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THE LOGIC OF GIG ECONOMY (ORIGINS AND GROWTH PROSPECTS)

Abstract. The 2007+ crisis led to an increase in occasional and task work, which unleashed the potential of new technological and organizational solutions. The advancements in digital technological platforms stimulated the growth of the segment referred to as gig economy. The article aims to apply a systematic approach to the driving forces behind the emergence of gig economy and its success to date and to assess its development prospects. It argues to confirm the thesis that gig economy has its own inherent logic, while it remains part of the multi-stage process of the evolution of employee-employer relations, from the industrial stage to the digital era to platform-mediated work. Based on the analysis of the current world literature, the article posits that gig economy, as the next stage of development, has significantly reduced the quality of work, but it may also not meet the individual needs of the contemporary consumer. This increases the likelihood of the need for its change. The article also envisages the direction of this change towards post-platform economy based on distributed market spaces and provides the characteristics of its determinants, including social capital and a sense of individual entrepreneurship. The primary methods used in the study involved analysis and critique of the current world literature as well as the method of analysis and logical construction.

Keywords: gig economy, crowdwork, platforms, post-platform economy.

1. Introduction

Since the onset of the 2007+ crisis, the popularity of occasional and task work has been on the increase worldwide, particularly in the USA. During the crisis it allowed businesses to reduce labour costs and often remained the only way workers could earn income and make a living. The segment of unstable and temporary jobs, with remuneration for individual tasks, began to be referred to as gig economy (Minter, 2017; Cambridge Dictionary). The circumstances unleashed the potential for the development of new technological and organizational solutions. They motivated the imple-

mentation of innovations whose precursors, such as Internet communication, had already emerged before. One of such innovations, digital technological platforms, accelerated the growth of the segment of occasional and temporary jobs (Kessler, 2018). Over time (around 2011), the term gig economy began to refer mainly to services provided via digital platforms, enabling instantaneous coordination of demand for and supply of services. As a result, in the 2010's, taking into account technological progress, the gig economy is associated with the part of the economy where activities of many independent service providers are immediately matched to demand for such services, via a specially created digital technological platform, which also regulates remuneration for the job (Stewart, Stanford, 2017; Lapanjuuri, Wishart, Cornick, 2018; Hunt, Samman, 2019). The first platforms of this type were MTurk – for services provided online – and Uber – for services rendered offline. Their relatively short presence in the economy has led to the emergence of a new segment of the economy and labour market. By the end of 2020, about 777 platforms, operating either on a global scale or locally, but based on a globally replicated idea, were identified (ILO, 2021). The adoption of the category of gig economy was associated with a related term of gig work, referring to work services provided in the gig economy segment (Schwellnus et al., 2019).

The article aims to apply a systematic approach to the driving forces behind the emergence of the gig economy and its success to date and to assess its growth prospects. It argues to confirm the thesis that the gig economy has its own inherent logic, while it remains part of the multi-stage process of the evolution of employee-employer relations, from the industrial stage to the digital era to platform-mediated work.

Based on the analysis of the current world literature, the article posits that the gig economy, as the next stage of development of employment systems associated also with the next stage of capitalism, has not only significantly reduced the quality of work, but it may also not meet the individual needs of the contemporary consumer, who expects them to be satisfied comprehensively. This increases the likelihood of the need for its change. The article also envisages the direction of this change towards the post-platform economy based on distributed market spaces, and provides the characteristics of its determinants, including social capital and a sense of individual entrepreneurship. The primary methods used in the study involved analysis and critique of the current world literature as well as the method of analysis and logical construction.

2. Main characteristics of the gig economy – as a premise for its growth during the crisis

The major component of the gig economy segment involves digital platforms, comprising both web-based platforms, where work is outsourced through an open call to a geographically dispersed crowd, and location-based applications (apps), allocating services of a specific type in a specific area, usually larger cities, related to the provision of local, universal services such as passenger transportation, cleaning, meal delivery, household services or childcare (ILO). Platform mediated work can therefore be performed either online or offline. Based on the research results (Stanford, 2017; Florisson, Mandl, 2018), the following characteristics can be attributed to platform mediated work:

- a paid task is organized via the platform and often breaks down into separate subtasks;
- service providers are mainly motivated by end users, usually consumers, sometimes businesses; they imply a triangle of mutual relationships: service provider – end user – intermediary platform;
- work is performed only in response to demand explicitly expressed; service providers work only if their service is purchased quickly, with no guarantee of continued engagement;
- the service is commissioned (contracted) by the buyer (a business or a consumer);
- work is remunerated exclusively for single tasks; payment corresponds to an individual effect, such as an activity, a task or a product, and usually does not depend on the time involved;
- service providers are responsible for equipping their own workplace, which applies both to the place where the service is provided, for example a flat, a car, etc., and other elements of equipment such as a telephone or a computer; since their financial resources are limited, the equipment of service providers working via platforms is generally modest in terms of business purposes, although the assets are of high value to service providers;
- the platform is responsible for commissioning a task, evaluating its performance, transferring it to the end user, and paying out remuneration.

