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# SMART CITIES AND NEW FORMS OF EMPLOYMENT

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## KEYWORDS

- COLLABORATIVE ECONOMY
- DIGITAL PLATFORMS
- EMPLOYMENT CRISIS

The development of smart cities is fostering a rapid rise in on-demand work through digital platforms (Uber, Helping, Deliveroo, etc.). Most initiatives around these new types of employment occur in urban environments, mainly because these platforms operate all the better the higher the population density. To improve understanding of this phenomenon, the article shares the results of qualitative studies conducted with service providers registered on various types of platforms and discusses an example of a citywide initiative, *Lulu Dans Ma Rue*, which has been designed to use new technology to recreate local economic activity.

## INTRODUCTION

Several years ago, Robin Chase - the founder of Zipcar, a US car-sharing company- said "My father had one job in his lifetime, I will have six jobs in my lifetime, and my children will have six jobs at the same time". This prophecy, while it may seem excessive, shows that the digital revolution is not just technological but is also transforming our social models. On-demand work (coming from on-demand economy), which enables each person to find income opportunities through digital platforms (Uber, Helping, Deliveroo, etc.), is effectively encouraging the switch from a labour social norm based on salaried employment to a broader rationale of economic activity.

The number of collaborative workers registered on these platforms is unknown and there are no solid estimates yet. Nonetheless, several indications can still be given. While in France, platforms like Uber and Hopwork together have around 34,000 professional contributors<sup>1</sup>, in the United States, Seth Harris and Alan Krueger estimate the number of regular collaborative workers between 600,000 and 1.9 million (that is, between 0.4% and 1.2% of the country's active population in the United States)<sup>2</sup>.

The rise in on-demand work is above all an urban phenomenon. It is the result of an increasingly services-oriented urban economy, and the dissemination of information technology in cities. At the same time, cities undoubtedly have the most relevant mesh to regulate these new ways of working.

1 N. Amar, L.C. Viossat, Les plateformes collaboratives, l'emploi et la protection sociale, IGAS, May 2016.

2 Seth D. Harris, Alan B. Krueger, A Proposal for Modernizing Labor Laws for Twenty-First-Century Work, December 2015.

## 1. THE ERA OF ON-DEMAND WORK IN SMART CITIES

### A. ON-DEMAND WORK IS MAINLY GROWING IN CITIES

Several factors converge to make cities the pre-eminent location for the emergence of on-demand work: **(1)** population density, **(2)** expansion of the tertiary sector in urban economy, **(3)** salaried employment crisis, and **(4)** the emergence of new work aspirations.

#### Population density: the platform model requires a high population density

The higher the population density, the better digital platforms operate. Urban density allows for a critical size to be reached on both the supply and demand sides. Growing urbanisation – 66% of the world's population will live in urban areas by 2050 compared with 54% in 2014<sup>3</sup> – is liable to speed up the growth of these new models in the years ahead.

#### Expanding tertiary sector: the urban economy is a service economy

The “tertiarisation” of urban economy encourages the development of a service society. As it happens, the tertiary sector provides the best fit for on-demand work. To take one example: the “services to individuals” sector, highly represented on digital platforms, provides a source of employment that will equate to more than 170,000 positions by the end of 2016 and 800,000 in the longer term<sup>4</sup>.

#### The employment crisis: cities attract poor people

The structural crisis of the labour market, especially for the least qualified workers, means that it is often easier to find clients than a boss. This phenomenon is all the stronger in cities because urban areas remain more attractive than rural areas. They attract poor people seeking new economic opportunities. To quote Edward Glaeser<sup>5</sup>: “Cities aren't full of poor people because cities make people poor, but because cities attract poor people with the prospect of improving their lot in life. (...) It suggests that cities should be judged not by their poverty but their track record in helping poorer people move up”.

