
Article by an MPIFG researcher

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A Long-Term Perspective on the Gig Economy

by Colin Crouch

In July 2017, Don Lane, a courier working in southern England for the German logistics firm DPD, attended a hospital medical appointment regarding his deteriorating diabetes condition. The firm fined him £150 because as a result he failed to deliver his allocation of parcels for the day. In the following months his diabetes worsened; he had a succession of further hospital appointments, but he missed most of them, feeling unable to afford the successive penalties that DPD would impose. On January 4, 2018, he collapsed and died. Mr. Lane was not an employee of DPD, but for nineteen years had been a self-employed contractor to the firm, a member of the so-called gig economy, enjoying the much extolled “freedom” from domination by bosses that self-employment is reputed to bring.

Following the wave of popular anger surrounding the case of Don Lane, DPD reformed several of its work practices. More generally, however, the gig economy is seen by many firms as an ideal form of work, poised to gradually replace the costly rigidities of the old-fashioned employment contract. Significantly, when the British government set up a committee of inquiry to review the gig economy, it defined it in terms of “modern” employment practices.¹

In the gig economy firms can maximize flexibility by calling on and paying workers only when they need them to perform specific tasks, while also avoiding the social insurance charges and minimum wage obligations that in many jurisdictions come with standard employment. For their part, workers can enjoy the freedom of being “entrepreneurs,” working when they like and for whom they like.

But can a person who works full time for one firm, which has the power to fine him or her for taking time off to attend a medical appointment, be said to have the freedom of the self-employed? And how can a firm that engages thousands of people as couriers not be their employer? The emerging new world of flexible working arrangements is replete with verbal and legal tricks of this kind. The term “gig economy” is itself deceptive. It implies an analogy with the shows or gigs organized for musicians, comedians, and other entertainers, who perform events at various locations, with no long-term commitment to the places or the groups organizing the events. But these entertainers are genuinely self-employed; they are in a “true” free market, working for several different organizations and dependent on no individual one. This is very different from the situation of people engaged in making deliveries day in, day out for one or two large corporations on which they are totally dependent for making a living. The description of such work as “gig” seems more like a cynical attempt to associate an unpleasant form of labor with the romance of the entertainment business than a genuine attempt to define a new form of work relationship.

Today the gig economy presents itself as a likely next stage for consumers and labor markets, enabling consumers cheaper access to on-demand services while offering workers greater flexibility. Yet the dynamics of the gig economy are much more complicated. In the first place, the gig economy may not expand as far as its advocates and defenders suggest, because of the limited size of the labor pool on which it depends. Should gig-based firms expand beyond the gig-oriented labor pool, they will have to offer employment-like benefits to potential employees. At the same time, the gig economy as a whole depends upon the state’s willingness to support it through the provision of social benefits to workers not supported by their employers. That willingness will reach a limit and, when it does, we may very well see a correction of the trends toward gig-economy excesses.

THE GIG ECONOMY AND NEOLIBERAL IDEALS

In an ideal neoliberal economy, all participants are independent individual agents, and neoliberals idealize the self-employed worker, who is often mistakenly regarded as an “entrepreneur.” But self-employment in its true form is difficult to reconcile with the large-scale organizations that are central to modern capitalism. A successful entrepreneur comes to command large numbers of subordinate workers who cannot themselves be entrepreneurs. In the normal course of things, the more successful entrepreneurs there are, the fewer people can become one. The gig economy can be seen as a means to resolve this paradox: a form of “false” self-employment, whereby workers who are to all intents and purposes under the managerial control of a firm are accorded the formal status of self-employment. The firm maintains tight control over them while preserving the image of the self-employed worker as a free individual—free from dependence on an employer, but also free from protections of health and safety, rights to various kinds of paid leave, and rights to employer contributions to pensions and social insurance.

