

Freelance Economy: Shape of things to come

Article # 1: What is leading us there?

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What will drive the Freelance Economy?

I will go out on a limb and state this: Flexible and Freelance work will gain acceptance and accelerate in volume for many years to come. The work landscape will be vastly different a generation (just over two decades) from now; Flexible and Freelance work will be a significant and perhaps dominant aspect of it from today's viewpoint.

This is not new – it is likely you have heard about the brave new world of Freelance work already and Uber being used (wrongly) as the example for all things Freelance. While there is hype, there is enough good reason to believe that we are already on our way to a future as predicted above.

In this article we will look at the various factors, whose interplay will favor a Flexible/ Freelance work economy. In the subsequent articles we will look at

- Freelancing in technology work (forget Uber example), and
- Freelance economy 2.0

What is leading us to the land of Flexible and Freelance work? We need to understand the direct and indirect causal factors in order to be prepared. Here are some key factors in play.



Automation Overheads

Automation is leading to human work replacement in substantial numbers in manufacturing, distribution, and energy industries, through job redundancies or efficiency improvements. This will accelerate and result in the average number of work hours per person declining inexorably over the years to come. Add in Machine Learning and Artificial Intelligence, the services and healthcare industries will see humongous job losses. Most jobs will see the hours approach part-time territory by current standards (this would seem a safe and conservative prediction when you consider more futuristic predictions of very high but prosperous unemployment ^{note1}).

Reducing overheads cost through Outsourcing

Most businesses prefer variable costs to fixed costs. Most new businesses are designed with low FC model. Payrolls are a significant portion of fixed costs for many companies and as they opportunities to convert full time workers to part-time or independents without affecting company performance, they will use it. This, combined with the well proven approach of focusing on core competencies and leaving the rest to outside entities, creates strong incentives to continue reducing full time employment commitments. The outsourcing entities are incented to increase efficiencies

Variety & Specialization

Ease of information access, relative abundance, and pace of innovation continue to grow together, creating newer specializations all the time, across industries and knowledge spaces. Many of these specializations do not justify full-time employment in most organizations benefiting from these innovations. This means that the market for specialized freelance services will continue to grow as professionals continue mastering new knowledge areas and offer their services to those who need the same, without the constraints of employment contracts.

Cloud Mentality

Young companies are born and continue to grow while remaining very lean; established old corporate entities are embracing the cloud mentality too preferring to rely on resources, both material and human, outside their organizations, for services that are even core to their existence. The cloud mentality signifies the willingness of organizations to collaborate with outside workers, developing models of engagement with low overheads and high innovation.

Regulations

Developing and under-developed nations with limited labor regulations that constrain businesses (and protect labor) will be quicker in adoption and spread of flexible, freelance work structures – as alternate forms of industry self-regulation and support structures (like cooperative wage insurance, medical benefits, etc.) take hold. Contrary to what would be expected, developed nations, like ours, will be slower to adapt due to entrenched structures/ ideologies (like employer linked benefits, protectionist tendencies) and ageing population.

On Demand Information

As it becomes easier to identify and reach what we need when we need, employers will take the best of breed approach, recruiting resources to address specific needs on an ad-hoc or planned intermittent basis. Workers/ professionals too will find it easier to reach entities that need their help and will get conditioned to holding multiple part-time engagements at the same time.

Service Intermediation

Conveying and ensuring trust and quality for their clients are the key purposes of most organizations. Services industries have built fortunes on the basis of ensuring trust and quality (through proven business practices and capabilities) bringing together resources and clients in delivery of various services. The intermediation that assures quality and trust will gradually shift to lower overhead platforms with lesser contractual constraints, thanks to technology and collaboration. Novel forms of organizations ^{note 2} will take over making part-time and freelance work easy to contract and easier to provide.

Education

As college education continues to get costlier by the year, the demand for shorter duration programs will increase, with focus on skills that are in demand then. There will be demand for continual short-burst education/ training with newer skills getting added. Most knowledge workers will benefit from such programs by developing specialist skills in select areas.

Retraining

There will be massive retraining needs as blue collar workers losing out to automation have to be trained in service areas; the ability of the government and society to engineer and manage such a retraining effort will both avert serious pain and pave way to newer industries and businesses that are built on part-time and freelance service labor.

Notes:

Note 1:

There are extreme predictions of most of the working-age humans being without regular employment because of automation; this also means that automation causes such abundance those humans get almost everything they need without working for it (in some form of essential social subsidy).

Note 2:

Will cover the novel forms of organizations in article # 3 – Freelance economy 2.0