

Blockchain Gives Power to the People in Gig Economy Revolution

What is the gig economy and how is it changing the workforce?

Since the global financial crisis in 2008, people have been looking at new ways of working that will not leave them so exposed to losing their income. Self-employment is not a new concept – tradespeople and creatives are old hands at obtaining work from various sources – but the emergence of centralised digital platforms selling services or products has led to the explosive growth of the gig economy. Workers are turning away from a 9 to 5 job in favour of independent work where there is no long-term relationship between buyer and seller.

To understand the scale and motivations of the growing independent workforce, the [McKinsey Global Institute conducted a survey](#) involving 8,000 workers across the US, the UK, Germany, Sweden, France, and Spain. McKinsey finds that independent work is becoming more mainstream with digital platforms creating large marketplaces that connect buyers and sellers who can communicate in real time. McKinsey's analysis of their survey data (2016) and existing data found 20 to 30 per cent of the workforce across the US and EU-15 countries were involved in independent work. Buyers can search with keywords or scroll through seller listings to find a service or product to suit them.

Buyers can be instantly connected to an innovative solution. Uber, Lyft, and Deliveroo offer car-sharing and delivery services, Airbnb opens up homes for rental, and Etsy lets creatives sell their creations. For people looking for local services in the home or office, TaskRabbit and Airtasker make light work of everyday tasks.

For workers who can deliver via the internet, digital platforms have opened up global markets, creating a surge in home workers offering services to startups or businesses needing a more flexible workforce or specialised skills for one-off projects. On platforms like Upwork, Fiverr, and People Per Hour, freelancers provide creative services that include website design, content creation, coding, and consultancy. Even legal services are being transformed through platforms such as Lawyers on Demand and Lawpath, making the legal process of setting up a business easier and cheaper.

Why are more people choosing to join the gig economy?

Flexible working. Independent work offers flexibility to students funding tertiary education, to parents caring for young children, and to Millennials and Gen Y looking to swap a corporate career for a portfolio career. Freelancing also offers a top-up income for people already in part-time or full-time jobs.

Greater control. Freelancers control their work and pricing. They may also choose who they work with to match their skills, experience, interests, and values. This gives greater rewards, not limited to or even necessarily financially but in terms of job satisfaction.

Workplace freedom. Freelancers have greater choice over where they work. This flexibility helps provide an improved work-life balance, especially relevant in the U.S. where employees receive only two weeks annual leave and the corporate culture can involve long hours in the office to show commitment. This misguided culture breeds chronic stress with the potential for lower productivity, ill health, and sickness-related absence.

Protection from prejudice and politics. Home-based working environments give freelancers protection from office workplaces that can be toxic, especially in large corporations with a vertical hierarchy and one-way communication rather than an open, collaborative culture. Promotion can be influenced by favouritism in the form of the halo effect or by prejudice based on gender, sexuality, race, or disability.

Motivation from direct responsibility. In traditional workplaces, people can feel removed from the end user, which impacts job satisfaction. Freelancers deal directly with clients and on team projects, they collaborate with colleagues on an equal footing. Knowing that the outcome relates directly to their performance, independent workers can be more motivated to produce high-quality work.

McKinsey's survey found that workers who are choosing freelance work as their primary income reported higher levels of satisfaction than workers choosing traditional jobs. But while there are myriad benefits to be gained from the growing gig economy, the freelance marketplace is not without its problems.

What are the challenges of independent working and drawbacks of centralized platforms?

Gig workers face issues with income security, employment rights, and credit availability that can deter people from making the switch from permanent employment.

Financial insecurity. Self-employed workers have traditionally charged a higher rate to offset the lack of paid leave, paid sickness absence, pension contributions, and training provided by permanent employers, as well as to cover non-chargeable time. But some clients take a while to pay up or they do not pay up at all and legal proceedings are costly. Digital platforms provide a more secure option because the platform holds the buyer's payment in escrow until the seller completes the work satisfactorily, but it can take two weeks for a buyer's payment to be made available to the seller. If there is a dispute, sellers may not get paid.

With a low-cost, low-skill entry, the pool of workers competing for gigs on these platforms has swelled, causing a race to the bottom on pricing with workers often accepting below minimum wage rates. Fiverr now has a FiverrPro section that differentiates sellers who provide a professional service and charge a higher fee. Either way, earnings are unpredictable with gaps between gigs making it difficult to meet living costs. Self-employed workers may also be denied access to financial products, such as mortgages, personal loans, and personal pensions.

Data security. Centralised digital platforms are vulnerable to data breaches and cyber-attacks that could make order history, client communications, and outstanding work and payments unavailable.

Lack of transparency. Centralised digital platforms focus on maximizing short-term profit for the platform. While feedback from users is invited on some platforms, policy and process modifications are underpinned by corporate interests. For example, sellers are not given a clear indication of how to rank well in the search algorithm and seller status levels can be affected by order cancellation frequency (even if it is mutually agreed) and review ratings (fair or not).