The rise of the gig economy parallels the growing strength of another neoliberal ideal: the apotheosis of the shareholder-“owned” firm, with shares traded effortlessly and frequently on stock exchanges and the maximization of shareholder value becoming the sole legal objective, to which the interests of managers—including original entrepreneurial owners, let alone those of other employees—are subordinated. This alternative takes us to the split personality of neoliberalism. On the one hand it is supposed to be a political expression of the concept of the pure market of neoclassical economics. The market allocates resources with perfect efficiency; producers, customers, and workers can all express free choice within it; and no one individual or group can have power, because within a pure market one can always walk away from an unsatisfactory relationship and go elsewhere. But, on the other hand, in many parts of the economy market competition is severely restricted. Several sectors are dominated by very small numbers of global firms giving restricted scope for choice, and even where there is competition, most consumer and labor markets are characterized by the confrontation between large organizations and isolated individuals.

The internet is now facilitating the expansion of this form of corporate domination. Because it makes available a mass of opportunities for frictionless access to its electronic platforms, the internet was first seen as an instance of the pure market, a perfect technological embodiment of neoliberal ideas. But ownership of platforms themselves has very rapidly developed into one of the most monopolistic sectors of the economy. A tiny group of firms—including Amazon, Google, Facebook, eBay, Netflix, and Uber, together with others in China—not only dominate their sectors but have in a few years become among the most highly capitalized corporations in the world. The reason is that their business is the development of networks, and the most important quality of a network, indeed its essence, is its size. Everyone wants to use the biggest network available for a particular activity, and very quickly the winner takes all. Customers and would-be employees have little choice. Much of the gig economy, where nominally self-employed workers are in practice subordinate to one or two firms from whom they derive all their work income, is a perfect example of the reality of corporate power hiding behind the appearance of the market.

THE GIG ECONOMY IN HISTORICAL PERSPECTIVE

Though the gig economy advertises itself as the next stage of labor market structure, it is actually a return to a much earlier relationship, many of whose negative features are well known. Corporate growth can be made compatible with continued self-employment—in the form of workers on their own—if firms can find a way to bring large numbers of people together to work for them without giving them the status of employees. Today this often takes the form of internet technology platforms, but there are interesting historical precedents, particularly in parts of the clothing sector in early stages of English industrialization, and more recently in China and other developing economies. In what was known as the putting-out system, the entrepreneur or his agent delivered quantities of cloth to workers, usually women, in their homes, where they had appropriate machinery. Every so often the agent returned, collected the finished pieces and (if the work was judged satisfactory) paid them. The women were not employees of the firm, they were responsible for maintaining, heating, and lighting their own work environment, as well as for ensuring its safety (such as the risks from accumulations of cotton dust). They were, however, also spared time-consuming journeys to and from work, and could combine work with childcare. While formally free from employment

obligations, they were completely subordinate to the discipline of their “nonemployer,” who could stipulate quality and quantity of production if payment were to be made and the work relationship maintained. Typically such women had no alternative job opportunities, as they were tied to the home by children, had few formal skills for use in other types of work, and were very poor and therefore unable simply to withdraw from the labor market if the terms and conditions were unsatisfactory.

From the entrepreneur’s perspective this was an ideal way of using labor. It was, however, limited in its scope by technology and the character of the product, useful only in sectors where raw materials and the finished products were easily portable, where individuals could work alone rather than in teams, where machinery could fit into a small home, and where quality and quantity of production could be easily monitored. If an activity required large numbers of persons to be brought together for the production tasks or for their adequate monitoring and control, then factories, construction sites, offices, and other work premises were necessary. These could also achieve major economies of scale. As individuals’ contributions to work tasks become integrated into tight webs of cooperation involving complex machinery, the kind of control that could be achieved over a self-employed person solely responsible for producing individual items became inadequate. The idea of the employee, based on the ancient concept of master and servant and defined by a relationship of obedience to managerial authority, became highly useful.

