

**Is the gig
economy a
fleeting fad,
or an enduring
legacy?**



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Foreword

In June 2016, EY embarked on a Contingent Workforce Study to unearth key insights into the nature of the freelance or contingent workforce (the “gig economy”).

The contingent workforce has always existed, with some industries taking more advantage of it than others, for back filling, accessing specialist skills and to meet short-term or project based labor shortages. However, the traditional full-time workforce model has remained firmly in primary place. Recently this has begun to shift.

The Fourth Industrial Revolution has disrupted not only business models that had proven successful for as long as a century, but also the workforce model upon which these business models relied. More than a passing fad, the increased use of the contingent workforce, represents an opportunity to disrupt traditional sourcing and management, and is here to stay.

For businesses to truly seize this opportunity they first need to understand their strategic intent when it comes to using a contingent workforce. As an organization taking on more contingent workers, are you solely looking to reduce costs? Or are you looking to attract a new set of skilled workers to help you transform your business strategy so that it's fit for a digital world? Do you need to scale operations quickly to meet the demands of new product innovation or changing customer demands? Or are you looking to shake up your existing workforce to drive cultural change?

Further, to make new models work for your business it's vital to understand the flip side - what motivates these contingent workers or “giggers” and how can you attract the best and onboard them efficiently? Are they seeking greater

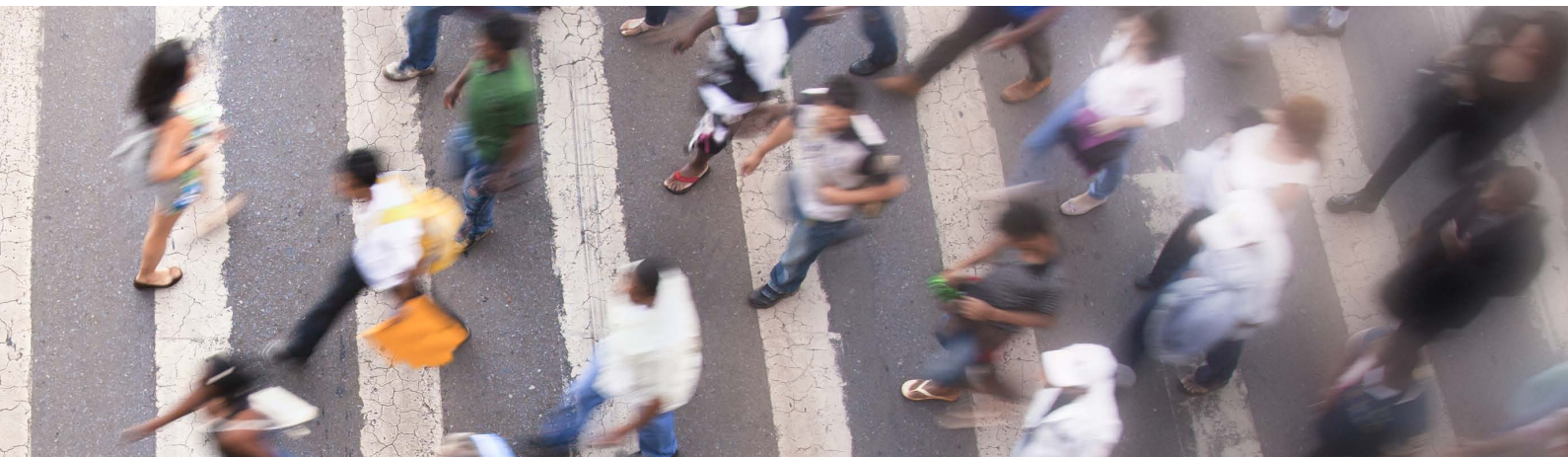
flexibility, more control over their work lives and the ability to work remotely? Or is it simply a case of contingent work being the only option available?

Once organizations determine their strategic intent, and couple that with the understanding of what makes giggers tick, they will need to put the right management constructs, governance structures, workforce engagement models/ value propositions, risk management frameworks and compliance processes in place to support both the business objectives and the workers who will help to execute it. This requires stepping off a traditional employer plus model and rethinking the total approach to work and different types of workers.

Finally, in the context of automation and other aspects of the Fourth Industrial Revolution, how is your organization balancing new opportunities to maximize efficiency, performance and profitability, with social obligations toward workers, whether full-time or contingent, and ensuring you meet the requirements of a dynamic global regulatory environment.

