

Here Comes a Serious Game Changer

Gig Economy:

**'The Good, 'The Bad,
and the Ugly**

**Will You Take the Field
Or Sit on the Bench?**

Dick Kuiper

The Gig Economy

Table of Contents

1	The Gig Is Up	4
	Finding the “Why?” The Sharing Economy Gig Economy Roots	
2	Let’s Look at the Numbers	19
	Statistical Turmoil Apples & Oranges Analysts Gone Crazy?	
3	Home Field Advantage	28
	Home-Based Businesses Too Many Opportunities to Count	
4	Is This Thing Right For Me?	33
	The Good News Am I Too Young? Am I Too Old?	

5 Where Do I Find the Right Gig? 40

**Gigs Available Job Boards
Ride-Sharing Services
Real Estate Sharing Services**

6 Challenges 69

**Politicians and the Deep State
Legal Issues
Employee Benefits
Personal Financial Issues
Business Owners
The New Human Resources**

Introduction

Want to hear a frightening statistic? From a global perspective, 30%-40%+ of the working-age population is: 1) unemployed, 2) no longer seeking work or 3) working only part time. That's approximately 850 million workers.

Our global economy has shifted in a number of ways and labor markets have not kept pace with that changing landscape. Supply and demand are out of whack in the labor markets.

Even though popular sectors such as technology, healthcare and a select few others struggle in the search for workers to fill open positions, millions of people cannot find work. Many of those who have found employment of some kind often feel overqualified or underutilized due to a mismatch of supply and demand. This means expensive wasted potential.

Amidst the turmoil, countless numbers of working age people are coping with unemployment, underemployment and sub-standard wages – all leading to widespread discouragement.

Traditional employment, i.e. W-2 workers in the US have slowly given way to a new style of income earners in what is called the gig economy. Known by several names such as contingent workers, on-demand labor, freelancers and permatemps, workers involved in the gig economy have become quite commonplace.

While today's millennials did not really create concepts such as moonlighting and multiple streams of income, they have gravitated to this new lifestyle in droves. It has resulted in drastic changes to the way many companies operate.

Home-based businesses, multi-level marketing, network marketing and affiliate marketing are perfect examples of gig endeavors that have been around for years. They are growing by leaps and bounds as many traditional jobs have shifted overseas or vaporized entirely.

One very significant transformation taking place involves opinions about college degrees and education in general. Not too long ago, and in many sectors even today, it was hard to find open positions of any substance that did not require a college degree to be considered.

This is another noted source of discouragement and discontent for people entering the workforce. A huge percentage of young workers have saddled themselves with mounds of student loan debt only to end up with a degree for the sake of the degree itself but having little value in the real world labor market.

Many college students uncertain about a career direction have opted for degrees requiring relatively less work to earn such as art history and philosophy. While they did earn degrees, those "easy way out" graduation certificates proved to be of little value when it came to landing decent jobs. They might have been better off skipping the 4-year college struggle and simply learning a few useful phrases like "would you like fries with that?"

Welcome to the new gig economy where college degrees are often not required. Oftentimes vocational schools,

correspondence courses and online universities end up being viable options.

Before you get the impression that I'm against college education, nothing could be further from the truth. For many careers, a solid college-level education is absolutely essential. The reality is however that many companies and recruiters slipped in the college degree requirement as a "must have" for jobs where it was not truly imperative.

One great aspect of the gig economy is that it provides an environment which can act as a career "testing ground." Prior to attending college or even simultaneous to earning a degree, it gives young people the opportunity to sample what work is like in a given career field. They can get this insight before going all in with a time-consuming and expensive college program to prepare for that field.

An added bonus for graduates who have participated in the gig economy is that they can have some actual experience line items on their resume when they do start applying for jobs after graduation.

Early studies have shown that about 20% of the workers participating in the gig economy are doing so with the aim of gaining work experience in a specific field.

On the downside, there are some negative aspects of the gig economy for both workers and business owners alike that need to be evaluated before jumping into the gig pool.

On the worker side, there is the instability of not always knowing where next month's income is coming from...a source of anxiety to be sure.

Then there's the issue of employee benefits like paid vacations, sick leave, healthcare and 401-K plans. For many gig workers, it's a case of "forget about it!"

The gig economy is not a picnic for employers either. The increased use of contingent workers and freelancers means giving up a significant amount of control over their own workforce. Many that have tried the new scenario to free themselves of expensive employee benefits have reverted to going back to the traditional employee route simply to regain control.

According to its critics, the gig economy is exploiting workers and undermining the economy by promoting the replacement of traditional full-time employees with part-time workers.

Proponents of the gig economy, on the other side, claim it to be somewhat a savior in these tough economic times. They are quick to point out that it offers workers increased flexibility and freedom. It gives struggling companies a lifeline for survival, and established businesses a way to remain nimble in our more competitive economy.

Throughout the pages of this book, I'll be exploring many of the nuances and pros & cons of this brave new world. My hope is that it will better prepare readers to deal with this new trend in the most effective way.

Chapter 1

The Gig Is Up

“As America labels itself as the land of entrepreneurship, a lot of people will come to the surface and be utilized.

The gig economy will boost entrepreneurs and eventually “break the backs of these big-box chains and corporate overlords.”

- David Gandy

There’s a huge new game in town that’s having a profound effect on worldwide workforces. Monumental changes will occur in how companies recruit, hire and manage employees. Perhaps even more drastic changes will take place for the workers themselves. The new game of course is called the Gig Economy.

It’s hard to pick up a financial newspaper or magazine in most industrialized countries without seeing an article focusing on some aspect of this new movement.

Some see it as a much-welcomed breakthrough.

