HR^N Paper

Work… but not as we know it

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New forms of work have been occupying media recently and rarely in a good way. The Uber[1] and gig[2] economies both presage a major change in how we think about work. There has been considerable concern that these shifts will dismantle some of the gains in employment rights and securities that we take for granted. And it is true that employment legislation is playing catch up.

What is it?

Unhelpfully there is no commonly accepted definition of new forms of work (or non-standard work, as it is also known). It is often taken to be that work which is *not* full-time permanent contract work. But that throws large numbers of part-time but securely and permanently contracted workers into the pot (eg OECD, 2016). A common focus is on the self-employed but even here, there are those such as franchisees who sit at blurry borders. More recently, the interest has grown in what might be termed 'platform work' ie that which is facilitated by online platforms, which 'provide marketplaces for goods, services and information delivered both physically and digitally' (Ibid., 2016). This is the classic Uber and gig economy territory. Within this broad area, JP Morgan Chase Institute (Farrell and Greig, 2016) distinguishes between labour and capital platforms with the former such as Uber or TaskRabbit, connecting customers with independent workers who perform discrete tasks and the latter, such as eBay or Airbnb, connecting customers with individuals who rent assets or sell goods peer-to-peer. The split by OECD into physical and digital, and the split by JP Morgan into labour and capital, overlap; the former focuses on how the transaction is made, the latter on what is being transacted.

Arun Sundarajan (2016) places the source of this crowd-based economy at the feet of the iPod – an innovation that created a mass market digital product developed for consumers rather than business or government and which spawned a revolution in product development to meet the needs of the consumer.

There are other feet at which Uber and such can be placed: the surge of technology that enables the digitisation of markets. The operators of online platforms have facilitated a tectonic shift in our work worlds, enabling individuals to compete with firms in the delivery of goods and services. As the OECD (2016) has pointed out, lowering entry barriers to sell directly to clients facilitates individual service provision by those who

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[1] Often referred to as the 'sharing' economy, which is defined by Oxford Dictionary (2017) as 'An economic system in which assets or services are shared between private individuals, either free or for a fee, typically by means of the Internet.'

[2] Defined by the Financial Times (Hook, 2015) as '*The freelance economy, in which workers support themselves with a variety of part-time jobs that do not provide traditional benefits such as healthcare.*'

work on a temporary or irregular basis. What is interesting is that the increase in demand for individually provided services has included those which are delivered locally (*physically*) – like accommodation, transportation, handyman or personal services, and those which are delivered remotely *(digitally)* – like administrative support, graphic design, data entry or programming. The brave new world is not just about the possibility of contracting with someone the other side of the world, but also with someone just around the corner.

This suggests that new technology has facilitated not just the growth of online platforms, but also service provision by individuals who in many cases work on a temporary or irregular and part-time basis. Online platforms have also facilitated the monetisation of personal assets; most notably homes and cars. For most people these are expensive and underutilised forms of sunk capital and therefore the opportunity to use them to generate additional income, and thereby sell services more cheaply than established providers, has proved to be attractive.

What are we scared of?

For the moment at least, the Uberisation of work feels unstoppable. OECD (2016) analysis of registered users on Upwork and Freelancer, for example, shows exponential growth since 2005 from around 2.5 million to over 35 million and Devlin (2016) shows that London's gig economy has grown by 72 per cent since 2010.

This surge not only threatens to reverse the world order regarding rates of self-employment (developing economies tend to have much higher rates of self-employment often because there are no alternatives to consider (eg ILO, 2015)) but also exposes the assumption that globalisation works to the ultimate good of all economies. Whilst countries with low wage costs tend to experience a growing export trade, and this fuels faster economic growth (the east has done well from this trend), mature economies have seen their manufacturing base contract and the loss of jobs has fuelled discord.

