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Uber and the Sharing Economy: a new opportunity for Europe

In Trento for the Economics Festival, University of Princeton professor of economics, Alan Krueger, discussed the effects of popular web apps such as Uber and Grubhub on the traditional labor market.

The sharing economy, what Krueger calls the “gig economy,” has been on the rise in the recent years. Smartphone apps such as Uber, Grubhub, and Airbnb have made the availability of services easier to access by the general public and cheaper. This has many questioning how the continued growth of these services will affect national labor markets.

Working in the gig market is much more attractive to independent workers, who are able to enjoy a great deal of flexibility in determining their hours worked. There is little tradeoff in compensation for workers who choose to leave the traditional workforce for independent employment. According to Krueger’s findings, after commission fees and price of gas, Uber drivers in the United States make roughly the same amount as taxi drivers. Additionally, employees in the sharing market often work these gigs in their spare time, a very attractive feature to parents or part-time employees. In the United States, 61% percent of Uber drivers have another job.

<https://www.youtube.com/watch?v=W-3IvVgENgg>

Does this new model of employment weaken the labor standards for traditional workers? In Europe, ride sharing apps such as Uber have not been nearly as successful as in America, for fear that these services will eliminate the need for taxi drivers. Krueger argues this is not the case. Rather, studies in the United States have shown that taxi drivers are not the ones affected by the success of the sharing economy. This model creates new opportunities for customers, workers, and businesses. With the proper policies in place, this new model can both protect social benefits for independent workers as well as benefit the whole of society.

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