These characteristics of work in the gig economy should be considered as general principles applicable to most platforms, while, in practice, departures from these rules may occur. They are a perfect fit for the crisis-driven logic of economic processes (Schumpeter, 1995, p. 143). Digital platforms are on the rise because they create conditions for minimizing transactional

costs incurred by both businesses seeking employees and work-seekers themselves, thus reducing friction in the labour market. They help businesses that use platform mediated services reduce average production costs by allowing them to respond flexibly to fluctuations in demand, without fixed labour cost burden. As estimated by Cherry (2016) and Rogers (2017), the shift from employment contracts towards freelance service providers has enabled US businesses to reduce labour costs by approx. 30%. On the other hand, the profit for the platforms, as a new type of enterprise, is estimated at 10–20% of each transaction (De Stefano, Aloisi, 2018, p. 15).

End users, consumers, benefit from the increased availability of goods, especially in the difficult times of recession. According to Kiesling (2018), platforms can create markets, both literally and in the minds of their participants, in the areas where they have never existed before. This is due to the aggregation of knowledge in a way that was previously impossible, leading through the market mechanism to the decentralized coordination of activities that benefit participants. This means that platforms increase consumption opportunities, stimulating prosperity, as they create the conditions for better need satisfaction, although this occurs in a standard (non-individualized) way.

The gig economy generates huge demand for providers of tasks that the platform offers to their customers. Work can also be considered its main product (Prassl, 2018). For service providers, it constitutes a substitute for their own economic activity when job offers are scarce or work conditions difficult to accept, but in different realities of the employment system. The breakdown of complex tasks or projects into a series of consecutive subtasks commissioned for separate execution leads to the dispersion of activities. The valuation of such a service is performed by the platform (De Stefano, 2016) and tends to be very low. If the service provider operates as self-employed, he is not obliged to comply with any minimum rates, nor do they apply if the law, as in the USA, allows for the status of a freelance contractor who does not have employee rights, or if he performs tasks informally. This is one of the more frequently criticized aspects of work platforms (Howcroft, Bergvall-Kareborn, 2019). Publications offer numerous examples of comparatively low remuneration rates for service providers, mainly in the USA. The average hourly wage rate stands at about 2 euros, while the remuneration for small jobs with the Amazon Mechanical Turk, settled for work of about 20–40 hours per week on a monthly basis, ranges from 200–750 euros (De Stefano, Aloisi, 2018, p. 23). Additionally, the service provider is affected by the risk of income instability due to irregular orders, incurs the costs of the factors of production and is exposed to the risk

of deactivation if he receives low ratings from customers. This causes that the quality of work in the gig economy is a real threat of the cybertariat (Ostoj, 2019). These determinants are decisive for low labour costs, which makes them attractive to businesses and consumers during the economic downturn.

3. Gig economy as a stage in the transformation of employment systems against the background of the evolution of capitalism

Platform mediated work, particularly crowdwork, is perceived as a manifestation of how the way of engaging labour services is changing under the influence of ubiquitous digitalization, from traditional employment (industrial stage), to employment in the information society (digital stage), which led to the next stage – crowdwork, via platforms (Cherry, 2016; Huws et al., 2017).

Cherry (2016), drawing on the studies by Stone (2004) and Kalleberg (2009), outlined the evolution of the employment system and the relations between the employer (principal) and the employee (contractor). She discussed the process of changes underway, starting from the industrial stage, characterized by the stable employment relationship and loyalty, but also by high efficiency expectations in the Taylorism or Fordism systems and their modifications. The development of IT technologies determined the transition to the information society, when the computer and the Internet began to be referred to as the “cord of the nervous system” of global production networks, while the intellectual capital of employees turned to the leading factor of production. It was then that jobs and boundaries between companies became more fluid (Cherry, 2016; Stone, 2004). The evolution revealed a clear qualitative change between the industrial and digital stages. The model of sustainable employment was eroded, whereas workers were now required to be mobile between companies and take responsibility for their professional development and employability, which became more important than security in the labour market.

