployment levels in recent years, and in most countries, 30-45 per cent of the working age population is unemployed, inactive in the workforce or working part time.²¹ Indeed, research from the McKinsey Global Institute found that the biggest impact of the freelance economy is the boost in labour participation. For those who cannot secure employment, freelancing opens the door to countless avenues of income. Whilst some have opted out of the workforce by choice or prefer a part-time schedule, many millions in this 30-45 per cent bracket would increase their workforce participation given the chance.²² For those such as caregivers and the disabled who cannot commit to the structure of traditional employment, on-demand digital platforms provide them with the tools to access work and source income where doing so was previously impractical.²³ The Foundation for Young Australians report found that 70 per cent of Australians under the age of 34 are willing to use digital platforms to find jobs, potentially adding 270,000 jobs and 1.9 per cent national GDP by 2025.²⁴

Transparency for future jobs, signalling education choices for youth

Worryingly, nearly one in three young Australians are currently unemployed or underemployed. Entry level roles for young people are disappearing and 70 per cent of youth are currently undertaking training for jobs which will be lost or radically affected by automation in the next 10-15 years.²⁵ This is supported by the OECD who notes that although technological innovation is positively associated with employment in all groups of occupations, artificial intelligence is already replacing mid-level skilled jobs.²⁶ Young Australians need to be undertaking education and training that equips them with skills for the future workforce. Online talent platforms create transparency about the demand for skills and work opportunities, enabling informed educational choices. As this information reshapes decisions about education and training, the entire skills mix of the economy could align more accurately with the workforce over time.²⁷

The rise of co-working spaces

Alongside the growth of the freelance economy has been the rise of co-working spaces: working environments where individual professionals work on separate projects in a communal setting.²⁸ These spaces remove the isolation contingent workers can experience by housing a network of passionate and driven freelancers. Interacting with similar-minded people facing the same challenges provides valuable opportunities to innovate. Moreover, co-working networks often lead to the formation of valuable business relationships such as those

²¹A labour market that works: Connecting talent with opportunity in the digital age, McKinsey & Company, June 2015, page 20.

²²Kaiser Family Foundation/New York Times/CBS News Non-Employed Poll, Liz Hamel, Jamie Firth & Mollyann Brodie, 11 December 2014.

<http://kff.org/other/poll-finding/kaiser-family-foundationnew-york-timescbs-news-non-employed-poll/>

²³The New Work Order: Ensuring young Australians have skills and experience for the jobs of the future, not the past, Foundation for Young Australians, August 2015, page 19.

²⁴The New Work Order: Ensuring young Australians have skills and experience for the jobs of the future, not the past, Foundation for Young Australians, August 2015, page 8.

²⁵Ibid.

²⁶Automation and Independent Work in a Digital Economy, OECD, May 2016, page 1.

²⁷A labour market that works: Connecting talent with opportunity in the digital age, McKinsey & Company, June 2015, page 37.

²⁸The Coworker's profile, C. Foertsch, 2011, Deskmag.

