



**THE WORK
FOUNDATION**
PART OF LANCASTER UNIVERSITY

In search of the Gig Economy



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About us

Through its rigorous research programmes targeting organisations, cities, regions and economies, now and for future trends; The Work Foundation is a leading provider of analysis, evaluation, policy advice and know-how in the UK and beyond.

The Work Foundation addresses the fundamental question of what Good Work means: this is a complex and evolving concept. Good Work for all by necessity encapsulates the importance of productivity and skills needs, the consequences of technological innovation, and of good working practices. The impact of local economic development, of potential disrupters to work from wider-economic governmental and societal pressures, as well as the business-needs of different types of organisations can all influence our understanding of what makes work good. Central to the concept of Good Work is how these and other factors impact on the well-being of the individual whether in employment or seeking to enter the workforce.

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Executive Summary

Digital services and platforms are disrupting the way labour markets work throughout the world. The emergence of the 'gig economy' is part of this disruption. As part of The Work Foundation's programme on the future of work and new technology, this is the first of two reports on the size and impact.

This report sets out the evidence of the impact of the emerging 'gig economy' at an aggregate level and the need for better definitions and measurement. Our parallel paper "The gig economy and its inequalities" looks at some of the employment challenges thrown up by the gig economy.

The gig economy is related to but is different to the "sharing economy". Both have proved elusive to define, and both have lent themselves to exaggeration about their current size and likely growth. In this report our working definition of the gig economy includes all those who use digital platforms to negotiate discrete parcels of work directly with customers and clients.

Our best estimate is that regular and occasional participants can account for no more than 6 per cent of total employment at most. We have no direct measures of the gig economy, but all the evidence tells us that it accounts for a modest share of employment.

We find no evidence that the gig economy has increased the share of insecure employment in the labour market. It has not reduced the aggregate supply of permanent and full time employee jobs, or as yet significantly reduced conventional employment opportunities at a UK level.

The main impact to date has been on the nature and composition of self-employment. We think that much of the gig economy is likely to consist of professional freelancers with additional employment in taxi-driving and the provision of "concierge services" for households.

We expect the gig economy to grow over the next decade, driven by the rise of professional freelancing and the demand for household and other services such as taxi-driving. We expect a very modest increase in the share over time, primarily at the expense of growth in more conventional opportunities for self-employment;

To fully understand the gig economy we need to develop a better range of indicators. Currently, the gig economy poses major measurement challenges. We need to examine and develop a wide range of indicators such as tax returns, small business statistics, and direct surveys of workers who use platforms, and more disaggregated analysis of particular markets and sectors.



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Introduction

Digital services and platforms are changing the way labour markets work throughout the world. We are familiar with the growth and development of conventional labour market intermediaries such as employment agencies and the more recent growth of platforms that create networks for potential job seekers and allow the posting of jobs and individual skill profiles. More recently, digital platforms have taken a potentially big step by allowing clients and customers to directly negotiate for parcels of work in the 'gig' economy and in doing so have created global companies with huge valuations through exceptionally rapid growth.

Some see this as unleashing a huge wave of disruptive technologies based on new business models which – for good or bad – are set to overturn conventional employment relationships and shape a new future for work. As a result, big claims are being made on both sides of an increasingly polarised debate, especially in the United States. The purpose of this report is to provide a balanced assessment by testing out some of these claims against the available evidence at an aggregate level in the UK and to look at how we can better measure the gig economy.

“Digital services and platforms are changing the way labour markets work throughout the world.”

There is no agreed definition of the gig economy, although we can start to sketch out some of the parameters. The gig economy has been described as “the economic sector consisting of freelance workers who survive by taking on a series of small jobs, particularly when those jobs are arranged using a website or app”¹. McKinsey’s has rather more prosaically described the gig economy as consisting of “contingent work that is transacted on a digital marketplace”². So we have the notion of freelancers and others undertaking small and discrete parcels of work through digital technologies that connect providers and customers. As we show later this still rather general definition has given rise to a lot of confusion about how best to measure the gig economy.

More recently attention has also focused on the sharing economy. The gig and sharing economy are not the same, although there is an overlap. The gig economy is focused on work through on-line platforms, while the various definitions of the sharing economy include both market and non-market activities and the trading of goods and services by households without an employment relationship. The sharing economy has also proved hard to pin down. In September 2014 the Coalition Government commissioned a report which provided a general definition of: “online platforms that help people share access to assets, resources, time and skills”. Nesta favours the collaborative economy defined as “using internet technologies to connect distributed groups of people to make better use of goods, skills, and other useful things”⁴. Increasingly these emerging forms of access to services and assets are the focus of contentious rather than measured debate. This is partly due to the lack of consistent measurements and accurate data.

The next section looks at some of the claims being made about the gig economy and the future of work and how this compares with actual changes in the structure of employment over both the long term, and in the more recent past when we might expect the gig economy to have had a bigger impact on employment.

