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Building the future of work together

It's not Uber stupid, it's the on-demand economy

by Denis Pennel

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Uberisation, on-line work, digital workers, the platformisation of the economy – these are all terms we are increasingly hearing to describe new ways of working. While they attract a good deal of attention, I believe they are all in fact symptoms of something more fundamental: the rise of the on-demand economy. This is the real economic revolution and its advent represents a seismic structural shift to our economy, and one that is here to stay.

So what are the key components of the on-demand economy? Well firstly it is ownership being replaced by usage – as illustrated by car sharing. Secondly we see a mass customisation of production – as demonstrated by retail giant Zara and its temporary clothes collection. Next we see a servicification of industry where the product is equalled or perhaps even surpassed by the service that comes with it – such as with car leasing and bike hiring in cities. In addition we see real-time production, or even goods being produced to order – with all the elements of zero-stock policy and yield management that this entails. Online platforms and Apps are a prime illustration of this trend, and while they facilitate it, they did not cause it.

The real driver is a change in consumer expectations. The generation that grew up with just-in-time production wants its goods and services 'right-now and just-so'.

The consequences of this 'want it, have it' mentality are of course far-reaching. Companies have had to adapt and implement new production models that allow for mass customisation. To do this they have had to look to a global supply chain management system that delivers the speed and agility that consumers demand.

From a workers' perspective it has had profound consequences too and ushered in an on-demand approach to work – from production and manufacturing to services. The traditional open-ended employment contract has now been replaced by contracts determined by piece-work and the length of time it takes to create and deliver a product or service. This is less predictable, and arguably less secure. It certainly requires a different approach to the way we view work and employment. In the on-demand economy there is a lot of work, but fewer jobs in the classic sense. Individuals are employed job by job and need to be more flexible.

I believe that this trend is only just getting started and has a long way to evolve and grow from its nascent beginning. I predict that the next step will be 3D printing, where customers are able to drop in at their corner shop and buy made-to-order shoes or tailor-made books and where bookshops will be replaced by outlets sporting large-scale printing machines, with no bookshelves in sight.

In servicing this on-demand economy we need to realise that the world of work will have to change significantly. The standard work relationship of the future is unlikely to be characterised by wage employment. More likely it is going to comprise a complex web of relationships with workers seeking out a range of different work opportunities and building them into a portfolio ‘job’ – so perhaps a couple of days work in a call-centre, plus two evenings a week driving for Uber and topped up with three mornings a week trouble shooting IT issues on the home computers of people in the neighbourhood.

Clearly this is a far cry from the working lives of our fathers and grandfathers, but it also offers a diversity and flexibility that our grandparents never enjoyed. The crucial point is that policymakers adapt our employment and social security regulations to embrace and support the on-demand economy. So what do they need to do?

Well, I believe that governments need to work towards more resilient and adaptable labour markets that can accommodate these structural shifts. They need to update outmoded laws governing wages, employment standards, taxes and retirement in line with the new reality of the labour market. They should not add unnecessary burden and constraints on business but create easy-to-understand employment-friendly labour laws. We need policies to promote inclusive labour markets in order to offer sustainable and rewarding labour market participation for underrepresented and vulnerable groups. We will also need to build a foundation of basic rights that applies to all workers, regardless of their professional status (wage earners or self-employed).

We need global labour instruments and policies that meet the needs of an increasingly globalised and diversified workforce. A global or ‘glocal’ approach will be crucial to a sustainable future of work as will the need for fair labour mobility which can address the over and under-supply of labour on a global scale.

To facilitate this policymakers should foster greater cooperation between labour market services with effective public private partnership (PPP) and they will also need to build closer bridges between education and the business world to ensure that the future workforce is equipped with the skills that business needs.

Finally we will need to broaden discussion of labour relations and social dialogue in acknowledgement of the ongoing structural changes in the world of industrial relations as workforces become more dispersed and more virtual.

Countries that adopt smart regulation of the recruitment and employment industry enjoy better-functioning labour markets and the World Employment Confederation Smart Regulation Index shows a clear positive correlation between the World Economic Forum Competitiveness Index and those markets that score best in terms of smart regulation of the sector. I am convinced that the on-demand economy has the potential to offer a bright future of work if we take a fresh approach to work and regulation and the possibilities that the brave new world can bring.