In the pages that follow we explore what motivates both the supply and demand sides of the gig economy and what organizations need to do to harness them based on 215 decision-makers across private and public sector organizations and more than 1,000 contingent workers surveyed.

We hope you enjoy.





What happens when a job for life becomes a job for a day?

The shape of the global workforce is changing dramatically. Just as rapid globalization in the late 20th century caused a dramatic shift in global supply chains, the rise of the gig economy is transforming work as we once knew it. For businesses, technology is creating new and more flexible ways to meet demand. Among workers, the gig economy is creating a new set of expectations and attitudes to work.

The "gig economy" has soared into mainstream business consciousness in recent years, but what does it mean? In many ways, it is the antithesis of "jobs for life," which tended to define the 20th century. The gig economy is supported and accelerated by the rise of technology and customers who expect goods and services to arrive faster and more flexibly than ever before. In an effort to meet these demands, businesses and governments need access to highly skilled professionals for short-term projects to drive innovation and rapid change. At the same time, workers are looking for work opportunities that offer greater flexibility and variety. Technology is the key enabler to facilitate the nature of supply and demand where available talent meets organizational need.

Just as Japanese businesses famously revolutionized supply chains with the concept of just-in-time manufacturing and the dot-com revolution transformed the whole economy with e-commerce, the world of work is changing as businesses seek to rigorously manage costs and improve agility through a more flexible workforce.

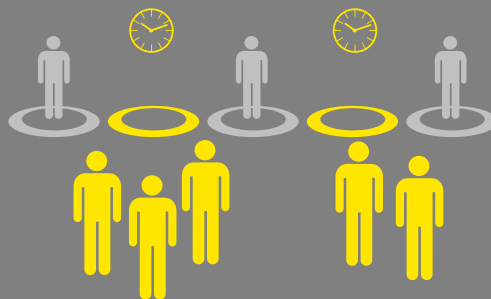
What is the gig economy?



A **gig economy** is an environment in which temporary positions or contingent work is common and organizations contract independent workers for short-term engagements.

What do we mean by contingent workforce?

A contingent workforce is a **provisional group of workers** who work for an organization on a **nonpermanent basis**.



These contingent workers – or **giggers** – are also known as **freelancers, independent professionals, temporary contract workers, independent contractors** or **consultants**. We do not include workers who form part of an outsourcing arrangement with a third party as part of the contingent workforce.

How do we define employer?

We define **employers** as the **end entity in need of talent**. Human resource agencies, recruiters and other third-party intermediaries that may source the talent on behalf of an employer are not represented within this definition.



Organizations of all sizes are turning the gig economy into a global phenomenon

Although on-demand apps like Uber, Lyft, Handy, Task Rabbit and Deliveroo have been the most conspicuous examples of the rise of the gig economy, the gig economy itself has, in fact, been operating for as many as three decades in industries such as oil and gas, engineering, technology and scientific research. The difference we're seeing now is the accelerated, wide-spread adoption of a contingent workforce model across blue-chip and mid-market companies, and governments, which encompasses a much larger proportion of the total workforce.

EY recently conducted a Contingent Workforce Study, which surveyed both major employers and contingent workers in the US on the topic of the contingent workforce. Of the employers we surveyed, one in two reported increasing their use of gig workers over the last five years. This fits with recent research from two Harvard economists, which showed the number of workers engaged in alternative work arrangements rose by 66% in the 10 years to 2015. This compares with just 6% growth in the overall US employment over the same time period.

There are several reasons for this rapid increase in the use of contingent workers, not the least of which is the lasting effects of the 2008-9 global recession. This period created a sharp focus on cost control, which ultimately resulted in a contraction of full-time employment. EY analysis shows that the rate of hiring of full-time employees among S&P 500 organizations since 2009 has slowed sharply versus the pre-recession period. Annual full-time employee headcount growth slowed to 2.7% from 2009-15 versus 3.9% during the five years before the recession.

¹ Katz, Lawrence, Krueger, Alan, *The Rise and Nature of Alternative Work Arrangements in the United States, 1995-2015*, 29 March 2016 (contingent workforce taken to be equivalent to employees in alternative employment arrangements).

² EY Knowledge analysis of Office for National Statistics UK Labour Market data - September 2016 release, 14 September 2016, www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/september2016.



