Good Jobs, Bad Jobs in the Gig Economy

Arne L. Kalleberg and Michael Dunn


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Kalleberg and Dunn make the points

- The gig economy offers both good and bad jobs and opens new opportunities—but also exploits workers.
- Although contingent workers are a small percentage of the overall workforce, the gig economy has important implications for the future of employment.
- Social safety-net benefits—minimum wage and health, retirement, and unemployment insurance—need to be available for gig economy workers.

> *CrowdFlower, and others in the crowdsourcing industry, are bringing opportunities to people who never would have had them before, and we operate in a truly egalitarian fashion, where anyone who wants to can do microtasks, no matter their gender, nationality, or socio-economic status, and can do so in a way that is entirely of their choosing and unique to them.*
>
> *Before the Internet, it would be really difficult to find someone, sit them down for ten minutes and get them to work for you, and then fire them after those ten minutes. But with technology, you can actually find them, pay them the tiny amount of money, and then get rid of them when you don't need them anymore.*
>
> —Lukas Biewald, CEO of CrowdFlower (Marvit 2014:20)

The rapid growth of the gig economy (also referred to as the sharing economy, collaborating economy, crowdworking, access economy, on-demand economy, freelance economy, 1099 economy, and platform economy, among other terms) raises questions about the quality of jobs that it has created.

Some see the gig economy as promoting entrepreneurship and limitless innovation coupled with jobs that offer considerable flexibility, autonomy, and work/life balance, as well as opportunities for individuals to supplement their incomes by monetizing their resources (e.g., their minds, time, talents and physical abilities, cars, computers).

> The gig economy is generally characterized by short-term engagements among employers, workers, and customers.

By contrast, others raise "hard questions about workplace protections and what a good job will look like in the future," fearing that the gig economy "portends a dystopian future of disenfranchised workers hunting for their next wedge of piecework" (Sundararajan 2015). These skeptics argue that gig jobs leave workers open to exploitation and low wages as employers compete in a race to the bottom (e.g., Hill 2015).

Although jobs in the gig economy differ from what have traditionally been considered good jobs (e.g., stable jobs providing health and retirement benefits), the reality of the gig economy is more nuanced: the gig economy produces both good and bad jobs. Understanding this variability in the quality of jobs helps to better assess the conflicting benefits and costs associated with the spread of this emerging work arrangement. We argue that jobs in the gig economy differ in their wages and in the degree of control that workers have over their work. We then illustrate our arguments by reference to some of the more prominent companies in the gig economy.

What Is the Gig Economy?

Despite all of the attention given to the gig economy in the media and scholarly writings, there is still little consensus on how to define it. For our purposes, we adopt the Congressional Research Service's definition of the gig economy as

> *the collection of markets that match providers to consumers on a gig (or job) basis in support of on-demand commerce. In the basic model, gig workers enter into formal agreements with on-demand companies to provide services to company's clients. Prospective clients request services through an Internet-based technological platform or smartphone application that allows them to search for providers or to specify jobs. Providers (gig workers) engaged by the on-demand company provide the requested service and are compensated for the jobs. (Donovan, Bradley, and Shimabukuro 2016:1–2)*

The gig economy is generally characterized by short-term engagements among employers, workers, and customers. In this sense, the gig economy is not new. Instead, it represents a digital version of the offline atypical, casual, freelance, or contingent work arrangements characteristic of much of the economy prior to the middle of the twentieth century and that have reappeared in the past thirty years.

What differentiates work in the gig economy is that it operates in a new work ecosystem that is managed by *online platforms*, which *broker* work between employers and workers. Hence, digitization is fueling a new peer-to-peer schema that has important implications for the nature of work and the quality of jobs.

The majority of gig companies can be located in one of four categories of work platforms: crowdwork platforms, transportation platforms, delivery/home task platforms, and online freelance platforms. The form and function of companies within each platform are relatively homogeneous, suggesting an organization field that is becoming more established (Aldrich and Ruef 2006).

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Dimensions of Job Quality in the Gig Economy

In the gig economy, workers are typically employed for a particular task, with little to no connection to their employer. Gig jobs don't offer predictable hours and wages, fringe benefits, or clear promotion paths. There are exceptions to this: some online companies (e.g., Q, an on-demand office-staffing agency, and Bridj, a Boston-based shuttle service) treat their workers as regular employees rather than independent contractors and provide relatively high hourly wages, along with health insurance benefits (Chen 2016; NELP 2016). These are noteworthy models of good gig jobs, but their rarity highlights the contingent nature of the vast bulk of them.