Many people with highly varied backgrounds – on fixed-term or open-ended employment contracts just wanting to help make ends meet, retirees looking for additional income, long-term unemployed and people receiving minimum social benefits, or recent arrivals without work permits – now have access through this new digital sector to a market that exceeds that of their own networks. This phenomenon is all the more revealing of the employment crisis in that it concerns a broad range of people: while economically inactive people or the unemployed are becoming micro-entrepreneurs, the professionally integrated are also increasing the number of their activities to increase their income.

#### New job aspirations: some population categories, notably urban, aspire to greater freedom and flexibility

We are witnessing a growing aspiration for more independent and more flexible forms of working. A recent study<sup>6</sup> published by the *Salon SME* micro-enterprise trade fair shows that for 70% of “slashers” – a term referring to people who have chosen to have several jobs or professional areas of interest – having multiple jobs is a choice. While this trend should not be overestimated – few quantitative studies provide a precise idea of the phenomenon – it is nonetheless apparent that there has been an upswing in the freelancer status in the past few years. According to a McKinsey study, there may currently be more than 160 million freelancers in Europe, all qualification levels combined, and 15 million in the United States that is 20% to 30% of the working-age population<sup>7</sup>. This estimate implies that the figures provided up until now tended to underestimate the situation. Some 15% of these freelancers have reportedly already used a digital platform to find work. The decision to freelance is increasingly prevalent in cities. Between 2009 and 2010, it increased by 14% in predominantly urban areas, while the number of self-employed has remained unchanged in rural areas<sup>8</sup>.

### B. CITIES HAVE THE MOST RELEVANT MESH TO REGULATE ON-DEMAND WORK

A quick glance at the news reveals the role played by cities in the discussion around on-demand economy: from London to Berlin and Paris, there have been lively discussions about the status of Uber drivers and Deliveroo delivery couriers. Cities therefore find themselves in the front line of the battle between people who are for and those who are against “digital labour”.

Because they are closely related to the use of on-demand economy, cities are seen as key players in framing, or even regulating, the sector. To quote the terms used by Anne Hidalgo, the aim is to make sure that collaborative economy is a “sharing economy” and not a “predator economy”.

6 Le Salon des Micro-Entreprises, *Slashers ou pluri-actifs*, qui sont ces nouveaux et futurs entrepreneurs, September 2015.

7 McKinsey Global Institute, *Independent Work: Choice, Necessity, and the Gig Economy*, October 2016.

8 APCE, *Les auto-entrepreneurs, un succès confirmé*, July 2011.

3 United Nations, *World Urbanization Prospects*, 2014.

4 Oliver Wyman, *Les Services à la Personne en 2012*, DARES Analyse, No 038, May 2014

5 Edward Glaeser, *Triumph of the City*, 2012

**“THE DEVELOPMENT OF SMART CITIES IS FOSTERING A RAPID RISE IN ON-DEMAND WORK. MOST INITIATIVES AROUND ON-DEMAND WORK OCCUR IN URBAN ENVIRONMENTS. IN THE UNITED STATES, OVER HALF OF ALL CITIES CLAIM TO HAVE OBSERVED GROWTH IN THE COLLABORATIVE ECONOMY IN THEIR REGION IN RECENT YEARS.”**

These past few years, cities have introduced numerous initiatives around the collaborative economy and its governance. Here are several examples:

- Launch in 2013 of Seoul Sharing Cities initiative to encourage the development of the collaborative economy, including a startup incubator, financial support, partnership with innovative startups, etc.
- Creation in 2013 of the Sharing Cities Network that maps the collaborative initiatives in over 70 cities to share best practices and encourage scalability
- In March 2016, introduction by the Paris City Hall of a Commission of representatives of civil society specifically for the collaborative economy as part of the Future Generations Council
- Organisation by Paris City Hall and Mayor of Medellín of the Cities for Life Global Summit in November 2016 to address the inclusive city, which also included a section on the collaborative economy (presentations by people qualified in this field, village of initiatives with several startups of the sector, etc.).

