

Gig Economy Trends And Start-Up Development

Olga A. Shvetsova

School of Industrial Management
Korea University of Technology and Education
Cheonan City, South Korea
shvetsova@koreatech.ac.kr

Abstract— The article presents a definition of the concept of "gig-economy", describes its benefits and risks in online environment. Further, the disadvantages of free wage employment for workers are discussed and the controversial aspects on which workers in the gig economy seek to protect their labor rights. Since the gig-economy is not only the beginning of changes in the structure and forms of employment, the author has systematized the prospects for changes in a changing market.

Keywords— *gig economy; start-up; advantages; disadvantages; development*

I. INTRODUCTION

Gig economy implies short-term, temporary and project employment of civilian workers. Regardless of the world of work, such performers work on small tasks for a certain amount of time (for example, on shifts) or on a project basis. Once the task or shift is complete, the contractor switches to another task. It can be a new task from the same employer or a completely different job. At the same time, as noted by FlexJobs, both men and women are equally involved in gig economy. Men are more likely to be employed in manufacturing, while women are more likely to work in marketing and online sales.

Despite the fact that the term "Gig economy" itself is relatively new, this form of working relationship has been around for a long time. According to a 2017 American Personnel Association study, 78% of Americans surveyed see gig economics as a new name for non-traditional forms of employment [1].

The term "gig worker" can include freelancers, temporary workers and contractors. According to a CIPD study, 1.3 million Britons were employed in the gig economy in 2017 [2]. The American Personnel Association reports that there were 10.6 million independent contractors in the United States as of May 2017, or 6.9% of all workers in the country. An organization survey found that less than half of these workers rely on part-time jobs as their main source of income [2].

Corporations are exempt from any guarantees to employees, and staff, in turn, cannot normally defend their rights, since they do not formally belong to the staff of organizations to which they devote most of their working time (if not all of this time).

II. GIG ECONOMY TRENDS

A. *When gig economy started?*

The starting point in the history of the gig economy is 2003. Then the OnForce company was one of the first to give freelancers the opportunity to work not only for private individuals, but also for small companies. 2008-2009 strengthened the position of the "gig economy": the ability to make quick money in the absence of constant earnings for many was a real salvation.

In 2010, Uber is launched in America. Four years later, the company announced that every month it "employs 20,000 new drivers." The development of new technologies has become the reason why companies have transformed business models and brought some of the processes to the online space. For example, technology companies with employees around them have become the driving force behind the gig economy.

In early 2012, at meetings and public hearings, San Francisco taxi drivers complained about "rogue tech companies" stealing their customers. These taxi drivers are facing the earliest stage of a global reorganization of private and public transportation, funded by billions of dollars in venture capitalists. During the Great Recession, with high unemployment and slow job recovery, Uber, Lyft, and their former rival Sidecar used this tech capital to offer anyone with a car to make money transporting passengers around San Francisco. Companies aggressively positioned themselves as disruptors of the old transportation industry, and consumers and commentators, seduced by accessibility, technology-driven mobility, and a customer-centric approach that companies called "sharing," enthusiastically embraced their narrative.

For taxi drivers, Uber and Lyft were just a well-funded extension of the taxi companies that had long dominated them.

The Russian online school of English Skyeng, which recently entered the top twenty most valuable companies on the Runet, operates on a gig-economy model. Classes at the school are held using the interactive online platform Vimbox. Now the school has 6,570 teachers living all over the world, and more than 70 thousand students. All school teachers work remotely. 40% of teachers are full-timers, and 60% are part-timers who give the company no more than 20

hours a week [3]. When applying for a job, all teachers undergo a multi-stage interview and additional training to work at the school, after which they take exams.

In 2020, almost a decade after the emergence of Uber and Lyft, we seem to be at another turning point. Taxi sharing companies are facing a wave of self-organization from drivers demanding full-time employment. The biggest mobilization so far has been the fight for AB5, a bill in the California legislature passed in September 2019 that clarifies the relationship between Uber and Lyft and their employees. Companies have fought this reclassification in many ways, and some drivers fear that it could cause them to lose their flexibility. But those who welcomed the AB5's adoption hope it will bring them many benefits, from healthcare to guaranteed minimum wages, which Uber and Lyft have so far denied them.