The next stage in the development of the system of employee engagement, i.e. platform mediated work (gig economy), identified with crowdwork due to its mass scale, is the result of technological progress, which led to the emergence of a new work system in 2005–2007 (crowdwork in the strict sense of the word – Mechanical Turk – 2007). Despite technological advancements, it resembles the early phase of the industrial era,

especially the Taylor model, characterized by extremely fragmented, narrowly specialized tasks (Jang, 2019) and can be treated as a variation of digital Taylorism (Altenried, 2020). Its automatic management performed by computer systems is referred to as algocracy, which has replaced traditional, criticized bureaucracy. The system offers low-paid, precarious, unpredictable and risky jobs, which means work has become degraded (Kalleberg, 2009). Furthermore, the degradation of work involves jobs of various complexity – from fast food workers, to salesmen, to technical consultants and engineers. Accordingly, Cherry (2016) extends typical crowdwork to include freelancers, whose jobs are becoming increasingly reminiscent of operating in a mass of contractors. In this context, the concept of new freelancers has emerged as a result of modern technological advancements and rare qualifications becoming more common on a global scale (Wallenstein et al., 2019). New freelancers, despite operating in the creative sector, face global competition.

The impression arises that the benefits of technological progress have suffered an undesired reduction and the crowdwork model has become similar to the industrial model in terms of its emphasis on labour productivity, but taking away its stability and security of employment. Graham and Anwar (2019) argue that the market for online services delivered on a worldwide scale has emerged, becoming a premise for weakening the position of labour in relation to capital. This is manifested in: 1) the mass surplus of the labour factor in some segments of this market, stimulating online offshoring, 2) widespread substitutability/replaceability of this factor, which is becoming less and less rare, 3) growing competition between service providers, also in terms of price, in the context of its dispersion, as opposed to cooperation typical of employee teams; 4) the growing lack, despite widespread digitization, of market transparency and opportunities for those working in networks to improve their position; 5) their inability to influence the conditions in which services are provided; 6) the absence of relevant regulation and the vulnerability of the working to regulatory gaps that can be exploited by platforms and service buyers. Online service providers are also more vulnerable than other workers to a breach of contract with regard to payment of remuneration or its amount. This naturally raises the question of whether this is the desired direction for the future of work and how to engage it (Cherry, 2016; Prassl, 2018).

The identification of negative phenomena accompanying the platform economy led to the formulation of the concept of post-platform economy (Radonjic-Simic, Pfisterer, 2019a). Its creators pointed to the aspect of low efficiency of platforms in securing access to individual goods (including ser-

vices), which often fail to satisfy personalized consumer needs in a comprehensive manner. Consumers seek information on how to find the optimal combination of goods they need, since – without such information – they are likely to incur very high transactional costs. In the future, this search for information can be conducted without the intermediation of technological platforms. The post-platform economy transfers the benefits generated by platforms from intermediaries to consumers and suppliers as the main drivers of the exchange process and, at the same time, equal actors, and the Internet is a means used to satisfy personalized needs. The post-platform economy is defined as a set of economic activities, self-organized and strongly decentralized web-based structures forming distributed market spaces (Pfisterer, Radonjic-Simic, Reichwald, 2016), which weaken the power of platforms, while access to the comprehensive satisfaction of needs occurs at lower transactional costs and directly via the Internet (P2P), yet in a manner equally effective as via platforms. It is based on an innovative architecture of electronic markets and decentralized business ecosystem (Radonjic-Simic, Pfisterer, 2019b).

In these self-organized and self-managed structures, as in the ones described in the study by Ostrom (2015), individual entrepreneurship could also find its unhindered manifestation. This model, described in terms of requirements facing modern IT, does not focus on the nature of work services, but it can be used as a foundation for formulating specific predictions that would give back service providers the position of entrepreneurs, limited by modern work platforms, while at the same time imposing on them the obligation to participate in cooperation networks, perform mutual monitoring, create reputation banks, develop good practices, etc. The question therefore arises whether the post-platform economy model is likely to play an equally important role as the previous models and whether its growth is possible in all countries, due to the required social capital, which should be taken into account as a necessary condition if we assume self-organization according to Ostrom's study, although the creators of the concept do not refer to it. Likewise, it would be necessary to set up mechanisms for exclusion from cooperation networks in the event of violations of rules and good practices or unfair competition.

In Table 1, the Author presents her proposal on the extension of Stone's concept (2004) – the first two columns – to which Cherry (2016) added the crowdwork system in the platform economy, while the Author adapted the vision outlined by Radonjic-Simic and Pfisterer (2019a), complementing it with the characteristics of work in the post-platform economy (last column).

