

The Future of Work: Is today's HR ready for tomorrow's economy

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Death to the office.





What is the 'Gig Economy'?

- The gig economy has been described as “the economic sector consisting of freelance workers who survive by taking on a series of small jobs, particularly when those jobs are arranged using a website or app” [**me:** notice the word ‘survive’!! Yikes!!]
- McKinsey’s defined the gig economy as consisting of “contingent work that is transacted on a digital marketplace”
- Notion of **freelancers** and others undertaking **small and discrete parcels of work** through **digital technologies** that connect providers and customers

Not all 'small jobs' are equal...





The 'Gig Economy'?

- The gig and *sharing economy* are not the same, although they overlap. The gig economy is focused on work through **on-line platforms**, while the various definitions of the sharing economy include both market and non-market activities and the trading of goods and services by households without an employment relationship.
- So, ringing in an employer to see if you have work tonight or this weekend is **not** a gig economy
- An HR professional or Lawyer might work in the gig economy if they are using a digital platform to gain work
- An Uber driver is someone working in the 'gig economy'

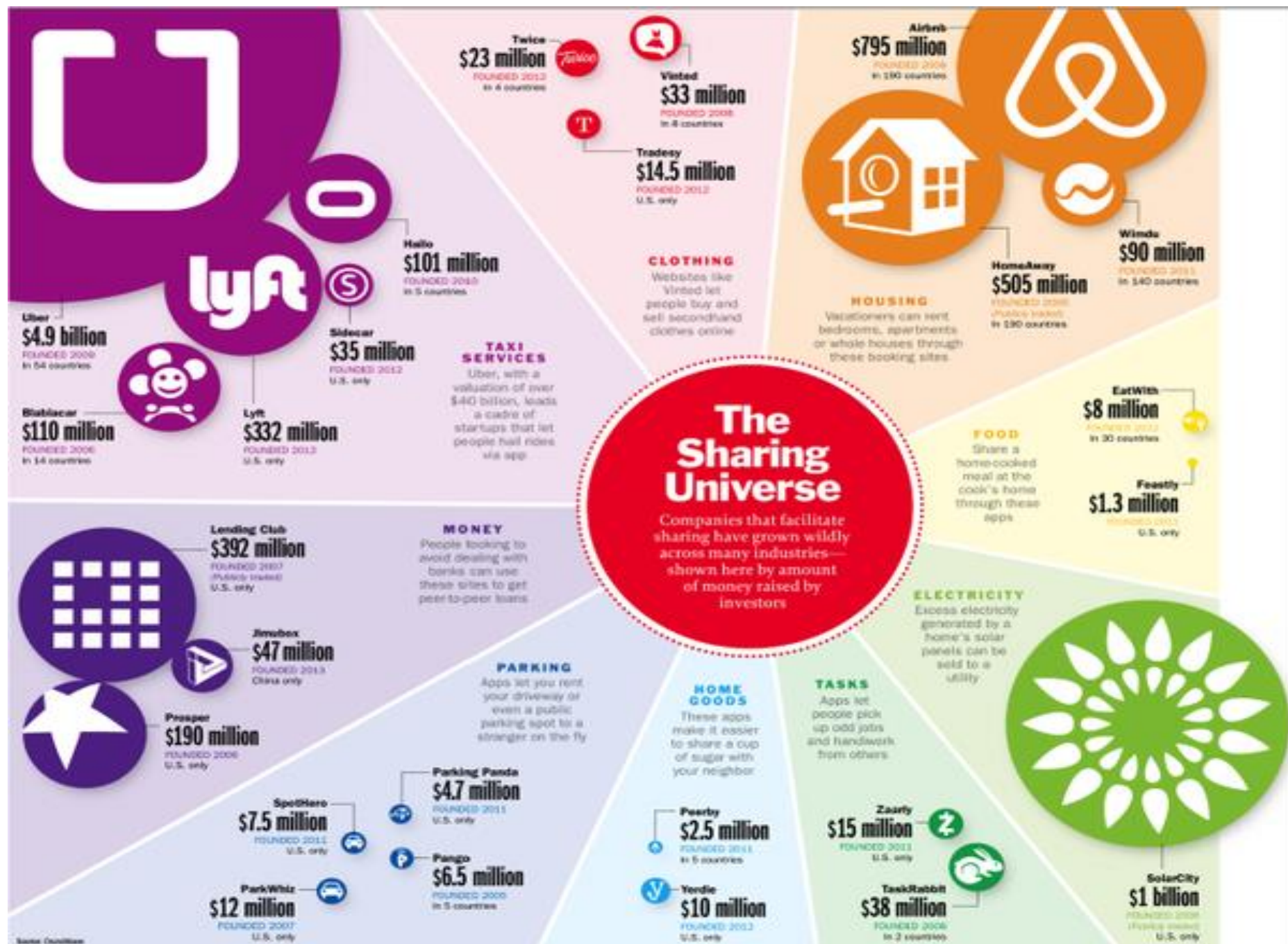
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Who Likes to 'Gig'?

