

REVIEW ARTICLE

# Solving Issues in Employee Engagement and Relations in the Gig Economy

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## Abstract

The gig economy has precipitated a structural transformation in the global labor market. Official statistics indicate that the scale of flexible employment in China has reached 200 million [1]. Concurrently, in Western markets, gig workers constitute 35% of the labor force in the United States [2]; in the United Kingdom, the number of gig workers has doubled over the past three years to 4.7 million (accounting for 10% of the workforce) [3], while McKinsey research reveals a rapid surge in participation among young Europeans [4]. This new employment model, characterized by temporary work and informal contracts, affords firms significant cost flexibility yet triggers a profound "efficiency-security" paradox.

On one hand, by circumventing social security and welfare expenditures, Small and Medium-Sized Enterprises (SMEs) achieve cost minimization and profit maximization in the short term. On the other hand, the tendency toward de-standardization of labor relations entails severe human resource consequences: the social costs arising from the lack of basic protections for workers, and a recruitment-training cycle driven by high turnover, significantly erode corporate human capital investment efficiency. Given that existing literature predominantly focuses on macro-level policies with scarce attention paid to the micro-level perspective of corporate management, this paper delves into the HR management challenges posed by the gig economy. It attempts to construct a comprehensive solution based on employee relationship optimization and engagement enhancement, aiming to provide theoretical underpinnings and practical pathways for enterprises navigating labor market transformations..

## Introduction

The last few years have witnessed a dynamic change in the way employment is conducted. Jobs in the 21<sup>st</sup> century were historically

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long, formal, and full-time, with little to no discretion for employees. However, the advent of globalization in recent years has given rise to jobs that promote employee freedom and flexibility in work [5]. Different authors have studied the changes in employment patterns. For instance, Burtch G, et al. [6]. Analysed that this century is known for an increasing trend of Uber-style jobs in contrast to McJobs. While McJobs refer to low-paying and low-quality jobs, Uber-jobs are more flexible. The changing trend of job patterns has given rise to the gig economy, which refers to a free market system where temporary and contractual positions are common.

Different studies have analyzed the significance and benefits of the gig economy. For instance, Wood BN, et al. [18] analyzed that the gig economy integrates organizations with the external environment by hiring a workforce on a need basis. Conversely, Ravenelle argued that jobs in the gig economy harm the social solidarity of workers. Projections indicate that by 2036 [7], China's gig economy will encompass approximately 400 million participants. As the traditional employment model is progressively supplanted by flexible employment, a continuous migration of labor from offline to online environments is underway.

This shift has not only fundamentally reshaped the enterprise-employee relationship but has also directly escalated training costs and increased the potential rate of product non-conformity, thereby posing a significant threat to corporate stability and long-term development. Given this context, this study focuses specifically on the core issues pertaining to employment relationships within the gig economy and proposes targeted solutions.

## Methodology

### Methodology and theoretical framework

This paper employs a literature review methodology to optimize employee

engagement. Specifically, relevant literature regarding the loyalty of grassroots employees in labour-intensive enterprises in the context of the gig economy was retrieved through multiple channels—including libraries, archives, and online databases. By extensively reviewing academic journals and articles, this study systematically collects, collates, and analyses theoretical frameworks from both domestic and international scholars, thereby establishing a robust theoretical foundation for this study. Furthermore, by closely tracking current research advances and engaging in in-depth critical reflection on the subject, this study formulates its core arguments, ultimately aiming to propose effective countermeasures for enhancing employee loyalty.

### Contextual analysis and case study approach

Notably, this study utilizes two specific frameworks Penna's Model of Employee Engagement and Roger D'Aprix's Manager's Communication Model to conduct a rigorous analysis. Against the backdrop of the post-pandemic era, China's employment landscape has encountered significant challenges. While both corporations and government bodies increasingly view the gig economy (or flexible employment) as a viable solution to these issues, from a Human Resource Management perspective, this shift reveals critical deficiencies in employee management.