(1)<http://www.wordspy.com/index.php?search=gig%20economy&type=everything&match=exact-phrase>

(2)http://www.mckinsey.com/insights/employment_and_growth/connecting_talent_with_opportunity_in_the_digital_age

(3) <https://www.gov.uk/government/publications/unlocking-the-sharing-economy-independent-review>

(4) <http://www.nesta.org.uk/publications/making-sense-uk-collaborative-economy>

The gig economy and the future of work

Many see the gig economy as fundamentally changing the nature of work, with marked declines in full time and regular employment, more jobs classified as self-employed, more micro-business owner, contingent work, working as freelancers (however defined) or holding more than one job. These categories overlap, but nonetheless there is a strong view that work will become less secure, with more disagreement over whether the quality of work on offer will consequently decline. Some claims of revolutionary change are even bolder, especially in the United States, and some of these are summarised in the box below.

Table One: The Gig Economy and the future of work in the US

“Slowly but surely a revolution is taking shape – an entirely different kind of economy. The labor force of new entrepreneurs, which we call the Gig Economy, is growing a rapidly around the world and could soon represent as much as 50 per cent of the US workforce.”

(Micha Kaufman, co-founder and chief executive of Fiverr, 2015)

<http://www.wired.com/insights/2013/09/the-gig-economy-the-force-that-could-save-the-american-worker/>

“Freelancing is the new normal — and this survey shows that America’s new workforce is big, crucial, and here to stay,”

(Sara Horowitz, founder and executive director of Freelancers Union, commenting on a 2014 survey claiming that 53 million Americans now freelance)

<https://www.upwork.com/press/2014/09/03/53-million-americans-now-freelance-new-study-finds-2/>

“We’re in the middle of a sea change in how American employment works, and that’s a very good thing”

(Gene Zaino, president and CEO of MBO Partners, 2015)

http://www.huffingtonpost.com/gene-zaino/the-independent-work-boom_b_8213714.html

“Gone is the era of the lifetime career, let alone the lifelong job and the economic security that came with it, having been replaced by a new economy intent on recasting full-time employees into contractors, vendors, and temporary workers.”

(Nick Hanauer, entrepreneur and venture capitalist, and David Rolf, president of SEIU and international vice president of SEIU, Democracy)

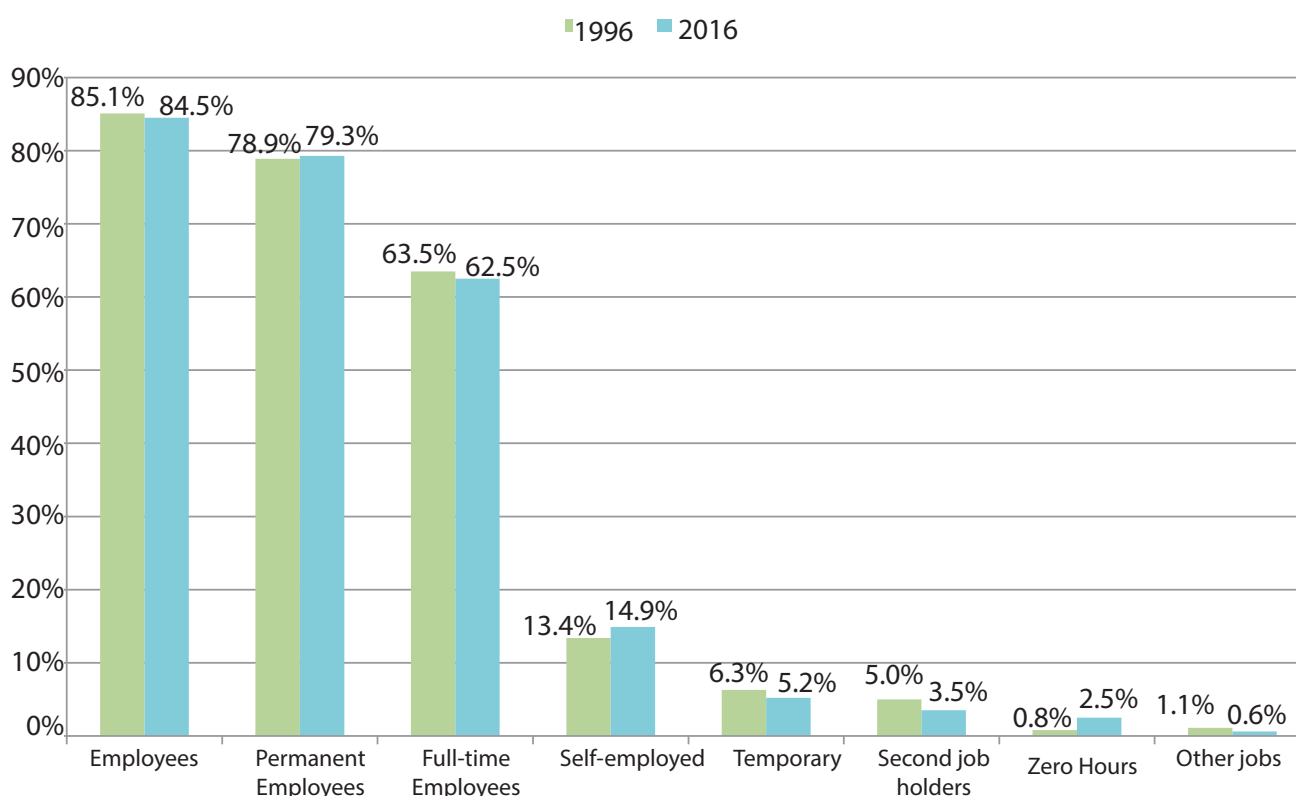
http://democracyjournal.org/magazine/37/shared-security-shared-growth/?page=all?TB_iframe=true&width=921.6&height=921.6