High fees. Buyers and sellers contribute significantly to centralised freelancing platform success, yet some platforms charge sellers up to 20 per cent in fees. While freelancers have a showroom for their business complete with user profile, gig, and administrative facilities, the lack of transparency and excessive control on these platforms is problematic.

Social isolation. Freelance working can be a lonely business with associated risks for mental health. Communication and relationships between buyers and sellers are often short-term and there is no workplace community.

Traditional employment platform [Glassdoor is not convinced by the gig economy takeover](#), saying that despite the millennial generation being identified as the group who will shape the way we work, only 10 per cent of 18- to 24-year-olds and 9 per cent of 25- to 34-year-olds believe the gig economy will become the “future of work”.

By contrast, economist and author [Linda Nazareth says the shift away from regular work is underway](#) and governments, businesses, and individuals are not ready. “The transformation to a gig economy is happening at an astonishing speed in Canada. According to staffing company Randstad Canada, if you add up all the contingent workers, freelancers, independent contractors and consultants, you are talking about 20 to 30 per cent of the Canadian workforce being “non-traditional workers” already. That percentage is only going higher. Eighty-five per cent of the companies surveyed by Randstad figure that they will increasingly move to an ‘agile workforce’ over the next few years.”

Similarly, [Forbes](#) reports an estimated 34 per cent of the U.S. workforce worked independently in 2017 rather than as traditional 9 to 5 workers. By 2020, this could reach 43 per cent. [The Intuit 2020 Report](#) on trends affecting consumers and small businesses around the world says over 80 per cent of large corporations are planning to substantially increase their flexible workforce.

Blockchain technology will transform the freelance marketplace

Blockchain technology is hailed as the solution to a number of the gig economy challenges. By providing a distributed, transparent, and permanent history of transactions, including user profiles, gigs, orders, and payments, blockchain technology guarantees traceability, accountability, and security.

[The Next Web](#) explains how a faster, more transparent, and more secure buyer-seller interaction is facilitated on platforms using the blockchain, such as CanYa where experts and professionals can be hired locally and globally. Transaction data is held on the blockchain, a database that is distributed across individual platform user’s computers, securing it from cyber-attacks or centralised data breaches. When buyers find a suitable service through direct communication with a seller, a smart contract logs the transaction details and performs a decentralised escrow. Funds are locked in the buyer’s account until both buyer and seller agree the work has been completed satisfactorily.

Because there is no intermediary as there is with centralised platforms, CanYa’s fee is much lower at only 1 per cent and the seller receives the funds immediately. In CanYa’s case, funds are exchanged in the form of cryptocurrency, tokens issued by startups to raise funds to get their application up and running, as well as to future investors. This shared ownership means that users are highly motivated to ensure the platform is successful.

This decentralised process with the emphasis on collaboration contrasts with the controlling nature of existing centralised platforms. Sellers do not have their services controlled or find their business harmed by unfair reviews or algorithm penalties that force them to behave for corporate advantage. Buyers are given more transparency too and not simply fed the services a centralised platform selects as a match. If data needs to be modified, another block is created without the need for third-party intervention. Freelancers have the freedom to work in a professional manner and grow their business on their own terms.

In addition, blockchain-based platforms offering direct communication and social interaction via social media allow real connections to be made. This helps to address the problem of isolation for freelance workers. On centralised platforms, sellers can receive an order and work on it without knowing the real name of the buyer or even communicating with them. [Forbes](#) makes the case that “Through blockchain platforms that allow direct peer-to-peer interaction, buyers and sellers can conduct business in a more social setting while still maintaining security and transparency.” Social interaction also creates trust – people prefer to do business with people they feel connected to.

Highlighted by The News Web as a unique benefit, the mutual ownership of blockchain-based platforms creates a distributed organisation that replaces the top-down hierarchy of centralised platforms. The fluctuating prices of cryptocurrencies is a drawback, but CanYa uses a hedge fund to fix token value at the point the contract starts.

PricewaterhouseCoopers (PwC) envisions four workplace worlds that operate on a sliding scale from individualism to collectivism, and from fragmentation to integration. In their report [Workforce of the future: The competing forces shaping 2030](#), PwC’s ‘Yellow World’ is one where workers and companies look for greater meaning and relevance in their work. The working week is flexible and Monday to Friday, 9 to 5 is rare. In this world, “Like-minded workers gravitate towards each other, aided by technology platforms,” and they collaborate on projects or ideas.

Much can change in the next decade, but the independent workforce is growing. Governments, businesses, and individuals would be wise to prepare for the possibility of a ‘Yellow World’ where “Technology creates and supports the open, honest, collaborative community”. Unlike centralised platforms that create a culture of competitive individualism, blockchain-based platforms promote a culture of collaboration and co-operation for everyone’s benefit.