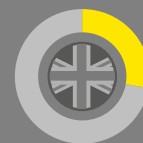
50%

Percentage of organizations that have seen an increase in their use of contingent workers over the last five years.



66%

Percentage by which the contingent workforce has grown in the US in the past 10 years.



28%

Percentage increase of self-employed workers people in the UK in 10 years.

In the absence of full-time work, many workers opted for contingent work first as an interim and now a more permanent solution. Behavioral, regulatory and policy shifts, and changes in expectations meant that both workers and organizations adjusted to and embraced the flexibility that contingent work arrangements provided, while technology served to facilitate a more seamless interaction.

In the EY Contingent Workforce Study survey, US employers reported that their organizations are, on average, made up of 17% of contingent workers. At the same time, 20% of organizations reported that their workforce comprised at least 30% contingent workers in 2016.

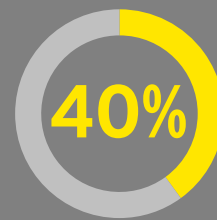
Across the Atlantic, a similar story is emerging. In the UK, the number of self-employed has touched record highs at 4.8 million, growing 28% over the 10 years to 2016, against only 6% growth in UK employees in the same time period. There are similar stories of rapid growth in the self-employed workforce in the Netherlands, Belgium, France and Australia. The rise of the gig economy is increasingly a global phenomenon.

More than a passing fad, the gig economy looks as if it's here to stay

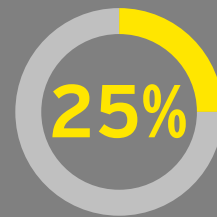
Is this a cyclical trend that comes from the need to trim costs following the global financial crisis? Or a fad that will fade with the rise of automation and artificial intelligence? The evidence suggests no.

According to the EY Contingent Workforce Study, on average, by 2020, almost one in five US workers will be contingent – the equivalent of 31 million people. If part-time workers are included, a wider definition of contingent work used that captures a range of “alternative work arrangements”, as much as 40% to 50% of the workforce could be in non-permanent employment by 2020.

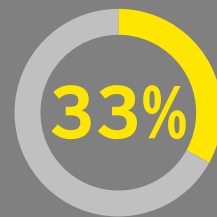
³ “Intuit Forecast: 7.6 Million People in On-Demand Economy by 2020,” *Intuit*, 13 August 2015, investors.intuit.com/press-releases/press-release-details/2015/Intuit-Forecast-76-Million-People-in-On-Demand-Economy-by-2020/default.aspx; Pofeldt, Elaine, “What You’ll Need to Know to Be the Boss in 2020,” *Forbes*, forbes.com/sites/elainepofeldt/2012/04/03/what-youll-need-to-know-to-be-the-boss-in-2020/#603c134b2f34, 3 April, 2012.



of organizations expect to increase their use of contingent workers in the next five years.



of organizations expect to use 30% or more contingent workers.



of employers of 100,000 employees or more expect to be using 30% or more contingent workers by 2020.



Giggers allow organizations to flex their capabilities and control costs

Regardless of how we define it, the gig economy will continue to grow as more organizations expect to make greater use of contingent workers. The natural next question, then, is: why? What's driving the growing use of contingent workers?

Evidence from EY's survey of employers shows that organizations are using contingent workers to flex and bolster their capabilities. Contingent workers help employers control labor costs, and respond to the peaks and troughs in demand that come with seasonal trends. Meanwhile, access to virtual portals and other technology advancements have made it possible for contingent workers to gain access to job opportunities in ways that weren't previously possible.

There is also a more strategic and change management element to drawing on contingent workers: organizations are using contingent workers to overcome resistance to change within legacy workforces. A contingent workforce can help drive and accelerate change. It can also support rapid scale-ups in business models where dramatic growth can occur overnight. Given the extraordinary pace of technology change, contingent workers provide a critical bridge to integrating new products, services, technology and more into operations, without having to expand full-time equivalent headcount.

Why use a gigger?



56%

of organizations are using gig workers to complete projects where the specific expertise is beyond the capability of the existing workforce.



55%

see contingent workers as helping to control labor costs.



42%

are using contingent workers to respond to seasonal workforce requirements.



50%

believe contingent workers can help to overcome resistance to change within the legacy workforce.

The gig economy is good for business. Is it good for giggers?

