



# Gig Economy Tactics Could Help Your Hospitality Business Survive Worker Shortages

Insights

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When it rains, it pours. If you think back to the height of the crippling economic downturn roughly a decade ago, employers were laying off workers en masse across all industries—but the hospitality industry was especially hard hit. Guests were refraining from dining out, tourists were cutting back on travel, families were postponing trips to amusement parks, and gamblers were tightening their belts and staying away from casinos. This downturn forced many hospitality businesses to reduce labor and shed workers.

Fast forward to 2018, and most of you have the opposite problem. “How do we find good workers in this economy?” is a common refrain across the hospitality spectrum as business is booming. The unemployment rate continues to fall and the effects are being felt across the country. According to data released just last month, the jobless rate is lower today compared to one year ago in over 300 of the 388 metropolitan areas surveyed by the U.S. Bureau of Labor and Statistics. Forty of those markets had an unemployment rate under an eye-popping 3 percent.

## Gig Economy To The Rescue?

Where there’s a need, creative entrepreneurs have a proposed solution to tout—and your business could stand to benefit from this new trend. A burgeoning new market has developed using the “worker-on-demand” model to provide staffing solutions to the hospitality industry. Using this new business model would allow you the ability to summon an hourly worker as easily as you would catch a ride using a ride-sharing app like Uber or Lyft.

For the uninitiated, the “gig” economy simply refers to any business structure that connects a willing worker with a consumer in need by means of a digital platform. Given the fact that 77 percent of Americans own smartphones, it is incredibly easy to summon on-demand assistance in just about any field with just the tap of your finger. The applications are as varied as your imagination; besides hailing a ride or getting food delivered to your house, you can hire a handyman, seek medical advice, or even retain a lawyer through the right smartphone app.

As for hospitality staffing needs, several services have now sprung up allowing businesses to pick up workers to fill labor shortages. The apps provide you the option of hiring someone to perform work with ample advanced notice or in emergency situations where a regular employee calls in sick. Like a traditional temporary employment scenario, the workers you hire would be paid through the staffing company—and considered “employed” (or contracted) by these third-party companies.

Likewise, the staffing company handles all HR and payroll issues, leaving fewer administrative headaches on your end.

### **Benefits Of The Gig Economy Solution**

The companies that have moved into this space offer ample benefits your business can enjoy by capitalizing on the gig economy model. They allow for the most efficient use of the American workforce's potential; they connect individuals who are willing to work but refrain from doing so because no employer is willing to accommodate their sporadic desire to work a few scattered shifts in an hourly position at a time of their choosing. By only bringing aboard people when you specifically need the help, you can eliminate the turnover problem that plagues the industry.

And by outsourcing hiring, you avoid another troublesome area. Most app-based companies promise that they will source the workers through a demanding interview process; one such company called Jobletics (which makes workers available to serve as line cooks, prep cooks, dishwashers, servers, bussers, and hosts) uses a vetting process “powered by...proprietary advanced recruiting technology.”

In these kinds of jobs, you should see workers happy to be in their positions. Most gig services allow workers to take control of their working arrangements through the app by rating and ranking the businesses where they want to work. They typically feel empowered in their position because they have chosen how to structure their work life, controlling their schedule on a day-to-day basis and only accepting work that meets their needs and lifestyle.

### **There Are Risks Involved**

The gig economy model may not offer a perfect solution for your establishment, however. There are certain drawbacks—both practical and legal—to consider before you fire up your smartphone to order a few workers.

From the practical business perspective, you need to recognize that the workers may not immediately be up to your demanding standards. It takes time for new workers to adjust to any working environment, so you cannot assume that it will be easy to plug in an on-demand worker and get the instant results you desire. Depending on your situation, it may be best to retain such gig workers for simpler tasks and less burdensome positions, and move your more established workers into the more demanding positions (especially those involving direct guest interaction) as necessary.

Moreover, there exists a pessimistic view that these services could have little to no appreciable long-term impact on your current staffing problems. If the labor shortage is actually caused by the simple fact that there are more jobs available than there are qualified bodies available to fill them, there's nothing that a digital platform could do to solve the issue. As these app-based businesses develop in the hospitality space, we'll begin to see whether they have the desired effect on the job shortage or whether they are simply a convenient new trend.

From the legal perspective, you need to be aware of the misclassification controversy that has raged through the gig economy since its inception. Simply put, when digital marketplaces classify their workers as independent contractors, they run the risk that courts or administrative bodies might determine they actually should have been classified as employees. Such a determination could lead to drastic consequences for hiring entities, including wage and hour liability, workers' compensation coverage, benefits responsibility, unemployment payments, and civil rights law exposure (just to name a few).

To avoid getting swept up in this maelstrom, you should avoid taking steps that would make it appear as if you were employing these workers instead of contracting with them. Ensuring that you do not levy substantial control over the way they carry out their jobs is one of the ways to stay out of trouble.

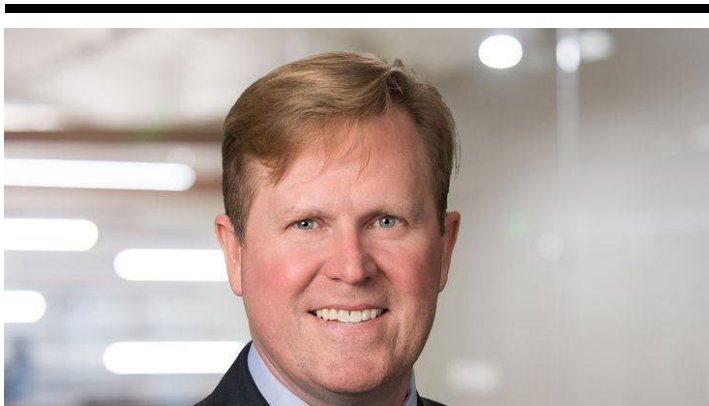
Some of the app-based services operate much like a traditional staffing company and hire gig workers as employees instead of contractors, eliminating the misclassification concerns. However, there is still the danger of a finding of joint employment in such situations. A disgruntled worker could seek legal recovery for any number of alleged wrongdoings from both the staffing service and your business, contending that you were both operating as employer. The state of the law is rather fluid at the moment, with the overarching legal standard on joint employment flipping from broad to narrow and back to broad again just in the last few months. For these reasons, you should work closely with your legal counsel to ensure the staffing arrangement is well-suited for your business and that you are taking necessary steps to protect yourself.

## Conclusion

It's a brand new world out there, one that is marked by advanced technology and people expecting services to be provided on demand. Whether you choose to take advantage of one of the newer trends capturing these elements is a question you will need to pose yourself given all of the varied factors involved and your particular business model.

*For more information, contact the authors at [KSandberg@fisherphillips.com](mailto:KSandberg@fisherphillips.com) (916.210.0406) or [JShelton@fisherphillips.com](mailto:JShelton@fisherphillips.com) (404.240.4259).*

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**Joseph P. Shelton**  
Regional Managing Partner  
615.488.2901  
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