Despite the short-term and unstable nature of most gig jobs, their quality differs in two major ways. Offline platforms differ in (1) their amount of *control* over the worker, and hence how much control workers have over their jobs; and (2) their wages and duration.

Control

Gig workers are usually identified by the platform they're associated with. Because jobs brokered through these platforms generate revenue, employers have a clear stake in maintaining their brand. Hence, control over the content and timing of work becomes a major feature of the employment relationship. There are several dimensions of control over what one does on the job (autonomy), when the job is done (scheduling and timing), the financial transaction, and how long one is able to keep the job.

Online platforms differ in the level of skills required to do the tasks or services sold to customers. Relatively high-skilled gig jobs such as writing software code or other creative tasks are likely to provide workers with greater autonomy than is the case with microtasks such as data entry or labeling photos.

Gig jobs also differ in the degree of flexibility workers have over when and how long they work. In some companies, workers can work whenever they want; in others, there are more rigid schedules. Moreover, some online platforms allow workers to pick and choose among a menu of jobs; in others, workers are expected to do the tasks they are assigned.

In addition, many online platforms exert considerable control over the cost of jobs and the worker's share. Platforms collect commissions for jobs, often in the form of a flat percentage rate applied to job earnings. Uber, Lyft, and Upwork, for example, take a percentage of the revenue from the worker, while Task Rabbit and Mechanical Turk add their fee to the customer's final cost.

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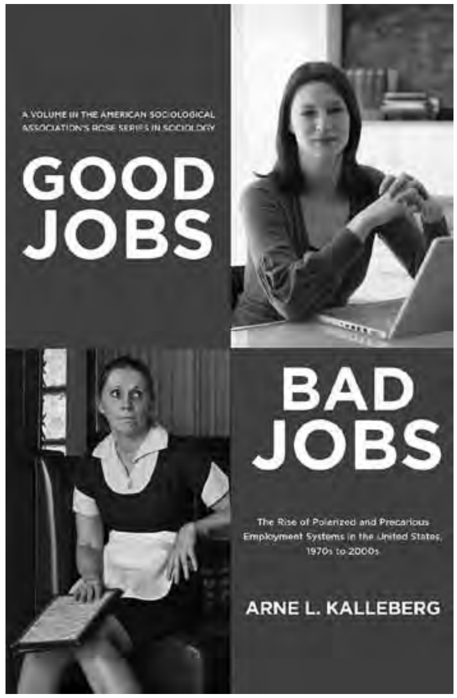
Wages and Job Duration

Online platforms also differ in the wages they pay and in the length of typical jobs. One key determinant of pay is again the skill level: jobs that require higher skills typically pay more. An important advantage of the gig economy for workers is that it removes some of the constraints imposed by local labor markets; by removing barriers to spatialization, skilled workers in rural or otherwise remote areas, for example, are able to bid for jobs in national and international markets. The downside to this for many American workers is that it also increases competition from highly skilled workers in other countries, workers who are willing to work for less, producing a form of Dutch auction (Brown, Lauder, and Ashton 2010).



The duration of jobs also influences the amount of gig workers' wages. Jobs on ride-share platforms (Uber and Lyft) are typically less than ten minutes (the average ride is three to four miles long). Jobs from Handy and TaskRabbit typically can be completed within the same day, while jobs on sites like Upwork and Freelancer are commonly project based and tend to have longer durations.

Individual Differences

What makes a job "good" or "bad" depends on the characteristics of the individual as well as the job. Workers have different choices and opportunities and hence differ in their expectations and needs about what is important in a job. For example, gig jobs might be good for immigrants—both high- and low-skilled—to the United States, who may not be able otherwise to secure employment and might be less subject to discrimination since they don't come face-to-face with employers. It might also be good for workers in remote areas around the world whose local labor markets do not offer them good job opportunities. And working in the gig economy for some might be their main source of earnings, while for others it might supplement their earnings from other jobs or simply be something to fill the time.

There is also a likely racial component to working in the gig economy: a study of 3,000 people by a marketing research firm found that two-thirds of those who earned more than 40 percent of their income from on-demand work identified as racial minorities, nearly double the representation of racial minorities in the U.S. population (O'Donovan 2016).

Differences in Job Quality in the Gig Economy

Cross-classifying the types of platforms by their amount of worker control and wages leads to the four combinations represented in Figure 1. The four categories of work platforms and how they compare on control and wages are described in more detail in Figures 2 and 3. Our placement of the platform categories in the various quadrants represents our assessment of the extent of worker control and wages, based on our perusal of platform websites and literature about them.