B. Gig economy advantages

With the advent of Uber, AirBnB, BlaBlaCar and other services in the trend of the sharing economy - the concept of daily work "from 9 to 5" in the office has undergone changes. We live in an age when borders are being erased, labor as an economic category acquires a new meaning. Today, a new model of the economy ('Gig Economy') is being formed - in which more and more people prefer part-time employment. In the gig economy, companies hire freelancers and sign freelance contracts. These workers are interested in getting the job done faster and getting paid after the fact. And companies don't spend extra money on finding employees and maintaining staff [4].

The first industry where the concept of "freelancing" took root was the IT industry. IT professionals don't have to go to the office every day. They can perform their tasks from anywhere in the world, and "monetize" their knowledge much more efficiently, working on several projects at the same time. In fact, they started making money on their free time, selling it as a commodity.

This has become a great tool for building startups that train performers in other industries to sell their time. In 2003, OnForce became one of the first companies to open up opportunities for people to work not only for private customers (for example, mowing a neighbor's lawn), but also for small companies. Everyone wins: the firm does not need to hire an employee and bear all the associated costs; the employee can earn more. Economic crises and unemployment only intensified the interest of an increasingly large audience in such services - employee can earn money until you find a permanent job, or earn extra money in your free time.

Nowadays, when people leave work, they can order a taxi through the application, during the trip they can order cleaning of our apartment, and at home they can use Skype with a tutor (who, of course, was found through the service in 15 minutes). In big cities, this has already become commonplace. Such services are changing the labor market and the very concept of "work".

Nowadays, there is a trend of microentrepreneurship. Person doesn't have to have a permanent job for this. The ridesharing service BlaBlaCar has 300 permanent employees worldwide, AirBnB has 800, but millions of people use their services every month. For example, in Russia, more and more people are giving up work in favor of freelancing. For example, in the service for finding helpers for solving household and business tasks YouDo.com in 2015 registered three times more performers than in 2014. At the same time, 30.4 thousand people offered their services on the fl.ru service for finding freelancers in May 2015, a year earlier - 14.6 thousand [5]. Employees in companies are being cut, people see the unstable position of companies and want to hedge their bets. Someone's wages were cut - they are looking for additional income and find demand for their work. According to SuperJob, every third Russian company uses the services of remote freelance employees [6].

C. Gig economy disadvantages

Realizing the benefits of gig economy to employers, the author has no illusion that it will be easy to persuade those to renegotiate employment contracts in favor of workers. But sooner or later it will have to be done, he insists: "If gig employment and other precarious forms of work prevail, if they become mainstream forms of employment, this will lead to the most serious social costs. For a large number of people, a normal, serene family life will hardly be possible. Serious skill level problems will arise. The very ability of capitalism for social reproduction will be called into question" [6-7].

One of the obvious disadvantages of the "gig economy" is that the majority of customers who are looking for freelancers on exchanges are interested in getting an order completed as soon as possible. With luck, a freelancer might come across generous customers willing to pay for quality. But this does not happen often, because, as a rule, customers choose exactly the contractor who set the lower price []. According to this statement, time helped to solve this problem: soon he had "valuable" clients who trusted him and were interested not in speed, but in quality.

Considering all these factors, a freelancer must become a lawyer and a manager for himself, but even knowledge of the law and the ability to sell his services may not save him: in reality, not all companies agree to sign formal contracts with freelancers and pay in cash. Those, in turn, having no permanent earnings, are forced to agree to a "informal salary". This behavior of customers is most often encountered by novice freelancers.

While the growth of the digital economy shows that consumers are enjoying and demanding convenience, choice and potential cost savings on gig services and sales, the gig economy also poses a threat to public safety.

Due to the remote hiring processes involved, gig workers sometimes do skilled jobs with little or no training or prior experience. For example, passengers

on online ride-sharing services are often unaware of their driver's skill level, driver's license status, or criminal record.

