

Rise and grind: The growing gig economy and its impact on the American workforce

June 4 2019, by Tom Gresham



Credit: CC0 Public Domain

The growing contingent of freelancers, independent contractors and the self-employed in the American workforce has consumed the U.S.

business community and media in recent years, even as researchers wrestle with how to draw a clear picture of the nature of the country's teeming network of workers earning income outside the traditional employment structure. Large, multinational companies are built and fueled in some cases largely by these independent workers. Estimates of the size of those participating in the gig economy vary, but a 2018 study by Intuit predicted that 40 percent of American workers would be independent contractors of some kind by 2020.

Susan Coombes, Ph.D., associate professor of management and entrepreneurship in the Virginia Commonwealth University School of Business, has done extensive research on entrepreneurship. She shared her insight on the rise of the gig economy and its impact on working conditions.

Are we seeing a dramatic shift in the nature of the American workforce?

I would say it's a noteworthy shift, but not as dramatic as some might think. While the use of "[gig economy](#)" as a term in [popular culture](#) is somewhat recent, independent contractors, freelancers, and the self-employed have long existed in the marketplace. So, along with some trends in the growth of a market that recognizes the benefits of sharing and flexibility, we're also recognizing its presence more than before.

Also, does this percentage take into consideration to what degree someone is a "gig" [worker](#)? How do we define these "gigs?" Are workers purely independent, or is there some type of contracted (temporary) relationship? For instance, do they sustain themselves with independent contract work; or is it purely for supplementary purposes, when convenient? A recent NPR poll suggests around 40 percent of the population does contract work in addition to their main jobs. This shows

that percentages are context/definition specific; so it's difficult to make absolute conclusions.

Additionally, one important aspect to consider is the impact of the 2008 recession on the job market. It's harder to find [full-time work](#), with desirable salaries, so there are a lot of people—most of whom are millennials—who use gig work for either primary or supplementary financial purposes.

That being said, there is the rise of companies with business models (for example, ride-sharing) that are based predominantly on gig workers, so that is a spot where an interesting and perceptible shift is occurring. Many companies view these folks as independent contractors and freelancers, rather than actual employees, even though there is a direct association between the groups.



Susan Coombes, Ph.D. Credit: Virginia Commonwealth University

What are the biggest benefits for workers from the growing gig economy? Are there benefits for the larger economy and culture?

In many cases, it provides flexibility for these workers to supplement their current incomes/employment, or to pursue careers that might otherwise prove to be elusive.

For companies, both small and large, independent contractors can be a blessing. Some of these ventures cannot afford to hire full-time, long-term employees, but are in need of certain skill sets. Using independent contractors provides them with access to human resources, without requiring long-term resource investments.

For larger companies that utilize the independent job force, it can provide a valuable influx of relevant resources (human and intellectual) at the time they are most needed for various projects and strategies, without the long-term commitment. It helps companies be efficient and effective, to keep their own costs down while saving resources for other investments.

As far as our culture, there have always been those individuals and groups that perceive a need in the market that's not adequately addressed. Whether from an economic or social perspective, you'll find these folks providing solutions. If there's enough of a market that wants those particular solutions, you'll then see a shift (whether small or significant) toward that new/modified offering.

What are the biggest challenges for workers,

especially those who attempt to be full-time freelancers? What kinds of sacrifices must they make to take this path?

Primarily, what comes to mind is a lack of security—a predictable paycheck, desirable benefits, a sense of long-term stability, etc.

There are pros and cons. It's similar to the perceived glory attributed to entrepreneurs who launch (or attempt to launch) their own ventures. There is a sort of romanticism to the idea of being a free agent, to calling your own shots. This can be a rewarding, but also precarious, position for some of these workers. For some, greater autonomy can be quite satisfying. It can provide the opportunity to call the shots—determining your work hours and the pace of work, how you define success for yourself, the identity you create for yourself.

However, what many people don't frequently recognize is that it's a grind and there are major obstacles that will regularly pop up, that there's high risk and potential for failure. Concurrently, there is also the emotional isolation that can occur when you're doing this on your own. You're not securely embedded in an organizational culture, and you know that success or failure rests squarely on your shoulders. For many people, a certain degree of affiliation with an organization provides a sense of emotional grounding and fulfillment. Also, if you're not bound to some sort of organizational contract, it may be more of a challenge to stay on task and remain productive.

Does the growing freelance workforce create problems for traditional workers? Is there a danger of working conditions and compensation suffering because organizations have access to this burgeoning

pool of independent contractors?

In general, the use of [independent contractors](#) is probably not a threat to the greater workforce, but this issue can vary from [company](#) to company. In some organizations—especially those that are underperforming—the use of gig workers can save them money. It might even help some firms justify reducing their full-time, traditional workforce. It could also be a considerable issue in particular market niches (for example, the impact of ride-sharing on the taxi industry in some cities).

The issues of work conditions and compensation are also probably contingent on the specific companies and industries themselves. Overall, companies are going to be pretty consistent in the way they treat (or mistreat) their workers, and those practices aren't going to madly fluctuate based on the category of employment. If a company is known for treating its traditional employees fairly, they'll likely also follow through with this behavior regarding freelancers. On the other hand, there's little reason to think that a company known for unfair or exploitive practices would somehow improve their treatment of workers based on whether they are traditional or not.

Provided by Virginia Commonwealth University

Citation: Rise and grind: The growing gig economy and its impact on the American workforce (2019, June 4) retrieved 23 April 2024 from <https://phys.org/news/2019-06-gig-economy-impact-american-workforce.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.