Value and Work in the Platform Economy*

Martin Kenney
Professor
Community and Regional Development Unit
University of California, Davis
&
Senior Project Director
Berkeley Roundtable on the International Economy
&
Senior Fellow
Research Institute for the Finnish Economy (ETLA)

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My Proposition

The definition of value creation, work, and employment are changing dramatically
My Goal

Create models for thinking about labor in the emerging platform economy
Setting the Stage: Digital Technologies

- Moore’s Law
- Ubiquitous connectivity
- PCs → smartphones → Internet of Things
  - Sense, store, process, transmit data
- Cloud computing (see Zysman 2012)
- Software eats everything (open source)

All at decreasing cost
Digital Platforms

• Algorithm-enabled “cyberplaces” where constituents can act or transact

• Create network effects between applications and users, virtuous circles of growth
Is “Value Creation” More than What Is Compensated?

• Surfing the internet (Terranova, Lanier et al.)?

• Putting content on Facebook, Pinterest, Youtube, LinkedIn?

• Creating open source software?
  – If on GitHub?

• Sharing economy -- Wikipedia, Khan Academy
Labor, Value Creation and Capture in the Platform Economy

Acknowledgements: Thanks to John Zysman, Ruth Collier, Bryan Pon and Lilly Irani for suggestions and comments on this figure.

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Venture Labor in the Platform Economy

Entrepreneurs and Employees Are the Largest Winners – if successful

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Free Labor in the Platform Economy – Enormous Distributed Value Creation

Observation: Enormous Amount of Value Created and No Direct Compensation

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Five Forms of Compensated Platform-Mediated Work

1. Global bidding/cyber-contracting – eLance/Odesk
   – Microwork – fill up working day -- AMT

2. Industry cyber-transformed, e.g., taxi cab – Uber; hotel -- Airbnb

3. Informal work – cyber formalized, e.g., TaskRabbit, Instacart

4. Virtual consignment – Apps stores

5. Virtual project funding – Indiegogo, Udemy
1, 2 & 3. Contract Labor in the Platform Economy

1. Cyberformal labor monetization. Amazon, Mech Turk, oDesk, etc.

2. Cyberformal asset monetization. Ebay, Amazon Market, Uber Craigslist, AirBnB

3. Cyberformalize informal markets, Taskrabbit, etc.

Monetizing assets such as automobile, spare room, things

Open Source Commercial Redhat, Github

Fee for Service or Product contract
1. Globally Biddable Contract Labor

• Lowest price

• Contractors largely powerless
  – Exception if they have rare skills (Kunda and Barley’s gurus)

• Little upside for contractor besides possibly learning
  – Could lead to a permanent job?

• Social Outcome:
  – Replace permanent employees
  – More efficiently allocate people to work
oDesk Skills Visualization
An Emerging Long Tail of Specialists

Source: oDesk database. All data represents skills listed in jobs posted during the month of May 2013, and therefore shows one month’s worth of skills on oDesk (out of the almost 2,400 skills listed over 2013). Size and color of each skill dot indicates the number of job openings that skill was listed in. For more information please visit the oConomy section of oDesk’s blog for a post on this visualization at: www.odesk.com/blog/2013/07/1billion-odeskskillslongtail/
2. Industry Cyber-Transformed

• Convenience, efficiency, mobilization of slack assets
  • Often roll up fragmented industries

• Breakdown barriers to competition (taxi rules, zoning, anti-discrimination)
  – But some initial advantages eroding as Airbnb pays hotel tax, Uber/Lyft get commercial insurance, etc

• Providers largely powerless vs. platform owner
  – Little upside for contractor
Airbnb – Algorithmic Big Data Model

Credit card information

Background check information

Airbnb validated pictures

Travelers – Picture, various information, credit card

AirBnB,

Providers – Various information including pictures

Facebook, LinkedIn links

Entire platform hosted by Amazon, etc..
3. Informal Work -- Cyber-Formalized

- Cyber formalization history is long – eBay, Craigslist
- Large number of huge platforms
- Movement of control and monitoring to the Cloud
- Social Outcomes
  - Greater efficiency and price discovery
  - Greater transparency in terms of taxation, trust etc.
  - Shift of power to platform owner
4 & 5. Virtual Consignment and Virtual Project Funding Models

4. Apps stores, Youtube etc., shared advertising revenue, Amazon self-published books, games, such as Zynga, King Digital, Supercell, etc., affiliate marketing revenue

5. Virtual Project Funding, Kickstarter, Indiegogo, etc.

Can Lead to Entrepreneurship and upside

Contingent Compensation

Monetized Posting Platform

Can become monetized if sufficiently visited
4. Virtual Consignment Model

- Platform owner gets content at no cost
- Content provider bears all costs
- Content provider has two forms of upside
  - Payment through platform owner
  - Ancillary income sources from audience
    - Appearances, testimonials, product placements, items
- Content provider return characterized by long tail
- Social Outcome:
  - Enormous opportunities for new work but WTA
Virtual Consignment

• Apps stores have now paid out $25 billion

• YouTube – YouTube Partner Program
  – Created in 2007
  – 1M+ creators
  – 1,000s of channel earning $100K+
  – Vidcon Convention 2014 – 19K+

• Udemy – Online courses
Concluding Reflections
Second Machine Age suggests much work will be displaced

New types of value creation, work, and organization thereof are emerging
Labor Atomized Throughout Society

• Online human activity, both work and not work, creates (or is transformed into) value

• Most “long tail” work is not sufficiently valued to produce substantial income, but forms the corpus from which some becomes valuable
  – Flappy Birds etc.

• Where is the work place – potentially everywhere that there is digitization!
Successful Platforms Are Winner Takes All

- They have a VALUE proposition
- Massive new value creation or saving
- Reinforce income inequality?
- Platform owner worker/owners benefit massively, but relatively lowly-compensated contractual workers, consignment workers with a few big winners
- Barriers to entry dissolved digitally
  - Zenefits (insurance brokers)
What Is This New Economy?

• Creative economy (Florida)
• Cognitive-creative economy (Alan Scott)
• Sharing economy (Yochai Benkler)

Or Old Classes Weakened

• Gig economy (Friedman)
• Precariat (Standing)

Or Better to Think About How It Works

Platform economy
If Platform Economy, then

• Who owns/controls the platform
  – Wikipedia meets Uber meets the Danish Ag Coop

• Power will be centralized as platform controls the communication system

• Leverage to enter new fields
If Platform Economy Is a Social Wage
Proper Response?

• Extend reward for the “lucky” individual to the milieu
  – Many of the consignment economy winners may be one-off “hits”

• Increase entrepreneurship?
  – We cannot a priori know who will win, e.g., Flappy Birds

• Support creative activities?

• Increase consumption?
Thank you