In addition, convertible drivers are not subject to the same US Department of Transportation limits on the number of hours of continuous driving that traditional commercial vehicle drivers do. While some online travel services now block their drivers after a certain number of hours of driving, drivers often work in multiple services and simply switch back and forth, allowing them to drive for extended hours.

When it comes to the sale and rental of concerts, the old adage "buyer beware" is particularly relevant. Products are often sold without guarantees of quality or authenticity, and rental properties may not be as desirable as they appear on the service's website.

III. START-UP DEVELOPMENT IN GIG ECONOMY

The success of BlaBaCar, Airbnb, Uber is trying to replicate other startups that are bringing the sharing economy principles to new markets. The aforementioned Instacart delivers groceries from stores to those who cannot leave their homes. "Personal shopper" delivers products to your home from the desired set in one or several of the 300,000 stores (this is the number in the application database today). Instacart, launched in 2013, has attracted over \$ 270 million in total. In a round of \$ 220 million in January 2015, the startup was valued at \$ 2 billion, and a little over a year later, Instacart announced it was going into profit [8]. The Russian analogue of the Western service, Instamart, is also growing rapidly: revenue is increasing by 30% every month, the average check passed the mark of 5,000 rubles []. In Russia, after several unsuccessful experiences with freelancers (the creators told Vedomosti about couriers who chose the wrong goods and ran away with cards), Instamart had to gather staff and write clear instructions for going to the store.

The Gigwalk service, which has raised nearly \$ 18 million in total, allows users to complete small tasks from retail chains and get paid right away. In this way, the networks are quickly informed about errors in product layout, problems in their stores, advertising effectiveness, etc. The app is now available in the US and Canada. Gigwalk was launched in 2010 and in 2015 its user base exceeded 400,000, completing a total of over 4 million jobs [9]. An analogue of Gigwalk in Russia, the CrowdSystems startup invites companies to conduct trade audits and consumer research with the help of hundreds of thousands of consumers across the country. Thanks to crowdsourcing projects, client companies do not need to maintain a huge staff, the buyers themselves provide them with a variety of data they need for field research.

Services in line with the "gig economy" trend are generally relevant for serving the needs of trade. Another area is crowdsourcing delivery. Service Deliv, with \$ 40 million in venture capital investment, invited performers to deliver goods from stores to reduce delivery times to one day. Deliv entered into agreements with retailers in 17 markets, and by the

end of 2015 it doubled the volume of processed orders and has already gone into profit [9-10]. A similar Russian startup, the Bringo platform helps manage courier time - if the company's in-house courier or courier service cannot cope with orders, they can hire a crowdsourced courier ("bringer") or give the order to another courier service.

New services are also coming to the home services segment. If you need any help around the house (painting walls, installing furniture, moving, etc.) in services such as Taskrabbit, you can place a task, wait for a suitable master and pay with him through the application. In 2015, over 15,000 people posted assignments to Taskrabbit. About 15% of performers work with the service full-time and earn \$ 78,000 a year. The project was launched in 2008, its rapid success has spawned many analogues around the world [11].

There are also services for a narrower target audience. Startup OneLane is an Uber with extra features for kids in England. The drivers are professional "guardians" (nannies, teachers, etc.). In the role of passengers - caring parents who order not only an escort of the child on the trip to school or a lesson with a tutor, but also an additional two hours under the supervision of a "guardian" before and after the trip. In this case, you can first talk with the driver. More than 600 London families use OneLane and there are over 20 guardians [12].

Services like those listed above solve the problem of choosing a service provider - the process becomes faster and more transparent. In most cases, you only need a mobile application, where you will see information about it, photos, ratings, and sometimes reviews. Therefore, all such startups work a lot on rating systems - they allow them to regulate the quality of services. If an employee behaves inappropriately, they are excluded from the system. Moreover, he is not even a member of the state.

