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Gig Economy: Value Comparison against Noncontingent Income and Corporate Employment Benefits

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Abstract- The free-market approach of work has risen for the past few years. The on-demand workforce has a preference to stay in nontraditional employment and are generally satisfied with their income and the elasticity of employment that contingent work offers. Independent workers are also less likely to grow their careers in the same manner as a traditional job ensues, and market prevalence influences their wages comparatively more. This paper analyzes the influence which gig economy has posed on the growth of the employee and examines the benefits and deficits of contingent pay and noncontingent pay. In the assessment of conventional employment, corporate compensations such as retirement plans and health insurance add significant value to organizational service. The uncertainty of payment, as well as variable timelines of compensation, disallow a contingent worker to privately retain insurances and savings plans, whereas an employer in a firm typically offers such allowances as standard. This comparison suggests that the value lost in the gig economy is, in fact, the corporate occupational benefits and not the steady noncontingent salary.

I. Introduction

The word gig can be considered as slang in the corporate world to describe a job that will only last for a given period, mostly short, mostly used when referring to musicians. Employees in the gig economy include freelancers, autonomous contractors, contract staffs, as well as professionals hired on a part-time basis. The gig economy exemplifies the free market where official positions are temporary, and corporate bodies give out contracts to independent skilled individuals for a short-lived period. However, it involves three major components to function; the consumers (those who need services), the independent workers who get paid by the gig (freelancers), and finally the industries or companies responsible for connecting the consumer and the service provider in a direct form, this also includes technology-based platforms. Uber, Airbnb, and Upwork, among other technical platforms, make it easier for workers to link up with potential consumers and eventually get paid. The availability of these technological platforms allows skilled personnel to find quick, temporary work, regularly referred to as 'gig.' This paper efficiently addresses noncontingent income and corporate employee benefits, taking into consideration how employees stand to gain more from employee benefits than noncontingent income and how the pros of noncontingent pay and employee benefits slightly outweigh one another.

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II. Literature Review

In recent times, the relationship between a worker and the employer has shifted in various capacities. One notable difference is a gradual transference from a continuous work contract with no foreseeable end to an agreement that is finite, and that incorporates a single-assignment, short-period agreement, or freelance job (Pegula &Gunter, 2019).

Median weekly pay for contingent workers were $285, and $416 for noncontingent workers in comparison. (All the evaluations in this article use the broadest approximation of the contingent workforce, and exclude the self-employed—both incorporated and unincorporated— and independent contractors. This overall disparity in earnings is not unexpected because contingent workers diverge in many respects from their noncontingent counterparts. These discrepancies may account for the overall income difference between the two groups (Hipple& Stewart, 1996).

Retirement benefits were available to 91% of state and local government workers in March 2019, as per the reports retrieved from the U.S. Bureau of Labor Statistics. Retirement benefits consist of defined allowances and specified contribution plans. Retirement benefits were accessible to 69% of state and local administration personnel in the lowest 10th percent wage classification and 95% of employees in the highest 10th percent income group (U.S. Bureau of Labor Statistics, 2019).

77% of private industry laborers had right to and opted in employer-provided retirement benefits, referred to as the take-up rate. Retirement benefits were available to 31% of workers in the lowest 10th percent wage category and 88% of workers in the peak 10th percent wage category (Ibid.).

Salaried employment in its traditional arrangement has time as a matrix of effect on the worker's prospects of growth. An experienced employee is, in theory, more likely to climb the corporate ladder and secure promotions, accompanied by an increased