Some see it as a collapse of traditional corporate structure.

One thing is for certain; American workplaces will never be the same again.

For starters, let's define exactly what the term "gig economy" means. A quick Google search produced the following definition of the gig economy:

gig e-con-o-my – noun - a labor market characterized by the prevalence of short-term contracts and freelance work as opposed to permanent jobs.

Since the term "gig economy" is not quite polished enough for high-level business analysts and academic experts, they needed a more scholarly sounding term. So the concept of the "contingent workforce" was born. Whatever we people call it, this new work environment contains more and more temporary "gigs."

This workforce is comprised of individuals and networks of workers who earn income while not being covered by a formal employment agreement. From an IRS standpoint, these are income earners who receive a 1099 Form at year-end to report their income rather than the traditional W-2 Payroll Form.

Some analysts lump robotics into the contingent workforce category which makes the demographics harder to pinpoint. Regardless, I'll get into robotics and other forms of automation as they relate to the gig economy a little later.



Meet Willy the Welder

However, before moving on, I'd like to interject a word of advice for young adults contemplating their entry into the workforce in the next few years.

Nearly half of corporate executives are planning a greater deployment of robotics and cognitive technologies, e.g. artificial intelligence, in parallel with the growth of the gig economy. Since over 75% of executives agree this expanding use of automation technologies will require new skills, it makes sense for young people to concentrate their studies and apprenticeship activities in these areas. This is regardless of whether a person's intentions are to pursue traditional employment or independent contractor work.

To keep us on our toes, Deloitte introduced the concept of the "open talent economy" as yet another descriptive phrase and they also categorized machines as "talent."

Regardless of what we call it, the gig economy is here to stay and it is already making drastic changes in the way companies operate and the way workers earn income.

In the past, the majority of companies relied heavily on the tried-and-true organizational chart structure with its multiple layers of manager/subordinate reporting relationships. Departmentalization was the order of the day and the chain of command was strictly enforced.

We've seen that structure gradually blur over the past few decades with movements like offshore outsourcing coming into the mix. And it's hard to find someone who does not have a friend or relative who has left their company for whatever reason and come back as a "consultant" at a higher rate of pay.

The term “independent contractor” has become increasingly more common since the gradual shift away from W-2 employees began. Independent contractors as a class of workers covers a very wide spectrum from highly-paid independent consultants to minimum wage sole proprietor temps.

According to Deloitte’s 2016 Global Human Capital Trends study, more than half of corporate executives said their organizations plan to increase the use of flexible and independent workers in the next 3-5 years.

Finding the “Why?”

Whenever a major new trend like the gig economy disrupts the status quo, reporters and economic analysts go scrambling to determine what brought on the tipping point.

While there are many factors at play in this particular case, the consensus of opinion narrows it down to two major drivers: 1) an increased need for supplemental income, and 2) a desire for workers wanting more control over their own destiny.

The latter is quite prevalent among the millennial generation that is wanting to get away from the employee discontent and workaholic tendencies of their forebears.

Many surveys are showing that a growing majority of millennials value flexibility and freedom of choice over job stability. This signals a marked shift away from the 40/40/40 rule most Americans used to follow, i.e. work 40 hours a week, for 40 years of your life, and then retire on 40% of what you used to earn.

Late in 2015, a group spearheaded by the Freelancers Union performed a study entitled “Freelancing in America: 2015.” That survey categorized the motivational issues freelance workers cite for participating in the gig economy:

- 64% do it to earn extra money
- 67% say it gives them control of their financial future
- 67% want to spend more time with friends & family
- 68% point to their pursuit of personal passions
- 70% are after professional career advancement
- 73% cite work location choices
- 75% seek the benefits of being their own boss
- 75% choose it for the scheduling flexibility

As the survey shows, it’s not just one motive alone that’s moving the needle. Any individual can have multiple motives simultaneously.

In 2017, Federal Reserve Governor Lael Brainard issued her comments about this newfound flexibility possibly being a double-edged sword. “Public policy should strive to maximize the benefits of the greater flexibility and lower entry barriers provided by advances in technology, while addressing the risks that currently accompany many forms of gig employment,” warned Brainard.

A key factor pushing the number of freelancers joining this new economic trend is the desire among many young people to have independence when it comes to employment. According to Stephane Kasriel, CEO of Upwork, "The younger part of the workforce is much more likely to be freelancing than their older counterparts." Upwork is one of the many online job boards specializing in contingent worker gigs.

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MEET THE AUTHOR



Emerging from a very modest upbringing in the Midwest with my eye on a more exciting lifestyle, I dropped out of high school and ran away from home to “do it my way” as Sinatra used to say. I was incredibly lucky that it worked for me, but I strongly recommend against such a strategy. I got my education later, but it was a tough road to travel.

Ever since that breakaway to freedom, I’ve had an unusual life experience to say the least. I’ve been broke a few times and a millionaire more than once, and I’ve enjoyed every minute of my life on the planet.

Totaling up the jobs I’ve held, the businesses I’ve founded and the organizations for which I’ve done consulting work, I’ve worked in 200+ companies across over 30 different industries. I would not trade that journey for anything in the world.

I’ve been a prolific writer, seminar presenter and public speaker internationally for over 30 years. I love sharing stories of my dazzling successes and the lessons I’ve learned from dismal failures. I’m fortunate the former outnumber the latter.

You can read more about my adventures and the lessons I learned along the way that led to a great deal of personal and

business success in my book entitled: *Success Is Yours For The Taking...and Here's Where the Secrets Have Been Hiding.*

I'd love to hear your feedback about this book whether it be positive or negative.

Wishing you much success,

Dick Kuiper

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