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Gig Economy, flexibility for workers but at what cost to wages?

On June 1st, the second day of the 2018 Economics Festival in the Autonomous Province of Trento, Stephen Machin Professor of Economics at the London School of Economics, offered insights into his research on how the gig economy is altering labor forces across the world and the interaction between gig jobs and wages.

The labor force of our modern digitized society is not the same 40 hours a week work we were once used to. More and more people today work in non-traditional jobs with flexible hours and often work fewer hours through things such as freelancing, working with temporary contracts, or zero hour contracts where workers operate on an “on call” basis. What are the drivers of this increasing trend? Many point to the positives of gig work including the ability to be their own boss and set their own hours, while others see the increase in gig jobs as a result of lack of other opportunities and as second jobs to help pay the bills.

The changing landscape of the gig economy has large policy implications. For many politicians, it brings the concern that millions of dollars of taxes are not being collected appropriately due to changing and temporary contracts. For others, especially in the United States where healthcare is not provided, it leaves people vulnerable and uninsured as typical jobs offer health benefits while gig jobs do not. In Europe, where healthcare is provided countries like the UK and Italy still face the challenge of altering policy to match the rise of the gig economy and the often unclear question of who is and who is not considered to be self employed.

The real research question of Machin and others is if the low or flat wage growth in recent years is related to the rise in gig economy? For them, the answer is yes. Even in the UK in 2016 when the UK National living standard was raised to £7.20 per hour believing that it would increase British citizens lives and income, it did not have this desired income. Instead, more and more employers altered contracts from permanent to temporary contracts in order to be able to pay lower than the living standard. This shows the importance that gig careers may provide flexibility for workers, but it may also provide flexibility for employers to take advantage of a blurry line between self employment and traditional employment where policy still lags behind.

[Watch the interview with Stephen Machin](#)

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