The possibilities for reorganizing work opened up by information technology and other elements of digitization are bringing back to employers some of the long-lost advantages of the putting-out system. In the eighteenth century women worked in isolation on machines in their own homes, producing items of clothing in exchange for small incomes received from people who recognized no employment responsibilities towards them. Likewise, in the early twenty-first century, young men and women work in isolation, riding their own bicycles, carrying on their backs large packages with restaurant meals that they deliver to customers in exchange for small incomes received from firms that recognize no employment responsibilities towards them. It is frequently said of digital platform firms that they represent the cutting edge of technology. But they also represent a return to far older forms of work organization.

The best-known examples of platform economies to date are those for taxi services, food and parcel delivery, and bed-and-breakfast accommodation. In the first of these, a firm—the best known names in the Western world are Uber and Lyft—establishes a platform that links workers with cars to customers seeking rides. The customer pays the platform, which passes on a portion of the payment to the driver. The platform firms maintain that they are not employers of the drivers, just the providers of an internet app that enables drivers and customers to contact each other. Drivers have no contract of employment, and therefore no rights to sick pay, holiday pay, pensions, health and safety protection, or training. They are, of course, required to have a driver's license, but none of the special professional driving and route knowledge skills associated with traditional taxi drivers. They are required, like any other driver, to have accident insurance, but no special health and safety protection. In exchange they can, in principle, work whatever hours they like. They may even ask a friend or relation to do the work for them if they so choose, with that person accepting any risk involved if he or she does not have a driver's license or insurance coverage.

Food delivery operates on a similar basis, though since the normal form of transport is a bicycle, there is less regulatory cover. In most countries there are no rules governing what cyclists can carry on their backs, and if a food delivery rider falls off his or her bike under the weight of the load of food, then the resulting injuries or damages are the liability of the rider. All the platform firm did was to provide the sack and the app link. It has no responsibilities at all towards the rider.

Bed-and-breakfast booking services are slightly different. The platform firm provides an app that enables people wanting to rent out rooms on a short-term basis to be put into contact with people wanting to hire rooms for short stays. Labor services are only part of what is being traded here, the rest comprising the rent of floor space. It is also less clear than in the taxi and food-delivery cases that there is an alternative model of employment that is being displaced by the platform service. Employment security issues are raised only if the people letting the rooms become dependent on doing so through one or two apps as their sole means of making a living, needing to take on a certain number of tenants to satisfy the demands of the app.

Supporters of the gig economy claim that it provides a flexibility that is equally valued by the platform companies and the workers. There is, however, a lack of symmetry in the relationship between platform and worker, typical of that between employer and employee. Although gig workers can choose their hours of work, the platform firms can also decide to accept onto their lists only workers prepared to work for certain numbers of hours and at certain times of day. There is also no equivalent gain on the workers' side to match the firms' avoidance of all employer obligations.

On the other hand, this freedom from obligations, a pure example of the neoliberal model of the unregulated firm, is reaching its limits. There have been a number of cases of Uber drivers sexually assaulting female customers. Taxi and similar car-lift services are particularly prone to this kind of criminal behavior. Uber is therefore under pressure to vet the persons it allows onto its lists. Every step of this kind makes the relationship more like one of employer and employee.

At what point is this line crossed? In the United Kingdom, law courts have used a very restrictive test, favorable to the platform companies, for determining if an employment relationship exists: Can a worker substitute another person for himself or herself to perform the work tasks? If so, then no employment relationship exists. This then puts platform work into the legal category of self-employment, but it does not correspond to normal understandings of that form of work. The typical self-employed person works for a number of customers. In the best case, the worker can risk losing any one customer without the business collapsing; that is in fact a definitional criterion for being in something like a free market. But platform workers are usually dependent on one, perhaps two, firms for all their employment. Customers also have the choice of only one or a small number of providers for a given service. The platform firms, meanwhile, cannot realistically be described as the customers of the self-employed workers, and they usually have large numbers, perhaps thousands, of these workers on their books. Thus platform work cannot easily be reconciled to normal models of self-employment.

