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Good morning ladies and gentlemen! First, I would like to thank the WPC for inviting me to such a high-level event. And then, I would like to thank you all for coming here despite the early time on a Sunday morning. My name is Mathilde Pak. I’m an economist at the OECD and I work in the labour market work stream of the economics department. And today I am very happy to share with you some insights about how digital transformation is reshaping jobs, based on a paper written with other colleagues on gig economy platforms. I unfortunately could not be here on Friday to attend the session on preparing children and youth for jobs in the 21st century. I hope I can complement this session by bringing optimism to the young generation – and the more experienced one – about the future of work.

Ladies and Gentlemen, have you ever dreamed of a world where you would be matched with the perfect employer, for a job that would perfectly fit your constraints and highlight your skills? Ever since I started working on gig economy platforms, I can’t stop thinking this dream could one day be true. Are gig economy platforms a first step towards a new superior business model (boon) or will they be a bane for workers who’ll be left with scraps?

To address this question, I will present you gig economy platforms’ macroeconomic effects based on key features of their business model and their flaws. But first, let me just give you a quick picture of what they exactly cover.

Gig economy platforms use digital technologies to match workers with customers, on a per task (“gig”) basis. And there is a wide range of tasks and services for workers to do, for businesses to outsource and for consumers to enjoy. They can be physical and local (Uber, Handy) or online and worldwide. They can be routine and without specific qualification (e.g. adding keyword to pictures for Amazon Mechanical Turk), or they can be high-skilled and require professional diploma (e.g. web designing or consulting in the case of Upwork). Also, note that gig economy platforms intermediate labour. So this excludes digital platforms that intermediate other services (e.g. accommodation) or that trade goods.

Now let’s have a closer look at gig economy platforms’ effects on some macroeconomic variables. I won’t bore you with the technical details. It’s too early and it’s Sunday morning. But know that we developed a stylised theoretical model and tested empirically some of its conclusions. And this simplified slide is based on this work.

There are two key features of gig economy platforms’ business model that need to be accounted for to understand their potential economic effects.

First, they develop trust-building mechanisms, such as the curation entry and exit to the platform; reputation rating; customer support and insurance; and intermediation of payments. These trust-building mechanisms then reduce barriers to work as they have developed alternatives to formal qualification to signal quality of providers. And this creates job opportunities for unemployed people and those with weak attachment to the labour market, and thereby raise total employment.

Second key feature, they rapidly match the supply of workers to fluctuations in demand by resorting to digital matching algorithms; self-employed contractors and surge pricing. This raises matching efficiency at given employment and hence productivity. But then, as mentioned before, platforms’ entry tends to raise employment, which reduces productivity. So the final effect on productivity is ambiguous.

So far, gig economy platforms seem rather excitingly innovative. But like every innovation they are not right away perfect and have flaws that need to be addressed to take full advantage of their potential to raise productivity and employment. Policy makers first challenge is to adapt existing regulations.

Gig economy platforms have reduced the prevalence of market failures in the services market, suggesting that a number of existing product market rules (like occupational licencing) have become obsolete. And level playing field should be promoted by applying the regulations to all providers on equal footing and harmonising social contributions and value added tax across providers. We don’t want to realise that gig economy platforms are successful because
they exploit regulatory and legal loopholes, and not because of their innovative technology. And this could be tested with regulatory sandboxes.

Strong product market competition would limit the risk of the emergence of dominant players. This could be achieved by promoting mobility between platforms by limiting abusive clauses that prevent switching and multi-homing and the possibility to transfer reputation ratings across platforms. The scale and the scope of data collected by incumbents feed their matching algorithm. And this may constitute a barrier to entry for potential entrants.

Strong product market competition would also limit the risk of dominant players in the labour market, but improving working conditions for platform workers will additionally require adapting labour market regulation, rules on collective bargaining, social protection and training.

The other challenge for policy makers is address these flaws fast enough to keep up with their rapid development.

So what will the future look like? I don’t know. Perhaps, we won’t talk about a “dream job” or “jobs of the 21st century” anymore but about “dream tasks/gigs” that we would find through powerful matching algorithms. Perhaps, by outsourcing some routine tasks to machines or to other platform workers, we’ll manage to free our mind and come up with creative ideas about tasks that don’t exist yet and require human intelligence or empathy.