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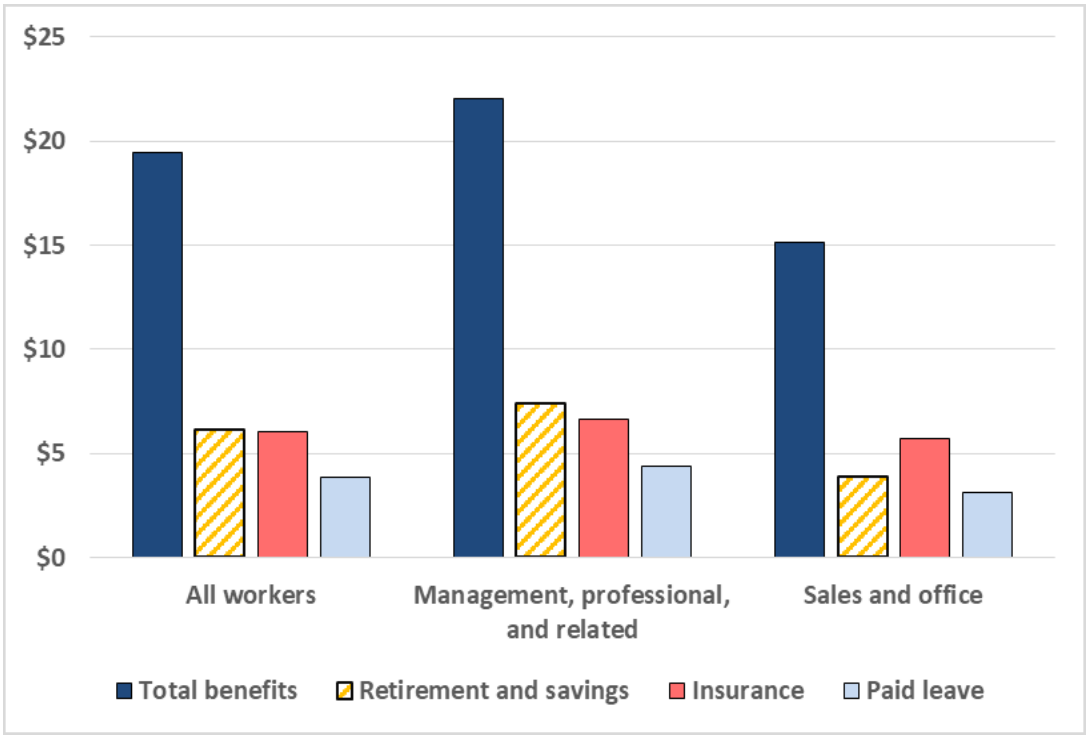
probability of a higher pay-structure. The time accrued in a particular department also affects the chance of obtaining the next job for reasons of growth or otherwise. In comparison, the gig economy places little value on the time and experience of the worker. It is possible for an experienced freelancer to be earning higher wages than a novice, but apart from pure talent as a factor, market conditions such as demand of service vs. availability of service providers often set the worker compensation trends. Fluctuation in the need of gigs creates flexibility in pay which can favor either the employer or the employee based on market environments, but negatively affects savings plans for the contingent worker. (Friedman, 2014)

The rise in popularity of the gig economy has created an influx of on-call workers attempting to participate in the alternative form of work to either supplement their current income or to make a livelihood entirely from contingent work arrangements. As in the case of ride-sharing platforms, the demand remains comparatively constant. The increase in the number of laborers evidently reduces income. If the workforce entry in the market is controlled, it can effectively increase the gig price, although this will have to be absorbed by the employer, who, in this case, is the consumer booking a ride. (Buchak, 2018)

a) Statistics

According to the US Bureau of Labor Statistics, Figure 1 shows the Benefit costs in state and local government by occupational group.



Source: US Bureau of Labor Statistics

Figure 1: Costs of benefits in local and state government categorized by occupational group.

State and local government compensation averaged $51.66 per hour worked in September 2019, the U.S. Bureau of Labor Statistics reported today. Wages and salaries averaged $32.19 per hour worked and represented 62.3 percent of total compensation costs, while benefit costs averaged $19.47 and accounted for the remaining 37.7 percent. Paid leave consists of vacation ($1.47), holiday ($1.10), sick ($1.00), and personal ($0.31) costs. The average cost for paid leave was $3.87 per hour worked or 7.5 percent of total compensation. The highest paid leave cost among occupational groups was $4.37 per hour worked or 7.0 percent of total compensation for management, professional, and related occupations. The average cost in the junior colleges, colleges, and universities industry was $5.22 or 8.7 percent of total compensation (Ibid.).

Table 1 lists the preference of workers in traditional employment and alternate work arrangement as per their statistics of May 2017as reported by the US Bureau of Labor Statistics.