with investors, partners or boards of advisors.²⁹

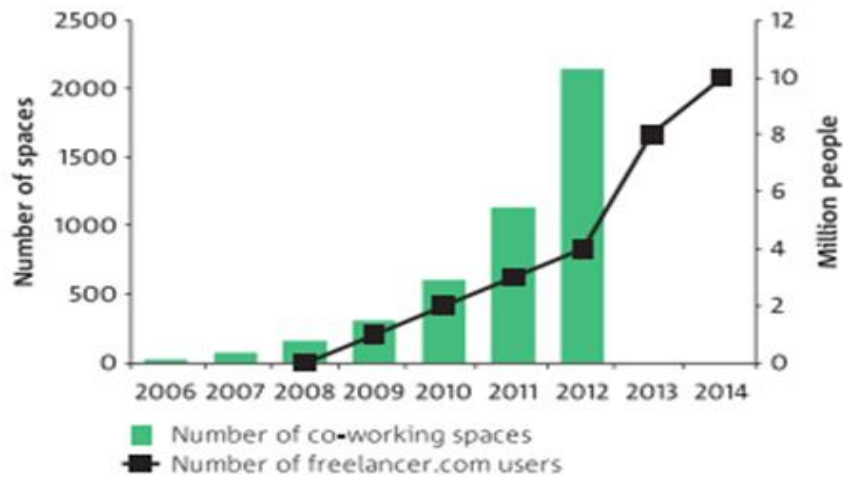


Figure 12 Number of co-working spaces and Freelancer.com users worldwide

Data source: Freelancer.com [10]; Deskmag, *Global Co-working Survey* [12]

The popularity of co-working spaces is such that there has been a rapid growth both in the number and variety of them worldwide.³⁰ Studies have shown co-working spaces have doubled each year globally since 2006.³¹ In 2012 the number of co-working spaces in Australia increased by 156 per cent.³²

²⁹What CoWorking Can Really Do For You, Lawton Ursrey, Forbes, 25 February 2014. <http://www.forbes.com/sites/lawtonursrey/2014/02/25/what-coworking-can-really-do-for-you/#6e757bc33f3f>

³⁰Tomorrow's digitally enabled workforce, CSIRO, January 2016, page 38.

³¹The Future of Coworking: Coworking visas, corporate partnerships and real-estate specialists, M. Pasquier, 2015, Innov. is Everywhere.

³²Desmag's 2nd Annual Global Coworking Survey, Deskmag, 2012.

What are the implications for industry?

The gig economy is challenging conventional labour market institutions and organisational structures. The full effect of this is yet to be seen in Australia; however it is already a powerful force in other countries.³³ It is difficult to predict precisely how the future workforce will be shaped as the roles freelancers play in different sized companies around the world are diverse and hard to generalise. However the key change will be the increased fluidity of the workforce and the implications this has for company structure and hiring. As the gig economy continues to gain momentum, companies will need to embrace this growing labour trend in order to remain competitive. They will require new technology, tools and processes to maximise the benefits it carries. Independent contractor work streams are set to become a fundamental component of talent strategies, and will bring about disruption and innovation in the labour economy.³⁴

A recent study conducted in the USA highlights 5 major ways that freelancers will change the workforce by 2040:³⁵

1. Work will consist of many short-term assignments:
2. There will be more platforms aimed at mitigating risk for workers who lose the protections of traditional jobs
3. Talent agencies and head hunting firms will play a bigger role in the lives of everyday professionals
4. Small business growth will lead to a boost in wages
5. Everyone is responsible for their own success.

Whilst digital platforms are creating flexible opportunities for those wanting to be their own boss, unions have raised concerns about the welfare of these workers, including the loss of protections such as sick leave, insurance, superannuation and unfair dismissal. With the current system geared towards permanent employees, policies around the world must clarify how these workers will be treated under the law.

The changes likely to occur in the gig economy could have a number of tax implications.

³³ *Tomorrow's digitally enabled workforce*, CSIRO, January 2016, page 8.

³⁴ *What The Rise Of The Freelance Economy Really Means For Business*, Jeff Wald, 1 July 2014.

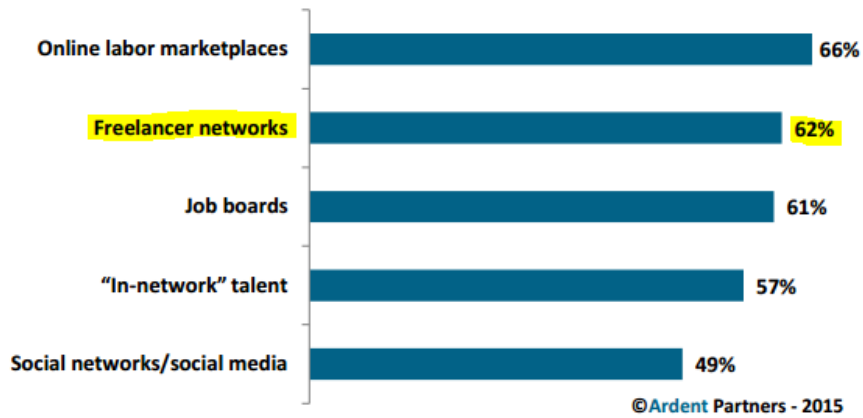
<http://www.forbes.com/sites/waldleventhal/2014/07/01/a-modern-human-capital-talent-strategy-using-freelancers/#2dc716b836a4>