Consequently, to address these deficiencies, this paper adopts a comparative case study approach. Specifically, the Uber case in the United States is analyzed to identify best practices and derive actionable measures for resolving employee management issues, thus providing a benchmark for improving the stability of labor-intensive enterprises in China.

## Findings

In the first place, organizations in the gig economy are likely to face high rates of

employee turnover. According to research, the turnover rate for temporary jobs is about 30% [8]. The turnover rate of casual workers is more than double the US average [9]. This signals that a policy needs to be devised to actively cater to such issues. It can, therefore, be stated that in a gig economy, employees have short working periods, which helps organizations save costs. However, the critical implication is evident in HR management regarding the management of the turnover rate.

In the second place, the increasing rate of turnover tends to threaten the stability of an organization. The conceptual framework presented [10] identified firm stability as a sub-variable of employee turnover and established that high turnover harms stability. This directs a negative impact on an organization. On the same lines, high turnover harms the image of an organization in the market. This ultimately restricts effective candidates from joining the organization. Therefore, monitoring and controlling turnover is of core importance in an organization, which is a significant challenge for organizations in the gig economy.

Moreover, employers in the gig economy are likely to face the issue of getting important tasks done. Poon TSC, et al. [11] explained that the trend of temporary workers in the gig economy makes it difficult for employers to hire long-term employees for long-term projects. The implication is evident in an organization's overall functioning, as well as in the HR department in particular [12]. Workers in the gig economy are reluctant to accept permanent jobs, which creates an issue regarding the availability of an effective workforce. Besides, the HR department bears rehiring and retraining costs [13]. This implies that employers in the gig economy are challenged to reduce evident turnover.

In view of the issues stated above, it can be analyzed that the gig economy primarily lacks a healthy employer-employee relationship. Due

to a relatively weak relationship, employers find it difficult to retain employees in such an economy. This gives rise to the need for the development of an effective employer-employee relationship. Employers and HR personnel can investigate and analyze the issues through the perspective of employee relationship and employee engagement in the gig economy. This will ultimately lead to the establishment of a policy plan to improve employee relations and engagement in the gig economy.

## Discussion

The gig economy is witnessing a fundamental reconfiguration of its legal nature worldwide, as landmark rulings redefine the relational boundary between digital platforms and the workforce. The UK Supreme Court's decision on 2020, concerning Uber drivers serves as a paradigmatic example. By dismissing Uber's "self-employed" argument and designating drivers as "workers," the court created a nuanced middle ground. This status grants essential rights—including minimum wage and holiday pay without conferring full "employee" status, thereby establishing a new equilibrium between operational flexibility and labor security. This ruling is widely cited as a turning point in European gig economy jurisprudence.

Concurrent regulatory pressures are observable in the trajectory of California's AB5. Despite its repeal, the bill's attempt to force gig workers into the "employee" classification highlighted a decisive regulatory intent to integrate non-standard work into the conventional legal framework. These judicially and legislatively driven shifts represent an inescapable institutional context for businesses. Although these changes are externally imposed rather than voluntarily adopted by firms like Uber, they signal a paradigm shift in labor governance moving from unregulated flexibility toward "protected flexibility." Against this backdrop, this study examines the rationale

behind these legislative interventions and offers strategic pathways for enterprises to navigate this structural change by leveraging employee relations and engagement optimization.

Building upon the aforementioned legal context, this paper intends to delve into the micro-perspective of Human Resource Management, with a specific focus on the pivotal role of employee engagement and employee relations in enhancing HRM effectiveness and overall organizational performance. Although the preceding analysis has identified the structural contradictions inherent in the gig economy, further scrutiny reveals that the core pain point lies in maintaining a high level of employee engagement. While the refinement of laws and regulations provides a baseline for labor rights and creates an institutional environment conducive to engagement, it does not eliminate the inherent characteristic of high turnover within the gig economy. Consequently, organizations cannot merely rely on external legal constraints but must proactively formulate and implement effective engagement enhancement strategies. This implies that in the gig economy model, establishing a robust employee engagement management system is not merely a tactic to reduce turnover, but a strategic imperative for ensuring sustainable organizational performance and long-term stability.