LIMITS TO THE GROWTH OF THE GIG ECONOMY

Commonly cited growth figures for the gig economy risk giving too rosy an impression of the gig economy's likely future growth. Recent research by the McKinsey Global Institute suggests that up to 162 million people—or 20 to 30 percent of the total workforce across Europe and the United States—are engaged in “independent work.”² Although McKinsey included the phrase “gig economy” in its report title, independent work is in reality a far more extensive category, also covering self-employed persons as normally understood. These work for large numbers of customers without any intermediaries other than easily accessible listings of service-providers. The statistic still seems high, given the long-term general decline that has been taking place in self-employment in advanced economies. In Europe, only Greece and Spain have proportions of self-employed anything like those suggested by McKinsey. There may be some overlap here with the shadow or illegal economy, none of whose workers have employee status, as this is a legal category.

Also, McKinsey found that about 40 percent of independent workers were “casual”—that is, their work did not comprise a major component of their life activities. These were mainly students, retired people, and others who would not be counted as part of the total workforce in official statistics. McKinsey also distinguished among 30 percent of all independent workers who were “free agents” (voluntarily having such employment as their main work activity), 14 percent who were “reluctantly” in this category and would have preferred to find dependent employment, and 16 percent who were doing such work only because they were “financially strapped.”

To be satisfied with working in the gig economy implies seeing a positive trade-off between a certain amount of independence (depending on the obligations imposed by the non-employer) and the loss of all employment protection, interest representation, and all but minimal social security. It should be assumed that the supply of such persons will be limited and that, beyond a certain level, the gig economy will depend on that 30 percent whom McKinsey found to be “reluctant” or “cash-strapped.” There will also be certain demographic limitations on the supply of willing participants. It is not the kind of work that is useful to people raising a family, or buying or even renting a home of any size. This means mainly the young

and perhaps the elderly, the latter probably with a retirement pension. It is not surprising that McKinsey found that 40 percent of all independent workers were employed “casually.”

Beyond that, it must be assumed that the independence/security trade-off will not be very attractive, and is likely to flourish only where labor markets are slack, with surpluses of labor. This enables us to anticipate future developments in the sector. If labor shortages appear, or if firms acquire a need for more continuing commitment from their workforces, the balance will shift toward workers. Firms will start to offer employment-like security guarantees, and may even find that the trade-off they face between cost savings and workforce reliability tips the scales against relying upon gig-economy labor. There are already indications that this is happening. Uber and Lyft are said to be considering a public offering of their shares on the U.S. stock exchange, but there is some concern about the instability and future recruitment of a self-employed workforce in the wake of recent scandals. In an attempt to recruit more drivers, Lyft has begun to offer various fringe benefits already. When Lyft and other platforms first developed, there would have been a stock of people eager (or desperate) to enter their employment: students with heavy loans, people who liked the idea of self-employment but were worried at the prospect of starting their own business, also the unemployed. After a time that initial stock would have been used up, and further recruitment would depend on the flow of new workers arriving on the market. As ever more firms discover the possibilities presented by digital platforms, the supply of such jobs may well outrun demand for them, leading to improvements in working conditions.

On the other hand, employers' insistence that workers engage them on gig economy terms might be expected to grow, especially as information technology enables workers' behavior to be remotely monitored. Many work activities customarily performed on an employer's premises could be carried out in workers' own homes or in the street. It is already taken for granted that elite athletes have their heart activity rates, diets, and other functions constantly monitored with technical devices. Measurements relative to performance in many other activities could be similarly tracked, such as machines to check that a worker is seated at a keyboard or by a telephone for a certain number of hours every day. Already many employers and employees make use of teleworking, whereby on some days an employee takes

work home to do, perhaps when a child is sick, or some evening work is needed to meet a deadline after the offices have closed. Many of these activities could be carried out entirely at home without any office, with electronic discussions, work delivery, and monitoring. One thinks immediately of accounting and many other back-office tasks as well as call-center and cold-calling activities, but the development of three-dimensional printing would enable extension to certain manufacturing tasks too. The sewing machine and visits from the overseer of the eighteenth-century putting-out system would be replaced by postal delivery of materials, a 3-D printer, and electronic surveillance of the home.

