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## Digital Business 2020:

Getting there  
from here!

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Commentary

Jumping on the  
Gig Economy

# Jumping on the Gig Economy

By Gary Beach

As demand for digital talent reaches a crescendo, CIOs are increasingly embracing an Uber-like approach to filling key technical roles throughout their organizations.

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If you've ever used Uber, you've already experienced a model that is poised to redefine the very nature of work across disciplines, including IT. The ride-sharing service not only provides a new approach to transportation but also restructures the employer/employee relationship – a transformation so disruptive that ignoring it puts businesses at competitive risk. This trend is particularly relevant to participants in the thriving global economy, in which “talentism” is the new capitalism.<sup>1</sup>

This movement even comes with a popular moniker: “the gig economy.” The phrase might at first sound like a benign term that conjures up images of IT workers whimsically hopping from one project to another, deciding when and where to work, and more focused on enjoying work/life balance than receiving a regular paycheck.

But on closer inspection, there's far more going on, especially in light of the gig, or contingent, economy's rapid emergence alongside what the World Economic Forum (WEF) calls “the fourth industrial revolution.” In the WEF's view, the fourth industrial revolution is a global phenomenon that builds on and accelerates the ongoing digital revolution by blending the physical and virtual worlds, adding incredible advances in artificial intelligence,

automation and machine/deep learning to the simmering business-technology mix. In fact, the contingent economy represents an entirely new way of attracting and retaining highly sought-after IT talent – as long as IT organizations choose talent wisely, on-board effectively and protect IP where need be.

## Work: Historical Consequences, Future Implications

When I read a recently published WEF manifesto on this topic, entitled “The Future of Jobs,”<sup>2</sup> I had to double-check my eyeglasses: At 400 surveyed companies, CEOs expect to eliminate seven million jobs – or 54% of their total payrolls – within the next four years. Fortunately, they also said they expect to create two million additional jobs over that time, mostly in science and engineering positions.

While eye-popping, these seismic changes have been a long time in the making. In the mainframe/minicomputer era of the 1950s and 1960s, tech workers were full-time employees, paid a salary, benefits and often a pension. By the late 1970s, the move to industrial-strength PCs and local-area networks caused businesses to augment full-time staff with IT professionals employed by value-added resellers who better understood the vast business implications of these seemingly toy-like new technologies.

As tech infrastructures expanded in the 1980s to include distributed networks of mainframes, midrange and client/server systems, payrolls swelled accordingly. To counter rising costs, and focus on core business capabilities, companies such as

Eastman Kodak in 1989 embraced a bold new employment model for IT that entailed the wholesale sourcing of talent.

Meanwhile, concerns about rewriting billions of lines of aging computer code for Y2K compliance introduced yet another classification of IT worker in the mid-1990s: those employed by global services providers. After that challenge was met successfully, many corporations expanded their arrangements with sourcing companies to include e-business and strategic consulting assignments.

## Today's IT Talent Mandate

This brings us back to 2016, an era in which a total of 67 companies reportedly account for 99% of the tech market's total value. That's a major departure from 30 years ago, when industry-compatible technology originated primarily from one company – IBM – representing 95% of the market's value. While competition is good for customers, it also translates into incredible complexity for frontline tech workers tasked with deploying, connecting and securing cloud, big data, analytics and mobile Internet

projects. All that complexity comes with a silver lining for IT workers: strong demand for their skills.