An emerging volume of literature supports the role of employee engagement and employee relations in HR management and an organization's overall effectiveness. The discussion built so far has established the issues in the gig economy. It has also been analyzed that the primary issue in the gig economy is keeping employees engaged. Owing to their escalating turnover rate, organizations in the gig economy are particularly compelled to devise effective engagement policies. This implies that in order to assure sustained performance in the gig economy, it is essential

to guarantee an effective employee engagement strategy.

The discussion on employee engagement and relations in the gig economy can also be observed through the perspective of employee involvement and employee participation. Ramsay identified that both involvement and participation differ from one another. The goal of employee involvement is to enhance employee commitment [14], while that of employee participation is to exercise employee rights. In order to sustain the employer-employee relationship, it is essential to keep employees involved. Applying this discussion to the gig economy, it can be analyzed that organizations in this sector face challenges in keeping employees involved and participative. Involvement is more informal in comparison to participation and is thus deemed to be more useful in the gig economy. Moreover, Shipton H, et al. [15] suggest that the gig economy usually adopts a unitarist approach to HRM, which is also in line with employee involvement. By consolidating the findings, it can be deduced that the gig economy primarily faces the challenge of employee engagement, which can be addressed by involving employees in a rather informal manner.

Employee engagement and employee relations are identified as important functions of HRM. Given the context of the gig economy, HR needs to analyze the advantages and disadvantages of this sector, and then formulate reasonable and effective strategies to accelerate company growth. The gig economy has many benefits for the business. It can reduce business costs and employee welfare expenditures, thereby ultimately increasing profits for business owners [16]. However, in the gig economy, employee engagement and employee relationships are of core significance to avoid increases in turnover. It can be stated that in a gig economy comprised solely of temporary employees, effective employee engagement

policies and measures can mitigate evident issues and bring many benefits to organizations.

The first benefit is that it improves employee motivation and company performance. Although temporary workers know that they do not have an opportunity to stay in an organization, an effective employee engagement policy ensures that employees remain with the organization and fulfil their commitments with a positive attitude. Therefore, the company's support and appreciation of temporary workers serves as a very effective incentive. Analyzing the discussion in relation to the engagement model [17], it can be stated that organizations in the gig economy should make sure that temporary and contractual employees consider their job roles meaningful. With reference to the model illustrated in figure 1, it can be stated that engagement can be increased across five levels, starting from basic pay and working conditions and ending at finding meaning in the job role. From this, it can be evaluated that managers in the gig economy should devise policies that assure good working conditions, learning and development, promotion opportunities, leadership and trust, and a sense of meaning in the job.

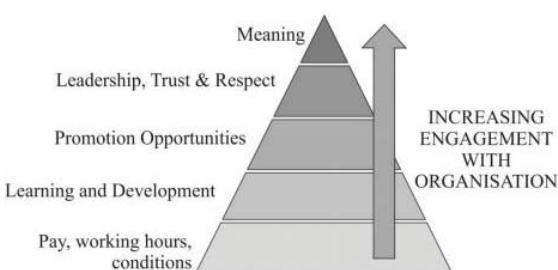
The second benefit is that it can increase a company's reputation. Although these temporary workers do not stay long-term, they evaluate the company's attitude towards them, which shapes the company's public image. Besides, this approach helps in assigning

different projects to different employees and ensures diversity.