### C. UNDERSTANDING THE PROSPECTS OF ON-DEMAND WORKERS

While the labour revolution concerns both qualified and low-qualified labour, the main criticisms and difficulties have crystallised around low-qualified work. In order to try and understand the rise in these new forms of work, we have conducted two qualitative studies on a sample of around 50 service providers registered with various platforms<sup>9</sup>. All the service providers in our sample were based in Paris and its inner suburbs. Taking as our starting point the opinions of these service providers, whose voice is not often heard, seemed to us crucial to document the phenomenon and formulate credible proposals to enable us to assess the social utility of these platforms.

The effect of digital platforms on work trends can be analysed as a positive or negative overall. To grasp these multiple effects, it is first necessary to distinguish between the platforms' economic models. They can be divided into two groups: the "quasi-operators" offering only one type of service and delivering a standardised service quality (based on the Uber model for transport or the Helping model for home cleaning services) and "market places" based on a peer-to-peer model and simply putting a provider into contact with a client (the *Le Bon Coin* or *Youpijob* model). This distinction is defining, as the respective impacts are profoundly different.

The diversity of provider profiles operating on these platforms also needs to be taken into account. Four main types of profiles are identifiable:

- The **"astute"** who often have a stable professional status (employee, civil servant, etc.), and who make use of their time to help ends meet
- The **"helpful"** who find themselves in a similar situation but focus on the local context and have a keen sense of solidarity
- The **"micro-franchisees"** who value self-employment and generally want to develop an independent main activity within the more or less longer term, mainly relying on "quasi-operator" platforms
- The **"compelled"** who, unable to find a stable salaried job, have to do odd jobs for individuals in order to survive day to day.

The qualitative interviews we conducted led us to the conclusion that the platforms result in some progress in these providers' situation. For the majority of the respondents, the platforms are a source of social progress by providing everyone with access to economic initiative. These conclusions have been corroborated by a recent article published in the Harvard Business Review<sup>10</sup> showing that people on the edges of the traditional economy (stay-at-home parents, retirees, students, etc.), but "resourceful", benefit significantly from digital platforms as they provide them with additional options that are better suited to their situation.

Nonetheless, digital platforms still potentially lead to a more precarious and weakened social model, especially for the most vulnerable. While the "astute" and "helpful" cohorts cumulate both the advantages inherent in their stable legal status (unemployment insurance, more advantageous social security cover, etc.), and their easily mobilised additional income, the situation is more ambiguous for the "compelled" cohort who face at-times ferocious competition on the "marketplace" platforms and often have no complementary status providing them with a degree of security. For their part, the "micro-franchisees" have engaged in an approach aimed at the long-term viability of their activity using "quasi-operator" platforms and adopting a self-employed status. For this latter group, the independence provided by the platforms is often a factor driving their motivation.

## 2. CASE STUDY: LULU DANS MA RUE, A "LOCAL SERVICE COUNTER"

### A. PRESENTATION OF THE INITIATIVE

Launched in the 4<sup>th</sup> arrondissement of Paris in 2015, *Lulu Dans Ma Rue* (LDMR) is a "local service counter" project aimed at reinventing local services and regenerating economic activity at the local level by leveraging information technology. The aim is to put people seeking economic opportunities in contact with neighbourhood residents requiring day-to-day assistance (water plants, mind pets, small deliveries, etc.). This solidarity company was created by Charles-Edouard Vincent, the founder of *Emmaüs Défi*, an integration structure

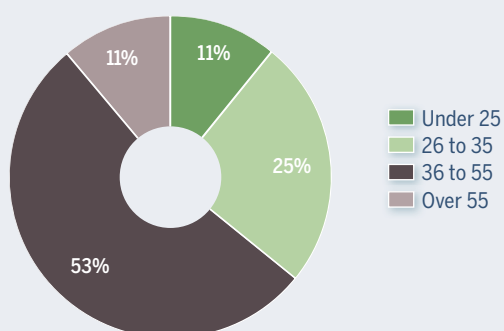
<sup>9</sup> David Ménascé, La France du Bon Coin, Institut de l'Entreprise, September 2015, and David Ménascé, Quel modèle social pour le travail à la demande, June 2016.

