Insight

How Workers are Benefiting in the Online Gig Economy

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Facing stiff regulations from city hall, Uber and Lyft left Austin, Texas last month, clearing away much of the ridesharing economy. The impact for workers has been swift. As one former driver explained, the drastic change forced him to reach out to friends to find other money making opportunities. As the gig economy continues to grow, so does research that finds a positive picture for workers, confirming our previous work on this subject. In total, it is clear that all kinds of workers, especially those below the median income, are benefiting from the online gig economy.

Decentralized peer-to-peer rental marketplaces foster new transactions between owners and consumers. With an expanded market, consumers are able to more easily access these goods, while owners are able to generate additional income streams. The reintroduction of idle assets back into the economy changes consumption patterns for both those who own the asset and those who consume the service. Both sides of the equation win.

With an expectation of income, the barriers to ownership are reduced, turning renters into owners. Relatedly, there is a decrease in the cost of buying higher quality products and so owners tend to prefer those goods. Analysis of two years of data from one peer-to-peer car rental service found exactly these outcomes. And who benefited the most? People below the median income got a disproportionate fraction of the gains.

A study from JPMorgan Chase Institute confirms this. The most benefits are accruing to those with least amount of income. Using real world data collected from JPMorgan consumers, it was found that those in the lowest quintile received 8.4 percent more in income increases than those in the top income quintile from labor platforms like Uber and TaskRabbit. Just as important, that study found workers could boost income up to 15 percent by working in the online gig economy with little to no additional investment.

Analysis of Airbnb data reveal similar trends. A typical single-property host can make an extra $7,530 annually by renting out an average of 66 days throughout the year. For the median household, this would be the equivalent of a 14 percent raise income, pushing it over the $60,000 mark.

For regions that embrace these labor changes, other benefits will stack up. For one, research finds a clustering effect with entrepreneurialism. Those populations with more entrepreneurship tend to experience greater long term economic growth. Similarly, those regions with greater rates of job churn have higher overall life satisfaction. With unemployment held constant, a 10 percent increase in job turnover equates to a 1.5 percent increase in life satisfaction in a city. To make this more concrete, average income would have to rise by almost 50 percent to have the same effect.

Technology has allowed for an expansion of the market in some sectors, welcoming those who are looking to work independently. As policymakers consider implementing regulations that will affect these new businesses, it is important they understand the true risks.