- Already 55 million American freelancers (35%)
- 3.7 million Australians (30%) contribute A\$51b to economy
- 1.1 million UK employees specifically in the 'gig economy'
- Data indicates 39% of sharing-economy workers are 18-24/30 years old
- Likely to have at least some college or a bachelor's degree
- Allows workers to choose between a series of overlapping micro-careers over traditional full-time jobs
- While the sharing economy attracts a multitude of workers, **few pan out as full-time jobs**
- Suggested that gig workers may be “more a means to an end than something to make a long-term career out of”. [Me: questions around if gig workers earn enough to live on!]
- Workers with high *discipline* and *conscientiousness* gain the most in the sharing economy due to their inclination to self-train

Who Likes to 'Gig'?

- The sharing economy offers flexible, part-time work that could change the definition of “unemployed” to “not in a job” instead of “not working” [**me:** does that sound like an exciting option or what!??]
- A freelance assignment in the sharing economy may be more valuable than an internship [**me:** in UK interns = no pay! ☹️]
- Some gig workers argue that companies they partner with skirt federal and state labor laws [**me:** more on this later...]
- Online communities for gig workers seek to better align platform owners' incentives with workers' interests

How the Gig Economy Works



'Gig Economy'

- The “gig economy,” is peer-to-peer access to goods and services, aided by technology. In the US, suggested the gig economy has grown by between 8.8 and 14.4 percent (early 2000s → 2014).
- The sharing economy allows individuals and groups to make the most of underused assets, participating in an “if you can name it, you can rent it” business model, turning idle property into profitable capital. Best example? Air B&B. [**Me:** You as a professional? Idle?...hmmm...]
- The rise and proliferation of the sharing economy have yielded a variety of predicted outcomes. Some suggest it may be a sign of a “Great Reset” to a new economic model – the 4th Industrial Revolution.
- Potentially, it may redefine worker success...

State of the 'Gig'

- Online talent platforms, a hallmark of the sharing economy, could add as much as US \$2.7 trillion (2.0% to global GDP) by 2025 [**me: whatever!** 😊]
- Apps in the sharing economy “allow ordinary people to turn their consumption goods into capital goods”
- Research suggests that “the long-term effects of digital talent marketplaces could shorten the length of time that people are unemployed and provide more opportunities for freelance workers”
- Sharing economy apps create value, increase choice, and improve transparency [**me:** does it drive up prices? Unlikely – more later!]
- Our prime example, Uber, outperforms taxis on time and cost, even for low-income neighborhoods and adds nearly 40,000 new partner drivers per month [**me:** 2016=\$US6.5b sales & \$US2.8b **loss!!**]
- Critics warn that the sharing economy is becoming the selfish economy

'Gig Economy'

- Many see the gig economy as fundamentally changing the nature of work, with marked declines in full time and regular employment, more jobs classified as self-employed, more micro-business owner, contingent work, working as freelancers (however defined) or holding more than one job.
- These categories overlap, but nonetheless there is a strong view that work will become less secure, with more disagreement over whether the quality of work on offer will consequently decline. [me: it likely will – but more so the meaning of work for employees...]
- Some claims of revolutionary change are even bolder, especially in the United States, and we will look at this at the end...

Working from Home by the Numbers

1/3

Number of workers who are part-time, contractual, or freelance.



\$2,000/yr

Amount saved by employers who offer work-from-home options.



13%

Productivity increase when working from home.



50%

How much less likely work-from-home employees are to quit.



