

HR Insights

Brought to you by: Employco USA, Inc.

Workplace Impact of the Growing Gig Economy

The gig economy is a system in which organizations engage individuals, often through digital platforms or intermediaries, for temporary or task-based work, rather than relying solely on full- and part-time employees. It's quickly becoming a key component of the world economy. Organizations are increasingly turning to gig workers to meet labor demands, especially as they navigate shrinking budgets and evolving workforce expectations.

This article highlights the gig economy, its opportunities and challenges for employers, and how employers can respond to this alternative workforce.

What Is Gig Work?

Gig work refers to labor defined by short-term contracts, freelance work and independent contracting, rather than traditional full-time employment. Gig workers provide a wide range of services, including professional and technical roles such as graphic design, consulting, and software development, which are often facilitated through platforms like Upwork, Fiverr and Toptal. Employers commonly use these services to fill skill gaps, manage project-based workloads or reduce overhead costs.

In addition to these professional services, gig work also allows workers to earn through consumer-facing roles like ridesharing and food delivery, typically arranged through platforms such as Uber, Lyft and DoorDash. Many employees engage in this type of gig work outside their primary jobs to supplement income, especially in response to rising inflation and cost-of-living pressures.

Gig Work Market Overview

An increasing number of workers are actively embracing gig work. According to Statista, more than 70.4 million

Americans are currently involved in freelance work. By 2027, freelancers, gig workers and crowd workers are expected to become the majority of the workforce. For employers, this trend is increasingly unavoidable.

People may be drawn to gig work for a variety of reasons. Some pursue it full-time, embracing the independence and flexibility it offers as a lifestyle choice. Others engage in gig work alongside traditional Form W-2 employment, using it to supplement their income, gain a safety net in case of layoffs or enjoy more control over their schedules. This hybrid approach is especially appealing to students, caregivers and professionals seeking autonomy or a creative outlet. For many, gig work is a strategic way to diversify income and reduce reliance on a single employer, offering both financial and personal empowerment.

At a broader level, the gig economy is reshaping the labor market. More workers are prioritizing the autonomy, variety and perceived control that gig work offers, sometimes opting out of conventional employment altogether. This trend presents new challenges for employers, who must adapt their recruitment strategies and workplace policies to remain competitive in attracting talent and meeting operational demands. As the gig economy continues to grow, understanding its dynamics is essential for organizations seeking to build resilient and responsive workforce models.

How Gig Work Impacts Employers

The flexibility, scalability, and unique cost structures of gig labor make it an attractive solution for some employers, especially in a business environment that demands agility and rapid adaptation.

The rise of gig work presents a complex mix of opportunities and challenges for employers. On the upside, some businesses may benefit from using gig labor for tasks or roles where they struggle to find employees.

This shift doesn't just affect how companies hire; it also influences the makeup of their existing workforce. Many employees do gig work on the side, driven by rising inflation and the need to supplement their income. This dual engagement can impact employee availability, focus and long-term retention, as traditional jobs compete with the flexibility and earning potential of gig opportunities.

The following are potential benefits of gig work for employers:

- **Cost savings**—Since gig workers are typically classified as independent contractors, employers are not required to provide benefits such as health insurance, paid leave or retirement contributions. Some businesses may find that gig work is cheaper for some tasks. Delivery services are a common example of a task that employers outsource.
- **Scalability and flexibility**—Gig workers can allow employers to quickly adjust the size of their workforce based on project needs or seasonal shifts, without the long-term commitments tied to traditional employment.
- **Access to specialized talent**—Gig platforms can connect employers with freelancers who offer niche expertise in areas like graphic design, consulting and software development. These professionals can bring valuable skills that employers find difficult to hire for in competitive labor markets.

While the gig economy offers flexibility and cost savings, it can also introduce the following challenges for employers:

- **Weaker organizational ties**—Due to their independent status, gig workers often lack a strong connection to the company's mission, values, or culture. This can result in lower levels of engagement, reduced loyalty and inconsistent work quality or collaboration.
- **Compliance and independent contractor considerations**—Employers must navigate complex labor laws, particularly those regarding worker classification. Notably, the Fair Labor Standards Act (FLSA) outlines [who an employee or independent contractor is](#), in addition to state and local rules and regulations. Misclassifying employees as independent contractors can lead to enforcement activities and legal and financial penalties.
- **Strain on full-time employees**—As more workers take on gig jobs outside their primary employment to supplement income, full-time employees may become less available for overtime, more fatigued, and potentially less engaged. This dual workload can affect productivity, morale, and long-term retention. Some employers may react negatively to your organization's decision to prioritize outside labor rather than reinvest in the existing workforce.
- **Balancing dual roles as employer and client**—Many organizations now rely on gig workers to meet business needs while managing a traditional workforce. This dual role adds complexity to workforce planning and requires thoughtful integration strategies.

How Employers Can Respond

Many organizations find success using gig labor, but this approach isn't right for all employers. Employers that choose to leverage gig work may benefit from an approach that continues to prioritize employee relations

but also balances strategic use of freelance labor with a strong internal culture and clear policies. Here are considerations for employers:

- **Strategically use gig labor.** Some employers may benefit by thoughtfully integrating gig workers into their operations. This involves identifying roles that can be outsourced without jeopardizing quality, security, or the overall customer experience. Gig talent is especially valuable for handling project-based assignments, meeting seasonal demands or tackling tasks that require specialized expertise not readily available within the existing workforce.
- **Strengthen core workplace culture.** Strengthening core workplace culture is essential for retaining full-time employees and minimizing the appeal of side gigs. Employers should focus on creating an environment where team members feel genuinely valued, engaged, and appreciated. Offering flexibility, such as remote work options or adaptable schedules, can mirror the autonomy that gig work provides, making traditional employment more attractive. Additionally, recognizing individual contributions and providing clear opportunities for career growth helps foster long-term commitment and loyalty within the organization.
- **Establish clear policies.** Transparency plays a crucial role in effectively managing the intersection of traditional employment and gig work. Employers should set clear, well-defined policies regarding outside employment, including freelance projects and side hustles, to prevent conflicts and ensure alignment with organizational standards. Communicating these expectations helps employees understand what is permissible and how their external activities relate to company values, confidentiality obligations, and performance requirements.

This rising number of workers' participation in gig work is an inevitable trend that labor experts predict will continue to grow. Employers should continue to monitor labor trends and consider what practices make the most sense for their organization.

Contact us today for more attraction and retention resources.

Conclusion

The gig economy is reshaping the modern workforce in profound and lasting ways.