

Why Your Boss is Terrified of the "Gig" Economy

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The gig economy is hitting the lines in the UK. Investors and entrepreneurs alike are being rocked by a slew of legislation efforts and court judgements, aimed at stopping abuses of casual labour. It's clear that employers (and that's what many of these firms are) can no longer have their cake and eat it. These manoeuvres are changing the way that the gig economy is structured, just as it's getting going as a major economic force.

It's time to look at this tsunami, to see its effect on our investments

The UK's important, of course. But, if you want to see the real impact of the gig economy, you have to look globally. All around the world, technology is facilitating far more flexible work.

In the UK, we're familiar with gig economy stalwarts like Uber and Deliveroo. But it may surprise you to note that there is a huge hidden global economy of gig workers. It's a trend you have to bear in mind while investing – because it's changing the way the world works.

The developing world has benefited from what is known as "leapfrogging". This is where 20th century technology is skipped entirely, and 21st century technology rolls out in its place. An example of this is in telecoms – Africa doesn't have landlines, but it does have mobiles – enormous numbers of them. It's no surprise that the developing world's workers are rushing to find employment in this new model.

So what is the gig economy?

A "gig" is a small piece of work performed by a freelancer – usually for a fixed price, ordered digitally. It might be to draw a logo, deliver some food, or offer transport. What all these services have in common is that they require someone's labour to deliver. The workers who provide these services live an economically itinerant life, going from gig to gig. Many mix a variety of income streams. They may undertake work of radically different types during a working day or week. They may also mix gig work with more conventional employment.

But it's not just about the money

Gigging is a life choice. For example, riding for Deliveroo is something that people may do to keep fit. Even the CEO of Deliveroo still goes out on his bicycle, delivering curries. Hats off to him! Not only is he learning about his organisation, but he's also got the humility to ride around on a bike – for little more than minimum wage.

Despite [our previous coverage](#), we have probably given insufficient coverage to the gig economy, in *Exponential Investor*. Perhaps that's because, as an early adopter, it's pretty baked into my life. I often forget that it's still a rising force in the global economy – because it seems so normal to me.

Let me give you some examples, to show how gigs are changing the world

Firstly, I employ a Bangladeshi man to look up email addresses, for a scientific mailing list I run. It's time-consuming, irritating and boring work – and I have better things to do with my life. In Bangladesh, the cost of living is so low that my "gig guy" is happy to work for well below the UK minimum wage. If I had to onshore this work, I'd just do it myself. I can't imagine that a UK minimum wage earner would be much use to me, for this unsupervised white-collar work. By contrast, my Bangladeshi colleague is usually a pretty efficient guy – but yet he works at a price that would be a poverty wage in the UK. This makes his labour very attractive to international buyers. However, he's far from poor. In fact, he's probably in the top quartile of income earners in his country. He provides capably for his family, by doing these gigs for Western consumers and small businesses. You might think I'm exploiting him – but I doubt he'd see it like that. He's one of the emerging middle class, who are transforming the developing world.

This brings me naturally to my second example. A good friend of mine works for a major charity. She has first-hand experience of helping people pull themselves out of poverty. She spends donors' money, to make the process of economic empowerment quicker and more effective. I was recently having a conversation with her about a programme run by a rival charity. It had "empowered" African women to become economically active – by providing them with kits for making bracelets and necklaces. In fact, this was patronising "busy-work", the products of which were only saleable to Guardian-reading do-gooders. Her brutal-but-accurate assessment of the situation was that the charity's time and effort would have been better spent buying these people computers, and training them to work in the gig economy. Instead of making feel-good trinkets for bleeding-heart liberals, it would have had a lasting solution to their poverty – one that embraced the global capitalist system, and thrived within it.

Talking of charities' attitude to the gig economy, a recent report for Oxfam suggested that the rising number of gig workers is going to cause downward pressure on wages. Naturally, it's warning about consequential poverty, but I don't agree. The gig economy *is* a rising force – and of course it's luring many more workers in. For the first time reliable, white-collar work is available to the global poor – people just like my Bangladeshi colleague. The smart and capable workers in African villages, South American favelas and the slums of Mumbai can now provide high quality, white-collar work around the world. While

Oxfam might see the market economy as a force for evil, the fact of the matter is that we have experienced in recent decades an astonishing, unprecedented decline in global poverty. Of course, the ebb and flow of labour within industries will cause adjustments to wages – but the efficiency of this new, global market pulls whole societies out of grinding poverty.

The gig economy is the most recent manifestation of this awesome globalisation revolution. Far from making people poor (as Oxfam might have you believe) it's doing a power of good for the global poor. Now, you can profit from investing in the websites, apps and services that open up access to cheap labour from the developing world. Instead of relying on fat-cat middlemen, as is so common in manufacturing, the gig economy brings the global poor directly into the homes and offices of rich countries.

If you want to find out more, take a look at Fiverr, Upwork, and Amazon's Mechanical Turk. But, if you can't be bothered to do your own research, why not pay someone else to do it for you. The Philippines has a great workforce of well-educated, English-speaking graduates. I employ one of them to look for firms to purchase.

And finally – a big shout to my US “gig” proofreading freelancer. She brings a chemistry degree, and great professionalism, to the job of checking some of my articles for technical and linguistic errors.

Feedback, as always, to: andrew@southbankresearch.com.

Best,

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