And whilst there might be global winners and losers for such trends there are also individual winners and losers and these differences can cleave societies (as the UK saw in the aftermath of the EU referendum). Unsurprisingly, researchers have found that those who feel less deprived and who perceive globalisation as an opportunity are significantly more likely to hold a warm view towards the EU (Teney, Lacewell and De Wilde, 2014).

So the Uberisation of work and the gig economy sit within the wider globalisation context. As digitisation and globalisation create new ways of working, uncertainty rises for significant portions of the workforce. High levels of unemployment, static pay and much poorer economic circumstances for younger generations have fuelled anxiety and resentment. If traditional forms of work continue to contract, then more people will be earning lower wages, with greater uncertainty of income, less access to retirement benefits, holiday and sickness pay, and credit. Those who have already lost out to globalisation and the Uber economy (and those who think they might), have been part of a groundswell of fear that has allowed populist politicians to take centre stage.

The effect of such shifts is not only to create political unrest but to also create swathes of individuals keen to find new income sources with the potential for a vicious circle of increasing uncertainty. The theoretical availability of an infinite pool of digital providers can not only dampen pay levels but also support jobs becoming smaller and smaller and the commodification of work. Providers might find themselves working a digital 'assembly line' (OECD, 2016) or just one click away from the ultimate automation of work.

And as McKinsey Global Institute (Manyika et al, 2016) has pointed out, part of our discomfort with new forms of work is a result of policy frameworks and safety net programmes not always coping well. However, there are signs that systems fight back: in October 2016 an employment tribunal ruled that Uber's army of self-employed drivers should be classified as employees (Osborne, 2016a) and a union (the Independent Workers Union of Great Britain) has sought recognition by Deliveroo to represent riders in Camden (Osborne, 2016b). The government has also recently announced a six-month review of modern working practices chaired by Matthew Taylor, and HMRC is setting up a new unit, the employment status and intermediaries team, to investigate firms (Osborne, 2016a).

Is it really as bad as all that?

Economic shocks will always be bad for some but sometimes what is bad for a few individuals may benefit the wider economy so we need to look wide in deciding whether the gig economy is the danger so many fear.

First off, for individuals it might be helpful to differentiate between those who enter new forms of work voluntarily and those who are there because they feel they have no choice. There is evidence that for many, the move into the digital economy may not be voluntary; OECD data suggests most people take platform-facilitated contracts of limited duration because they can't find permanent work. For example, analysis in the US suggests some 60 per cent of Uber drivers were looking for a 'proper' job before commencing with Uber (OECD, 2016).

There is also evidence of rather poor terms and conditions. Drop-off is quite high amongst Uber drivers (30 per cent within 6 months and 50 per cent within a year). Across the digital economy, pay levels are constricted, associated employment benefits (including training) are usually non-existent, and wage growth in non-standard work is lower than for standard employees (OECD, 2016; Kalleberg and Dunn, 2016).

However, there is also evidence that it isn't all bad. McKinsey (Manyika et al, 2016), found that independent workers in the US and Europe mostly take such jobs by choice and mostly like what they do (although, unsurprisingly, satisfaction with independent work is strongly correlated with choice). It has also been suggested that some kinds of traditionally disadvantaged worker are most likely to benefit from the gig economy (immigrants, those in remote areas and disadvantaged groups (Kalleberg and Dunn, 2016)).

Many people use platforms to boost their primary income. It is very difficult to be accurate with such a fast-evolving market but a US study analysed data from 260,000 individuals active in at least one of 30 different platforms and found that average earnings provided a significant but minority share of income (between 20 and 33%) and that around two thirds of individuals remained traditionally employed whilst working on a platform (Farrell and Greig, 2016).

McKinsey (Manyika et al, 2016) suggests that there could be wider economic benefits from increases in independent work. There are those for whom independent work offers labour market participation and income that they would not otherwise have (part-timers who would like to work more hours, returners, older individuals who want to continue to work, and the unemployed). Other benefits include: increasing capital productivity, ie putting underutilised assets (houses and cars) to work and stimulating consumption (making some services easier to access). Small firms might particularly benefit from the availability of specialised help, reducing the costs and lowering the barriers to starting a business.

