

How to overcome challenges in the dual-economy contingent workforce

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In a matter of weeks, the way we work has changed dramatically. Whether you are a critical worker, furloughed or trying to adapt to the new normal of remote working, it is clear that work-life will not be the same again. But for freelancers, contractors, gig-economy workers and contingent workforces, the pandemic has exposed the vulnerability of this type of work in a crisis. Post COVID-19, if the workplace is to thrive, it must be built on the shoulders of agility and innovation. But this requires businesses to evolve and protect all workers, both permanent staff and contingent workforces.

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The dual-economy contingent workforce

Even pre-pandemic, the way we work changed dramatically. And the shape of the workforce changed with it. Despite being seen as a recent revolution in working culture, the so-called “gig economy” really began in industries such as scientific research, oil and gas and engineering over three decades ago. We are now seeing such a rapid increase in contingent working thanks to two factors. Blue-chip and mid-market companies are increasingly looking to contingent workers to meet growing consumer demand and stay ahead of their competition. And millennials and Generation Z actively want roles that provide lots of flexibility alongside opportunities to learn and develop.

More of the workforce is now “contingent” than ever before. In fact, according to SIA’s latest findings, it is estimated that 53m people took on contingent work in the USA in 2018 – with 34% of all Americans undertaking such work in 2019. Total spending on the global gig economy is estimated to have hit \$4.5tn in 2018.

But there is a worrying and growing disparity emerging. On the one hand, there are highly skilled specialists, consultants and industrial workers. Strategically important to businesses, they are often brought in to complement core in-house teams in times of growth, innovation and crisis. These contingent workers can command highly competitive salaries and often find work through personal networks they have built over time.

The other side of this coin are freelancers, food delivery drivers, couriers, cleaners and taxi drivers. Although a few of their counterparts can count on huge pay cheques, according to the UK’s Department for Business, Energy and Industrial Strategy, just under 90% of Britain’s gig economy workers earn less than £10,000 a year. With incomes often drastically changing from month to month, many are left struggling to make ends meet.

The challenges

This is creating two tiers within the growing contingent workforce. Those few who earn good money doing skilled work and the many who struggle to push their earnings above the living wage. Although it makes business sense for many companies to employ contingent workers

to keep costs down, and many workers genuinely enjoy the flexibility “gigs” bring them, holding multiple jobs to make ends meet is not uncommon. This presents a real social and economic problem. One that is being exacerbated by COVID-19. The constant instability means contingent workers on average will spend less money than full-time employee counterparts. They are also much more likely to have higher levels of stress. Recent figures from the Association of Independent Professionals and the Self-Employed show that 19 in 20 freelancers deal with excessive stress caused by work. Nearly half (46%) of these freelancers said their stress came from long work hours, whereas 31% said low pay was the source of their anxiety.

Added to this, for businesses, contingent workforces present significant compliance and management issues. Organisations need to have best practices for managing confidential information, contingent workers' performance and policies around whether they are given the same furlough, pension and sick care benefits as permanent members of staff. Added to this are more fundamental issues surrounding pay itself – given most contingent workers are also remote workers, where to pay them, what currency to use and how to mitigate payment disputes are important issues to get right.

Tech is key to successful management

We have seen with the likes of Deliveroo and Uber what can happen to a business' reputation when policies are not put in place to answer these questions appropriately. The biggest charge against them is that they are exacerbating the problem of the dual economy. But there are some key ways that businesses can successfully manage, and most importantly support, their contingent workforces.

Technology is the key. With so many moving parts to a contingent workforce, having a centralised, automated way of hiring and managing helps to prevent issues from arising. A single cloud-based system can provide a clear picture of the entire contingent workforce in real time, from payments to compliance, contracts to time logs and KPI metrics.

With information on all current, potential and previously worked with contingent workers in one place, contingent workers can rest assured that when HR managers need to scale operations, they will be in line for work. Helping to reduce the stress involved with looking for work. Harnessing software in this way can also help companies better communicate with contingent workers – making them feel valued as part of the wider business and also helping to reduce stress.

A centralised overview also helps prevent the rise of a dual economy by ensuring that all workers are paid on time, paid the correct amount and are able to apply for all roles that fall within their skills set. Harnessing technology in this way can automate the invaluable personal networks those lucky few contractors are able to tap into for the benefit of every contingent worker.

Despite COVID-19, the contingent workforce shows no sign of slowing down. Although the risk of an even more divided and dual-economy workforce is real, businesses can help to stop this by using technology in a way that levels the playing field. Only by having a fully centralised view of all contingent workers, and making sure every workers' rights are protected, can everyone benefit from the gig economy in a post-pandemic world.