Not everyone is convinced that we live in revolutionary times. In July 2015 Josh Zumbrun and Anna Louie Sussman⁵ published an article in the Wall Street Journal where they concluded that while much had been claimed, “harder to find so far is proof of the revolution”. Some US academic economists have also pointed out that there is little sign of an increase in self-employment, contingent labour, or multiple jobs holding as a share of total employment. An analysis by Professor Annette Bernhardt of long term change in the US labour market published in 2014 concluded: “...we all share a strong intuition that the nature of work has fundamentally changed, contributing to the deterioration of labor standards. Yet at least with aggregate national data, it has been hard to find evidence of a strong, unambiguous shift towards nonstandard or contingent forms of work – especially in contrast to the dramatic increase in wage inequality.”

Labour market analysis points to a similar conclusion for the UK. In the UK at the start of 2016, the non-permanent workforce accounted for about 20 per cent of total employment (self-employed, temporary workers, unpaid family workers, and those on government schemes). This is very similar to the share at the start of 1996. The components of non-permanent work have shifted, with the share of people in temporary jobs and the share of people who said they had more than one job going down somewhat and the share of people who said they were self-employed going up. These long run trends are shown in the chart below.

Chart One: Changes in the structure of UK employment 1996-2016



Notes: All figures UK seasonally adjusted, January-March. Permanent employees are total employees minus temporary employees. Second job holders include self-employed. Other jobs are unpaid family workers and people on government training schemes.

Source: ONS, TWF estimates. This chart is updated each month at <http://www.theworkfoundation.com/Myth-busting>

(5) <http://www.wsj.com/articles/proof-of-a-gig-economy-revolution-is-hard-to-find-1437932539>

(6) Bernhardt (2014) Labor Standards and the Reorganization of Work: Gaps in Data and Research, IRLE Working Paper No.100-14. <http://www.irle.berkeley.edu/workingpapers/100-14.pdf>

However, the gig economy is a relatively recent phenomenon, so it might be that a more recent period would show some more consistent changes in employment. We have to be careful however in distinguishing between changes driven by the economic cycle and underlying structural changes. All recessions destroy large numbers of permanent and full time jobs and the recession of 2008-2010 was no exception. As the graph above suggests, most of them are restored during the subsequent recovery. We have therefore focused on the period since 2010 to see if there has been a shift away from permanent and full time employee work in the way that some have suggested is consistent with the rise of the gig economy.

More recent figures since 2010 show an increase in self-employment from just under 14 per cent to just under 15 per cent and a slight decline in the share of employees from just under 86 per cent to just under 85 per cent comparing January-March 2010 and January-March 2016. The share of permanent employee jobs dropped very slightly, from 80 per cent to just under 80 per cent, and the share of full time employee jobs increased very slightly to 62.5 per cent of total employment. The share of temporary jobs and people holding second jobs both fell slightly.

Overall then there is not much evidence that the gig economy has so far fundamentally changed the long term structure of employment in either the US or the UK. This does not mean that it will not do so in the future. There are hints at the margin, in more recent periods, with the growth of self-employment that are consistent with an emerging gig economy. In the next section we look in more detail at what has been happening to self-employment, especially freelancing, and contingent labour.

Self-employment & the rise of professional freelancing

A rise in the gig economy ought to be associated with an increase both in the overall numbers of self-employed and also in their composition with more opportunities for part time self-employment and strong growth in the top three occupations associated with freelancing. Technological advances, including high quality and relatively cheap broadband connections, have encouraged and facilitated the growth of freelancing. A high share of the self-employed have always worked at or from home, and that share has increased over time⁷. The UK economy has by international standards exceptionally high shares of employment in managerial, professional, and associated jobs and job growth has been disproportionately concentrated in these occupations. In addition, there have been changes in business models in the private and public sectors that put more emphasis on outsourcing, especially for more specialist services. It is not therefore surprising that professional freelancing and by association gig economy type work should have become more important in the UK labour market as part of these broad trends.

