

The rise and growth of the gig economy

Studium Generale Wageningen University

30 March 2021

Bas ter Weel

Roetersstraat 29

1018 WB

Amsterdam

Tel: +31 (0)20 252 1630

secretariaat@seo.nl

www.seo.nl

Outline

- An economist's take on the gig economy
- Impact on workers
- Consequences and legal context

Gig economy – production

How do we organise work and divide tasks among workers and machines?

Changes in the division of labour are the result of a changing trade-off between the benefits of specialisation and the costs of communication

- A more extensive division of labour raises productivity because of the gains from specialisation
Example: Henry Ford's production model of the T-Ford
- A more generic division of labour raises productivity because the costs of coordination are reduced
Example: The chain is as strong as the weakest link ... see the 1986 space shuttle Challenger disaster

Gig economy – production

Adoption of “computer technology” is related to more generic functions with more autonomy and innovative work practices ...

- this raises productivity of workers because of lower coordination costs
 - Taxi drivers and professionals can more easily run their own business

... but also increased specialisation, scripting of communication and stricter procedures

- this changes the optimal division of labour because communication costs become lower
 - Tasks are split off jobs, such as delivery of goods and services

Gig economy – consumption

Consumers derive higher utility from ...

- lower prices for a given good or service
- more choice and more variety of goods and services
- lower transaction costs

Gig economy ...

- Transparent market with strong price convergence
- The online world does not stop at country borders
- Search costs are lower and goods and services are delivered at home

Gig economy – workers

What is the impact of the gig economy on workers?

Case study

- Gig workers in the Netherlands

Size and growth

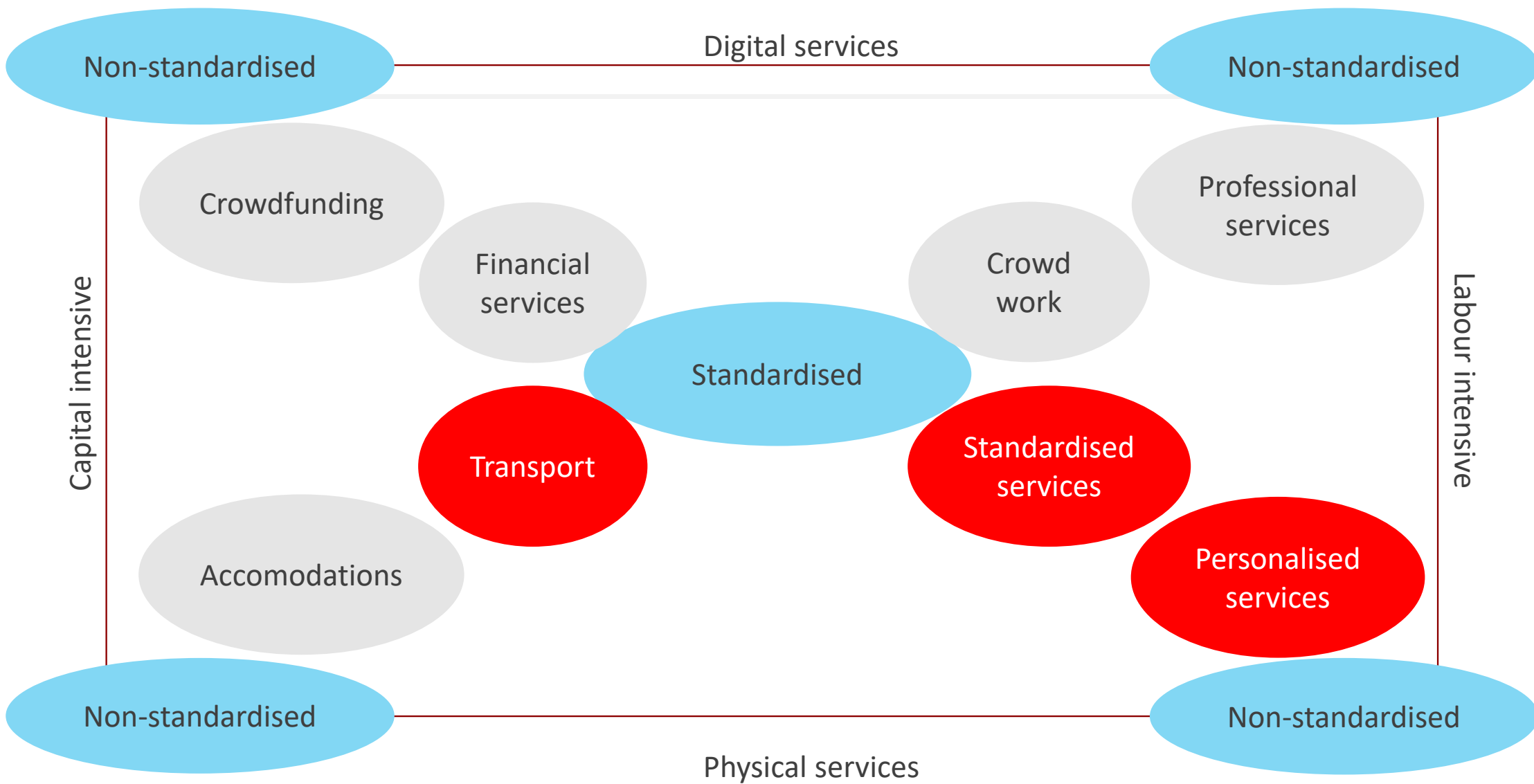
- What is the size and growth of the gig labour market?
- To what extent are the tasks being executed new?
- What are the policy implications?