The gig economy works for employers, but what about the workers? Do they want to be giggers? Or is it an unavoidable consequence of globalization and the downward pressure on costs across the board, particularly in high-cost established markets?

Part of the received wisdom on the gig economy seems to be that contingent workers are only doing so because they are unable to find permanent employment. Evidence from the EY survey of more than 1,000 contingent workers in the US suggests otherwise. More than half of the giggers see contingent working as how they want to progress their career. In fact, a clear majority of contingent workers would not prefer full-time employment. Interestingly, this shows a slight increase from previous Cornell research conducted two decades ago, which found that 40% of temporary workers prefer non-permanent employment status.

According to our survey of contingent workers, two in three contingent workers believe the benefits of contingent working outweigh the downside always or most of the time. This remarkable transformation in the world's labor market appears to be driven by changing worker attitudes as much as it is by changing employer needs.



56%

of giggers agree that contingent working is how they want to progress their career.



52%

would prefer not to be employed full-time.



66%

believe the benefits of contingent working outweigh the downsides always or most of the time.



Gig workers like the flexibility of contingent working

The evidence from the EY survey shows that contingent workers see flexibility and control as the top benefits of doing gig work. They also like the flexibility for holidays, taking time off and the ability to work from home. On the whole, being unable to get a full-time job is not the main reason for doing contingent work. For the clear majority, there is a conscious decision to embrace the gig economy.

Although younger workers may be more likely to be doing contingent work for extrinsic reasons than older gig workers, there is clearly a shift in mindset that spans generations: contingent workers crave flexibility, more control and a greater variety of work.



Giggers see lots of benefits to gigging

80%

appreciate the flexibility.

49%

like the control.

33%

enjoy being able to work from home.

20%

– only one in five – say they gig because they are unable to find a suitable full-time position.

For all the benefits the gig economy provides, there are challenges

Although there are many advantages to being a gigger, the shift is not without challenges. Gig workers tend to feel that permanent workers are treated better, with 58% agreeing with this sentiment. Are businesses including contingent workers in the same ways they would include full-time employees? Should they? We know that one of the reasons employers are embracing the gig economy is because it helps them with cost control. If gigging becomes commoditized, will contingent workers get a raw deal? These are questions both businesses and giggers should be considering.

For gig workers, the lack of benefits is the most significant perceived drawback from contingent working. For some gig workers, such as independent contractors and traditional agency staff, a lack of benefits may be offset by higher direct labor rates. However, based on our survey of contingent workers, it appears not to offset their perception that the lack of paid vacation or personal leave, job certainty, health care benefits and retirement provision, respectively, are all significant drawbacks from contingent working. Almost 70% of contingent workers indicate that they would like to get more options on health care and pensions.

Concern over the lack of benefits is notably more widely experienced than other potential drawbacks, such as the impact of contingent working on financial planning, difficulties building networks at work or limitations on training and development. Yet, despite these challenges, half of contingent workers agreed that, on the whole, contingent workers get a fair deal, with only 15% disagreeing.

But, despite the upside, it's not all roses for giggers

58%

say that permanent workers are treated better than they are.

63%

worry about a lack of paid vacation or sick/personal leave.

48%

fear job uncertainty and the lack of job security.

40%

are uncomfortable with a lack of health care benefits.

20%

worry about the lack of retirement benefits.



In a gig economy that's here to stay, organizations and workers need to adapt

As the gig economy grows, new challenges emerge for organizations. Are contingent workers as motivated as permanent employees? Are they as well-managed? How well are contingent workers performing? The EY survey of major employers suggests that organizations have not yet found an optimal operating model for managing their contingent workforce. This is creating inefficiencies – and potentially serious risks. High-profile cases have emerged in which business leaders are not fully aware of working practices among their contracted workforce. Do employers even know who is ultimately responsible for the contingent workforce? From an accountability perspective, organizations need answers to this critical question and others.

Organizations need to assign responsibility for the contingent workforce

When it comes to managing the contingent workforce, many organizations currently suffer from fragmented governance models, and manual systems and processes. In many cases, organizations are using basic tools to measure contingent workforce performance rather than data analytics.

When contingent workers start and finish their assignments, some employers report using manual processes for managing the onboarding and off-boarding process. Inevitably, this means there are oversights. In fact, evidence from contingent workers themselves suggest that 55% did not go through an onboarding process. This presents a host of potential risks for employers or organizations using contingent workers.