High Wage/High Worker Control

Online freelance platform companies provide workers with specific skills (e.g., web developer) access to gig jobs. The sites allow workers to negotiate their own wages, differentiate themselves by their portfolios, take competency tests, and rate their employers. Workers can turn down work without penalty, and there are clear mechanisms for disput-

High Wages/Low Worker Control	High Wages/High Worker Control
• Transportation Platforms • Delivery/Home Task Platforms	• Online Freelance Platforms
Low Wages/Low Worker Control	**Low Wages/High Worker Control**
• Crowdwork Platforms	• None

Figure 1. Job quality types in the gig economy.

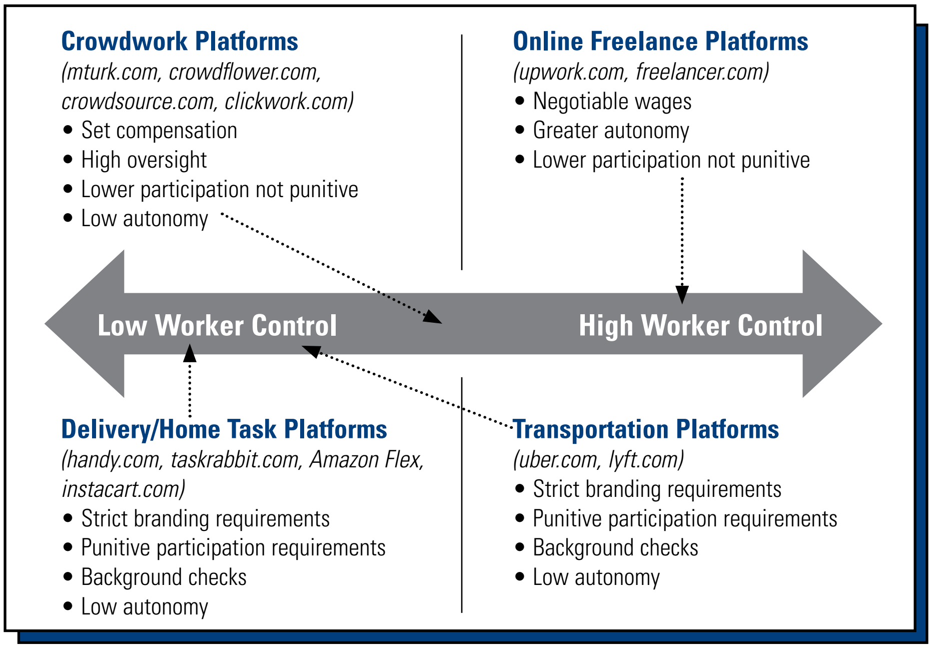


Figure 2. High and low worker control in the gig economy.

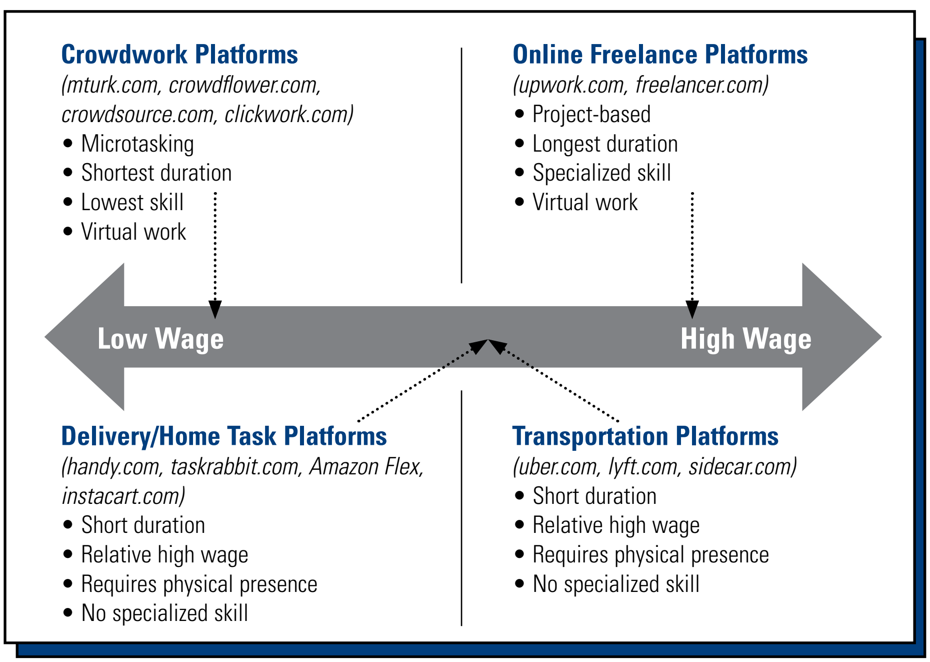


Figure 3. Good- and bad-paying gig jobs.

ing pay and work. Workers typically are hired on a project basis, so the jobs tend to be relatively long in duration. These online platforms explicitly market the idea that workers are independent contractors or freelancers. These jobs also tend to be less connected to a physical location, increasing the worker's flexibility and control.

