

Understanding the

GIG

economy

introduction



Understanding The Gig Economy

The gig economy is changing the world of work unlike anything we've seen in the last twenty years. It's disrupting industries, empowering customers and hitting the headlines for both good and bad reasons.

This guide looks at what the gig economy is, explores some of the benefits (and the negatives), looks at how it can fit into a wider talent strategy and what part it plays in the future of work.

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Download the full guide at:

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What is the ⁺ gig economy?



What is the gig economy?

An economy is where sellers and buyers come together to do business. Goods and services are provided in exchange for payment, and there is a balance of supply and demand.

The gig economy is exactly the same, the only difference is that, it's skills and time being traded, with 'hirers' paying 'workers' to deliver very specific projects or outcomes.

The growth of the gig economy

The BBC [reports](#) London's gig economy has grown 72% since 2010, whilst PWC [believes](#) 30% of the UK's workforce will be working in the gig economy by 2020. It's no longer an HR edge-case that can be ignored.

Growth fuelled by marketplaces and platforms

Technology is fuelling the growth of the gig economy. Platforms and freelance marketplaces allow you to find an available freelancer or gig worker for whatever you need quickly and easily. As demand increases, with [more freelance projects](#) being submitted, so too does supply, in true economic fashion. In other words, the increased availability of projects makes freelancing and gig working a viable source of income for more and more people.

Creating a race to the bottom

Economics tells us an excess of supply drives down prices in a competitive market. This creates an issue in the gig economy as, unlike

other markets, employment has legislation that governs how low a price can go - the national minimum/living wage.

In the gig economy, where workers compete for projects on price, there is the potential to push wages below the minimum wage. This 'race to the bottom' is further exacerbated where the gig economy crosses international borders. For example, it is very difficult for a freelancer living in a high-cost country like the UK to compete on price with a freelancer who performs the same services but lives in a country with a much lower cost of living.

The potential cost savings presented by the global gig economy can be attractive to HR teams as budgets go further.

However, it is important to consider whether the project you are resourcing suits a global audience. For example, the [global gig economy may not be suited](#) to projects where local market knowledge or qualifications/certifications are important.

Dodging tax

The government's Business, Energy and Industrial Strategy Committee has an

inquiry running to look at the future of work and workers rights, which aims to ensure businesses are not avoiding their responsibilities when employing staff. This inquiry is in response to a fall in tax revenues correlating with an increase in the number of self-employed people in the UK. There are concerns that employees and employers are [misusing self-employment](#) to avoid paying tax and National Insurance contributions.

The gig worker breaks some traditional HR norms

The gig worker is a radical departure from the traditional employee. Whereas there is a defined, structured process for hiring a permanent member of staff, online marketplaces enable any business unit to engage a freelance worker directly - with HR potentially being disconnected from the process.

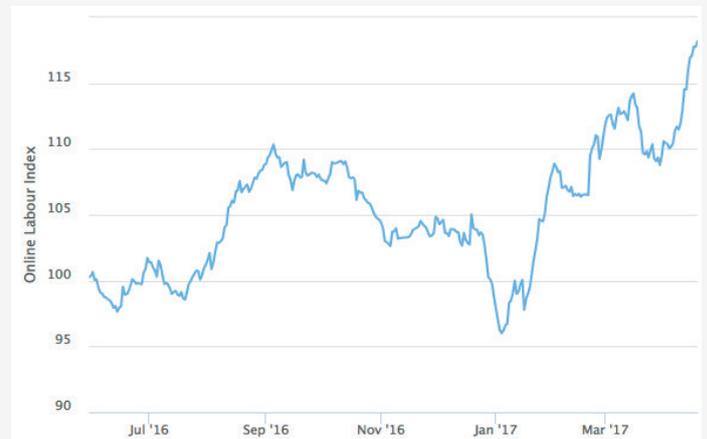
Bypassing HR creates the potential for the freelancer to slip through onboarding and compliance processes - presenting risks to security, IR35, intellectual property and cost control.

This lack of visibility is a key concern for HR teams. They may find they can't report accurately on the use of freelancers in their organisation because so many are bypassing HR processes and being hired directly by line managers and sometimes even junior employees.