<sup>10</sup> Harvard Business Review, Who Wins in the Gig Economy and Who Loses, October 2016.

## BOX 1: HIGHLY DIVERSE PROFILES OF LULUS

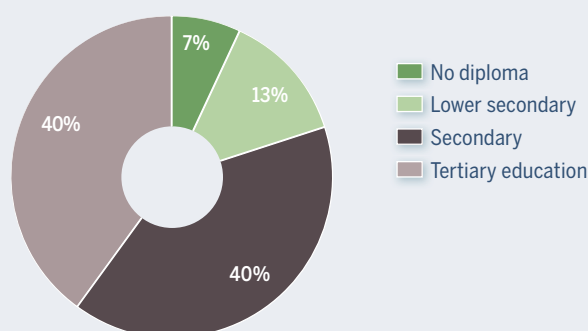
**LULUS AGED 19 TO 66  
WITH 53% AGED BETWEEN 36 AND 55**

Distribution by age



**60% OF THE LULU RESPONDENTS  
HAVING SECONDARY OR LOWER QUALIFICATIONS**

Distribution by level of education



On 36 active and registered Lulus in the first quarter of 2016

that aims at generating economic activity for homeless people through a system called “first hours”<sup>11</sup>. Following his initial experience with integration activities, Charles-Edouard Vincent concluded that 30% of people on an integration programme found a job or further training after their integration course with *Emmaüs Défi*. Following on from that, it is necessary to find new forms of activity for the people who are unable to join a conventional company at the end of their course. *Lulu Dans Ma Rue* was therefore devised as a local initiative aimed at recreating an economy of “small local jobs” enabling everyone, especially the long-term unemployed, to find gainful work. *LDMR* combines two approaches: (1) a digital interface (website, smartphone app for people offering their services etc.), and (2) a physical space in the form of a kiosk on Place Saint-Paul. All the providers, called “Lulus”, offering their services through *LDMR* have self-employed status, making it possible to track and declare all their services. The City of Paris supported *LDMR* right from the start as the project contributes to the growth of the region’s dynamism: creation of GDP at the city level, and strengthened social ties through the kiosk’s presence in the heart of the neighbourhood, assistance provided by Lulus in the neighbourhood (first-aid courses, awareness of the need to help the elderly during heat waves, etc.). The project is scheduled for rollout in several other arrondissements in Paris. *Lulu Dans Ma Rue* also aims to work with insurance companies and agencies that help people create companies (access to funding, etc.), to improve its services in terms of access to welfare cover and business development.

### B. INITIAL FINDINGS

To measure the economic and social impacts of *LDMR*, we conducted two impact studies a year apart on a sample of around 30 Lulus.

The following are the main findings from these studies.