Case study

The case study focuses on gig workers in the Netherlands who ...

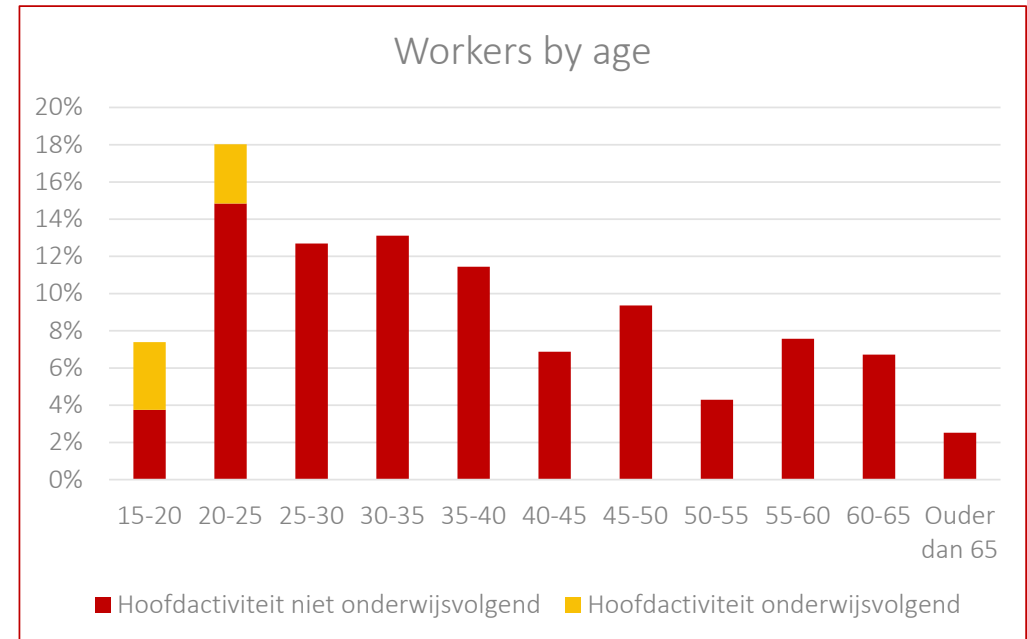
- are paid for the tasks they execute ... (so, we exclude the sharing economy)
- carry out tasks that consist of manual labour ... (we exclude online and crowd work)
- conduct the tasks within the Netherlands ... (makes policy implications more relevant)
- through or by making use of a platform (app or website)

We also exclude companies at the high end of the market who build the technology that helps develop the gig economy, such as Booking.com, Adyen, etc.



