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What does the gig economy mean for HR?

By Cath Everett on 15 Feb 2016 in HR Tech Talk, Freelance workers, Gig economy, Zero hours, HR strategy, Flexible working, Online recruitment, Employment contracts, Temporary employment



Services in the gig economy (l-r): Elance, Zaarly, Guru, Uber, Upwork, Bidorhire, Toptal, Feastly, Outsource, Airbnb, Handy, PeoplePerHour and TaskRabbit

The “gig economy” has firmly entered employment vocabulary, becoming a catch-all term for anything from Uber taxi drivers to freelance professionals. But what does this hyper-flexible way of working mean for HR? Cath Everett reports.

The buzz around the so-called gig economy – the “Uberfication” of work – has been growing louder in recent months, even making it into a speech by US presidential hopeful Hillary Clinton – where she aired concerns over what this growing hiring trend could mean for workers.

But interestingly, the definition of what the “gig economy” actually is varies tremendously depending on who you speak to.

One characterisation is an environment in which people buy and sell services via online service brokering platforms such as TaskRabbit and

Gig economy resources

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Distinction between workers and the self-employed

PeoplePerHour, a tech-enabled marketplace for freelancers.

In the consumer world, perhaps the best illustrations of this phenomenon are apps such as Uber for taxi rides, or the home rental service Airbnb. Customers bid for specific services or types of property at their best price, while the drivers or owners fight for business at the back end.

But the term also stretches to include the idea of “portfolio working”. This phrase describes people who work on a number of different projects for different organisations, sometimes combining such activity with other more formal employment.

Whichever the preferred definition, Alex Swarbrick, senior consultant at leadership institute Roffey Park, points out that this kind of workforce, although still only relatively small at the moment, tends to consist of two tiers with “radically different working conditions”.

“You can characterise the workforce in this model like an hourglass. So the people at the top comprise highly-skilled, sought-after talent that is relatively well paid and expects to work flexibly,” he says.

“Workers at the bottom end of the hourglass, however, are likely to be on temporary, fixed-term, zero-hour contracts and have a number of jobs that could be characterised as insecure, low-paid work.”

Employment on-demand

Gig economy – a system where work is contracted on a freelance short-term basis, often using technology to connect workers and hirers.

Uberfication – the disruptive application of Uber-convenient technologies to more traditional marketplaces, eg Uber taxis, Airbnb hotels, Deliveroo take-aways, Rover dog-sitting.

In other words, at the top of the hourglass, it is and will remain an employee’s market, and at the bottom, an employer’s market.

This scenario plays into equally widespread optimistic and pessimistic world views of future employment trends, depending on which end of the spectrum you choose to focus on.

Early days

It is still only early days for the gig economy, which, according to research by PwC, makes up a mere 2% of the total recruitment market.

But by 2020, it is forecast to be worth nearly \$63 billion globally, and £2 billion in the UK alone.

Its [My life connected](#) report suggests that, while technology is definitely contributing to the trend, it is also being driven by growing numbers of millennial workers keen to take more control over their careers.

And they are not the only ones. There is also mounting interest among older employees, who are moving towards the end of their career and, in many instances, are looking less for more flexible ways of working too.

David Knight, associate partner at KPMG's people and change practice agrees with this trajectory: "The gig economy and portfolio working is still in its infancy and is quite immature as many organisations have yet to see the value of employing people in this way."

"But rolling the clock forward over the next two or three years, I anticipate a groundswell of interest from employers, driven by demand from old and young alike."

Lost in the numbers

Mark Beatson, chief economist at the CIPD, on the other hand, cautions against getting too carried away.

"Most forecasts tend to be over-optimistic in the short-term as change is often much slower to catch on than people expect," he says. "But gig working may also be difficult to pick up in the statistics, especially if people are just doing a few hours here and there, so we may not see it coming for a while."

The types of jobs likely to be affected most are those that are either quite specialised or subject to volatility in demand.