³⁵ *Five major ways Freelancers will Change the Economy by 2040*, Vivian Giang, Fast Company August 2015.

<http://www.fastcompany.com/3049857/the-future-of-work/5-major-ways-freelancers-will-change-the-economy-by-2040>

Freelancers are likely to explore opportunities for offshore tax arrangements to legally minimise their tax burden. Companies with a smaller core workforce are likely to be less affected by withholding taxes, thereby creating new scenarios for governments to plan.

Figure 1: Top “Impactful” Sources of Non-Employee Talent



Benefits

While there are numerous ways professionals reap the rewards of freelancing, it is an equally attractive labour arrangement for companies. A 2014-15 report on the state of the contingent workforce revealed that 92 per cent of companies believed non-traditional staffing was a moderate to vital facet of their overall corporate strategy.³⁶ The injection of fresh thinking and perspectives from external freelancers and supplementation of different skills are useful tools for any sized company.³⁷

A flexible and dynamic workforce

It is not only freelance workers who benefit from greater flexibility. Contingent work provides companies with fluid human capital, allowing them to swiftly scale up and down on a project basis. This flexibility facilitates the rapid assembly of the right talent at a moment's notice to complete a project.³⁸ On average it takes 2.7 days to hire a freelancer from a talent marketplace, rather than 34 days for traditional recruitment methods.³⁹ From the same UK study, 88 per cent of businesses reported a noticeable, negative impact on performance because of this inefficiency.⁴⁰ Such a lengthy process is restrictive for today's fast-paced business environment where agility and responsiveness are essential for a competitive advantage. The ability to quickly introduce new talent means that companies can undertake additional projects without placing further strain on employees who already may be stretched thin.⁴¹

Wider access to talent

The global component of freelancing means that companies can access the best untapped talent around the world. The concept of talent being a company's most valuable asset for growth and innovation is not new, however the dynamics and composition of talent have dramatically altered.⁴² Today's business landscape requires specialist skills and expertise and exceptional talent to enable corporate success.⁴³ The globalisation of freelance talent has opened the door to a broader pool of talented, hardworking professionals at competitive rates.⁴⁴ This augmented talent pool provides companies with hyper-specialised, exceptional talent that was previously inaccessible.

³⁶*The State of Contingent Workforce Management: The 2014-2015 Guidebook*, Ardent, October 2014, page 5.

³⁷*How a 'Flexible Workforce' can Dramatically Improve Your Business Results*, John Sullivan, Atc Hub <http://atchub.net/contingent-workforce/how-a-flexible-workforce-can-dramatically-improve-your-business-results/>

³⁸*In the Future, Employees Won't Exist*, Tad Milbourn, Tech Crunch, 13 June 2015.

<http://techcrunch.com/2015/06/13/in-the-future-employees-wont-exist/>

³⁹*Online Work Report*, Upwork, <http://elance-odesk.com/online-work-report-global>

⁴⁰*Do freelancers offer a solution to the talent shortage?*, Rich Pearson, Virgin, 12 November 2015.

<https://www.virgin.com/entrepreneur/do-freelancers-offer-a-solution-to-the-talent-shortage>

⁴¹ibid.

⁴²*Why human capital is your company's greatest asset*, Harvard Business School.