The evidence from the employment statistics is however mixed. The big rise in self-employment in recent years is more to do with fewer people exiting self-employment than usual than more people entering self-employment, according to the Office for National Statistics⁸. Recent figures have been erratic, self-employment edged up slightly as a share of total employment in 2015. The shift towards part time self-employment is a long term trend that pre-dates any plausible impact from the gig economy⁹.

The strongest evidence is the acceleration in self-employment coming from the top three occupational groups of managers, professionals and associate and technical staff ("high skill") in recent years. Between January-March 2002 and January 2010, the top three occupational groups grew in line with the overall increase in self-employment. Between January-March 2010 and January-March 2016 high skill self-employment grew much faster, contributing two thirds of the overall increase in self-employment in this period.



(7)<http://www.ons.gov.uk/ons/rel/lmac/characteristics-of-home-workers/2014/rpt-home-workers.html>

(8)<http://www.ons.gov.uk/ons/rel/lmac/self-employed-workers-in-the-uk/2014/rep-self-employed-workers-in-the-uk-2014.html>

(9) <https://www.tuc.org.uk/TrackingLabourMarketRecovery>

Freelancing

A recent TUC report¹⁰ found that in 2013 according to the ONS about 480,000 self-employed people reported themselves as freelancers, or about 2 per cent of total employment. Since 2005 the numbers have increased by 28 per cent or nearly twice as fast as the overall rise in self-employment. However, the question is more about how people get paid rather than how they work. Moreover, some of the alternative answers available such as “working for yourself” or “sub-contractor” could easily be chosen by some people who could be regarded as freelancers. It is also possible that as the term freelancer has become more well know in recent years, more people have reported themselves as freelancer in answer to the question. Whether the net effect is to understate or overstate the number of freelancers, we would be reluctant to put much weight on these figures as an indicator of the actual number of freelancers in the UK labour market.

In the UK a wider proxy measure has been developed by Professor John Kitching of Kingston University, who has done most of the serious analytical work on freelancing in the country. This defines freelancers as own account self-employed in the top three occupational categories (managers, professionals, and associate professionals and technical jobs). Kitching’s work¹¹ shows that between 1992 and 2015 there was a fairly steady rise in the number of freelancers, more or less in line with the growth of employment in the three top occupations, and a faster growth spurt after 2010 in line with the surge in self-employment. In 2015, the number of freelancers on this definition was over 1.9 million people or about 6 per cent of total employment compared with 4 per cent in 1992.

The reasons for this growth are not well understood, according to Kitching. Workers may indeed prefer to work as freelancing, but it must also be driven by some of the broader trends in the economy and the changes in private and public sector business models summarised above. In some areas, this has led to rapid growth in self-employment where the term freelancer may not be widely used or applied – for example, in education services the number of self-employed increased by 36 per cent between 2010 and 2015¹².

A recent study on freelancing in the EU supported by the European Forum of Independent Professionals (EFIP) and The Association of Independent Professionals and the Self-Employed (IPSE)¹³ adopted a similar approach but focused on own account self-employed workers in high value added service industries¹⁴. This report estimated that what it terms “IPros” increased from 6.2 to 8.9 million between 2004 and 2013 or from about 3 per cent to 4.1 per cent of total employment across the EU. We have applied the Kitching definition for own account working in the top three occupational categories and produced a very similar figure using Eurostat data for 2015, with 5.4 per cent of the workforce “freelancing” in the UK compared with 4.8 per cent across the EU28.



(10) <https://www.tuc.org.uk/economic-issues/economic-analysis/labour-market/labour-market-and-economic-reports/more-two-five-new>

(11) https://www.researchgate.net/publication/284731481_Tracking_UK_freelance_workforce_trends_1992-2015

(12) Why it has increased so rapidly is not clear: possible drivers are changes in employment practices in higher and further education, increased demand for English language courses, more outsourced consultancy, and more individual home tutoring for the children of the worried middle classes.

(13) https://www.ipse.co.uk/sites/default/files/documents/research/efip_report_english-v1.pdf

(14) Professional, scientific, and technical services; finance and real estate; information and communication; education and health services; and arts, media and leisure services

In the US there has been rather less restraint. As shown in table one above, the US Freelancers Union, a trade body, has claimed that 34 per cent of US workers are undertaking freelancer work. This rests on the generous definition of freelance work as “individuals who have engaged in supplemental, temporary, or project- or contract-based work in the past 12 months”. In fact it is common-place in the bolder statements on the future of work to conflate freelance with all forms of non-permanent employee employment.

