

# Future of the Corporation |

BRIEFING NOTE MAY 2017

## The Rise of the Freelance Economy

### Implications for Firm Strategy, Government Policy and Individual Careers

Speakers: Julian Birkinshaw, Professor and Deputy Dean, London Business School, FBA and Andrew Byrne, Director of Public Policy, Uber Europe

#### INTRODUCTION FROM COLIN MAYER

On 25th May 2017, leaders in business, government, and academia came together at the British Academy as part of the Future of the Corporation, a major research and engagement programme exploring the purpose of business in the 21st century. Over breakfast, they discussed the Rise of the Freelance Economy, and what implications this has for the traditional corporate structure and individual careers. Guests were welcomed by Professor Colin Mayer, Academic Lead of the Future of the Corporation programme, who marked a year's worth of fascinating Future business breakfasts.

#### SUMMARY OF EVENT DISCUSSION

Have traditional, large firms become too slow moving and complex to function effectively? Among the many changes underway in the business world, one fundamental shift is the fragmentation and outsourcing of work, with specific functions and even individual tasks being done increasingly by arms length contractors.

Traditional firms are being hollowed out, with some ending up as “virtual” companies where all the key activities are done by third parties. New “platform” firms are being created, from Uber and Deliveroo to Peerpoint and EdenMcCallum, to bring together buyers and sellers of services. The net result is a shift away from traditional forms of employment. A recent study by the Resolution Foundation showed a 30% rise in agency work since 2011, a four fold increase in zero hours contracts since 2012, and an increase in self employment in the UK from 3.3m in 2000 to 4.8m in 2016. In fact, 45% of all UK employment growth since 2008 has come from self-employment.

But what are the implications of the emergence of the “freelance economy” for individuals, firms and government? For traditional firms, these new ways of coordinating economic activity are a major source of disruption, because platform based and virtual

firms operate with much lower costs and in a much more agile way. For individuals, a traditional career in a big established firm is less likely to be available, and indeed less attractive, than it used to be, which has implications for how we manage our education and our career transitions.

For government policy, there are also huge implications for this shift. Most government initiatives in the business sector are steered towards large firms, but it is likely to be start ups and platform-based companies that provide the growth in the future. Laws and regulations around employment will need to be revisited, because the current distinction between “contractor” and “employee” is too simplistic. The question of where work gets done needs to be addressed, with implications for urban planning and infrastructure development. And there are also implications for our education system, which continues to favour the development of narrow functional expertise more suited to a world of large, silo based businesses, rather than entrepreneurial ventures

This breakfast briefing discussed these issues in depth. Professor Julian Birkinshaw described the broad trends and challenges facing firms, workers and policymakers. Andrew Byrne responded by using Uber – and the firms business model, as an example. Uber currently has 40,000 people who use it for work and the wider UK economy.

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## NEXT STEPS

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Business breakfasts will continue as part of the Future of the Corporation in the New Year, with a full research programme underway. Those interested may email [fotc@britac.ac.uk](mailto:fotc@britac.ac.uk) to receive the quarterly newsletter, or to ask further questions about involvement.

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