



The Gig Economy: An Overview and Set of Recommendations for Practice

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Abstract

In this white paper, the author presents an overview of the gig economy beginning with a definition and discussion of its key characteristics. Although more questions have been asked than answered in the gig economy literature, five of the most pressing questions about the gig economy are addressed in this white paper. The author provides recommendations for gig workers and clients to support gig workers' productivity.

Introduction and Background

The “gig economy” is defined as “a work context comprised primarily of short-term independent freelance workers . . . who contract with organizations or sell directly to the market” (Ashford, Caza, & Reid, In Press, p. 2). In addition to selling a product or offering a service to individuals or an organization, gig workers may also offer assets (e.g., Airbnb). In general, there are three ways to conceptualize gig work (Ashford, Caza, & Reid, 2018; Manyika et al., 2016; Spreitzer, Cameron, & Garrett, 2017).

1. *As a work arrangement:* Gigs tend to be short-term, project-based, and physically separated from the contracting client or organization. There is flexibility in the employment relationship and where the work is done. This work is also arranged such that gig workers can sell or rent directly to an individual or organization.
2. *As a legal classification:* Whereas employees receive W-2s, gig workers typically receive MISC-1099s where no taxes are withheld. This creates an additional administrative task for gig workers—setting aside a percentage of each paycheck to cover what they owe in taxes. Additionally, gig workers usually do not receive benefits (e.g., healthcare, retirement) from their clients.
3. *By the nature of the work:* Although gig work is highly autonomous, providing power to gig workers regarding scheduling, the career path is uncertain and leads to potential financial instability and job insecurity.

This type of work, however, is not necessarily new. In fact, even before jazz musicians co-opted the term “gig” in reference to playing after hours, the pre-industrial labor market looked more like the current gig economy more than some may realize (Hook, 2015; Paul, 2017). As noted by Manyika et al. (2016), “The Industrial Revolution moved much of the workforce from self-employment to structured payroll jobs. Now the digital revolution may be creating a shift in the opposite direction” (p. 19). This highlights a key differentiating factor between pre-Industrial Revolution work and the modern gig economy—the Internet.

We can attribute the seemingly sudden eruption of the gig economy mostly to online marketplaces where organizations of all sizes, as well as individuals, can post short-term, project-based work and workers can either, depending on the site and the level of skill required, immediately take the project ([TaskRabbit](#)) or independently bid on it ([Upwork](#)).

Who Are the Key Players of the Gig Economy?

There are three key players of the gig economy: (a) the gig workers, (b) the clients or employers, and (c) third-party intermediaries. Clients can be individuals who hire a freelancer to create a personal webpage or take a 4-minute Uber ride. Clients can also be organizations that hire gig workers. However, when we discuss organizations hiring short-term labor, we generally do not consider these workers as “gig workers.” Instead, we use terms such as contingent workers, contractors, or consultants. This presents an important point about these types of workers and the terms we use to describe them. Although some are content with the term “gig worker,” it is unlikely that those who have established themselves as long-time independent contractors or consultants believe the term “gig worker” sufficiently represents the value of their labor.

Finally, whereas a defining characteristic of the gig economy is selling a product or service directly to the client, third-party intermediaries continue to play a role between gig worker and client. For example, intermediaries may be temporary staffing agencies that actively connect gig workers and organizations. Intermediaries may also be digital platforms such as Upwork or Toptal (also called online marketplaces) that provide a virtual space where gig workers can find work and clients can access on-demand labor (Manyika et al., 2016; Rockmann & Ballinger, 2017).

Two important questions still need to be answered in this area. First, are individuals employed through temporary staffing agencies considered gig workers? Organizations hiring workers through such agencies are clients of the agency and not of the gig worker her or himself. Further, temporary workers generally do not enjoy flexibility in where they complete their work as they often work within the organization’s physical location. Second, whether all self-employed persons are considered gig workers remains to be seen. An important factor that appears to differentiate between gig workers and non-gig workers is whether they employ others. That is, self-employed individuals who employ others would *not* be considered gig workers, according to some researchers (Manyika et al., 2016).

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Is the Gig Economy Expanding or Shrinking?

The exact number of individuals engaged in gig work is difficult to ascertain. The United States Bureau of Labor Statistics (BLS; 2018) reported that in May 2017, 5.9 million people were considered contingent workers. However, they also measured other types of what they call “workers who have various alternative work arrangements” such as 10.6 million independent contractors, 2.6 million on-call workers, 1.4 million temporary help agency workers, and 933,000 workers from contract firms. This amounts to 19.1 million if we exclude temporary agency workers and contract firms (as they are firms and not individuals).

Meanwhile, an annual survey of freelancers—or gig workers—from a collaboration between the Freelancers Union and Upwork reports there were 54 million freelancers in 2015 and 56.7 million gig workers in 2018 (Freelancing in America, 2015, 2018). This wide variation in estimates can be attributed to multiple factors, though measurement appears the most telling. For example, the BLS considers an individual to be a gig worker if it is the person’s only or main job. This is problematic because the very nature of gig work lends itself to multiple jobholding. Individuals who work a full-time waged job and also engage in gig work on the side would not be considered in the BLS estimate. As such, the BLS estimate may be an underestimation.