As justification, many accounts quote a report from the US Government Accountability Office (GAO) which claims that 40 per cent of the US workforce is in “contingent or alternative employment” in 2012¹⁵. The GAO figure however includes all regular part time workers, as the GAO was primarily interested in what share of the US workforce was least likely to get employer provided benefits. The GAO estimate for contingent and alternative employment (temporary employees, independent contractors, self-employed) excluding regular part-timers was 24 per cent of the US workforce in 2012, very similar to that for 2006 when the share was just over 23 per cent¹⁶. This is higher than in the UK, where the equivalent figure has remained at around 20 per cent, but not dramatically so.

In 2016 however new estimates were published by Katz and Krueger using a different survey and methodology which suggested there had been a big increase in contingent and alternative work between 2005 and 2015 (from 10 per cent to 16 per cent of the workforce). The 2005 estimate came from the last official measure published by the US Bureau of Labor Statistics and the new estimates are, as far as possible, comparable with that survey. The findings are striking, because they imply that all of the net increase in employment in the US over the past decade has been in alternative forms of employment, mainly temporary labour agencies and workers provided by contract firms. This rise is most likely due to a mix of underlying structural changes, including changes in business models and enabling technologies, as well as temporary factors such as the loss of permanent employee jobs in the recession.

These different estimates will only be resolved when the US Bureau of Labor Statistics produces a new official estimate next year. However, even if the Katz and Krueger estimates are proved right, the growth may have very little to do with the gig economy. Their survey included a question on the gig economy which generated a very small figure. We consider this and other estimates of the gig economy later in this report.

Overall, we can see some more specific changes in the labour market which are consistent with the growth of the gig economy especially the growth of higher skill freelancing. But we have yet to find a smoking gun – many of these changes can be explained by other factors to which the growth of the gig economy is likely to be a contributory factor but not a decisive one. But it would also be a mistake to equate the gig economy with professional freelancing, especially if our outline definition of gig work includes the use of digital platforms. Not all freelancers will use digital platforms to secure work and not all work secured through digital platforms is undertaken by professional freelancers. The working definition of freelancing in the UK – own account self-employed in the top three occupational groups – would for example not include taxi-drivers and other service providers who also use digital platforms.

“...it would also be a mistake to equate the gig economy with professional freelancing, especially if our outline definition of gig work includes the use of digital platforms.”

(15) <http://www.gao.gov/products/GAO-15-168R>

(16) The US Bureau of Labor Statistics has also made estimates of contingent and alternative employment between 1995 and 2005 using a different methodology and found no change (just under 15 per cent in both years).

In this report so far we have been sifting through the labour market statistics in search of the gig economy . But some respected researchers have proposed that perhaps the gig economy is operating below the radar, and we need to look elsewhere than in the aggregate official employment figures. They also point out that as a fairly recent phenomenon it is expecting too much to see the impact of the gig economy at the aggregate level in either the US labour market of 170 million or the UK labour market of 30 million. The exaggerated claims being made by some about the impact of the gig economy have been unhelpful because it is relatively easy to show they are wrong and therefore to dismiss the notion that the gig economy exists in any meaningful sense. In the next section we ask where else we should be looking for the gig economy.