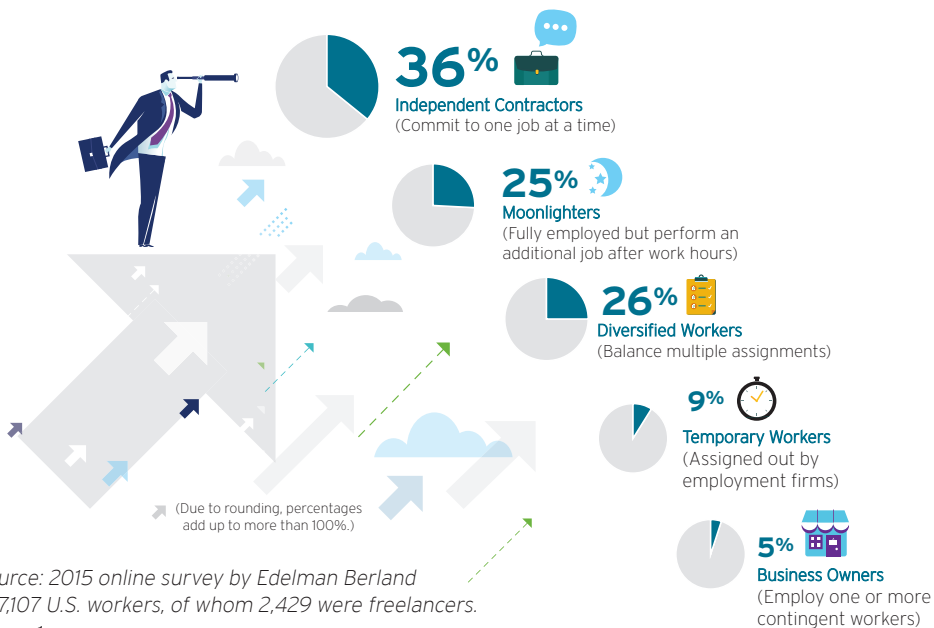
According to Dice.com, an IT career website, the search for highly skilled tech talent will be a top hiring priority in 2016, with a record 78% of hiring managers anticipating more hiring in the first half of this year vs. the second half of 2015. A total of 71% of companies are looking to add to their tech teams by 11% or more in the first six months of 2016.<sup>3</sup>

That high demand is the prime motivational force leading to the gig economy. In its most recent contingent workforce study, Ardent Partners reports that 95% of U.S. corporations perceive contingent workers to be a key element of doing business, and that by 2017, these workers will account for 25% of the IT workforce.<sup>4</sup>

As estimated by Edelman Berland, a global market research firm, the contingent workforce is now 53.7 million people strong in the U.S. alone (see Figure 1).<sup>5</sup> It is such a key component of today's labor market that

## Five Contingent Worker Types

The U.S. contingent workforce can be categorized into five primary segments.



Source: 2015 online survey by Edelman Berland of 7,107 U.S. workers, of whom 2,429 were freelancers. Figure 1



the U.S. Department of Labor will begin to gather and report official data on its size in its 2017 “Current Population Survey.” This is a critical development because it will give federal and state lawmakers access to “official” information on the size of this emerging workforce, as well as the data needed to craft policy to guide its development.

According to the CIO Executive Council’s “IT Talent Assessment Study,” 2016 will be a good year for contingent/gig workers.<sup>6</sup> When the council surveyed CIOs about their hiring projections for the next six months, 45% reported plans to hire contingent workers with specific skills to work on project-based assignments.

In terms of which projects and skills will be in demand for contingent workers, a review of job data from Foote Partners LLC offers some visibility and insight, naming enterprise architects, data architects, big data/data management experts and cyber security professionals, in that order.<sup>7</sup> Robert Half International adds wireless network engineers and mobile application developers to the list.<sup>8</sup>

## Virtues, Vices of the Gig Economy

Ardent Partners advises CIOs to tap the brakes before rushing into a contingent workforce model. Its study reveals several concerns, including a lack of visibility and intelligence into the ultimate ramifications of this approach, the difficulty of fully assessing and verifying a contingent workers skill set, the need to craft realistic budget estimates, and the overwhelming volumes of federal and state labor guidelines that come with employing contingent workers.

The most difficult challenge CIOs face in onboarding contingent workers is intellectual property protection. As Foote Partners reports, CIOs have a fiduciary responsibility to protect confidential product and process information, “which you don’t want walking out the door with the contingent worker.” On the other hand, Foote Partners says, “contingent workers with the right skills and talent experience can greatly contribute to the creation of intellectual property.”

