Opinion **Gig economy**

Uber ruling shows gig economy is running out of road

Ride-hailing apps are being told to reclassify their drivers as employees with corresponding rights

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The prospectus for Uber's initial public offering last year showed that in some cases, the company actually pays drivers more than the fare it charges to customers © Christian Monterrosa/EPA-EFE/Shutterstock

Sarah O'Connor AUGUST 18 2020

How can you be sacked from a job you never had, by an employer who never employed you?

Ask a gig worker. "While there is no obligation to accept any work with Deliveroo, you . . . are among the riders with the lowest percentage of deliveries accepted while 'available' in the app in your area," explained the food delivery company in an email to one of its ostensibly self-employed couriers. "As a result, we have decided that we will no longer be offering you work under your Supplier Agreement."

This sort of doublespeak is not a one-off. A few years ago I obtained an internal document that Deliveroo had circulated to its staff — a list of "dos" and "don'ts" for how to communicate with couriers. Don't say "we pay you every two weeks", do say "rider invoices are paid fortnightly", it suggested. Don't say "uniform", do say "branded clothing".

The contorted language is an indication of the tension at the heart of the gig economy. Companies such as Uber, Lyft and Deliveroo classify workers as self-employed, but use technology to tightly control, monitor and evaluate them. Algorithmic management was the innovation that enabled gig economy companies to transform a sea of casual workers into a standardised, seamless, on-demand service. It allowed companies to assume much of the power of employers with none of the responsibility. To many, it represented the future of work. But it has proved their undoing.

Although gig workers can choose when to log on to their apps to work, judges in many jurisdictions have concluded this is not a sufficient level of freedom to make them truly self-employed. Now matters have come to a head. In California, Uber and Lyft have been given just days to reclassify their drivers as employees, with minimum wage, sick pay and other rights, unless they win a last-minute delay. In the UK, Uber awaits a Supreme Court ruling on the same question, having lost its case in every lower court.

It is important not to be misty-eyed about what these rulings mean for gig workers. "Be your own boss" is a misleading promise, but it appeals to people for a reason. Many other jobs at the bottom of the labour market involve unpredictable and inflexible schedules. Even those jobs are growing scarce. Unemployment in California is about 15 per cent. If Uber and Lyft suspend operations in the state, it will be a painful moment to put people out of work.

But these are not reasons to continue to allow gig companies to ignore rules that apply to everyone else. Yaseen Aslam, one of two Uber drivers who brought the UK case, says he is often asked whether victory would hurt the drivers he hopes to help. But that has been the argument against labour regulation throughout history. "What's the point in having these laws if someone like Uber can come in and make a mockery of it all?" he asks. Uber and Lyft have said the California ruling would force them to raise prices by 20 to 120 per cent — an indication of how much money they have been saving relative to their law-abiding competitors.

Yet the gig companies are hardly making excess profit by exploiting workers. The reality is stranger than that. They charge customers so little that every big gig company loses money, even with their labour costs compressed. The bigger they get, the more money they lose. The prospectus for Uber's initial public offering last year showed that in some cases, the company actually pays drivers more than the fare it charges to customers.

This has been possible thanks to cash from deep-pocketed investors. Stranger still, SoftBank, which runs the $100bn Vision Fund, is funnelling money to gig companies that are in direct competition with each other, funding both sides in a price race to the bottom.

The existential question for gig companies is how much demand will remain for their services when they stop being unfeasibly cheap. Of course consumers love them now, but who doesn't like things that cost less than their value? If ride-hailing becomes too expensive, people can use old-fashioned cabs, public transport or their own cars. If food delivery becomes too expensive, people can go back to picking it up themselves.

Before Uber's IPO last year, I asked a senior executive why he thought the company was worth $100bn. "Because it's transformed the world," he replied with evangelical vim. But there was always something unreal about an industry that charges less for its services than it costs to supply them, and ignores labour regulations to which everyone else must adhere. This is the year that reality finally creeps in. The gig economy wasn't the future of work after all. In fact, it might not have a future at all.

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