LABOR LAW AND THE GIG ECONOMY

Though we will likely see a major expansion of the kinds of work activity for which the digital economy is suitable, it is difficult to envisage an expansion on a similar scale of workers wanting such work if it involves losing all protections of employee status. The chance to work at home is very attractive to many, but why accept loss of employee status in order to achieve this? It is likely that this would happen only if some of the insecurities of gig economy work were addressed.

A good idea of what this might entail can be gleaned from the report commissioned by the UK government on the future of the gig economy, chaired by Matthew Taylor and referred to above. A major priority of the report was sustaining the gig economy and enabling it to grow. This is not surprising, given that the committee included no representatives of workers, but rather a founding investor in Deliveroo, a leading gig economy food delivery firm. It recognized that workers in the gig economy had rights considerably inferior to those of employees, but did not advocate any change to this situation, for fear it would discourage the growth of the sector. Instead it stressed the need for clarity in both the provisions of the law and in the dissemination of knowledge about them, so that workers would know what they were entering when they took on a contract. The committee wanted to make it clear that workers would understand they were “dependent contractors” rather than being misleadingly labeled “self-employed.”

It sought clarification rather than change, because it wanted law “to *reflect* the increasing casualization of the labour market” (emphasis added). In earlier decades casualization had been regarded as an evil, condemning large numbers of workers to a life of uncertainty about their income level and the continuity of their work. Ending systems of casual labor as a major employment form was an important policy objective. Yet today it is possible to contemplate an increasing casualization without criticism. The Taylor Committee, however, did at least seek to shift the test of self-employment from the substitutability rule to one concerning the degree of control exercised over the worker. Such a change would enable large numbers of people currently denied employee status to claim it, and would make the gig economy open to a more genuine flexibility.

Under a regime of this kind, the gig economy should still be expected to expand, but this would be restricted by the degree of control that platform firms believed that they needed to have, and whether they could convince law courts that the monitoring techniques they were adopting did not really constitute “control.” It is difficult to make an a priori estimate of how restrictive such a control principle might be. It would depend partly on the development of relevant monitoring technology, but it must be noted that all initiative here lies with the platform firms. It is they alone, not their “dependent contractors,” who will devise the technologies and the monitoring systems, and only they who will be able to employ the lawyers needed to ensure that emerging control techniques pass the legal tests, and if necessary to argue cases before the courts. In the absence of trade unions nearly all workers except for the most highly paid are in an entirely passive position in relation to both law and technological development.

While the Taylor Report sought means of protecting the gig economy and casualization, it still saw the gig as remaining a marginal form of work, and accepted that the great majority of workers would remain and want to remain employees. Indeed, the initial impact of its recommendations would be to increase the numbers of employees at the expense of “dependent contractors.”

The Taylor committee also assumed that governments would share its goal of restricting this insecure status to those who genuinely wanted it. How safe is such an assumption? The main reason governments might do so is if they fear the social

and political consequences of having large numbers of citizens lacking any job security or stable income expectations. Such workers cannot make proper housing provision for themselves, be the confident consumers on whom mass capitalism depends, or plan for their old age.

THE GIG ECONOMY AND THE STATE

The experience of recent years suggests that the market can provide solutions to the problems of worker precarity by extending opportunities for household debt, but the same experience also tells us that this is highly risky and can threaten the stability of the global economy. The gig economy is parasitical on the rest of the economy, because employers and employees in the latter have to pay, through various forms of taxation, to compensate for the social risks that the gig economy imposes. As long as it remains a marginal employment form, this is a burden that can probably be borne. It does after all enable some people, including many students, to earn some money and contribute to the rest of the economy. There is some kind of balance between the costs it imposes and the benefits it brings. At a certain point of growth, however, it would cross the line beyond which the costs it imposes outweigh these gains. In practice the components on each side of the equation are so incommensurable that it would probably be impossible to make such a calculation, but we should expect governments to become concerned were the gig economy or other forms of precarious employment to continue to grow.