Smart companies balance these risk-reward IP issues by requiring all contingent workers to sign a “work made for hire” contract that ensures the company, not the worker, owns the IP of the work being performed and that the firm is notarized as the author and automatic copyright owner of the work. Many also have crafted a customized training course on IP property ownership and confidentiality and require all contingent workers to take the course before starting work.

## Get Ready to Gig

Not only are most CIOs on the gig economy bus, but some are actually driving it. In my recent travels and discussions with CIOs, IT leaders are well beyond the experimentation phase. By a wide margin, they are engaging contingent workers on high-value tasks, such as mobile application development, cloud-managed services and information security. Only one CIO mentioned low-level development work.

Interestingly, CIOs are not leveraging the gig economy with the goal of balancing their budgets. As one told me at a recent CIO confab, “Many IT executives mistakenly think cost savings is the primary driver of using contingent workers. But the project preparation, detailed scope, design and documentation costs associated with contingent workers largely offset any potential cost savings. It is much more about having access to the best talent than trying to save a few bucks.”

Surprisingly, intellectual property protection was not a primary concern for the CIOs with whom I spoke. One said, “IP is not a big deal. It is rather straightforward, and in fact, most contingent workers are quite flexible and willingly sign the necessary documents.”

Contingent workers typically report directly to the manager responsible for the project, CIOs told me. Several mentioned the silver lining that contingent workers form a solid talent pipeline and are sometimes eventually hired into full-time positions.

And one thing is sure: CIOs don't see the trend ending any time soon. Those who participate in the gig economy said contingent workers comprise roughly 20% of their IT staff, and could reach an even split by the end of the decade.

Further, gig workers seem to like the work arrangement. According to the reports that I've read, nearly 90% of individuals who have completed at least one contingent project claim they will never go back to working

full-time for one company. The schedule flexibility, passion to work on what they want to work on and ability to learn new skills are the most cited reasons.

For me, the contingent/gig workforce has a more interesting moniker. It is nothing less than the "uberization" of IT work, and taking it for a test drive in the second half of 2016 would be a smart thing to do. Happy ride-sharing!

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## Footnotes

- <sup>1</sup> Klaus Schwab, "The End of Capitalism – So What's Next?" *The Huffington Post*, April 4, 2012, [http://www.huffingtonpost.com/klaus-schwab/end-of-capitalism---\\_b\\_1423311.html](http://www.huffingtonpost.com/klaus-schwab/end-of-capitalism---_b_1423311.html).
- <sup>2</sup> In its "The Future of Jobs" report, The World Economic Forum postulated that the fourth industrial revolution would cause widespread disruption not only to business models but also to labor markets over the next five years, with enormous change predicted in the skill sets needed to thrive in the new landscape. See more at: <http://www.weforum.org/reports/the-future-of-jobs>.
- <sup>3</sup> "December 2015: Special Report, Hiring Survey," Dice.com, <http://media.dice.com/report/december-2015-special-report-hiring-survey/>.
- <sup>4</sup> "The State of Contingent Workforce Management 2015-2016," Ardent Partners, <http://ardentpartners.com/2014/08/the-state-of-contingent-workforce-management-a-guidebook-for-2015/>.
- <sup>5</sup> "Freelancing in America 2015: A National Survey of the New Workforce," Edelman Berland, 2015, <http://www.slideshare.net/upwork/2015-us-freelancer-survey-53166722>.
- <sup>6</sup> "IT Talent Decoded," CIO Executive Council, 2015, <http://council.cio.com/event/it-talent-decoded/>.
- <sup>7</sup> "2016 IT Skills Demand and Pay Trends Report," Foote Partners LLC, 2016, <http://www.footepartners.com/2012TrendReports.htm>.
- <sup>8</sup> "2015 Salary Guide for Technology Professionals," Robert Half Technology, 2015, [https://www.cs.utexas.edu/~cannata/dbms/web-pages/Class%20Notes/03%20Relational%20Modeling/03%20RHT\\_2015\\_salary-guide.pdf](https://www.cs.utexas.edu/~cannata/dbms/web-pages/Class%20Notes/03%20Relational%20Modeling/03%20RHT_2015_salary-guide.pdf).

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