However, whilst for individuals platform-facilitated work appears to boost other forms of income rather than provide the sole source, there is some (limited) evidence that the rise of such work might knock-on to more traditional forms of work. The New Economics Foundation (NEF) (Devlin, 2016) claim that nine out of ten taxi drivers surveyed said that their take-home pay had decreased over the last six months and only one in five felt they earned enough through driving to support their families (United Private Hire Drivers, cited in Devlin, 2016). The NEF found that only 61 per cent of the labour force has a secure job that pays at least the minimum wage – a proportion that has been deteriorating over time (Devlin, 2016).

The general view is that the balance of power in labour platforms favours employers and the history of capitalism shows that this is rarely a good thing (for the workers at least). As in the more traditional labour market, those with scarce and in-demand skills will find themselves better placed. McKinsey (Manyika et al, 2016) suggests that such professionals can shape favourable independent work arrangements – 'twas always the way!

So what does all this mean?

In part, the Uberisation of work is not replacing 'real' work but supplementing it. That at least appears to be the case regarding services delivered physically or aspects of the capital platforms as defined by JP Morgan (Farrell and Greig, 2016). Overall, 92 per cent of Airbnb hosts say that their revenue supplements their regular income. Uber drivers seem to split between those who work part time (the majority in the US and Australia) and those who work full time or almost full time (France and the UK for example) (OECD, 2016).

Analysis of those working through TaskRabbit (in the US) also suggests rather limited activity, with an average of around four or five mini jobs per year with associated annual revenues of $475. For those posting physical jobs, the ability of platforms to meet needs is not necessarily perfect either. OECD analysis of Youpijob (France) finds that whilst jobs are quickly responded to (average time for a provider to make an offer is five hours) only 39 per cent of jobs posted are assigned to a provider and, on average, each posted job receives only one offer.

The picture regarding services delivered digitally is that most services are provided by the highly skilled and although the promise is of selling and buying from any geographical location, in reality time zones, prices, language and culture have tended to create barriers to the global reach of platforms. That said, it is notable that the majority of hirers come from high-income and the majority of providers from low-income countries (OECD, 2016).

Brinkley (2015) points out that data doesn't currently support a view that we are going to hell in a digitally procured handcart any time soon. Overall figures on self-employment are not showing increases and job tenures are on the rise. He makes the point that perhaps official statistics are lagging behind labour market changes, but nonetheless estimates that the digital/gig economy is likely to have a total market share of around one per cent of GDP by 2025.

So, whilst it is rather too early to dismiss current concerns as overblown, and perhaps foolhardy to ignore data that suggests rapid growth in activity, there is also cause for staying calm. We are experiencing a market shift in delivery that is currently a long way from maturing but the worst case scenario of the end of work as we know it does not seem likely. These new forms of work may challenge the existing mode of delivery but only for some rather than all forms of work, and they facilitate some customer-provider transactions but again certainly not all. In turn they will bring their own limitations and disadvantages that will inhibit universal adoption, and the signs are that the system bites back; where they push hardest at the boundaries of more traditional forms of work, they may well be increasingly bound by employment legislation which may offset some of the current relative advantage.

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More on this topic

Building on our previous work on precarious forms of employment, IES is conducting qualitative research on individuals' experiences of the gig economy for the Department for Business, Energy and Industrial Strategy (BEIS) in 2017.

IES also carried out a project for the European Parliament in 2016, exploring the patterns and trends of precarious employment in Europe. To read the report, visit: http://www.employment-studies.co.uk/resource/precarious-employment-europe-patterns-trends-and-policy-strategies

To find out more about this project, or any of the arguments discussed in this chapter, please contact Penny Tamkin, Director, Employer Research and Consultancy:

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This event will be facilitated by Stephen Bevan, Head of HR Research Development

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