So at the top of the hourglass, this might include IT work such as software testing or web design, or auditing activities in an accountancy context.

At the bottom, it could include cleaning services or hotel roles such as chambermaids or bar staff.

But the big question, of course, is whether or not HR is ready for all of this and/or in a suitable position to handle the multifarious

challenges thrown up as labour models start to shift?

"I don't think HR has focused much on this yet, but people need to." – Gary Browning, Penna

Micropreneur rights: how do we protect workers in the digital age?



Is HR ready?

A separate PwC report, [The future of work](#), implies that most HR departments are failing to get to grips with the issues.

It found that less than one-third of employers are basing their future talent strategies on the rise of the portfolio career, even though a huge 46% of HR professionals expect at least 20% of their workforce to be made up of contractors and temporary workers by 2020.

A 2014 CIPD survey into agile working echoed this, with the majority of HR leaders who responded saying their primary concern with employing non-permanent staff related to quality of work issues.

Furthermore, only about half provided training to casual workers and a mere third offered them performance appraisals. The figures were even worse for agency staff and self-employed people.

And despite worries over such workers' lack of engagement, less than half of employers bothered to include them in internal communications or consider them for recognition awards.

Adding value

As a result, Roffey Park's Swarbrick says: "We're seeing a polarisation of the HR profession – some are persisting in maintaining a commodity management model where workers are seen as resources and HR is there to manage the risk they pose."

"But others see their role as making it easy to fulfill the enterprise's purpose by starting to open up relations with people working at the top, bottom and middle of the hour glass."

Although this move to the gig economy undoubtedly poses numerous organisational challenges, it also provides HR with a "great opportunity to add value to the organisation" – if they can get it right (see box below).

"I'm not sure there are any slick models for dealing with any of this just yet, but as a starting point, it's important for HR to grasp what this kind of agility requires of them and to start turning some of the traditional preconceptions of their role and ideas such as careers, reward recognition and talent and succession management on their heads," Swarbrick says.

Gary Browning, chief executive of HR consultancy Penna, agrees. "I don't think HR has focused much on this yet, but people need to," he says.

"As they start to focus, they'll ask 'what are the implications for policies, procedures, systems and processes?'

"This is important, but even more important is how to change mindsets about the workforce and how you embrace gig workers."

A key issue here relates to the need to shift the organisation's

Gig economy: key challenges for HR

- Managing a talent pool and developing an employee value proposition that works across a blend of permanent and portfolio workers.
- How to integrate contract terms and conditions into a cohesive, seamless whole and offer pertinent benefits and rewards – and become an employer of choice for "gig workers".
- Ensuring that the right technology is in place to automate joining and leaving processes and ensure they are smooth and easy to manage so as not to increase the HR admin burden
- Working out what risk management and governance ground rules should be put in place for portfolio staff working for multiple employers, including rivals.
- Managing quality control and ensuring that contracts do not simply end up going to the cheapest rather than most reliable and/or best bidder.
- Line managers operating beneath the radar without being aware of working time, health and safety and minimum wage legislation.

Source: Alex Swarbrick, Roffey Park

leadership culture from one of command-and-control to one of collaboration, partnership and mentoring.

Another involves moving from a performance-management approach based on formal appraisals to a performance culture based on individuals taking responsibility for their own output.

A further consideration is about re-evaluating matters around career development. This means that, should employees decide to leave the organisation to embrace gig working, taking the attitude of “never darken my door again” simply will not cut it in an increasingly transient employment world. Giving people your blessing and creating an alumni network in order to keep in touch and encourage them to share their new-found skills in future will prove much more fruitful.

As Browning concludes: “There’s a huge opportunity for HR to take on a more strategic role here.”

“Changing systems and the like is relatively easy, but where people can really add value is in taking their organisations through a transformation to change everything from culture and leadership to recruitment and marketing. It’s where HR can really add value and most already have the skills in place to do it.”



About Cath Everett

Cath has been a journalist and editor for more than 20 years, specialising in HR and technology issues.

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