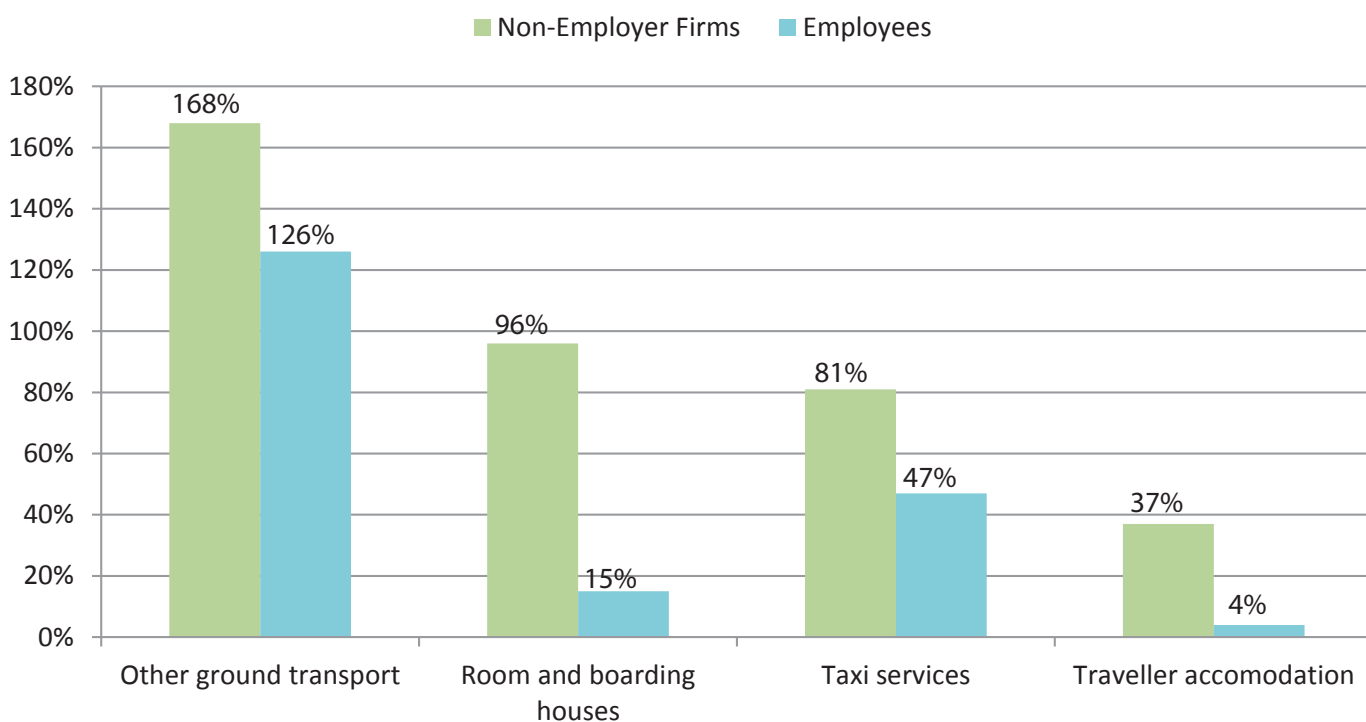


Are we looking for the gig economy in the right places?

The gig economy may not be measured very well by conventional labour market measures. Some people will be doing small and occasional gig economy work. The presumption is that conventional labour market surveys are not good at counting the number of people working in the gig economy because such workers are less likely to say that occasional on-line working is a job or to classify themselves as self-employed.

In an article in the Harvard Business Review¹⁷, Ian Hathaway of the Brookings Institution argues that because the gig economy is both fairly recent and concentrated in certain sectors and big cities, it is unlikely to show up as yet in the high level aggregate statistics. He looks at the change in the employment in non-employee firms in San Francisco between 2009 and 2013 in transport and accommodation services and finds big increases of between 40 and 80 per cent. This is in stark contrast to the period before 2009, when employment was fairly flat. Moreover, Hathaway shows that there appears to be no association with declining employee employment, suggesting that expansion of the market has been a bigger impact than the displacement of conventional services. However, some of these industries are quite small in employment terms, so relatively small changes in absolute numbers can generate big percentage changes.

Chart Two: Changes in employment in transport/accommodation services in San Francisco 2010-2013



Source: Hathaway (2014), Census Bureau

(17)<https://hbr.org/2015/08/the-gig-economy-is-real-if-you-know-where-to-look>

Some researchers are looking at different data sources such as tax returns. In the US employers have to file a tax return (called a 1099 form) each time they engage a freelancer or contingent worker. Employers have to file a separate form (W2) for conventional employed labour. Tracey Grose and Patrick Kallerman¹⁸ undertook an analysis for the San Francisco Bay Area Council Economic Institute that looked at trends in both returns. Between 1989 and 2008 the volume of returns moves more or less in line, but between 2008 and 2014, 1099 returns increase at a faster pace than W2 returns.

However, tax-returns have their own weaknesses. The divergence between growth rates for the 1099 and W2 returns noted by Grose and Kallerman clearly has a strong cyclical element, as W2 returns dropped sharply between 2008 and 2011 before recovering somewhat between 2012 and 2014. Moreover, the growth of 1099 returns tells us nothing about what sort of freelance/contingent labour employers are using – so we still might be relabelling a lot of pre-existing conventional employment activity as part of a new gig economy. Finally, these are employer returns reflecting the number of contracts issued, which is not the same as the number of people engaged.

American economists Larry Katz and Alan Kruger are also looking at whether tax returns can help provide more insight into the gig economy, according to a recent article¹⁹. They have noted that the rise of 1099 returns suggests more people working in ways that might be associated with the gig economy. Moreover, the number of people returning schedule C returns that cover profit and loss for small businesses is also up, even though the total number of self-employed and independent contractors reported in labour market surveys do not appear to be increasing as a share of the workforce. In the same magazine article they are quoted as saying that these discrepancies might suggest that there are growing numbers of workers who in answering conventional surveys do not report that they are self-employed or have multiple jobs.

The Katz and Krueger survey we referred to earlier estimated that only 0.5 per cent of workers were selling services to customers through an on-line intermediary, such as Uber or TaskRabbit although the authors themselves note that the figure requires many caveats.