Size gig economy relatively small

- Up to 1% of all workers ($n \approx 70.000$)
- Relatively low-paid work (€ 15 an hour)
- Relatively small jobs (20 hrs. a week)
- 25% of the workers below age 25
- Low tenure (50% below 6 months)
- Low ambition (65% expects to quit soon)
- Relatively highly educated
- Main activities are food delivery,, passenger transport and housekeeping services



Research strategy

- Interviews with platform companies
- Interviews with labour unions and employers' organisations
- Survey among representative sample of Dutch workers

Opportunities for growth

- Growth is driven by ...
 - Technology (smartphone)
 - Preferences (satisfying latent demand)
 - Supply of workers
 - Laws and regulations
- Absolute growth is driven by...
 - 2010: Smartphone
 - 2015: Large foreign platforms entering the market
- Ambitions
 - Platforms aim to double revenues each year
 - Also supply services beyond the Randstad
 - Explore new forms of activities, such as health and education



Work practices

The work practices of gig economy workers may be different from other forms of work.

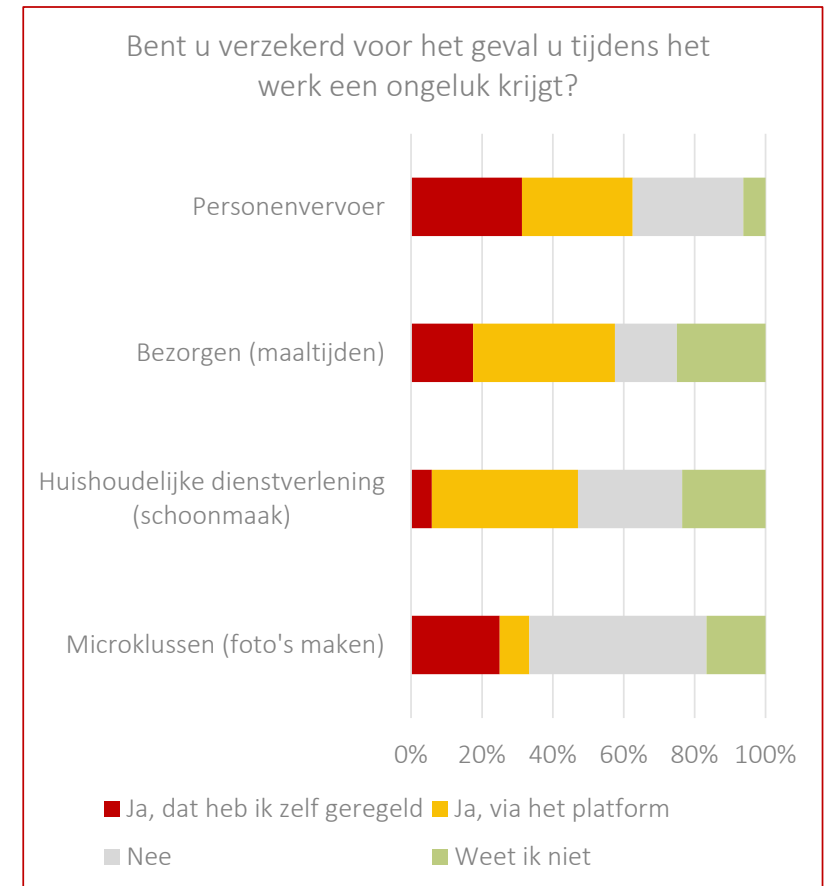
These are young companies that, because of the new technology, organize the production factor labour in a different way than in traditional companies where workers come to a production location every day to do their work.

At least four differences seem important to understand

- Organisation of work and tasks
- Recruitment and worker selection
- Division of tasks among workers
- Earning and payment flows

Organisation of work differs per platform

- Different (intended) contract types
 - 70% contractor (10% does not qualify as entrepreneur)
 - Agreement with platform or customer
 - Allowed to work for multiple platforms
 - Possible to purchase clothing/equipment
 - Responsible for insurance
 - 15% employee
 - Flexible fixed-term contract (zero hours, min-max contracts)
 - Social protection in accordance with the legal minimum requirements
 - Selection: employees are less reliable than contractors (according to the platforms)
 - 15% “home service arrangement”
 - Especially in cleaning



Hardly any obstacles to get started

For all platforms, there is a low barrier for workers to register

- The interviews with the various platforms show that it is generally easy for interested parties to register with a platform
- Minimum entry requirements are low (except for taxi drivers who must have a license)
- Platforms try to prevent too many active platform workers (at certain times) by working with registration