The gig economy

by the numbers

The number of open positions continues to grow



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

More and more people are choosing to freelance

1.9m
Freelancers in the UK

source: IPSE

By 2020

30%
of the UK workforce
will be freelancing

source: PWC

Removing confusion and misconceptions



Removing confusion and misconceptions

The gig economy's size and variety is creating wide-spread confusion. [Contractors rights](#) and [employees on zero hours](#) contracts are mistakenly being identified as relating to the gig economy as the media and businesses in the UK come to terms with this new concept.

The first step to understanding the gig economy, and the freelance workers therein, is to remove some of these misconceptions.

All gig workers are not created equal

The gig economy is not one big amorphous mass of people.

A contracted bicycle courier is not the same as a freelance Java developer being paid to deliver against a statement of work.

Gig workers are typically self-employed and offer their skills under a contract for services to multiple clients. A gig worker will not be employed by their hirer and will not have employee status or an employment contract.

Most gig workers are so by choice

EY's [report](#) on the gig economy shows, for

most gig workers, working in the gig economy is a choice. IPSE, the professional body representing freelancers in the UK, estimate there to be 1.9 million freelancers in the UK. IPSE's latest Freelance Confidence Index report shows there are continued healthy levels of demand for professional freelancers, with the average day rate in Dec 2016 being £419.

The growing demand and competitive day rates mean there will be competition for genuine gig workers/freelancers in many disciplines, and especially those with IT, engineering and creative skills.

As an HR professional it is important to understand the type of worker your organisation engages so you may develop an attractive value proposition that addresses, not only permanent positions, but freelancers too.

Gig working is driven by social change empowered by technology

Technology is empowering social change. Our on-demand culture is changing how people want to earn a living. The freedom of being able to choose how, where and for whom you work is a huge benefit for the gig worker.

Understanding this trend helps the HR professional recruit, manage and develop a gig worker. For example, by introducing flexible working policies and investing in technology that supports remote working.

Employees with zero hours contracts are not gig workers

The difference between an employee with a zero hours contract and an independent, self-employed, freelancer is clear for an experienced HR professional, however, there remains confusion in the market.

Freelancers and gig workers are typically self-employed, working to a contract and do not have 'employee' status or any of the relevant employment benefits, such as holiday or sickness pay.

An employee with a [zero hours contract](#), is simply an employee whose contract does not guarantee regular or set hours. They are still entitled to the benefits and protection afforded to them as an employee.

Knowing the difference between an employee and a freelancer is obviously very important as there are implications around [IR35](#), which determines how much tax and National Insurance the business and worker should pay.

HR teams play a crucial role in creating awareness and helping the wider business understand the differences between freelancers and employees.

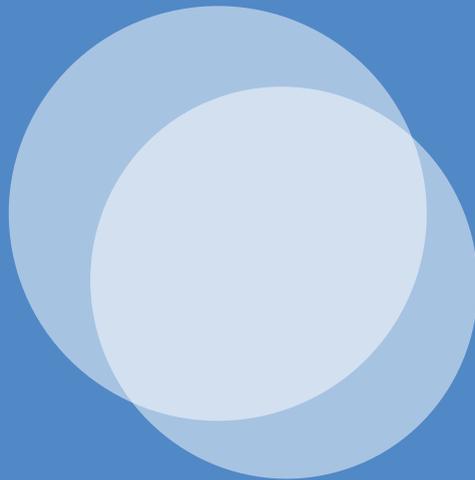
Freelancer

Zero-Hours Worker

Freelancer	Zero-Hours Worker
Has freedom over where and how they carry out work.	Employee will be controlled by the employer.
Has the right of substitution.	Must present themselves and cannot send someone else as a substitute
Is not entitled to employee benefits like holiday pay.	Is entitled to employee benefits and has statutory rights.



Including freelancers and gig workers in an integrated talent strategy



Download the full guide to read more

Thanks for reading the first two chapters of this guide into the gig economy.

You can get more information, advice and recommendations in the full guide.

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