In a recent discussion paper for the Hamilton Project at the Brookings Institution, Alan Krueger and Seth Harris have estimated that the gig economy involves no more than 600,000 or about 0.4 per cent of total US employment²¹. This is estimated by extrapolating the ratio of Google searches for Uber against the number of Uber drivers to other providers of on-demand services. The authors acknowledge that the ratio could be lower for other types of services, but suggest that even with generous assumptions the numbers providing such services can be no more than 1.9 million or just over 1 per cent of the workforce. However, the study applies a narrow definition of people providing personal services, so would on the face of it exclude freelancers offering professional services to companies and institutions.

Another approach is to look at the number of providers registered on digital platform websites. McKinsey Global Institute²⁰ has listed the main gig economy digital platforms based in the US by registered employment between 2013 and 2015 (table two). This found that professional freelance sites such as Upwork with 2.5 million registered users was by far the biggest, there were another 280,000 drivers, messengers, and non-professional service providers operating through other sites

(18)<https://medium.com/@BayAreaEconomy/the-1099-economy-elusive-but-diverse-and-growing-bcc6f65694fe#.wp4x9hwnx>

(19) <http://fusion.net/story/173244/there-are-probably-way-more-people-in-the-gig-economy-than-we-realize/>

(20)http://www.mckinsey.com/insights/employment_and_growth/connecting_talent_with_opportunity_in_the_digital_age

“...because the gig economy is both fairly recent and concentrated in certain sectors and big cities, it is unlikely to show up as yet in the high level aggregate statistics.”

such as Uber, Lyft, and Task Rabbit. It is striking that the focus of public attention is much more on the impact of companies such as Uber on the relatively small labour markets for taxi-services rather than the potentially much more important impact of higher skill professional freelancers.

This is the most direct measure we have, but it also has drawbacks. We lack a comprehensive and up to date list, and McKinsey very clearly warns this should be seen as illustrative. Indeed, even if we could construct a comprehensive map of digital platform providers, it is always likely to become rapidly out of date given that some digital platforms are expanding very quickly. Moreover, as McKinsey notes, these tend to be the numbers reported as registered on these sites, rather than active participants. As we show below, other surveys suggest that multiple registrations on more than one site may be common among gig economy workers. McKinsey nonetheless thinks as a best guess that the share of people active in the gig economy today (defined as trading contingent labour services through platforms) at about 1 per cent of the US working age population.

Table Two: Employment associated with some US Gig Economy digital platforms

Platform provider	Type of service	Registered (inc inactive)
Upwork	Professional Freelance	2,500,000
Freelance Physician	Freelance doctors	10,000
HourlyNerd	MBA consultants	5,400
Uber	Drivers	160,000
Lyft	Drivers	60,000
Sidecar	Drivers	6,000
TaskRabbit	Services	25,000
Postmates, Favor, Instacart	Messengers and shoppers	5,225

Note: estimates based on published sources 2013-2015 as at May 2015

Source: McKinsey Global Institute

Burson-Marsteller, the Aspen Institute and Time magazine surveyed US adults with internet access and declared that 45 million American adults²² had provided on-demand online services. The range of services covered was wider than that in the Krueger-Harris study by including accommodation sharing through platforms such as Airbnb, but was otherwise fairly similar. However, the survey included everyone who had ever delivered such a service in the past, and this is bound to generate a much bigger figure than the more conventional measure of those currently providing such services. The study is nonetheless valuable because despite its quirks it is one of the very few sources of what some gig workers actually think about the companies they engage with as independent contractors. We draw on this survey again later in this report when looking at the quality of work in the gig economy.

A similar survey of adults in the UK, undertaken by the University of Hertfordshire in a study with the Foundation for European Progressive Studies (FEPS) and UNI Europa²³, was based on interviews carried out in January 2016 and covered all services offered on-line. This found that 21 per cent of working age adults had tried to find work through the digital platforms, increasing to over a third for those between the ages of 25 and 34. However, a high proportion was unsuccessful – only 10 per cent of the working age population said they actually found work. This figure included some highly marginal activity – people who found work no more than once or twice a year. Those who found work at least once a month represented about 4 per cent of the working population. All these figures

(21) <http://www.brookings.edu/research/papers/2015/12/09-modernizing-labor-laws-for-the-independent-worker-krueger-harris>

(22) <http://www.slideshare.net/Burson-Marsteller/the-ondemand-economy-survey?ref=http://www.burson-marsteller.com/ondemand-survey/>

(23) <http://www.feps-europe.eu/en/publications/details/363>

refer to people's activities over the course of a year, so are likely to be somewhat higher than the snapshot equivalent labour market statistics published each month. It would nonetheless be reasonable to say that the share of the workforce finding work on a regular basis through digital platforms is between 5 and 6 per cent.