Overall it is therefore unlikely that the gig economy as such will become a core model for the employment of labor. The shift in power that information technology causes between the users of labor services and those who provide them, however, suggests that the basic issues involved will not disappear. The gig economy is by no means the only force changing employment relations today, just the most extreme point reached by a more general process of reducing labor rights. There are many way stations en route to that outcome. A fairly extreme example are the “zero hours” contracts much favored in the UK, where a worker has employee status and must be available for work whenever called, but, like a gig economy worker, is paid only for the hours spent actually working, not when unable to do anything else

during the periods when he or she must wait for calls. In many continental European countries there is widespread use of temporary employment to enable employers to evade the rights that permanent employees gain in these jurisdictions.

Different forms of work relations are defined by law, including fiscal rules. Therefore the meaning of dependent employment, self-employment, and any intermediate statuses is ultimately fashioned by political decisions. Even in common law jurisdictions it is usually held that definitions of rights and obligations embedded in statute law have precedence over common law judgements. Firms' decisions as to the statuses they ascribe to the persons who work for them are responses to statutory definitions. For example, Friedrich Schneider, a neoliberal Austrian economist who has carried out the most significant research on the shadow economy, points to the fact that (with some important exceptions) the less regulated a country's labor market is, the smaller the shadow economy, because firms have little reason to make use of it.³ It is a simplistic argument, similar to saying that there would be no illegal drugs trade in a jurisdiction that permitted the use of narcotics, but it does draw attention to the fact that firms' choices about whether to have the people working for them defined as employees or something else will depend on the strength of the rights attaching to employee status.

A neoliberal government could therefore limit recourse to the gig economy by reducing the rights that attach to employment status; and if social protection is reduced, employment-based taxes could also be reduced. If the rights (or, from an employer's perspective, the burdens) attaching to the status of employee were reduced, firms' choice as to whether to use employees or "dependent contractors" would become a matter of their preferred business model, not influenced by public policy. Where the advancement and retention of skills was important, they would probably prefer to offer employee status; where sheer numerical flexibility but not skill is important, they might well opt for gig economy conditions. In general, the lower workers' skills, the more difficult it is likely to be for them to find jobs with employee status and therefore the more likely that they will remain in the gig economy. Meanwhile, it is those with skills whom firms are likely to want to retain by offering a secure status, though these are precisely the ones also more likely to make a success of true self-employment. No one is likely to succeed at perpetuated casual, dependent self-employment. If the offer of stronger employment rights were

in this way to become a matter solely for employers and the employment contract, it would mark an end to a major theme of labor law: formal recognition that the employment contract is asymmetrical, requiring protection of employees from elements of employers' superior power.

Many employers and governments would find such a course of action highly attractive, and in recent years most advanced economies have indeed moved some way down that road. The political risks of having a large proportion of the population living and working under conditions of high uncertainty remain, however. It is therefore likely that many governments, firms, and even neoliberal think tanks would prefer to keep mechanisms like the gig economy as a useful adjunct providing flexibility at the margins and restraining labor costs, while still looking to the maintenance of something like standard employment to provide some stability for the bulk of the workforce. Meanwhile, standard employment is itself no guarantee of a secure working life in the postindustrial economy, characterized as it is by the rapid rise and decline of whole sectors, intensifying automation, and the new pressures on the overall labor market introduced by the gig economy.

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NOTES

¹ *Good Work: The Taylor Review of Modern Working Practices, Employment Practices in the Modern Economy*, Department for Business, Energy, and Industrial Strategy (UK), July 2017.

² *Independent Work: Choice, Necessity, and the Gig Economy*, McKinsey Global Institute, October 2016.

³ Friedrich Schneider and Andreas Buehn, "Shadow Economies in Highly Developed OECD Countries: What Are the Driving Forces?," IZA discussion paper no. 6891 (Bonn: IZA, 2012).