

Ditch your assumptions about Uber and Airbnb: the 'gig economy' is no game-changer

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Big claims have been made that the future of work lies in self-employment, multiple job holding, short duration employment and temporary employees. The permanent employee job, [we are told](#), is on its way out.

This is already generating a political backlash, with [Hillary Clinton](#) among those accusing companies of exploiting their workforce by “misclassifying them as contractors.”

This so-called gig economy - the trading of individual tasks and commissions (or “gigs”) online - is associated with the growth of self-employed, freelancers, and micro-entrepreneurs working either full or part time.

However, there is some confusion. There is strong overlap with the “sharing economy”. Although the latter has been interpreted as part of a wider social and community based movement, many of the larger scale companies operating in this space are essentially rebadged capitalist enterprises such as [Airbnb](#), [Uber](#) or digital marketplaces such as E-Bay.

The business model of much of the gig economy tends to transfer risk from the digital platform providers to individual consumers and workers. If most of those who are entering the gig economy to provide services are better educated people with digital skills in demand who do it out of choice, then it is not clear we should be concerned. By and large, they can cope with the risk and will secure the rewards.

If, on the other hand, it is creating a new breed of insecure [exploited worker](#) who are self-employed in name only, then it is a much more serious matter. In this case the risk is being transferred to those who can least afford to bear it.

A race to the bottom?

When it comes to conventional businesses, the impact will depend on how far the new service is growing the total market (by making services cheaper and easy to use) and how far it is displacing existing business. Airbnb, for example, has forced down prices in budget hotels in some US cities, [according to research](#).

However, what we do not yet know is what impact falling prices in budget hotels has had on the pay and conditions of the hotel workforce. Indeed, we have remarkably little hard evidence (leaving aside [protesting taxi drivers](#)) one way or the other on employment in the gig economy aside from a recent [US study of Uber drivers](#) that found that most seemed to be doing it out of choice.

A more rounded picture will emerge as more work is done and I suspect we will find some support for both positive and negative impacts on employment. However, it is important to note that there is nothing new in the development of what the OECD calls “[false self-employment](#)”. Historically, it was strongly associated with the construction industry until successful campaigns by HMRC removed some of the worst abuses.

Evidence suggests otherwise. Permanent jobs currently account for more than 80% of total employment – a share little [changed since 1995](#). Latest figures for the UK show that over the past 12 months the share of people in self-employment, multiple job holding, and temporary work has been falling. The trends are much the same in the US, where the term gig economy originally emerged.

We are not good at measuring change at the margins of the labour market, especially as new business models emerge. As we saw with [zero hours](#), the way people respond to surveys does not always give an accurate picture of the full scale of some forms of employment and the same may be true for some gig economy employment. But we are still talking about fairly marginal changes in the labour market as a whole.

The competitive pressure from some digital platforms gives conventional businesses a choice – they could try to cut the wages, conditions, and hours of their workforce or they could go for better marketing, more flexibility and choice, and upskilling the workforce to improve efficiency. This is part of the bigger challenge facing many minimum wage businesses about how they improve their performance, not least in the face of the rapidly rising [national living wage](#).

The recent [Wosskow report](#) to the Government on the future of the sharing economy made some helpful recommendations which also apply to the gig economy, including having a clearer definition of the employment status of providers on digital sites, a commitment by employers to pay at least the national living wage, and a clarification whether the regulation that applies to employment agencies also applies to digital platforms providing temporary help.

The [formal response from BIS](#) reflected the previous and current Government's enthusiasm for all things associated with the sharing economy, but resolved few of these questions. BIS did however rightly conclude that distinguishing between passive and active digital platforms when it came to regulating employment agency type activities was impractical.

Ultimately, a good policy response should encourage the best and mitigate the worst of the gig economy while being proportionate – but that requires a good evidence base and as yet this does not exist.