<http://qz.com/403391/why-human-capital-is-your-companys-greatest-asset/>

⁴³*The State of Contingent Workforce Management: The 2014-2015 Guidebook*, Ardent, October 2014, page 5.

⁴⁴*How Hiring International Freelancers Opens The Door To Untapped Talent*, Scott Galit, CEO World Magazine. <http://ceoworld.biz/2015/07/08/how-hiring-international-freelancers-opens-the-door-to-untapped-talent>

Increase in productivity

Choosing to incorporate freelancers into the workforce should yield greater productivity, prompted by two factors: hyper-specialisation and accountability.⁴⁵ Many employees report feeling over-worked and stretched across tasks, often working on those outside of their skillset and knowledge. Rather than hiring one generalist to complete all tasks and demands of a business function, companies can designate tasks to various freelancers who specialise in that area. Each would work only a few hours a week, concentrating only on one task and ensuring that KPIs are met.⁴⁶ Dividing work into ever smaller tasks allows companies to consistently improve the efficiency of productivity.⁴⁷

Having more moving parts can make labour management subject to increased complexity; however this can be negated by the accountability freelancers bear.⁴⁸ Shifting the employer-employee relationship into a customer-freelancer relationship creates a shift in dynamics. Rather than an employee performing tasks as directed by their employer, freelancers are dedicated to pleasing clients in order to retain their assigned projects and be referred to new clients. The comfort of job security can render permanent employees complacent with detrimental effects for innovation and productivity. Accompanying the freelance economy is a culture where workers are truly accountable and performance standards dictate future security and income.⁴⁹ There will no longer be specific guidelines or career ladders to guarantee a career trajectory. Workers will have to be savvier than

DR JOHN SULLIVAN
THE MANY BENEFITS OF A
FLEXIBLE WORKFORCE

If you're going to compile a business case to justify the transformation of the contingent labour function, here are some of the many benefits of an effective flexible workforce strategy.



Reduced Labour Costs

Under an integrated system, the cost of contingent labour can be accurately tracked with a high number under competitive contracts. This may result in a 15% decrease in overall labour costs.



New Skills Can Be Added Rapidly

If competition requires innovation and speed, developing current workers may be too slow. Contingent labour can bring in experienced workers that have already developed the needed skill set.



Match Labour To Growth

When an org is growing in a product area or geographic region, contingent workers can be added to fit that expansion. If growth isn't as high as projected, surplus workers can be released.



Match Labour To Peak Periods

There may be times during the day/week/year where a higher volume of labor is needed due to spikes in customer demand.



Improved Employee Selection

The process of hiring perm employees can be hit or miss. You can better assess the capabilities of a stranger by letting them prove themselves "on the job" and then only convert the best to employee status.



Improved Production + Quality

Under an integrated data-driven function, each contingent worker will be more closely monitored and more productive. Under a strategic process, the quality of hire for contingent workers will increase and their turnover rates will decrease.



Avoid Worker Burnout

Some jobs are simply so intense that they eventually lead to fatigue or burnout. Rather than changing the job, you can insert contingent workers and then rotate them out when their productivity decreases..



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it is certainly true that the outsourcing industry has matured and become more data-driven. As a result, there are more high-quality outsourcing choices, some of which may now produce work that is superior to that done by your current regular employees.

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⁴⁵Freelancers are the future of hyper-specialised teams, Xenios Thrasyloulou, Wallblog, 12 Nov 2015.

<http://wallblog.co.uk/2014/11/12/freelancers-are-the-future-of-hyper-specialised-teams/>

⁴⁶Ibid.

⁴⁷The New Work Order: Ensuring young Australians have skills and experience for the jobs of the future, not the past, Foundation for Young Australians, August 2015, page 20.

⁴⁸Ibid.