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Table 1: Employed workers (16 years and over) with alternative work arrangements by their preference for a traditional work arrangement, May 2017

Preference	Independent Contractors	On-Call Workers	Temporary Help Agency Workers
Sample size (thousands)	10,614	2,579	1,356
Percent	100	100	100
Prefer traditional arrangement	8.8	43.0	46.4
Prefer alternate work arrangement	79.1	43.8	38.5
It depends	7.5	12.2	12.1
Not available	4.5	1.0	3.0

Note: Sum may differ in totals due to rounding
*Source:*U.S Bureau of Labor Statistics.

b) History of the gig economy

The evolution of the global market has been immense. Likewise, the prediction of continuous growth in the worldwide market is prone to inaccuracy. This evolution and rise of the gig economy have given workers the liberty to roam freely and defy organizational stagnation. Gig work frees workers to seek for themselves the best possible working conditions and wages even while upgrading their skills or setting up a business for themselves. Gigs can be liberating, freeing the previously untapped entrepreneurial energies of the American worker. 'Everywhere we look,' says one fan, 'we can see the US workforce undergoing a massive change' (Horowitz 2011). Skilled individuals in this current age no longer have to focus on one job to make a living, the birth of the gig economy has led to workers taking on several temporary jobs (gigs); No longer do we work at the same company for 25 years, waiting for the gold watch, expecting the benefits and security that come with full-time employment. The era of traditional jobs such as lawyers, writers, or photographers is not prevalent anymore. Instead, we're part-time lawyers-cum-amateur photographers who write on the side. In the modern time, a career can be versatile and malleable. It can involve working in multiple branches of the same industry simultaneously, as well as, utilizing a variety of talents in a diverse market. This non-linear approach to making a living incorporates juggling multiple clients, learning to be marketing and accounting experts, and establishing offices in bedrooms/coffee shops/coworking spaces. Independent workers abound. We call them freelancers, contractors, sole proprietors, consultants, temps, and the self-employed. (Ibid.)

Contingent labor experienced an identifiable growth pattern that triggered questions concerning the new preferences-driven path now journeyed by many. However, the presence of temporary employment is a well-known fact. Still, the rapid rise in such jobs between the 1970s and 1980s, it somewhat indicated changes in worker preferences but can affirmatively be tied to the changes in the American political economy, alterations to the labor law, as well as an increase in the rate of unemployment.

c) Contingent Income and Workers

Individuals and groups that are not categorized as employees of the company or organization identify as contingent workers. These groups of workers are people who work as freelancers temporarily, under a contract, or provide consulting services as may be needed. Most companies also classify salespersons under the group of contingent employees. Contingent workers do not constitute the organizations' salary payroll; they, however, receive payment once they complete the required job to the employers' satisfaction. Contingent workers do not comply orders to follow a specific process in completing a project as they are in charge of all their decisions. Companies and organizations do not concern themselves with how the job gets done when working with contingent workers; they are, however, more concerned about the result. The dependency of business upon a third party to generate financial income strongly relies on the concept of contingent business income, translating that inward cash-flow depends on the third party being true to their words/initial business agreements. There are various forms of contingent income, depending on the nature of the business. A clear example of contingent business income is an electronics dealer that sells specific home-wiring materials. If the manufacturer fails to deliver the electronic elements to the dealer, the electronics dealer will go out of business.

Another practical example is a tile manufacturer who makes a specific type of tile for a particular customer. If the buyer of the tiles goes out of business or begins to lack interest for that specific tile type, the manufacturer goes out of business if another customer with a need for that exact product doesn't show up. Even if a new customer later turns up in the long run, the manufacturer would have procured losses during the waiting period.

"The incidence of contingent work is higher among certain demographic groups, for instance, and in specific industries and occupations. Moreover, the groups differ by other characteristics, including employee tenure and work schedules. Disentangling the impact of these differences on earnings or employee benefits, for example, can be very complicated. This

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article uses descriptive statistics to provide an overview of contingent workers in 1999. In fact, to some analysts, any work arrangement that differed from the commonly perceived norm of a permanent, full-time wage and salary job would be considered "contingent." For many people, nonstandard or contingent work has come to represent a just-in-time workforce, the human equivalent of just-in-time inventories (Hipple, 2001)." If there are traditional divisions of labor within the family, men who are married will favor permanence when pursuing job arrangements, over a contingent arrangement that encompasses absence of stability and thus receive higher wages. The hours an individual works in a year can significantly affect his or her income; therefore, hours worked need inclusion as a critical control variable. When the number of hours worked increases, a person receives compensation with higher earnings. Research has shown that contingents work fewer hours than noncontingent. The contingent workforce and people in the gig economy prefer these arrangements because they tend to be more flexible and require less work time (Skalski, 2002).

