**Discounting the gig economy**

**MILLENIALS** are increasingly opting out of the traditional workforce in favor of alternative work arrangements, and organizations are eagerly hiring workers off their balance sheets.¹ But is this really mutually advantageous? Too often it seems the alternative workforce isn’t viewed by many organizations as a way to create greater value, but a way to cut costs. That’s likely because millennial alternative workers have consistently trailed their peers when it comes to how much they earn, and they continue to do so despite the gap narrowing (see figure).

So are companies getting a bargain? Not exactly. Inadequate wages may prove to be a disadvantage to employers as well. While recent research shows contract workers can be up to 30 percent less expensive than full-time employees, other studies show 43 percent of all alternative workers citing insufficient pay as their reason for leaving the gig economy. Tapping the gig economy to cut costs potentially diminishes the quality and value of alternative workers, who may feel at a disadvantage if they are not paid fair market wages (as they typically don’t receive typical full-time work incentives such as health and retirement benefits).

All of this means organizational leaders who use the alternative workforce as a creative way to capture untapped value might be better positioned than competitors who use it as a way to cut costs. And no matter the motivation, organizations should ensure fair market pay and strive to develop creative ways to engage alternative workers in their culture.

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**SAME WORK, LESS MONEY**

![Graph showing wages over time for general and alternative millennial populations](source: Deloitte analysis from National Longitudinal Survey of Youth 1997 data)

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For more, read *Decoding millennials in the gig economy: Six trends to watch in alternative work* on [www.deloitte.com/insights](http://www.deloitte.com/insights).