

How the On-Demand/Gig Economy is Redefining Work

Timothy Aepfel

The “Uberization” of the American economy is a hot topic these days.

With good reason, given what the rise of on-demand—or gig—work could mean for the future of jobs and companies. Former labor secretary Robert Reich has called it “the biggest change in the American workforce in over a century.”

That’s likely an overstatement, at least for now. But how much do we really know about this new and growing phenomenon?

As part of the Initiative on the Digital Economy’s ongoing efforts to plumb the impact of the digital revolution on how people live and work, the IDE in March brought together an array of academic experts and business leaders to discuss the topic. One thing they agreed on: While it’s growing explosively fast, the gig economy remains a tiny slice of the job market and, due to the dearth of solid numbers on its size and significance, is poorly understood by policymakers. A study by JP Morgan Chase & Co. Institute estimates less than one percent of U.S. adults earned income in September 2015 through a digital platform company like Uber, Lyft or Airbnb, based on a study of bank transactions. Other estimates peg the size of the gig workforce at less than half of one percent of the total jobs.

THE CHALLENGES OF NEW TECHNOLOGY

MIT Professors Erik Brynjolfsson and Andrew McAfee authored a book, *Race Against the Machine*, about the challenge posed by new technologies, including the companies that populate the gig economy. Prof. Brynjolfsson has said: “There’s no economic law that says technological progress has to benefit everybody or even most people.” At the meeting in March he emphasized that a great deal more research needs to be done to pinpoint how new work arrangements impact wages and worker protections.

Given its small size, it’s surprising that the gig economy attracts so much attention. Several people who attended the IDE event suggested politics was at least partly driving the surge. The presidential election has focused attention on the uneven recovery of the job market and whether lower-wage workers in particular are hurt by a combination of trade and new technology. Several speakers expressed concern that the rise of these new work arrangements could contribute to rising income inequality, by locking low-wage workers into unstable careers without the guarantee of a steady paycheck.

THE RECOVERY FROM THE LAST RECESSION HAS BEEN PAINFULLY SLOW, ESPECIALLY FOR WORKERS WITH LIMITED SKILLS

Gig work has helped many workers who lost jobs in the downturn and who have struggled to find new jobs in the recovery.

Which points up another key issue that experts agree on: Gig work not only remains a tiny share of jobs, it’s also usually a side gig. The vast majority of gig workers have other jobs that provide the bulk of their income. This

IN THIS RESEARCH BRIEF

- Researchers and business leaders discuss the opportunities and challenges posed by the rise of gig work.
- The sector is growing fast—but remains a tiny slice of the labor force.
- Most gig workers are doing it as a side job, not as the main source of their paychecks.
- The big question is whether these constitute “good” jobs—or represent an erosion of labor’s power.



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raises questions about the true nature of gig work. For one, is it supplanting—or augmenting—traditional jobs? If it's primarily a side job, the issue of whether employers provide benefits and other employee protections gains a different complexion. The JP Morgan Chase study found that reliance on earnings from gig jobs didn't increase for workers over time, suggesting it remains primarily a way to supplement incomes even for workers who do it year after year.

NEW DATA STREAMS

One panel at the event was devoted to the question of whether gig work could provide a valuable new stream of data for economists to study. NYU Professors Sonny Tambe and John Horton described a paper they've written about working with data from gig businesses. They noted that these platforms measure parts of the labor market that no other data collection agency can access, allowing a granular look at what people are working on, how long they spend on projects and how they develop skills.

“WE HAVE AIRBNB LISTINGS IN EVERY COUNTRY IN THE WORLD EXCEPT THREE COUNTRIES-WE HAVE A GLOBAL DATA SET,”

said Jonathan Hall, Uber's head of economic research, who was also on the panel. This allows you to look at things like prices, earnings, and travel.