Despite the relatively high pay in online platform jobs, wages are lower than they are in equivalent brick-and-mortar jobs.

Upwork (formerly oDesk) illustrates this kind of online platform. Employers offer relatively highly skilled jobs (such as software development) that pay relatively high wages (compared to other gig jobs). Workers have considerable autonomy as to how they do their work, but Upwork exerts considerable control over the terms of the employment relationship: they can (and have) abruptly changed the terms of reimbursement to workers, and they require workers to sign a noncircumvention clause that prohibits them for twenty-four months from working with any client that identified the worker through the Upwork site.

Despite the relatively high pay in online platform jobs, wages are lower than they are in equivalent brick-and-mortar jobs, assuming workers are able to get those jobs (due to spatial or other constraints). For example, software developers at a large online freelance platform earned an average of $30.19 an hour, compared to $44.63 an hour for software developers in a traditional work setting (Dunn 2016).

High Wages/Low Worker Control

Transportation and delivery/home task platforms tend to be characterized by a local aspect. These platforms are highly branded, and workers are core components of the brand (drivers are called Uber or Lyft drivers rather than ride-share

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drivers). Workers are highly managed on set metrics (i.e., Uber measures availability, jobs accepted, jobs completed, and customer ratings; TaskRabbit measures availability, job response, jobs accepted, and customer ratings). The platform dictates pay and wage rates, and there is a low level of transparency in how work is allocated. Workers are almost all subjected to background checks, and many companies also conduct face-to-face interviews. These platforms typically operate in the most populated metropolises, so workers are generally able to earn higher than minimum wage.

The exemplar of this kind of gig job is Uber (hence, the popularity of the term "urberization" of the economy). Uber exerts considerable control over the terms of the employment relationship: it decides what a driver charges for each job he or she takes; indeed, it has lowered fares without any recourse for its drivers, as most recently happened in January 2016 with drops in fares of over 30 percent, leaving many drivers scrambling to make up the difference in revenue. Uber also controls what kind of customers can be driven (based on the driver's car type) and who can be picked up (via the Uber app). It is debatable how severe the sanctions are that Uber imposes if drivers turn off their Uber apps and are unavailable to pick up customers.

Low Control/Low Wages

Amazon's Mechanical Turk exemplifies crowdwork platforms. The balance of power in these platforms favors employers: Mechanical Turk allows the employer to set the wage rate for the task without workers (called "Turkers") having the option of negotiating rates, and permits employers to withhold wages and reject work outright.

Generally, crowdwork tasks are relatively simple (some can be a few seconds to a few minutes long) and hence are paid very little. Our survey of over 900 Mechanical Turk workers found the average hourly wage to be between $1 and $2 (Dunn 2016). The platform also makes certain tasks available only to workers who meet specific criteria (identified by categories such as "master status" and number of jobs completed). Many of these criteria, such as "master status," are shrouded in secrecy, with no stated benchmarks or information on how to attain them.

High Control/Low Wages

We were unable to identify any gig economy jobs that gave the workers high control over their work, scheduling, and terms of the employment relationship, yet paid relatively low wages. This finding is not surprising, as workers who have more control over the employment relationship are also for this reason able to exact relatively high wages.

Looking Ahead

The rapid expansion of the gig economy has attracted the attention of the media, social scientists, and the public at large. Although it is still a relatively small slice of the American economy (Katz and Krueger 2016), it is growing rapidly. We now need hard evidence on its pervasiveness and distribution among the U.S. labor force.

We also need to understand better the dynamics that generate good and bad jobs in the gig economy. To what extent is the gig economy able to give workers control over the content, timing, and terms of their work and enable some to obtain relatively high wages? Gig economy jobs don't have to be bad: the examples cited above for "high road" companies such as Q and Bridj and others (see NELP 2016) indicate that some online platforms treat workers as employees with relatively stable, good-paying jobs; unfortunately, such examples are conspicuously scarce.

In the meantime, it is essential to have a social safety net (that includes health insurance, portable retirement benefits, wage insurance) not tied to full-time employment to protect gig workers from the insecurity associated with the gig economy (Harris and Krueger 2015; Smith and Leberstein 2015).

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