DISADVANTAGES OF CONTRACT WORK



LOWER
WAGES



LACK OF
BENEFITS



LONG
HOURS



UNPAID
EXPENSES

What are the Human Resource
Implications - the Legal HR
Issues of the 'Gig Economy'?

HR and the 'Gig'?

- As noted, there are potential problems with the Gig Economy from an HR / legal employment perspective re NZ independent contractors...
- A contractor is engaged by a principal (the other party) to perform services under a contract for services (commonly called an independent contractor agreement).
- Contractors are self-employed and earn income by invoicing the principal for their services. A contractor pays their own tax and ACC levies.
- Contractors aren't covered by most employment-related laws. This means they don't get things like annual leave or sick leave, they can't bring personal grievances, they have to pay their own tax, and general civil law determines most of their rights and responsibilities. Businesses don't have to hold contractor records.

HR and the 'Gig'?

- To make the correct decision you must focus on the real nature of the working relationship not just the label the parties are calling it. The courts have developed some legal tests to help you tell the difference, they are (see <https://www.employment.govt.nz>):
 - Intention test
 - Control vs independence test
 - Integration test
 - Fundamental/economic reality test
- Organizations need to think about your situation and apply all the tests to help you to decide. No one test will give you the correct answer.

HR and the 'Gig'?

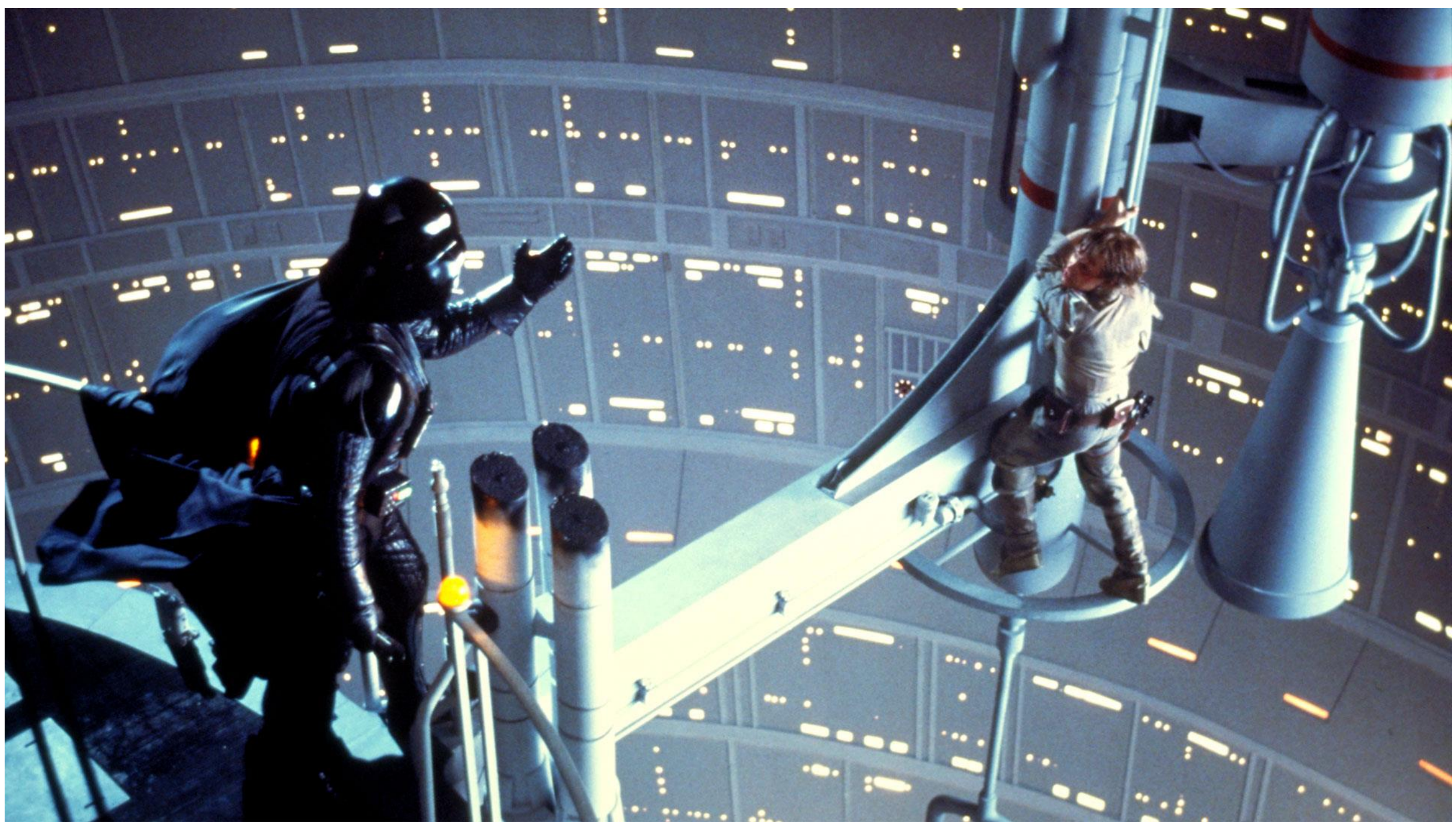
- Important lesson? The 'gig economy' and 'gig worker' is not an automatic 'pass' into hiring independent contractor/s and thus **not** an employee.
- If organizations treat the gig worker as an employee then they are likely to fail the test and be liable.
- For me, a true 'gig worker' – with an employer putting work up 'on line' and hiring a person/people via a website/app – shouldn't be an issue. Indeed, this might be very SAFE for NZ organizations! 😊
- But, if things get 'sloppy' – the worker starts regularly coming into the workplace, and no longer bids/applies to 'gigs' – then it may appear the previous 'gig worker/contractor' has become an employee.
- Obviously a 'sham' arrangement will lead to penalties...

