

IT Companies and the Uber-ization of the Workforce

Insights

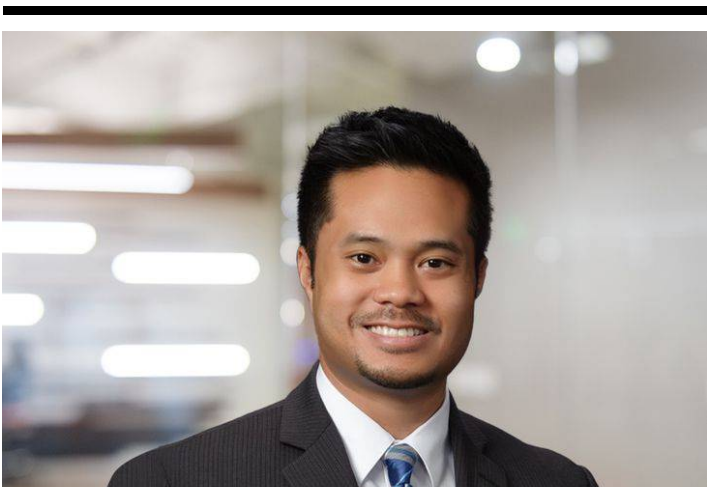
8.07.17

With the rise of the gig economy, IT companies are taking the approach many employers in the gig economy have taken in structuring their workforce. In an industry where full-time and part-time employees cohabit in the same space, some IT companies have been exploring the idea of and have shifted towards hiring contract workers, consultants, and freelancers to complete short-term projects. This “Uber-ization” of the workforce provides the flexibility many workers seek and helps alleviate the cost of reskilling employees in an industry where technology is rapidly changing.

The compensation and ability to find work may be fueling this change. Although this workforce model typically does not include the perks of full-time employment such as unemployment benefits, a recent report revealed that project-by-project workers earning more than \$100,000 per year grew 4.9% in the past year. It further noted that independent workers with specialized skills in fields such as engineering and computer science are having little trouble finding work even though the nation’s unemployment rate fell to a 16-year low of 4.3% in July 2017.

Based on this trend, we will likely see a continued increase of IT companies utilizing the “Uber-ization” workforce model. However, as we have seen with many employers in the gig economy, this model shift may result in an increase of litigation centering on the issue of misclassification — i.e., whether a project-by-project worker was properly classified as an independent contractor or whether the worker should have been classified as an employee. This issue, among others, will almost certainly evolve as companies hire more contract workers, consultants, and freelancers.

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