⁴⁹Ibid.

their predecessors and must be highly skilled in project and time management, networking, self-marketing, communication and negotiating.⁵⁰

Valuable for smaller companies

Amid economic uncertainty, the gig economy is of particular benefit to smaller companies who experience fluctuating periods of activity. Concerned that they will not be able to sustain the position, many small companies hold off hiring full-time employees. The rise of digital talent platforms has alleviated this concern through improved access to individuals willing to undertake temporary contract work. The prevalence of these workers also provides major relief for start-ups who cannot afford to hire permanent staff.⁵¹ In addition, financial constraints prohibit smaller companies from hiring the best talent, so they often settle for less experienced and knowledgeable employees.⁵² Coupled with a lack of funds, SMEs traditionally have experienced difficulties attracting and retaining the best talent as they lack the ability to rival the career progression offered by larger companies.⁵³ The rise of freelancers and associated digital platforms should provide some relief to this trend through the opportunity to pick and choose the best talent from a growing pool of temporary workers. Furthermore, moving labour from a fixed to a variable cost is economical and the work completed by the freelancer should pay for itself in the short term.⁵⁴ Small business is widely considered to be the driver of growth in the economy, spurring innovation and creating millions of job opportunities.⁵⁵ As such, the prosperity of small business is integral to Australia's economic environment.

For larger companies, the benefits may not initially be as apparent as they are for smaller companies. Many of these larger companies already have major contracts in place with partners and therefore do not experience staffing inefficiencies to the same degree. The best and brightest commonly flock to these companies for the higher salaries on offer as well as career progression. Larger companies will surely see the benefits of the gig economy, however, they will need to make changes to corporate structure and the way in which workflows are managed to embrace this growing labour trend.⁵⁶

⁵⁰*Five major ways Freelancers will Change the Economy by 2040*, The future of Work, August 2015.

⁵¹*The Rise of the Freelancer*, Sonal Khetarpal, Business Today India, 24 April 2016.

<http://www.businesstoday.in/magazine/features/companies-are-hiring-more-freelancers-than-ever/story/230742.html>

⁵²Sabrina Baker, *How Small Businesses Can Take Advantage of the Gig Economy*, Sabrina Baker, April 14 2016.

<http://www.acaciahrsolutions.com/how-small-businesses-can-take-advantage-of-the-gig-economy/>

⁵³*How The Rising Gig Economy Is Reshaping Business*, Faisal Hoque, Fast Company, 22 September 2015.

<http://www.fastcompany.com/3051315/the-future-of-work/the-gig-economy-is-going-global-heres-why-and-what-it-means>

⁵⁴Ibid.

⁵⁵*Tomorrow's digitally enabled workforce*, CSIRO, January 2016, page 40.

⁵⁶Ibid.

Workplace relations risks

Businesses need to understand and evaluate the workplace relations and other risks associated with embracing the gig economy. All businesses need to be mindful of the “sham contracting” laws under the *Fair Work Act 2009*, which prohibit the misrepresentation of employment relationships as independent contracting relationships. Heavy penalties apply for breaches. The Fair Work Ombudsman is active in investigating and prosecuting employers who breach the sham contracting laws. Businesses should also be mindful of the fact that the *Fair Work Act 2009* imposes greater barriers upon existing businesses than start-ups due to the manner in which the transfer of business, general protections and enterprise bargaining provisions in the Act operate.

Ai Group and Ai Group Workplace Lawyers are well-qualified to assist employers to evaluate workplace relations risks and to design and implement appropriate strategies.

How can industry harness the benefits of the gig economy?