HR and the 'Gig'?

- For me – the NZ HR Law is fine – '**poor employers**' will screw it up without any help! ;-) [**me**: caveat coming up though!]
- However, it might be an option for organizations to establish a 'gig' unit in their HR/Legal office to oversee things
- Ironically, this might be a 'gig' option for an entrepreneur – setting up and managing a gig platform for NZ employers...
- Do we need a law change? Not within my expertise – currently I think it is probably fine – but again, the issues will be educating employers and ensuring they do not make mistakes around contractors 'folding' into 'standard' employees...

HR and the 'Gig'?

- Organizations that use the 'gig economy' for a zero-contract hours work frame may regret it...
- Lack of dedication/commitment to the work and organization
- Of course, high-skilled professions might view the 'gig economy' as working as much for them as employers – these are the one's to hire!!
- One advantage of the 'gig economy' you don't need a 90-day trial! You give a 10-day trial instead ie short-term project work. If they nail it, then there's your ideal consultant/gig worker!! Of course, if they are in demand elsewhere then that might be an issue...
- One twist – and yup, its Uber again!!....



Luke, I am not your Employer!

- Acknowledgement! 😊
- So, Uber tried to claim they were not an 'employer' but rather the conduit – the facilitator between driver (owner) and customer
- Sneaky!
- Why? Issues for 'self-employed' around minimum pay...
- Same with Hermes (10,500 self employed parcel courier workers)
- Oct 2016 Uber lost! But 'legal challenges' of course!!!
- UK specific: ““third way between costly employee status and low rights self-employment status”. The label of “worker” gives basic protections on working time and pay, and includes the right to litigate
- So, *watch this space!!!*

'Gig Economy'

- Critics note - when sharing becomes a capitalist endeavor, it may not do much sharing!