The survey is significant beyond the share of people who may be in the gig economy in any given month. Firstly, there may be a potential demand which is not being met given the gap between actual and potential gig economy workers (although we do not know from the survey whether that demand comes from people wanting to work this way or whether they have turned to digital platforms out of necessity). It may however be unrealistic to expect platforms to satisfy all of this unmet demand – for example, the survey suggest that 3 million people have sought work as taxi-drivers with companies such as Uber, which is of course many times the total employment in the industry, including conventional taxi-driving. Secondly, it suggests a much bigger degree of contact with digital platforms than we had previously thought, albeit some of that contact appears to be fairly marginal and speculative. Thirdly, the survey shows that the work obtained is highly diverse – from relatively well-paid professionals at one end to more modestly paid office, taxi and personal service workers. Fourthly, as the researchers note, the overall picture is of people piecing together bits of work from different sources, often facilitated by registering on several different platforms, and this may not be picked up by conventional labour market measures. As we have shown, the share of the workforce who report second jobs as part of the official labour force survey has fallen over time, whereas we might expect it to have risen alongside the gig economy.

Another potentially useful set of indicators might be derived from looking at what is happening to the small business population. There is some evidence that digital platforms are increasingly shaping micro-business development, especially in the digital and creative sector. The London FUSION project²⁴ aimed to increase connectivity between the creative and digital clusters in London by increasing awareness among SMEs of the opportunities offered by new technologies, encouraging them to develop innovative new ideas, and then translate those into new products and services. Its final report noted that the project aimed to create a network of networks to demonstrate that the internet has effectively ended any distinction between the creative and digital sectors. Research in one of the UK's Creative and Digital hubs showed that many however remained as freelancers rather than new business entrepreneurs²⁵.

Although claims of poor measurement might be seen as the answer to any inconvenient labour market fact, we do have examples of survey responses which have not fully captured changes in the margins of the labour. We have already highlighted the problems surrounding the measurement of zero hours where we know the level was significantly under-estimated and we are still uncertain by how much they have grown in recent years²⁶. It is quite possible that the nature of work in parts of the gig economy might lead to significant under-reporting. It is therefore possible that further work looking at more disaggregated labour market data, other proxy measures such as tax returns, and direct measures of providers of labour services on digital platforms will give us a more accurate and realistic picture of the gig economy.

(24) <http://www.londonfusion.org.uk/>

(25) http://brightonfuse.com/wp-content/uploads/2015/01/brighton_fuse2_online.pdf

(26) <http://www.theworkfoundation.com/blog/2521/Zero-Hours-The-new-figures-and-what-they-might-mean>

Conclusions

We have yet to see any conventional measures to mark the rise of the gig economy in changing the structure of employment in either the United States or the UK. Employment in the gig economy is nonetheless very likely to become more significant over the next decade, albeit we are talking more about a shift of a few percentage points in the share of total employment. However, even a modest shift in the share would imply that gig economy type employment was making a significant contribution to employment growth. Anything beyond this could be thought to be fanciful based on a mix of a lot of old wine in new bottles, hyperbole, and wishful thinking.

We can define the gig economy as a process relatively easily – the finding of discrete parcels of work by direct connection between individual providers and customers and clients through a digital platform. However we are struggling at the moment to derive from this a practical direct labour market measure. The best proxies are professional freelancers plus some allowance for the growth of digital platforms in lower value added services. We suggest that on this basis the gig economy currently represents up to 6 per cent of total employment. This undoubtedly understates the presence and potential significance of digital platforms in the labour market as it is clear that a significantly larger share of the adult population has sought work through the platforms, albeit some of this activity is highly marginal and speculative.

Potentially there could be much more significant impact on both the nature of self-employment and micro-business formation where we would expect a significant increase in digital platform usage, especially for professional self-employed. The jury is still out on whether this will increase the rate of micro-business formation in some sectors; whether it will increase the chances of survival and growth; or whether it will simply increase the rate of churn among highly marginal businesses. We think the insights derived from the London Fusion project and others like it could be potentially very helpful in ensuring the new technologies are more effectively exploited by SMEs so that we get more innovative businesses rather than more marginal enterprises. An important area, somewhat under-explored, are the challenges this may bring for larger businesses who may have to manage a network of contracts and relationships with gig economy workers and micro-businesses.

To fully understand the gig economy, we need to develop a range of indicators including looking at tax returns, small business statistics, more disaggregated analysis of particular markets and sectors, and regular surveys of digital platforms participants before we can claim to have a fully authoritative grasp on the scale, scope, and rate of employment growth of the gig economy. It would also be useful to do more work in understanding the potential linkages between the growth of some sharing economy activities, such as room rental, and the growth of gig economy employment. Some of these are easier to do than others and some may prove less productive on investigation than we hoped, but otherwise we must fall back on proxies which are always going to be second best.

“We can define the gig economy as a process relatively easily – the finding of discrete parcels of work by direct connection between individual providers and customers and clients through a digital platform.”



Meanwhile we also need to become more adept at gathering accurate data and information to enables us to understand better the exact nature of economies powered by rapidly developing digital technologies and their impacts on employment, labour markets and individuals.





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