There is a wide range to the kind of work independent workers take part in; however, irrespective of the type of work, they all have a few elements in similarity, some of which include:

- There is no guarantee of future employment beyond the task. If the case of a wedding planner is considered an example, the successful planning of a wedding in the past does not guarantee future jobs planning weddings. Instead, exploring the target market, identifying prospective customers and pursuing fresh opportunities to obtain further work is incumbent upon the worker.
- Work is not assuredly available when the worker wants it. There must be a lawn which needs mowing for a lawnmower to be able to get a job at the time when the lawnmowing service provider is available to work.
- The freelancer and client must mutually agree to the conditions of the work. An independent worker can choose to undertake a task or not. A job commences only when the worker and client both explicitly agree to the terms—the work to be performed, the duration of the contract, the compensation involved—of the job (Pegula &Gunter, 2019).

d) Noncontingent Income

The actualization of noncontingent income doesn't depend on any third party. Obligations are put in place to assure the approval of income at the end of the month, as well as other agreed-upon benefits.

Noncontingent workers are employees of the organization, entitled to every benefit allotted to employees of the company; since noncontingent workers aren't working temporarily, the company is responsible for their income. According to the IRS, unlike contractual employees, employers aren't allowed to terminate the business relationship and prior knowledge. Noncontingent pay doesn't just include salary payment and occasional increment in salary; this also includes other financial benefits as well as health benefits, and insurance. Contingent income, however, does not cover these aspects, leaving temporary employees and freelancers to take care of their insurance and health care. Given the fact that noncontingent workers work more hours than contingent workers in the organization, it is very much understandable that noncontingent workers earn more than contingent workers; also, since noncontingent workers are always older than contingent workers in the organization as a result of the requirement for years of experience to be a noncontingent worker in the company, the income of noncontingent workers will exceed that of young contingent workers.

There is a relatively noticeable difference in the earnings of contingent and noncontingent workers by age. Remarkably, the contingent-to-noncontingent earnings ratio for part-time workers is low in some industries, while the ratio for full-time workers is high. For instance, the ratios are 69% for part-timers and 108% for full-timers in construction. Similar differences also occur in private household services and in professional and related services.

In contrast, part-time contingent workers in agriculture and retail trade earn a higher proportion of the noncontingent wage than do full-time contingent workers groups (Hipple & Stewart, 1996). Noncontingent workers are entitled to health insurance, unlike the contingent counterparts. This also is valid for each population group—by gender, race, and educational attainment, for example. 20% of contingent workers have employer-provided health insurance, in contrast to nearly two-thirds of noncontingent workers.

Moreover, workers in contingent arrangements are less likely to be *offered* health insurance by their employers. One-third of contingent workers are eligible for employer-provided health insurance, compared with nearly three-fourths of noncontingent workers (Hipple& Stewart, 1996). These financial benefits and income attached to being a noncontingent worker might make it seem like noncontingent workers have an economic edge over contingent workers. Still, in some cases, that isn't the reality. Contingent workers are more flexible and have the opportunity to land numerous gigs in the gig economy, which could spell an increase in income.

Concerning a pension plan, contingent workers get none with exception to cases where contingent workers save in a pension fund that assures them of receiving a specified amount of money for a period once retired. However, in the case of noncontingent workers, it comes as part of the income plan that once you dedicate a specified number of years of your life to an

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organization, you are entitled to a certain amount of monthly income at retirement.

e) Corporate Employment Benefits

In the corporate world, employees value employment benefits as much as they value their income, if not more than they value their income. In the case of medical insurance for the employee and his/her family, this is mostly true, given the fact that unforeseen medical situations can pose a financial threat to an employee. The different forms of corporate employee benefits aren't cheap in any way, but, the provision of juicy benefits by an employer can, and would attract workers of the best qualities to the organization.