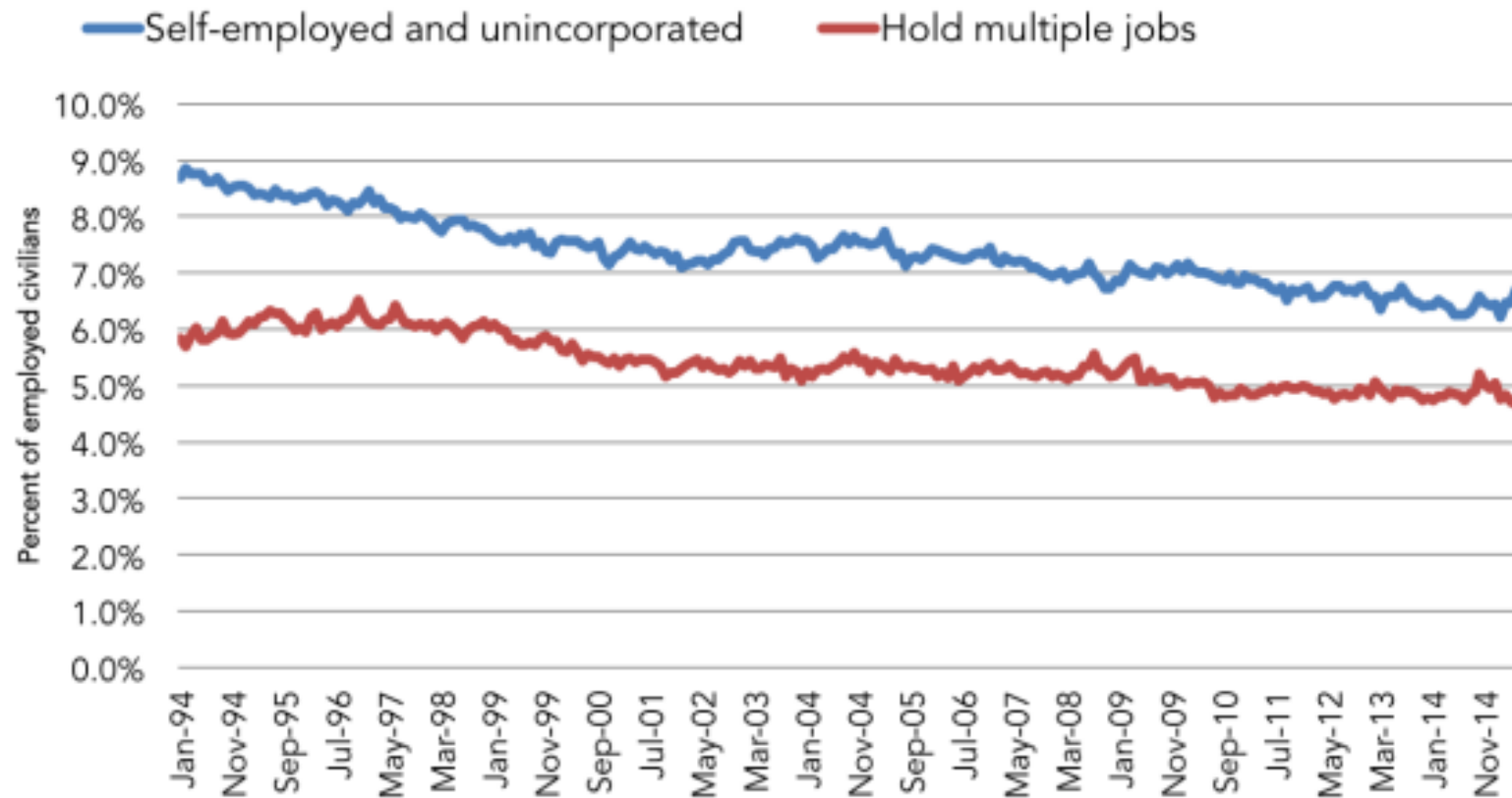
Limitations of the 'Gig'

- It's certainly possible that, one day, organizations like Uber - that rely on massive numbers of independent contractors who work as they please - will revolutionize the labour market, and **all employees** will end up working as 'freelancers' patching together a living working gig to gig. [**me:** dear gawd! Nooooooooo!!!!!!!!!!!!]
- But that day hasn't arrived yet—not even close.
- *Wall Street Journal* recently noted that US workers are now less likely to be self-employed or hold multiple jobs than they were a decade ago, even in industries, like transportation, where you might already expect to see the Uber effect taking shape.

'Gig Economy' Stats

The gig economy is still a figment of the Internet's imagination

The percentage of all American workers who are either self-employed or hold multiple jobs has fallen in recent decades. Source: BLS



'Gig' Summary

- The 'gig economy' is real! But is it growing and expanding? Appears not!
- For a minority it is important – and also, some organizations (e.g., Uber) have amassed massive valuations based on their novel labor models.
- These organizations currently only have be a small piece of the economy – but if they show the world that it's more profitable to use workers on a contract basis, rather than hire them as full employees with all the benefits and protections that entails - other businesses are going imitate them.
- At that point, fewer employees will enjoy the stability of a full-time job.
- On the other hand, it's possible these companies will turn out to be a net plus as they expand the market for some services, like taxis, and make work more flexible.
- One thing is likely – good HR/Legal advice and monitoring will make this better...

Questions??