Similarly, this survey asked individuals if they “have engaged in supplemental, temporary, project- or contract-based work, within the past 12 months,” which might mean someone could have participated in one short-term project in the span of a year and still be counted. Therefore, 56.7 million may be an overestimation. Finally, when data are collected also plays a role in this population estimate. For example, the BLS estimate covered only one month (May 2017), which could have over- or underestimated the prevalence of gig work due to the seasonal ebbs and flows of various industries. Despite the conflicting estimates of workers engaged in the gig economy, this type of work remains relevant to workers and organizations alike.

Why Do Individuals Work in the Gig Economy?

One framework through which we can understand why workers choose to work in the gig economy is choice or necessity (Manyika et al., 2016). Individuals who do so by choice tend to experience better outcomes from

gig work (e.g., greater meaning and satisfaction). However, individuals who participate in the gig economy due to economic necessity may not reap the same non-pecuniary benefits. Several sources report that these gig workers would prefer a full-time job to gig work, but have not been able to obtain one (U.S. Bureau of Labor Statistics, 2018; Manyika et al., 2016). This can create more stressful and less meaningful experiences for gig workers, which can reduce their productivity.

As noted, at times, individuals engage in gig work that is supplemental to waged work. Such multiplicity introduces additional complexities. However, research suggests that participating in a side gig is generally due to three reasons: (a) money, (b) career development (e.g., gaining additional skills, expanding one’s network), and (c) psychological fulfillment (e.g., enjoying the content of the work itself such as creating jewelry and selling it; Champion, Caza, Moss, & Tesluk, n.d.).

What Are the Advantages and Disadvantages of Gig Work?

In the foreseeable future, we will likely continue to witness an increasing number of workers who either opt in or are pushed into gig work. As organizational scientists, it is important we understand how to help gig workers maximize their productivity, and we can do so by identifying the advantages and disadvantages of gig work (see Table 1). Simultaneously, it is our job to aid gig workers in increasing their productivity and success, and so we must also be proficient in understanding both the advantages and disadvantages of gig work for clients.

Table 1

Advantages and Disadvantages of the Gig Economy for Workers and Those Who Hire Gig Workers

Advantages for gig workers	Disadvantages for gig workers
<ul style="list-style-type: none"> • Flexibility • Autonomy • Skill development • Control over work 	<ul style="list-style-type: none"> • Income & job insecurity • Requires financial planning knowledge and organizational skills • Billable hours-family tradeoff • Little protection • Time-consuming administrative tasks • Training & development up to worker
Advantages for clients and organizations	Disadvantages for clients and organizations
<ul style="list-style-type: none"> • Expertise • Lower cost than an employee (no onboarding, training, or benefits) • More competitive talent pool • Allows for organizations to scale up and down quickly and product demand increases or decreases 	<ul style="list-style-type: none"> • Worker classification • Incomplete projects; unfulfilled expectations

Advantages and disadvantages for gig workers. Researchers in academia and industry have found several advantages to gig work. Some gig workers report satisfaction with their work lifestyle regarding pay, skill use and development, flexibility, autonomy, and work–life balance (Manyika et al., 2016; “The Gig Economy,” 2018). Theoretically, these outcomes are even more likely among those who engage in gig work as a paid hobby they enjoy such as yoga instructors or artists. Moreover, gigs done as a side job have the benefit of extra income.

One might also think that the transactional nature of the relationship between gig worker and client would not encourage much loyalty. However, there is evidence that gig workers can, in fact, identify with the client (Rockmann & Ballinger, 2017). This connection can yield better performance and greater responsiveness to client needs and future contract work.

On the other hand, gig work can be quite demanding (Fuller, 2017). In particular, gig workers—at least those who do it as their primary occupation—may suffer from income and job insecurity due to the fluctuation in the availability of gigs. As a result, being successful in the gig economy requires substantial financial planning and or-

ganizational skills as gig workers manage multiple clients at a time. Finally, although the flexibility and autonomy of gig work can be an important asset for parents, it is a double-edged sword due to pressure to earn. Unlike salaried work, hours spent not working are hours spent not earning money and missing out on additional income.

A final disadvantage for gig workers is the generally unregulated nature of this type of work. For example, some have noted that the deregulation of work has important consequences for how gig workers can protect themselves from clients who do not pay for their labor (see NYC Consumer Affairs, 2016), how they can access health-care and retirement benefits (Donovan, Bradley, & Shimabukuru, 2016; Stewart & Stanford, 2017), and where they can seek assistance on filing potentially more complex taxes (IRS, 2019). Gig workers also face administrative tasks that organizations traditionally have departments or at least an individual to manage such as identifying projects, billing clients, and maintaining schedules. Further, without being tethered to an organization that would likely manage training, gig workers are left to their own devices (and finances) for career development.