As the freelance economy continues to flourish, it will drive change in the way work is completed and the way in which workers and companies interact. Companies that understand these changes and put new systems in place will be best prepared to harness the benefits of on-demand work.⁵⁷

Winning the talent war

The top freelancers are in high demand and companies will need to attract and retain the best and brightest talent to optimise the benefits of temporary workers. Engaging with freelancers during peak business times and simply ending their contracts when a project is complete sounds like an ideal scenario. However companies must still strive to instil loyalty in freelance workers via cultural and financial incentives to retain them if they are required beyond the contract date.⁵⁸ If a company fails to do this, they will invariably lose the best talent and ideas to competitors. Moreover, freelancers are relationship driven and will have a network of personal and professional contacts gathered from previous projects. They will often provide referrals and introductions to one another and the surge in co-working spaces has further intensified this word-of-mouth networking.^{59,60} Companies have long been aware of and protective of their employer brand. As the freelance economy gains momentum and

⁵⁷How an exploding freelance economy will drive change, My Say, 25 November 2013.

<http://www.forbes.com/sites/groupthink/2013/11/25/how-an-exploding-freelance-economy-will-drive-change-in-2014/#558e66056e57>

⁵⁸The future of work, Joshua Gliddon, Fast Business, 12 June 2014.

<http://www.fastbusiness.com.au/executive-leaders/future-work/>

⁵⁹4 Things Recruiters Need to Know about the Freelance Economy, REC, 17 February 2016

<https://www.rec.uk.com/news-and-policy/corporate-blog/4-things-recruiters-need-to-know-about-the-freelance-economy>

⁶⁰What CoWorking Can Really Do For You, Lawton Ursrey, Forbes, 25 February 2014.

<http://www.forbes.com/sites/lawtonursrey/2014/02/25/what-coworking-can-really-do-for-you/#6e757bc33f3f>

companies seek the best talent, they must extend this awareness beyond permanent workers to the expanding freelance segment.⁶¹

Implement freelance management systems

As companies begin to introduce freelancers to their workforce, they will require increased capabilities to manage them effectively. Talent should be viewed as a strategic investment and like any investment there must be a plan in place to engage and measure it to determine a path for future improvement.⁶² Managing external talent is a foreign domain for many companies and new techniques will be needed.

Whilst the freelance economy bears numerous benefits for companies, it is not without its challenges and risks. A 2016 Deloitte survey revealed that the top three challenges executives cited regarding the freelance economy were legal or regulatory uncertainty (20 per cent), contingent workers unreceptive to corporate culture (18 per cent), and a lack of understanding among leadership (18 per cent).⁶³

Various questions arise regarding how to manage and engage temporary labour effectively:

- How to sift through the ever-growing talent pool of freelancers to locate the best talent?
- How can companies ensure that freelancers actually have the expertise required?
- How to ensure the right talent is working on the right tasks at the right time?
- How much compensation should freelancers receive?
- How to ensure freelancers are well-versed with company culture, mission, values, history, challenges and procedures?
- How to strike a balance of protecting company security systems and granting enough access to freelancers to perform their duties?
- How much training and induction should be provided to a freelancer?
- How can companies ensure coherence amongst staff with geographically scattered workers?
- Who will have the ultimate decision making authority, and how will command chains be structured?
- How to mitigate legal risks and protect company IP?⁶⁴

In response to the complexities surrounding hiring and managing freelancers, freelance management systems are predicted to become standardised.⁶⁵ One of those at the forefront is Work Market, a platform that manages the entire lifecycle of freelancers and independent professionals, including sourcing, verifying, engaging, managing, paying and rating them. This program allows companies to build custom, on-demand talent pools, automate background checks, consolidate payments, and streamline the management of insurance, credentials and

⁶¹ *Things Recruiters Need to Know about the Freelance Economy*, REC, 17 February 2016.

<https://www.rec.uk.com/news-and-policy/corporate-blog/4-things-recruiters-need-to-know-about-the-freelance-economy>

⁶² *The open talent economy: People and work in a borderless workplace*, Deloitte, 2013, page 1.

⁶³ *Global Human Capital Trends 2016. The new organization: Different by design*, Deloitte University Press, 2016, page 106.

⁶⁴ *How the on-demand economy is changing the meaning of work*, Rachael Brown, 13 August 2015.

