



On-Demand Workers Help Both David and Goliath: Small Businesses Owners Continue to Embrace The Gig Economy in 2018

Insights

1.10.18

Amidst all of the year-end articles recapping the world of labor and employment law and predicting the upcoming legal trends for the year-to-come, Bloomberg BNA identified “The Gig Economy and Flex Work” as one of the top five workplace issues to watch in 2018. We agree, and the proof lies in the numbers.

The results of a 2017 study conducted by The National Bureau of Economic Research show that over eight percent of workers in the U.S. participate in independent contractor work as their primary job, which represented a 22 percent increase over the last decade. Another recent study, released in October 2016 by the Brookings Institute, signals that the gig economy is growing much faster than payroll employment. The Brookings Institute study found that, over the past two decades, gig economy workers increased by 27 percent *more* than traditional payroll employees. Twenty-seven percent.

Not surprising, however, is the fact that 81 percent of the growth of gig economy jobs over the past four years took place in 25 largest metro areas in the United States. A study conducted by the McKinsey Global Institute, which was also released in October 2016, found that almost 30 percent of American workers earn some form of income through the gig economy. The McKinsey Global Institute study found that, in total, approximately 54 to 68 million Americans participate in independent work outside of the traditional labor and employment structure. Interestingly, this study also found that individuals under the age of 25 make up only 23 percent of the total independent workforce in the U.S. Just over half of the gig economy participants—approximately 51 percent—are women, and, somewhat surprisingly, eight percent are people over the age of 65.

Now, you might be thinking, why does this matter and what is the significance of these statistics? Well, a dramatic rise in the number of employees embracing non-traditional, task-based work means that these folks are available to assist employers of all sizes. As a result of this growth in the supply of on-demand labor, small businesses have drastically increased their utilization of gig economy workers in recent years, and experts predict that trend will continue into 2018.

In prior years, much of the discussion regarding on-demand and gig workers, and many of the legal issues stemming therefrom, centered on large ride-sharing and lodging-sharing companies. That discussion is changing as mobile technology advances. Many of the marketplace-matching

platforms and mobile apps are shifting the focus to freelancer marketplaces, which are marketplaces which allow employers to connect with specialized professionals such as marketers, designers, and search engine optimization (SEO) consultants. Small businesses and start-ups often must adhere to shoestring budgets in their infant years. Utilizing digital-matching marketplaces and utilizing the services of gig economy workers helps these companies control administrative and overhead costs. It allows small business owners and start-ups to focus on specific tasks and micro-goals, and tackle one issue at a time.

No matter the size of your business, however, all employers face the same legal challenges with respect to utilizing gig economy workers. Worker classification remains a hallmark issue in gig economy-related legal cases popping up in the court system. Another significant issue to consider relates to employee benefits. These pressing issues, however, may gain clarity in 2018 in the wake of some recent labor decisions. Thus, smaller employers that are now dipping their toes into the deep gig economy pool of workers must remain aware of the new legal challenges associated with this new well of labor.