However, a practical standpoint reveals a different picture. Companies in the gig economy find it difficult to retain their employees. This finding can be better elaborated through the case of Uber. Studies report Uber as leading among gig economy organizations, yet it is identified as having a notably high turnover rate. In this regard, Chen MK, et al. [18] found that Uber drivers work only a portion of a year, with an average of three months. Moreover, they work part-time, averaging up to 17 hours per week. This implies that the total hours of work provided by an Uber driver are merely 12.5% of the hours provided by a full-time, full-year worker. Gleim MR, et al. [19] justified the high turnover in the gig economy by establishing that temporary workers in this sector have no basic benefits or even insurance, unlike permanent workers. This creates a lack of motivation among gig economy employees. By relating the discussion to Expectancy Theory [20], it can be stated that the work delivered by employees correlates with the amount they expect to receive in return. For companies in the gig economy, it is essential to devise effective reward and compensation policies that keep these employees motivated to work.

Based on the preceding analysis, the heterogeneity between temporary and formal employees in the dimension of employee relations necessitates specific legislation. Although the enactment of such laws provides institutional guidance for enterprises, truly addressing the issue requires Human Resource departments to accurately diagnose the current status of gig workers and implement feasible policies to bridge relational gaps and stimulate engagement.

From a management perspective, the legal recognition of worker status constructs an incentive mechanism based on the psychological contract, the positive effects of which are



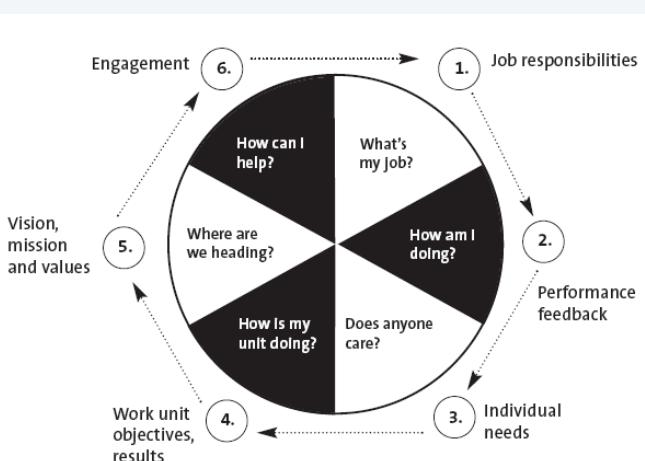
**Figure 1** Penna. Meaning at work Research report. 2007.

directly reflected in reduced employee turnover and improved retention rates. This "security-incentive" transformation mechanism is particularly vital for gig economy practitioners. Given this, the following section of this paper will delve into how to convert the institutional advantages granted by law into organizational effectiveness through the dual pathways of employee relationship reconstruction and engagement management.

Wood S, et al. [21] introduced the "Four Pillars Model" regarding employee relationships. The purpose of the model is to help managers and company owners maintain positive feedback from employees, increase productivity, and reduce unnecessary costs. Hossen, et al. [22] emphasized the significance of this model by stating that unlike financial costs, managing human costs is quite difficult and cannot be done effectively without the help of these tools. The four pillars of employee relations are open communication, showing recognition, continuous feedback, and investment in employees. The study seeks to develop an effective employee relations policy for casual workers in the gig economy by using these four pillars.

The first pillar, open communication, is the most important factor. Owing to the diversity in employees and teams, open communication has become highly significant in organizations. The significance of open communication can also be gauged through the Manager's Communication Model by Roger D'Aprix (Figure 2). Despite technological advancements, the model proposed by Gursoy S; Yagmur A; Uymaz AO encourages face-to-face communication between managers and employees in the gig economy.

The second pillar in the model is expressing approval and showing recognition, which implies that a manager consistently looks after employees' well-being. In this regard,