Table 1

Transformation of employment systems

Features of work	Industrial	Digital	Crowdwork	Self-employed in the post-platform economy
Training	Firm – specific	General	None	General or specific, depending on the demand side
Structure of tasks	Jobs, narrowly defined	Projects, broadly-defined	Tasks, microdefined	Tasks or projects depending on orders
Location of work	Employer's office	Variable, often the worker's home	Variable, often online or the tasks-poster's home, office, etc.	A regular flat belonging to the service provider or the service buyer; of her venues
Duration of work	Employee's lifetime	Weeks, months, years	Hours, minutes, seconds	Individualized – from seconds to weeks/months
Decision-making	Hierarchical supervision and evaluation	Peer group	Automatic management	Self-control, mutual monitoring, good practices
Authority Relations	Top-down, command and control	Bounded Discretion	Automatic management	Absence; self-employed
Security	Of job	Of employability (i. e. gaining portable skills for future jobs)	Little to none	Depending on the initiative of the service provider
Remuneration	Longevity – linked	Marked – based	Piece rate/pay as you go	Piece rate/pay as you go
Career benefits	Lifetime tenure	Training	Flexible scheduling	Autonomy and entrepreneurship
Promises by employer	Opportunities for promotion	Forming networks	Be your own mini-business; freedom from wage labor; work will come to you via your cell phone	No employer; minibusiness; freedom from wage labour; tasks will come to you via your cell phone
Due process	Collective bargaining and grievance arbitration	Dispute-resolution procedures for individual fairness claims	Little to none	Unnecessary, as in the case of independent entrepreneurs

Source: own elaboration, based on: Stone (2004), Cherry (2016), Radonjic-Simic, Pfisterer (2019a).

The last two phases – the gig economy and the prospective model of the post-platform economy, with its distributed market spaces – can be referred to the evolution of capitalism in terms of the group of key decision-makers exercising control over enterprises. According to Sundadarajan (2016), enterprises operating as technological platforms exemplify the evolution of the 20th century managerial capitalism (and earlier – entrepreneurial capitalism of the 19th and early 20th century) towards crowd-based capitalism, using open access to innovation. Sundadarajan argues that crowd-based capitalism embraces a huge number of independent, unconnected people offering their assets – labour services and/or capital goods – via a specialized platform where buyers can find, purchase and use services they need. This facilitates peer-to-peer exchange, although it is mediated by a platform-enterprise. The researcher proposes that crowd-based capitalism blurs the boundaries between private and economic activity and becomes more concrete in different areas of operation, such as crowd logistics (Sampairo et al. 2019). Its major characteristic remains the coordination of the activities of the crowd of service providers with those placing orders via a specialized platform.

It seems that the full realization of crowd-based capitalism could be achieved in the post-platform economy, founded on individual entrepreneurship in distributed market spaces, digitally coordinated with advanced information and communication technologies. In the post-platform economy, a community of individual entrepreneurs responds to demand quickly, in a coordinated, self-organized and self-controlled manner by making extensive use of the Internet, but also guided by trust. To a certain extent, it resembles dispersed entrepreneurs of the initial stage of capitalism, but in its modern version – using modern digital technologies and capable of developing and applying self-regulation mechanisms. Therefore, it is a completely new quality of entrepreneurial capitalism, which originated from the pursuit to respond to demand quickly, with possibly low average costs and the development of individual entrepreneurship.

4. Conclusion

The creators of digital technological platforms recognized that the new business model of the gig economy has the potential to achieve high profits by engaging service providers on conditions that ensure low average costs of universal service provision and, as a result, help gain competitive advantage over entities providing these services in the traditional manner. This solu-

tion was particularly attractive during the economic recession and, as it has been shown, it is in line with the logic of economic developments accompanying the subsequent recovery. The system of engaging service providers is a basic element of the logic of the gig economy, which determines its competitiveness.

The merits of new technological solutions, increased availability of services to customers and higher competitiveness of enterprises in the gig economy compared to their traditional counterparts, contribute to high likelihood of their further growth, although, perhaps, within a new institutional framework, built to counteract the threats to service providers in the gig economy. These threats, combined with an insufficient degree of individualization in the platform economy, have given rise to the vision of the post-platform economy based on distributed market spaces, where entrepreneurs – the owners of their minibusinesses, using the Internet and self-control mechanisms – respond instantaneously to complex requirements of the demand side. The sources of the concept are rooted in IT solutions that anticipate and preempt the problems identified in the gig economy with the dominant position of megaplatforms. This would mean the erosion of today's gig economy and its evolution towards digital entrepreneurial capitalism.

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