<http://www.hrmonline.com.au/section/featured/how-the-on-demand-economy-is-changing-the-meaning-of-work/>

⁶⁵ *What The Rise Of The Freelance Economy Really Means For Business*, Jeff Wald, 1 July 2014.

<http://www.forbes.com/sites/waldleventhal/2014/07/01/a-modern-human-capital-talent-strategy-using-freelancers/#2dc716b836a4>

contracts.⁶⁶ Employers can use big data analytics and sophisticated algorithms to ensure a candidate will fit their precise needs and align with culture.⁶⁷

Co-founder of Work Market, Jeff Leventhal believes that freelance management departments will emerge as part of a broader HR function. Having a dedicated resource to harness the power of on-demand workers will surely assist with the complexities associated with sourcing, training, engaging and managing freelancers.⁶⁸ This freelance division would address a common reservation employers have about incorporating on-demand workers into the workforce who are unfamiliar with company culture and values.

A PwC report on the future of work notes that efficient systems, processes and maximum operational flexibility will be key to integrating freelance workers into the workforce. Companies that do so effectively will take advantage of disruptive technology and stay ahead of new developments in their sector.⁶⁹ The 21st century workforce will present new uncertainties to HR and business leaders. Leading companies will need to tackle these questions to make freelance work a viable long-term option.

Restructure the workforce

As companies become more adept and familiar with tapping into freelancers, it is likely that corporate structures will be turned on its head. For many organisations, a core team will embody the philosophy, culture and values of the company whilst temporary workers come in and out on a project basis.⁷⁰ Companies may undertake a blended hiring method: recruit generalists for in-house and use freelancers for specialist knowledge and skills that are unviable to build internally.⁷¹ The core competencies retained in-house will ultimately vary on a company and industry basis.

Examples of organisational structures

True to its mission, digital freelance talent platform, Truelancer which hosts more than 250,000 freelancers has a core team of just seven people for customer support and product development. The remainder of tasks such as content development, graphic design and digital marketing are assigned to 10-15 freelancers.^{72, 73}

Also participating in the gig economy is professional services firm Ernst & Young which taps into its pool of 300-plus freelancers for projects requiring specialist skills. "For project-based work, demand comes in spurts, and so there is merit in working with freelancers, especially on niche projects, as they are experts in their domains," says Sandeep Kohli the National Director of HR at Ernst & Young.⁷⁴

PwC this year launched a marketplace entitled "Talent Exchange" to source skills that are in

⁶⁶ <https://www.workmarket.com/>

⁶⁷ *A labour market that works: Connecting talent with opportunity in the digital age*, McKinsey & Company, June 2015, page 44.

⁶⁸ *The Rising Freelance Economy Will Change Talent Acquisitions Strategies*, Jeff Leventhal, 2014.

<http://www.thestaffingstream.com/2014/07/28/the-rising-freelance-economy-will-change-talent-acquisition-strategies/>

⁶⁹ *The future of work: A journey to 2022*, PwC, 2014, page 20.

⁷⁰ *Ibid.*

⁷¹ *The rise of the freelancer: what it means for employers and workers*, Sue Barrett, Smart Company, November 2015

<http://www.smartcompany.com.au/marketing/sales/49198-the-rise-of-the-freelancer-what-it-means-for-bosses-and-workers/>

⁷² <http://www.truelancer.com/>

⁷³ *The Rise of the Freelancer*, Sonal Khetarpal, Business Today, 24 April 2016.