Advantages and disadvantages for clients/organizations. Researchers suggest that more and more organizations are leveraging the independent workforce (McFeely, 2018) as organizations hire gig workers due to their specific expertise. Without the time and financial cost of hiring an employee, organizations can contract gig workers for short-term projects, which allows organizations to scale up and down quickly and as needed. Moreover, organizations can do so without costs associated with onboarding, training, and benefits.

As noted, many of these workers would prefer a full-time job (US Bureau of Labor Statistics, 2018). Therefore, gig workers present an additional and perhaps more competitive and high-quality talent pool for organizations. Not only are the workers familiar with the organization and have developed relationships with employees, they potentially already have organization-specific human capital (compared to traditional external hires; Bidwell, 2011), which may result in less onboarding and training.

A disadvantage for organizations largely depends on whether the gig workers work on the organization’s premise for the duration of the project. Due to legal differences between employees and gig workers as well as the different obligations to employees and gig workers (e.g., healthcare and other benefits), organizations must be thoughtful and organized in the classification of their workers. A prime example of why classification matters was the Supreme Court decision in 1998 regarding Microsoft’s classification of contractors (Sharf, 1998). Put simply, the contractors—some who were considered temporary, but had worked for Microsoft for up to a decade—argued that they should have been classified as full-time employees and were denied benefits (Schafer & Joyce, 2000). This resulted in a nearly \$100 million settlement. More recently, the U.S. Department of Labor (DOL; 2019) released [an opinion paper](#) regarding this issue. In sum, DOL notes that gig workers who use mobile-app systems to obtain work or virtual marketplaces are not employees and are therefore not covered under the Fair Labor Standards Act (FLSA).

A similar disadvantage for clients is concern about project completion. Although there is evidence that gig workers can be loyal to the client organizations, it is also possible that gig workers may not complete tasks or may not complete tasks in the way in which an organization expects. Miscommunication or unclear expectations of deliverables can be costly as gig workers redo projects and potentially bill beyond the budget.

Reflecting on these advantages and disadvantages for gig workers and clients affords one key observation: There are more disadvantages of gig work for gig workers than clients (Rockmann & Ballinger, 2017). This is likely due



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to two factors. First, the customer service orientation of many jobs within the gig economy (e.g., Uber and Lyft) forces workers to rely on customer ratings for success. Second, the generally unregulated nature of gig work (see above) offers little leverage to a potentially vulnerable population of workers (Stewart & Stanford, 2017).

There are more disadvantages of gig work for gig workers than clients



What Are the Social Implications of This Type of Work?

A final, but important, consideration when discussing, using, or researching the gig economy is its social implications. Much like dual labor market theory suggests wherein there are high-skilled “good” jobs and lower skilled “bad” jobs (Reich, Gordon, & Edwards, 1973), there appear to be two gig economies: 1) gig work as an opportunity for advancement and allows workers to take ownership of their own work and career, and 2) gig work as precarious work that makes workers more vulnerable (“The Gig Economy,” 2018; Spreitzer et al., 2017). This may mean that although gig work presents a “pick-yourself-up-by-your-bootstraps” opportunity to earn money, lower skilled individuals in the gig economy find social mobility a continuous challenge.

A Final, Unanswered Question

There is one important question researchers are currently unable to answer and that is regarding the effectiveness of gig workers. Meaning, will contracting gig workers yield a higher return on investment (ROI) than hiring a traditional worker? This is difficult to answer for two reasons. First, there are many variables at play at all levels (e.g., national economy, industry, organizational needs, etc.). Second, it is unlikely that organizations would release this type of information to the public to allow researchers to answer this question, at least for now. This said, in 2010, *The New York Times* [quoted then Ohio Attorney General Richard Cordray](#) as saying that classifying a worker as an employee costs organizations between 20 and 30% more per worker than classifying workers as contract, or gig, workers (Greenhouse, 2010). However, whether this saving is present both immediately and long-term for organizations, as well as the generalizability of this estimate across industries, regions, and years remains unclear.

Recommendations for Practice

Given the players of the gig economy, it appears I-O psychologists are in an important position to be able to influence (a) how gig workers manage their work and (b) how clients contract and manage gig workers. Given the current literature, here are a few recommendations for both gig workers and clients (Ashford et al., 2018; Campion & Tesluk, 2018):

How workers can thrive in the gig economy:

- Be adaptive and agile
- Be proactive about your career path
- Create task management systems and routines to encourage productivity and allow detachment from work
- Create support systems
- Consider how you use space for productivity (e.g., working from home, co-working)

How clients and organizations can get what they need from gig workers:

- Set clear expectations of deliverables
- Don’t scope creep (adding tasks not listed in the contract after contracts are signed; going beyond the scope of the agreement without proper compensation)
- Invest in and engage gig workers
- Create a broad network of gig workers
- Equip managers with technology to ease projects with gig workers.

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