Division of work is not the same everywhere

A match between supply and demand comes about in various ways

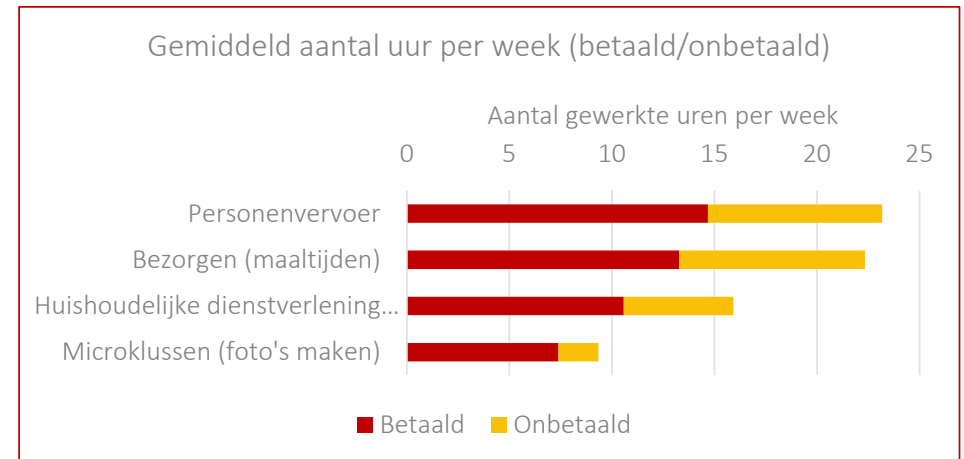
- Platform selects worker
 - This usually takes place based on the location of the job and the location where the worker is located
- Customer selects worker
 - Usually jobs are offered on the platform to potentially suitable and interested workers
- Fastest response gets the job

In order to remain active on a platform, almost all platforms have the policy that workers must perform sufficient jobs and obtain a sufficient rating.

- Workers indicate that this requirement is easy to meet

Earnings are limited and payment flows often via third parties

- Active on the platform
 - The number of hours that workers work through a platform varies widely within and between platforms
 - There is freedom in the number of hours that workers are available for work, including during the year
- Prices
 - Platform determines: often for standardized work
 - The customer decides: often with cleaning services
 - Worker decides: often with professionals
- Payment flows
 - Via an external party with commission for the platform



Consequences and legal context

To what extent is work in the gig economy different from existing work and what are the consequences in terms of employment law, social security law and tax law?

- Employment practices (meal deliverers)
- Mediation (services)
- Vulnerability (meal delivery, cleaning, passenger transport)
- Fragmentation (micro tasks)



Heterogeneous company, employership not unambiguously determined

- **Contractorship indicators**

- Freedom (not) to work
- Own material
- Possibility of replacement
- Invoicing method

- **Counter-indicators**

- Do not determine the rate yourself
- Sometimes no other clients
- Company only for platform work
- Organizational part of the platform

Conclusion

- Not a general answer
- Part of a broader discussion, no different in that sense
- Business model based on working with contractors
- Work practice is strongly geared towards this

There are various forms of intermediate actions

- Supply and demand of labour brought together
- Degree of influence of platform differs greatly
 - Very limited (only provide space on site)
 - ↕
 - Very large (a role for every contact between worker and customer)
- Possible job placement or posting
- Possible fictitious employment through intervention



The gig economy is unlikely to lead to more vulnerable work

- Work for low earnings with little certainty, regardless of contract form
- Most platform work that is considered vulnerable is also vulnerable without platform intervention
- Not perceived as problematic by workers
- Workers sometimes feel safer because of the platform (cleaning)
- Electronic payments opens up possibilities for combating the informal economy

Fissuring of work

- Relatively new; often part of existing work
- Often marginal / extra earnings
- Workers do not experience a lack of social protection
- Especially with low earnings, workers are often not entrepreneurs and there is no question of (fictitious) employment
- Platforms see opportunities to expand to other sectors.



Future of work

- Autonomy vs. the gains of specialisation
- Platforms as new ways to organise work?
- Consequences for workers and their rights

De kluseconomie in Nederland