<http://www.businesstoday.in/magazine/features/companies-are-hiring-more-freelancers-than-ever/story/230742.html>

⁷⁴ *Ibid.*

high demand and hard to find. Freelancers can upload their resumes and apply to work for PwC clients. PwC then selects those qualified, and if successful, freelancers are invited to bid on the job by submitting their hourly rate.⁷⁵

In 2012 Colgate-Palmolive crowdsourced its communications offering \$17,000 to anyone who could make an engaging 30-second internet advertisement. The chosen advertisement was so well received that it was played at the Super Bowl alongside those that had cost hundreds of times more.⁷⁶

Flexible working arrangements

If companies are not yet ready to supplement their workforce with freelancers, there is still one trend they should take note of: the growing desire to work flexibly as is illustrated by the upsurge in individuals turning away from traditional employment towards freelancing. In today's connected world, the 9 to 5 work week is becoming increasingly obsolete. It is well documented that workers are at their most productive when they experience work satisfaction, and research continues to tie work satisfaction with flexibility. Flexibility is an effective way of preventing the burnout that many employees experience from the 'always on' work culture of today's fast-paced business landscape.

A University of Chicago study of 4500 workers revealed that flexibility had a bigger impact on work satisfaction than total number of hours worked or income.⁷⁷ In a study by Stanford University in collaboration with Chinese travel site company, Ctrip, half of Ctrip's call centre staff worked from home whilst the other half remained in the office. The at-home workers were happier, less likely to quit, and more productive than the office workers, making 13.5 per cent more calls.⁷⁸ Lastly, according to research in the USA, almost half of millennials "will choose workplace flexibility over pay." The same research found that 87 per cent of companies reported a cost between \$15,000 and \$25,000 to replace each lost millennial employee.⁷⁹

Microsoft Australia abides by the mentality that "work is something you do, not a place you go to." Enabling employees to work from a location that suits them has prompted a cultural shift towards trust and accountability. The move towards flexible working resulted in big benefits for Microsoft such as bottom line improvements and reduction of office costs. Most importantly the company saw an increase in employee productivity, satisfaction and engagement. "At Microsoft, we know that if we keep our employees happy, we will get results in the marketplace" says Pip Marlow, Managing Director of Microsoft Australia and New Zealand.⁸⁰

⁷⁵PwC Wants To Use 'Gig Economy' Workers for Its Clients, Claire Zillman, Fortune, 7 March 2016. <http://fortune.com/2016/03/07/pwc-freelance-marketplace/>

⁷⁶The future of work: There's an app for that, The Economist, 3 January 2015 <http://www.economist.com/news/briefing/21637355-freelance-workers-available-moments-notice-will-reshape-nature-companies-and>

⁷³Work Flexibility: A Contributor to Happiness, L. Golden, J. Henley & S. Lambert, 2013.

⁷⁸To Raise Productivity, Let More Employees Work From Home, Nicholas Bloom, Harvard Business Review. January 2014.

⁷⁹The Cost of Millennial Retention Study, Dan Schawbel, 2013, Millennial Branding.

⁸⁰Work: A thing you do, not a place you go, Ruby Lohman, Fast Business, 15 July 2014. <http://www.fastbusiness.com.au/executive-leaders/work-thing-place-go/>

Conclusion

With the rapidly advancing gig economy spurred by the rise of digital talent marketplaces, the workforce is set to undergo major transformations. This labour trend will offer unprecedented work opportunities for individuals disenchanted with the rigidity of full-time work as well as those unable to secure employment amidst a challenging labour market. Increased workforce participation will address dysfunctions in the labour market, providing previously inaccessible skills and knowledge to companies around the world.

Provided the correct systems are put in place, companies are set to enjoy numerous benefits from on-demand labour. The ability to swiftly scale the workforce up and down in response to changing workloads, access to a wider pool of hyper-specialised talent, and increased productivity can help companies reach KPIs and boost the bottom line.

Though the benefits are many, the gig economy is not without its challenges for industry. Questions regarding the efficient integration of freelance talent and mitigating risks will arise. As it grows in prominence, companies will require new tools, systems and processes to respond and adjust to the complexities of this 21st century workstream.

The growing uptake of freelancing is largely driven by a desire for work flexibility, particularly by millennials with research supporting the positive correlation between worker satisfaction and flexibility. Companies should consider offering flexible arrangements to maximise employee engagement, satisfaction and productivity.

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