IV. GIG ECONOMY AND COVID19

The World Economic Forum noted a drop-in demand for their services due to the pandemic and problems with security among the main problems of gig workers during the coronavirus crisis. Almost 70% of the 1.4 thousand surveyed free employees were not satisfied with the level of support provided by their employers.

It is noted that about 70% of workers were left without income, while only 23% had savings. More than half of those surveyed said they had lost their jobs, and more than a quarter faced a reduction in working hours. About 89% of gig workers and self-employed professionals are now looking for a new source of income [13].

Almost 70% of those surveyed said they were not satisfied with the support they received from their employers during the pandemic. More than half expected to receive help from the government or the companies they work for.

In turn, the Payoneer payment system, which is often used for settlements with freelancers, on the basis of its research, noted that the situation on the freelance market remains relatively stable. In a new May report, the company reveals the results of a survey of more than 1,000 freelancers in over 100 countries.

According to the obtained data, 40% of respondents believe that the demand for their services has remained the same or even increased. At the same time, 32% said that due to the spread of the coronavirus, the number of new orders has dropped significantly.

53% of freelancers serving clients in North America and Europe reported a significant drop in demand. In Asia and Australia, the demand for freelance services declined slightly less: 45% of respondents report a fall [13-14].

Eastern Europe (for example, Ukraine) shows statistics, that freelancers have felt less of the impact of the pandemic than their foreign counterparts. 56% of Ukrainian freelancers reported that demand from their North American clients either increased or remained the same; and 50% said that the number of orders from Europe did not decrease at all.

According to Payoneer, hourly rates for freelancers around the world have remained stable despite the crisis. Nearly three-quarters of those surveyed say their hourly rate has remained the same throughout this period.

CONCLUSION

For the individuals, the rise of the gig economy is certainly a huge plus. Nowadays, to develop unrealized skills and abilities, person only needs a smartphone or a computer. If person adds to this ingenuity, efficiency and willingness to work for himself, then anyone can receive regular earnings. It will turn out to organize work time with one or several services efficiently - person can even earn much more than being on the staff of the company.

Services that can be attributed to the "gig economy" make the lazy work, but not with a stick, but with a carrot. The more tasks are effectively completed, the more opportunities to earn. In addition, there is a healthy "competitive spirit" on the gig economy platforms. "Stars" in taxi aggregator services (the ratings are higher for drivers who turned out to be faster and politer) have already become familiar to us, and in the future such methods of stimulating competition between performers will become more and more important for all new gig economy platforms.

It used to be the norm to work in one company all your life, now you can change several jobs in a few years - and this will not be something out of the ordinary. It is possible that our children will always be busy on several projects at the same time. In the morning we will not get ready for work, but we will open several applications and choose exactly how we

will monetize every minute of our lives today. We have always understood that the most valuable thing is time. Now it takes on real value. And since it is beneficial for both companies and employees, the number of services that will help to profitably buy and sell time will grow. The number of their applications will also grow. This means that before us is a huge new market that opens up opportunities for venture investors. By 2021, according to PwC estimates, the market for platforms for serving the gig economy grows to \$ 63 billion [14].

The flip side of the coin is, for example, the concern of a part-time worker about the lack of permanent and stable earnings, and also the pressure of society. A freelancer may have a delay in payment, and a part-time job may simply not be found, it is difficult to predict income. Even if payment for completed orders arrives on time, freelancers usually get their hands on less than office workers (not to mention the benefits of a paid lunch, smoking room, and talking at the cooler). In the United States, for example, the cost per hour of a full-time employee and a freelancer varies by 25%, and sometimes even more. The other extreme for a freelancer can be an overabundance of concurrent projects. In pursuit of higher incomes ("in the gig economy" their upper level is virtually unlimited), a private contractor can fill all his free time with work, having lost his hobbies, leisure with loved ones and even sleep.

The investment potential of the "gig economy" is clearly visible already now. Rapidly growing on-demand services based on the work of freelancers appear one after another, the best of them close the round of investments. This is how leaders are already appearing among the wave of new services, so the current situation on the market is an increase in the "average check" of investments while the number of transactions decreases.

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