

GIGONOMICS GOES MAINSTREAM

Fact or Fiction?

by  **peopleperhour**

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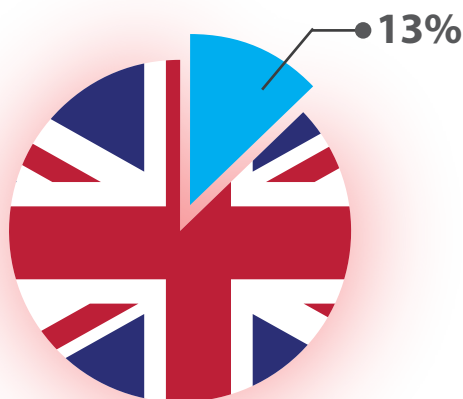
“Labour markets around the world have not kept pace with rapid shifts in the global economy, and their inefficiencies take a heavy toll. Millions of people cannot find work, yet sectors from technology to health care cannot find people to fill open positions. Many who do work feel overqualified or underutilised.”

McKinsey Global Institute

The Gig Economy is going mainstream, with numerous well-known companies sending this subject to the forefront of the media – Uber being the most discussed. But, in the wider economy, there is a rapidly growing number of people choosing to work in a less traditional environment and take advantage of the rapidly growing sector. Millennials are the driving force behind this move and, as they continue to strive for better work-life balance, there is an increasing realisation that this way of working is not only becoming mainstream but threatening to completely disrupt the way businesses and the workforce interact. Furthermore, beyond the way people work, the way people buy is rapidly shifting towards the gig and sharing economy. But how long will it be before a complete shift away from buying?



According to research on the rise of the gig economy from the **Recruitment & Employment Confederation** in the UK, 25% of employers are aware of digital work platforms, while 31% of those have used them within the past year.



Surprisingly only 13% of British people believe they will be working in traditional 9-to-5 employment by 2025.

REC's YouGov survey of 614 business decision-makers reveal that 6% of British businesses are using digital work platforms to recruit both permanent staff and temporary contract workers.





The REC's CEO,
Kevin Green
comments

“This is good news for employers who will welcome tools which help them access the global talent market,” he said. “The UK is close to full employment and businesses across the economy need to react to skills shortages.”

Meanwhile researchers at the University of Oxford have launched the Online Labour Index⁴, which gathers data on the online **gig economy** from sites and apps across the world.



The Index reveals that during this period the **number of vacancies** grew by 9%, representing an annual growth rate of 25%.



The growth was fastest among UK employers, who **increased the amount of labour bought online** over the period by nearly 14%, with a 7.5% rise elsewhere in Europe and 6% in the US.

For the ‘Gigster’

We have all heard the stories about the exploitation of the workforce via the gig economy, but ‘gigsters’ are increasingly choosing this lifestyle. It is just not the case that all gig economy workers are being forced into low paid, zero hours etc. Many are choosing this way of life to carve out new opportunities to have a flexible work-life balance and work where and when they want. There are downsides – no holiday or sick pay, reduced job security, no guaranteed hours and, moving forward, there will be some serious discussions to be had surrounding tax, sickness benefits and other factors affecting this workforce. But there are also some serious upsides to working in such a flexible framework.

Millennials’ demand for flexibility in terms of location, schedule and flexibility is met. Job insecurity may exist, but there is no cap on income and working hours – how much is earned is in the hands of the gigster and the eight hour day is no longer the accepted norm, with the freedom to work not only short hours but longer hours, if desired. These gig workers have to be more entrepreneurial in nature – figuring out how to make it work for them, not for their employers, with less focus on climbing the career ladder than was seen in previous generations.

This change means there are serious implications for the larger economy: the fundamentals of assets are changing, making material ownerships less important and finance may be harder to obtain for those operating in a less formal economy. Increasingly these changes are requiring disruptive solutions – P2P lending, (both finance and physical belongings), micro-lending, and beyond – all which will be discussed in Part Two of this series.