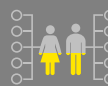
While there are major opportunities to gain efficiencies from the flexibility that embracing the gig economy offers, organizations need to fix the lack of leadership accountability and governance over their contingent workforce.

Who's accountable for contingent workers?



37%

admit to having fragmented governance models for managing their contingent workforce.



More than 30%

use multiple vendor management systems to manage their gig workers.



More than 30%

use manual off-boarding processes with their contingent workforce.



55%

of contingent workers report not having gone through an onboarding process.

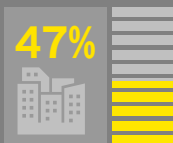
Organizations identify necessary improvements to get the most from their contingent workforce

Streamlining hiring processes for the contingent workforce is a top priority for organizations in relation to managing their gig workers. Other areas where high-priority improvements are needed include talent management, quality of supply, performance management and oversight of costs. Businesses need to get their arms around what the contingent workforce operating model is. In many cases, the basic nuts and bolts of managing a contingent workforce are not working as well as they could be. But what about the wider impact of the contingent workforce on organizations?

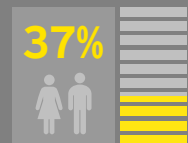
The EY employer survey suggests that there are a number of potential risks. There are challenges relating to the security of information, intellectual property and cybersecurity. Relatively few organizations are fully confident in their ability to insulate themselves robustly. There is also concern relating to the impact of contingent workers on the culture of the existing workforce. And there are question marks over whether using contingent workers hampers the skill development of the existing workforce. Meanwhile, many contingent workers don't receive training from their employer (52%), and performance monitoring can be patchy, with only 1 in 2 receiving performance feedback from their employers.

In addition to organizational risks, there are also a number of potentially serious risks relating to employment law and regulatory compliance. Notably, 44% of organizations expect increased government regulation of the gig economy to be coming. Yet, 30% do not have confidence in their ability to improve their management of this issue.

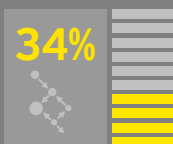
The need for improvement



of organizations rank streamlining their hiring processes as one of their top priorities for improving how they manage the contingent workforce.



of employers think that contingent workers hamper the development of the permanent workforce.



of organizations don't have confidence in their ability to improve talent management of contingent workers.



of organizations see a negative impact of using a contingent workforce on security of information, intellectual property and cybersecurity.



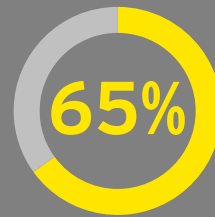
of organizations expect more regulation in relation to the contingent workforce.

Giggers want to feel part of the team

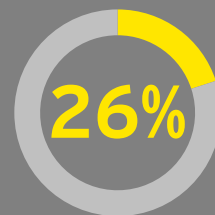
Just as there is concern about the impact of contingent workers on the culture of the existing workforce, organizations need to consider the contingent worker perspective as well. Are they treated as part of the team? Are their incentives as well-aligned with their contracting employer as a permanent employee's would be? Businesses may need to do more to align contingent worker incentives with those of full-time employees.

According to our survey of contingent workers, many say they would work differently if they were a permanent employee (65%), with 20% of those saying they would work longer hours. In general, the contingent workforce is just as engaged with their employers' objectives as permanent employees. Yet, 40% feel as if they are outsiders compared to permanent workers.

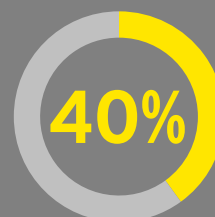
Talent insights



65% of contingent workers would work differently if they were permanent employees; 25% would go the extra mile.



26% of contingent workers are ambivalent or disconnected from their employer's business objectives.



40% of contingent workers feel like outsiders compared to the permanent workers of the organization (46% of men and 56% of the 25-34 year age group are more likely to feel this way).



A rising tide lifts all boats

We live in a world in flux. Technology has made our lives as consumers easier and has also made business operate more efficiently. It was only a matter of time before technology fundamentally altered the nature of work.

The rise of the contingent workforce holds a wealth of opportunities for organizations and workers alike. Organizations want to cut costs and improve their agility to meet constantly changing consumer demands. Contingent workers crave flexibility and control. By working together and collaborating on ways to overcome the potential risks, organizations and giggers alike can ride a rising tide that will lift all boats to economic prosperity and performance.