**Figure 2** D'Aprix R. The credible company: Communicating with a skeptical workforce. John Wiley & Sons. 2008.

Masakure affirmed the positive impact of a manager's care and emotional bond on the loyalty and retention of temporary workers within an organization [23]. The third pillar is constant feedback, which represents the level of democracy within a company and whether managers are willing to listen to employees' opinions. The more feedback a manager receives, the greater the capacity for future development and alternative strategies, as analyzed by Steelman and Wolfeld. The final theme is investing in employees, which has gained particular significance lately. Investing in employees is beneficial for managers and organizations in the gig economy. McDermott argues that managers sometimes consider investing in employees to be very costly. However, analyzing the discussion in relation to the Resource-Based View (RBV) theory of management, it can be stated that human resources serve as a source of competitive advantage, a view also supported by Gellweiler, Ahmed, and Ferdousi. Moreover, Annarelli G, et al. [24] affirm that this finding is significant in the gig economy as well. Sahakians I, et al. [24] suggest that investment in employees can also be achieved through effective rewards and compensation policies. Therefore, employment relations policy should rest on these pillars to retain employees in the gig economy.

Given the discussion, it can be analyzed that temporary employees also require motivation, which can be facilitated through rewards. Jayawardena and Jayawardena identified two categories of rewards: extrinsic and intrinsic. In this context, the text defines intrinsic rewards as referring to money and fame, while extrinsic rewards include encouragement and recognition. Shields et al. [25] state that extrinsic rewards guarantee extrinsic motivation in employees, whereas intrinsic rewards foster intrinsic motivation. Employee engagement and relationships in the gig economy cannot rely solely on verbal encouragement and spiritual motivation; workers require basic benefits and rewards [26]. It can, therefore, be stated that employers should consider investing in workers in the gig economy as well. Although this may appear to be a high cost, equally high returns can be projected in the long run.

By leveraging the gig economy model, firms aim to minimize costs through labor flexibility. However, an excessive pursuit of marginal cost reduction at the expense of labor relationship quality can trigger an "Incentive Paradox." Specifically, when compensation or security falls below the psychological threshold, employees' organizational identification rapidly disintegrates, manifested as dampened motivation and heightened turnover intention.

Such high fluidity entails not only explicit costs—such as frequent recruitment and training—but also implicit costs, including the loss of organizational memory and the erosion of team stability. Ultimately, this traps firms in a "Race to the Bottom" management dilemma. Therefore, the key to breaking this deadlock lies in reconstructing the incentive mechanism. Compared to mere salary stacking, intrinsic incentives based on the psychological contract (e.g., career development recognition, algorithmic transparency, and respect) often generate stronger retention/stickiness. This "appropriate incentive" approach transforms

gig workers from pure "transactional entities" into "partners," thereby effectively enhancing retention rates. Given this, exploring diversified incentive strategies has become a core issue for maintaining organizational resilience in the gig economy.

## Conclusion

Through an in-depth analysis of employee relations in the gig economy, this study draws a conclusion of significant practical implication: employee engagement and healthy employment relations are the core variables for resolving the "high turnover curse" inherent in the gig model. While gig workers globally are actively advocating for legislative protection, the economic recession triggered by the pandemic and global policy instability have caused legal safeguards to face a "cold spell" in many countries. In this context, enterprises cannot passively await institutional perfection. Instead, they must proactively assume "quasi-organizational" social responsibility, integrating temporary workers into their talent development strategy and tapping into their potential through resource investment and effective training.

Given the indispensability of temporary workers to organizational operations, Human Resource Management must shift from a "compliance-driven" to a "value-driven" paradigm. Managers should grant gig workers equitable management attention, comparable to that of formal employees. Specifically, organizations should implement the four-pillar model of employment relations—establishing open communication channels, enforcing instant recognition mechanisms, maintaining continuous performance feedback, and increasing employee investment. This strategy not only aligns with the design of "motivators" in Herzberg's Two-Factor Theory but also resonates with the pursuit of belonging and esteem in Maslow's Hierarchy of Needs,

while echoing the stimulation of "power and achievement" in McClelland's Achievement Motivation Theory.

Therefore, constructing a diversified incentive system is no longer optional but an imperative. Only by transforming legal "rights protection" into managerial "psychological empowerment" can gig economy organizations, constrained by legislative lag, fundamentally address the endogenous defects of this economic model. By enhancing engagement and retention, these organizations can achieve sustainable growth in organizational performance.

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