

The 'gig economy' is coming. What will it mean for work?

The new working model offers greater freedom – and a fresh chance for the rich to exploit the poor. Not so long ago, the only people who looked for “gigs” were musicians. For the rest of us, once we outgrew our school dreams of rock stardom, we found “real” jobs that paid us a fixed salary every month, allowed us to take paid holidays and formed the basis for planning a stable future.

Today, more and more of us choose, instead, to make our living working gigs rather than full time. To the optimists, it promises a future of empowered entrepreneurs and boundless innovation. To the naysayers, it portends a dystopian future of disenfranchised workers hunting for their next wedge of piecework.

In the US, the “gig economy” is now so salient that the phrase and issues have entered the early exchanges of the presidential race. Earlier this month, as one frontrunner, Jeb Bush, took a well-publicised Uber ride to signal solidarity with the company, another, Hillary Clinton, was more cautious in her support. In a speech laying out her economic plan, she said: “This on-demand, or so-called gig, economy is creating exciting economies and unleashing innovation. But it is also raising hard questions about workplace protections and what a good job will look like in the future.”

Today’s digitally enabled gig economy was preceded by marketplaces such as ELance and oDesk, through which computer programmers and designers could make a living competing for short-term work assignments. But the gig economy isn’t just creating a new digital channel for freelance work. It is spawning a host of new economic activity. More than a million “makers” sell jewellery, clothing and accessories through the online marketplace Etsy. The short-term accommodation platforms Airbnb, Love Home Swap and onefinestay collectively have close to a million “hosts”.

This explosion of small-scale entrepreneurship might make one wonder whether we are returning to the economy of the 18th century, described by the economist Adam Smith in his book *An Inquiry Into the Nature and Causes of the Wealth of Nations*. The economy Smith described was a genuine market economy of individuals engaging in commerce with one another.

Over the following two centuries, however, the emergence of mass production and distribution yielded modern corporations. The entrepreneurs of Smith’s time gave way to the salaried employees of the 20th century.

A different technological revolution – the digital revolution – is partially responsible for the recent return to peer-to-peer exchange. Most of the new on-demand services rely on a population equipped with computers or GPS-enabled smartphones. Furthermore, the social capital we’ve digitised on Facebook and LinkedIn makes it easier to trust that semi-anonymous peer.

Does this suggest a shift towards a textbook market economy? Granted, Uber, Airbnb, Etsy and TaskRabbit are quite different from organisations such as Apple, BP or Sainsbury’s. Because you aren’t actually renting a space from Airbnb, taking a ride in a car owned by Uber or buying a product made by Etsy. The platform simply connects you with a provider of space, a driver of a vehicle or a seller who runs a virtual shop.

But these platforms are by no means merely the purveyors of Smith’s invisible hand. Rather, the hand they play in facilitating exchange is decidedly visible. Uber, not individual drivers, sets prices. Airbnb trains its hosts to be better providers of hospitality. Etsy facilitates seller community building. All of them provide user-generated feedback systems, creating a high-quality consumer experience. Much like an organisation building a brand might.

So it seems like we’ve invented a new institutional form – the peer-to-peer platform – a digitally powered hybrid between organising economic activity through the market and within the organisation. And because these platforms provide layers of trust, brand and expertise on demand, the need for specialising before you’re qualified to become a provider is reduced. Almost anyone with talent can become a part-time hotelier through Airbnb or an artisan retailer on the side through Etsy. Any reasonably competent driver can morph into a provider of commercial transportation by plugging into Uber or BlaBlaCar.

And providers don’t have to commit to full days of work. You can pick up your kids from school (and then switch to being an Uber driver). In the gig economy, the lines between personal and professional become increasingly blurred.

There’s certainly something empowering about being your own boss. With the right mindset, you can achieve a better work-life balance. But there’s also something empowering about a steady pay cheque, fixed work hours and company-provided benefits. It’s harder to plan your life longer term when you don’t know how much money you’re going to be making next year.

On the other hand, starting a new business has generally been an all-or-nothing proposition, requiring a significant appetite for risk. There are benefits to dipping your toes into the entrepreneurial waters by experimenting with a few gigs on the side. Perhaps this lowering of barriers to entrepreneurship will spur innovation across the economy.

Economist Thomas Piketty tells us that the main driver of sustained economic inequality over the past two centuries has been the concentration of wealth-producing “capital” in the hands of a few.

This seems less likely if the economy is powered by millions of micro-entrepreneurs who own their businesses, rather than a small number of giant corporations.

But the latest generation of specialised labour platforms also raises the spectre of greater social inequality. We've now got apps through which providers will park your car (Luxe), buy and deliver your groceries (Instacart), and get you your drinks (Drizly). There's a risk we might devolve into a society in which the on-demand many end up serving the privileged few.

In many countries, key slices of the social safety net are tied to full-time employment with a company or the government. Although the broader socioeconomic effects of the gig economy are as yet unclear, it is clear we must rethink the provision of our safety net, decoupling it from salaried jobs and making it more readily available to independent workers.

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