For now, gig jobs remain very concentrated in a few companies. Harvard Professor Larry Katz told the group in a separate session that Uber is the “quintessential employer of the gig economy and could represent one-half to two-thirds of all gig work.” He noted that offline alternative work arrangements, such as contracting out jobs, is a far larger slice of the labor market and has grown by nearly half in the last decade.

He described research he conducted with Professor Alan Krueger, of Princeton, in the summer of 2015 that was aimed at assessing the size of the sector, which is not tracked well by any government agency. They surveyed 2300 workers on Amazon's Mechanical Turk, an online site where companies find workers for specific tasks, asking questions about employment and whether

workers held multiple jobs. Most respondents said they only had one job—but 61 percent also said they did additional work through the platform. This suggests that many workers don't consider gigs jobs real jobs, but something else. It also means a great deal of secondary work isn't being captured by government surveys, since they ask the same questions.

Professor Katz also described a larger survey they conducted using the Rand American Life Panel, which also confirmed the limited scope of the gig economy. Only one half of one percent of workers said they worked in the gig economy during the week in question.

THE DIVISION OF GIG JOBS

Many divide the gig economy into two broad categories: Platform companies that focus on finding uses for idle capital, such as Airbnb, which allows homeowners to become mini-hoteliers, and those that focus on labor, such as Uber or TaskRabbit, which help link workers to jobs. But David Weil, an administrator with the US Department of Labor, suggested a different way to divvy it up. He said the sector is made up of virtual marketplaces, where people go to find specific goods and services, and branded platforms, which offer a pre-approved set of characteristics. Uber falls in the latter category.

“The choice between these two types is made on the basis of the business's requirements” and means of making profit, he said.

THE BIGGEST QUESTION, THOUGH, IS WHETHER GIG JOBS ARE “GOOD” JOBS.

Weil said gig jobs are part of a “fissuring” of the workplace that has occurred as companies push more workers into alternative work arrangements—including the large and growing share of workers who have alternative arrangements conducted offline, such as contracting. This can cause problems, including a fall in labor standards, he said. But he cautioned that it's hard to design policies for the entire economy, adding there's no “one size fits all” approach.

And yet workers themselves often express satisfaction

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with the jobs. Bruce Reed, co-director of the Future of Work Initiative at The Aspen Institute said that, when asked, on-demand workers usually say they like their jobs, savoring the flexibility and the ability to be their own boss, as well as the money. Workers tend to be optimistic and trust the new labor platforms, he said, but they can't decide if flexibility or security matters more. What's needed, said Reed, is new benefit structures that limit the risk for workers, but companies are hesitant to experiment.

THE CHANGING NATURE OF EMPLOYMENT

The experts at the meeting wrangled with what new government policies are needed. One key issue is that gig work often blurs the traditional definitions of an "employer" and an "employee." Gig work is a two-edged sword. It benefits workers and the economy, because it offers workers a flexible work arrangement that has few or no training costs. There are also few barriers to entry. That allows a wider array of workers to generate new income or to supplement their income in tough times.

Some experts see the rise of gig work as an increase in the precariousness of jobs and part of a larger erosion of labor power that began decades ago. The problem is that workers can enjoy the benefits in the good times, but when business slows, they have no safety net. Gig workers don't get benefits like unemployment insurance, maternity or paternity leave, or employer-sponsored retirement plans. This has led to conflicts and lawsuits, particularly involving Uber. Drivers in New York and California have recently reached agreements that

provide drivers with a modified way to organize. Several attendees said more experimentation like this is needed and should be led by the otherwise most innovative and fast-growing gig companies.

“THE BIGGEST ATTRACTION OF THE GIG ECONOMY IS THAT IT IS THE SAFETY NET,” SAID REED, “BUT THE CHALLENGE IS THAT IT DOESN'T HAVE A SAFETY NET.”

Jon Lieber, the chief economist of ThumbTack, said Uber gets too much attention. Thumbtack is a platform that allows consumers to hire anyone from plumbers to contractors to remodel a bathroom. “Twenty years from now,” he predicted, “this will be much wider than Uber.”

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