Some of the benefits offered to employees by corporate organizations include:

- *Medical Insurance:* When it concerns full-time employees, medical insurance is a necessity and might not include optical and dental benefits. Larger organizations and employers of labor may offer a variety of health insurance choices for her employees to choose from, ranging from organizations that require employees to use specially selected medical practitioners to plans that give employees the liberty to choose their preferred medical providers. Medical insurance calls for the contribution of both employers and her employees; a more packaged program requires more substantial contributions on the part of the employee.
- *Life Insurance:* Irrespective of the variation of life insurance among the organization, an insurance benefit offered to the employees named beneficiary is equal to the workers' annual income. However, if the employee chooses, additional life insurance can be purchased through the insurance company used by the employer's company.
- *Retirement Benefits:* Employer might offer 401(k) retirement plans employees; here, workers have to contribute a specified portion of their salary regularly. The employer may or may not match these amounts up to a certain percentage. Separately or along with 401(k) plans, employers may offer pensions to employees. Any employer pension plans fall under the federal Employee Retirement Income Security Act of 1974, better known as ERISA, which sets standards for private employer pension plans (Meggitt, 2020).
- *Vacation:* One cannot rule out the vitality of holidays and paid vacations for employees, as it helps employees clear their heads and recharge for the productivity of the organization. Paid vacation durations always depend on how long employees have served the company, with a specific number of vacation hours allotted to employees who have worked for a particular number of hours.
- *Family Leave:* Individual employees are entitled to about 12 weeks of unpaid leave with their job in a secure standing according to the federal medical leave act in the case of childbirth or child adoption, as well as the need to take care of parent or in the case of a child with a serious medical attention and the need for attention. To be eligible, the employee must have completed one year of work according to the family medical leave act, with a minimum of 1,250 hours in the last 52 weeks.
- *Fringe Benefits:* The purpose of fringe benefits is always to retain or attract gifted employees that do their job at an exceptional level, and it regularly in the form of non-cash payments. Tuition assistance, child-care benefits, and non-production bonuses are some examples of fringe benefits. Fringe benefits can play an essential role in an employee's life; for instance, tuition reimbursements can be very useful if the employee chooses to take classes during personal hours. Career advancement is supported this way. Mostly, full-time employees are the ones that get to enjoy fringe benefits.

Employees in corporate organizations do not only get access to financial and material benefits. Top organizations give employees access to non-material benefits, which include; sexual harassment training, which is a severe and necessary training mostly neglected by a significant number of organizations too often since they are either unequipped to handle such a sensitive case or just negligent about the topic. However, a forward-thinking organization welcomes the creation of a comfortable, non-judgmental sexual harassment prevention scheme or the employment of a skilled third party on sexual harassment. Also, organizations with corrupt practices and policies make it a culture to restrain company managers from giving positive reviews and references for former employees, sending a message to the global market that once an employee leaves the organization, they become worthless and have nothing productive to offer. This threat of a lowered market-value is a destructive concept and does as much harm to the company as it does to the former employee. Furthermore, employees who know better teach managers how to give decent and responsible references. Without damaging the image of the company of the former employee and likewise encourage them to do this.

III. Conclusions

As a result of a professional examination, it is accurate to say that value of corporate employee benefits in the corporate world is much higher than the value of noncontingent incomes. Noncontingent salaries are what it is, assured income, and a very narrow concept at that. Corporate employment benefits, however, are quite broad in definition and actualization,

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ranging from health insurance to paid leaves to fringe benefits and other life-impacting benefits. When numbers of interviews are conducted with workers incorporate organization concerning their preference for either noncontingent income or employee benefits, most times, their choice is always employee benefits. However, workers will never debunk the importance and place of a consistent pay-check, of which contingent workers in the gig economy do not possess affirmative assurance ofreceiving. The unwavering nature of noncontingent income is symbolic of stability in the labor market, whereas contingent workers enjoy flexibility at the expense of financial security.

Generally, the preference of employee benefits over noncontingent income by workers bases on the premise that workers' pay cannot take care of these employee benefits provided by the organization, individually. Nevertheless, the plans offered by companies make it possible for workers to enjoy a given number of benefits while they pay for it along the line, in bits. A good example is when a worker joins an organization with the agreement of receiving a monthly income of $700. Still, two years into the job develops a medical condition that requires hemodialysis that will run for two years. A year of hemodialysis cost approximately $70,000; if the worker has no personal savings that can cover such expenses, there is no way he or she will be able to afford $70,000 a year for treatment. However, if the organization has a well thought out health insurance policy for her employees, the worker could benefit a great deal from such plans and end up paying in bits back to the organization. The importance of employee benefits hinges on the fact that this gesture defines the employer as one invested in the well-being of employees and not just about their health, likewise their future. As earlier stated, an excellent employee can play a vital role in the attraction and retention of gifted workers. Employee benefits also distinguish between competitors. When employees are healthy, the productivity and efficiency of the organization are increased, at the same time, reduces the cost of healthcare for the organization.

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