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Myths of the Gig Economy, Corrected

by David Jolley

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Every day there are news stories about the so-called gig economy where workers contribute part or full-time labor – not as employees with benefits, but as independent contractors. Dara Khosrowshahi, the CEO of Uber, the ride-sharing giant, proudly declared on September 10 that "very few brands become verbs". The same week Upwork, a platform for hiring freelancers, filed for an IPO, as did Fiverr, which boasts that it offers a "freelance services marketplace for the lean entrepreneur." Indeed, the gig economy has not only turned millions of

Americans into contractors, but it's given the more successful entrepreneurs the tools to grow even faster. A fast-moving startup can secure talent as it needs it, outsource more quotidian tasks like payroll, and stay lean and mean; indeed, I see entrepreneurs employ this approach through my work at EY supporting creative, successful startups.

But there are lots of myths about gig work, whether full-time or part time. It's growing, but not as much as you think, and in ways that may be very different than you imagine. It might even be better for older executives than recent grads. Here are a few myths worth dispelling.

Myth No. 1: Millennials love to gig. There is a common perception that somehow the millennial generation just loves part-time, gig employment. But a recent study by EY found a more complicated picture: Sixty percent of millennials — those born between 1981 and 1996 — were not involved in the gig economy at all, and only 24% report earning money from the gig economy. In fact, the percentage of millennials with full-time careers is rising at a brisk clip from 45% in 2016 to 66% in 2018, according to the data we collected. That reflects a growing economy that's offering more full-time employment, but it also shows a generation that may want the same thing as their parents: Steady jobs with a clear advancement track and benefits such as health insurance and paid time off.

Myth No. 2: We're all going to be giggers. The size of the gig economy and how fast it's growing also seem to be over-imagined at times. The measurements can vary a lot and so can the predictions for how much it's likely to expand. Back in 2013, a much-touted survey suggested that by 2020 — just over a year from now — a whopping 40% of the workforce would be so-called contingent workers, a number that would include contractors, temps and the self-employed. But here are the facts: the best estimates according to the Gig Economy Data Hub, a joint project of Cornell University's Institute of Labor Relations and the Aspen Institute, put the percentage at around 30%. That's a lot and it's growing. But don't think the world as you know it is completely disappearing. Only about 10% of workers rely on gig arrangements for their full-time jobs. And on-demand services where you get your next gig from an app like Lyft or Task Rabbit represent an even smaller percentage of gig workers. In fact … less than 1% of workers have used online platforms to arrange work in the past month. Most workers are still grabbing extra hours the old-fashioned way — tending bar or temp work on the side — not by being digitally summoned.

Myth No. 3: Gig is better. In our 2018 EY Growth Barometer, an annual global survey of middle market company leaders, we found some movement *away* from part-time and gig hiring. Most companies are still committed to full-time hires for all of the advantages that bestows — loyalty, retained knowledge, institutional memory, stealing top talent from the competition. In many cases, you have jobs in which the worker is integral to a team or needs to be supervised. That's why so many of the entrepreneurs I know use the gig economy where they can, but they also have a deep and abiding interest in hiring great, full-time talent. A gig-based businesses can't transmit "a culture" in a traditional sense. "You have individuals doing things you have no supervision of, other than the work itself," said D. Quinn Mills, a professor of business administration at Harvard Business School, in an interview. Mills noted that while the gig economy can benefit companies and is likely to expand, it's not for every business.

Myth No. 4: Gig work is unfulfilling. There's a perception that gig jobs are dead-end jobs. Not true. Consider Jody Greenstone Miller who has had a stunning career from the White House to the Walt Disney Company. The Los Angeles lawyer-turned-entrepreneur is the co-founder and CEO of Business Talent Group (BTG), which pairs high-end talent with high-end expertise in areas such as finance, operations, and mergers and acquisitions at companies such as Pfizer, Kraft, and MasterCard. Miller said in an interview that her that stable of top talent wants "to be able to choose who we work with and what we work on." This lines up with EY's recent findings. On a global basis, according to our 2018 Growth Barometer, a lack of skilled talent is a bigger headache for US companies than for those in other countries, with 25% of US survey respondents citing this as a challenge to growth compared to 10% of their counterparts elsewhere. With U.S. unemployment at a historic 40-year low, there just aren't the numbers of suitably qualified people in the talent pool to hire.

Lisa Hufford, a consultant author of *Navigating the Talent Shift,* has worked with gig talent for years. She's seeing first-hand that while the gig economy isn't the answer to all problems, it can help startups meet their talent needs at lower costs and help mature companies grow. It can also be a surprising boon to baby boomers and Generation Xers. "We were raised at a time when there weren't a lot of options, and now there are so many choices," says Hufford, a member of Generation X, in an interview. "For people who didn't grow up that way, it can feel overwhelming. I like to help people navigate that shift. They realize they have a lot of skills that companies want and a lot of options. It's kind of cool."

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John Stanham 14 hours ago

Great piece. Thanks for sharing the research. Politics and folksy press clouded the fact that this is basic economics at play combined with drastic changes in consumer behavior triggered by the financial crisis.

A textbook Economics case: crisis shifts demand for work to the left as companies need to adapt to reduced business. At the same time, Government forced the supply curve to the left by raising cost of labor (taxes, health insurance and the 30-week hour rule, but not take-home income). The combined effect is significant slack. Workers cannot get the hours, companies still need to get work done to avoid going out of business. Baby boomers suffer more than millennials: they have relatively higher bills to foot, including those of their own millennial children who struggle to get decent jobs.

The result? The surge in the gig economy: start Ubering, do freelance work, share your underutilized assets to make ends meet.

Drastic changes in consumer behavior: Having discovered that although gigging often results in lower income and learning juggling skills, many consumers discovered they can live equally well without being tied to a full-time job. Second, Millennials taught the world that it is not about owning the assets but rather, about access and experience, hence the booming of the sharing economy.

Try interviewing your next Uber driver. As heavy Uber consumer, I do this all the time. You will learn some fascinating stories. Some just refuse to go back to a rigid full time job. They like their greater freedom, cannot get better job balance, the pay is not that better, and or, they are too late in their life cycle to make it back to a 'formal job'.

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