Of course some will choose to stay within the more traditional workforce and be formally employed by a company, but opportunities still exist for them to benefit from the gig economy. Whether it be supplementing their income when required, through freelancing, offering their services in the sharing economy, or utilising the services of others operating in this ecosystem to get things done, the monetisation of spare time is of benefit to individuals and the economy as a whole.

For the consumer

McKinsey predict that companies utilising online talent platforms have the potential to increase output by 9%, whilst reducing HR costs by 7%. As mentioned above, only 13% of British people believe they will be working in traditional 9-to-5 employment by 2025, which creates a massive opportunity for businesses to use this increasingly flexible workforce to make themselves not only more cost effective but more adaptable and agile. Online talent platforms create transparency around the demand for skills and give companies the opportunity to identify the most effective talent for their needs.

According to McKinsey, “37% per cent of global respondents to a recent survey of jobseekers conducted by LinkedIn said their current job does not fully utilise their skills or provide enough challenge. Without real engagement, boredom and frustration set in and productivity suffers.”

Creating a system of increased opportunity and transparency allows both employee and employer make the best use of the available opportunities and talent. Increased agility for business comes from increased speed, convenience, price and productivity. Businesses have the ability to stack outflows vertically during times of increased work pressure

The 8-hour day,
as far as work output goes, is a thing of the past.



For the Global Economy

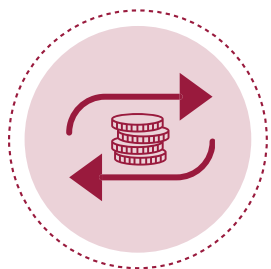


The same McKinsey report states that by 2025, even with conservative assumptions, online talent platforms could increase global GDP by \$2.7 trillion annually - an impact that is equivalent to the entire GDP of the United Kingdom. This would represent an increase of 2% over current projections for world GDP in that year.

All of the above would create a more effective talent pool and less wasteful global economy. Business will be more agile and adaptable to economic and competitive forces while the workforce will have the ability to utilise the global talent pool without the traditional restrictions of geography, time difference, communication and technology. There would be less downtime for both employers and employees, fewer skills shortages and a more adaptable workforce.

Where Next?

There is no doubt that the gig economy is changing the world we work in, creating more flexibility and less waste, there is also no doubt that this way of working is here to stay and rapidly growing, such that soon it will impact every part of the economy. As recently as November 2016, the UK's Prime Minister Theresa May announced a review of workers right in the gig economy, "keeping pace with the changing world of work," with Downing Street sources saying that the review was aimed at helping the self-employed, freelancers, part-timers and those juggling multiple jobs. May commented, "Flexibility and innovation are a vital part of what makes our economy strong, but it is essential that these virtues are combined with the right support and protections for workers."



The gig and sharing economy will impact all areas of life, from how we buy and spend our money to how we borrow money and own assets. It is not simply a matter of how we are employed.

At some time in the not-too-distant future there will be a tipping point whereby the gig economy becomes the norm. At that point there will be a paradigm shift in how the economy operates. This disruption will impact all aspects of life and government and Part Two of the series aims to discuss how, when and why these shifts will occur.

1. "Labor markets around the world have not kept pace with rapid shifts in the global economy, and their inefficiencies take a heavy toll. Millions of people cannot find work, yet sectors from technology to health care cannot find people to fill open positions. Many who do work feel overqualified or underutilized."

2. <https://www.kinetic-plc.co.uk/media/GIG-Economy-Report-REC-2016.pdf>

3. <https://www.rec.uk.com/news-and-policy/press-releases/harness-gig-economy-to-remedy-skill-shortages-and-eu-uncertainty-rec>

4. <http://ilabour.oii.ox.ac.uk/online-labour-index/>

5. http://www.mckinsey.com/~/media/McKinsey/Global%20Themes/Employment%20and%20Growth/Connecting%20talent%20with%20opportunity%20in%20the%20digital%20age/MGI%20Online%20talent_A_Labor_Market_That_Works_Executive_%20summary_June%202015.ashx

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As the leading marketplace for freelance talent, PeoplePerHour hold a powerful insight into the self-employed segment of the labour market and have created and collaborated on numerous research projects on SMEs, freelancing and the gig economy, which can be found at via the Research page on their website.



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