About the survey

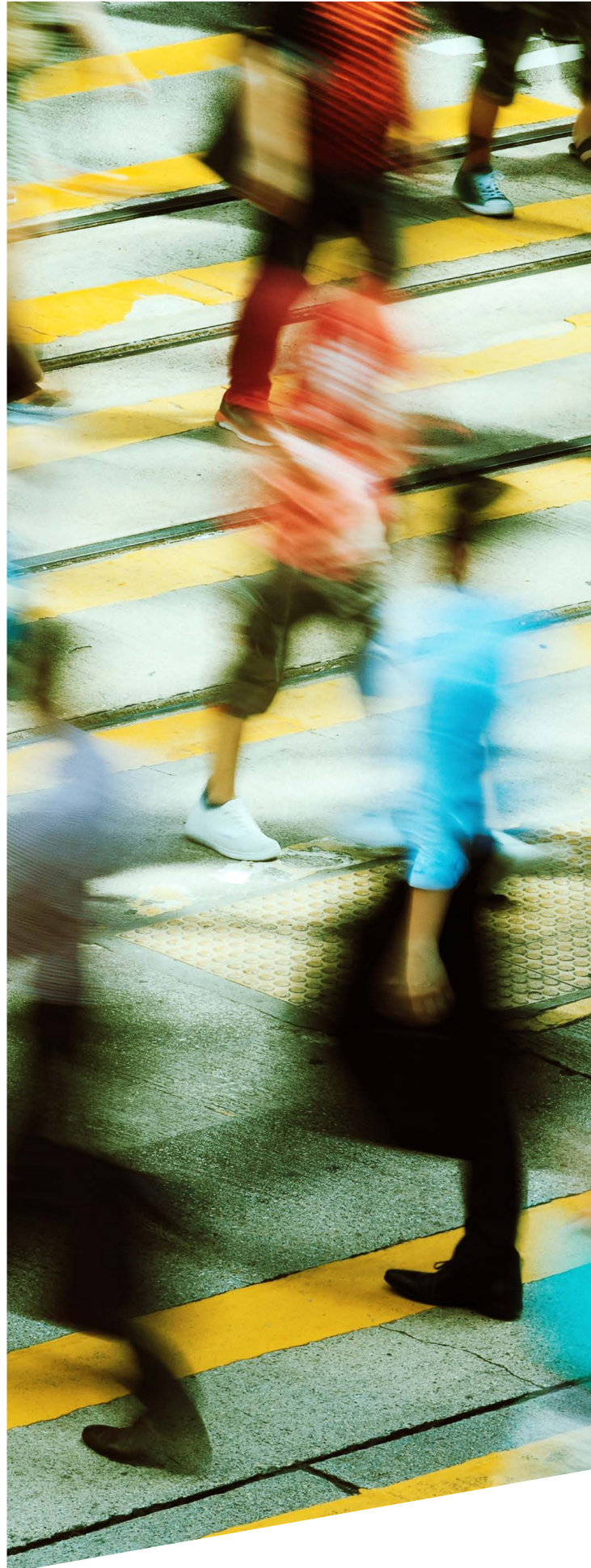
The EY Contingent Workforce Study was developed by subject matter resources within EY's People Advisory Services in collaboration with our in-house research division, EY Sweeney. In developing the survey, we sought to unearth new and valuable insights not available through any other existing research. The EY Contingent Workforce Study involved two surveys:

Employer survey

The employer survey involved senior business decision makers across organizations based in the US. This was an internet survey amongst workers who are in a supervisor role or above in a company with greater than US\$100m in turnover and greater than 1,000 employees. The survey included 202 respondents who were sourced from a panel provider, and 12 respondents were sourced from EY's contact database. The surveys were completed between 20 April and 27 June 2016.

Contingent worker survey

We also conducted a second survey of 1,008 contingent workers based in the US. EY Sweeney conducted the survey online between the 8 and 19 July 2016. All respondents were over the age of 18, currently employed in paid work, and maintained a non-permanent employment status. Respondents represented a wide range of sectors. More than a third (35%) had more than 10 years of experience in their sector, versus 30% who indicated that they were just entering their sector and had two years or less in experience.



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The better the question. The better the answer.
The better the world works.

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