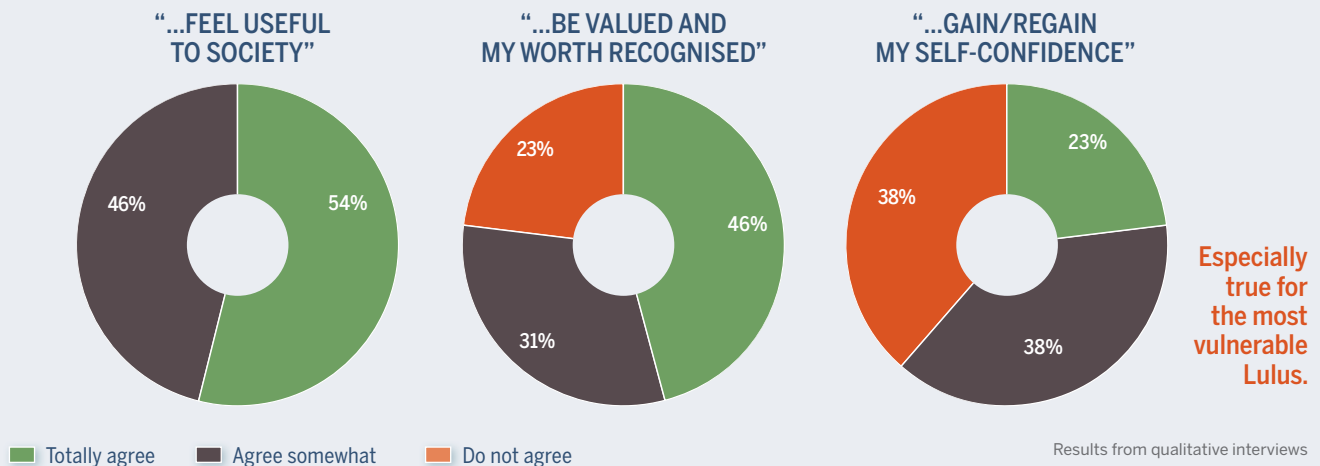
- **One year after joining *LDMR*, Lulus say they are still satisfied:** 93% of Lulus said they were satisfied in March 2016 compared with 92% in July 2015.
- **Lulus have a wide range of profiles (cf. box 1):** students, retirees, RSA (Active Solidarity Income) beneficiaries, part-time employees, etc. Their respective activity varies greatly as do their qualifications ranging from Lulus without any diploma to those with seven years’ tertiary education.
- **Despite their diversified profiles, the vast majority of Lulus feel they belong to a community:** 80% of the Lulu respondents say they feel they belong to a “*LDMR* community”.
- **The income from Lulus’ activity is for the most part additional to other sources** (for example, salaried job, welfare payments, etc.): 80% of Lulus earn between €400 and €600 a month, while 20% earn more than €1,000 a month thanks to *LDMR*.
- **The status is particularly suited to RSA (Active Solidarity Income) beneficiaries:** the services provided as a Lulu allow them to earn additional income without losing any of their welfare benefits. Through this professional activity, many Lulus increase their employability on the conventional labour market. Of the 70 Lulus in the 4<sup>th</sup> arrondissement, seven found a job in the year in which they were Lulus.

<sup>11</sup> The *Premières Heures* system was introduced by *Emmaüs Défi* in 2009 under the name *Travail à l’Heure*. It enables the long-term unemployed to return to work on a gradual basis: 4 hours/week, then 8 hours, etc., until they reach the level of the 26-hour CUI (Single Integration Contract).



## BOX 2: LULUS FEEL VALUED, RECOGNISED AND USEFUL

Do you agree with the following statements: "I like the LDMR project because it allows me to..."



- **For some Lulus, LDMR is a "life saver":** this is all the truer for the Lulus in the most precarious situations, as they may have experienced significant professional or personal difficulties prior to joining LDMR. In the words of the Lulus we interviewed, "Lulu gives you a boost, it boosts your morale and gives you a real lift. It's hard to leave the safety of your home when you are unemployed, when you have no regular activity. Lulu opens the door to opportunities, you have to seize them" and "LDMR helps me overcome my loneliness. It enables me to live financially and boosts my morale".
- **Working with LDMR provides many Lulus with the self-confidence they need and helps them to feel valued (cf. box 2):** for 51% of the Lulus interviewed as part of our impact studies, LDMR allows them to gain or regain their self-confidence. In the words of one Lulu, "Lulu has shown me that I can still do things. It's a great feeling." For 77% of Lulus, the project provides them with recognition and with the feeling to be valued for their work. And finally, almost 70% of Lulus say they are proud to be a Lulu.
- **LDMR answers a need certain Lulus have for flexibility and independence:** the majority of Lulus interviewed say they prefer to be independent rather than employed. In the words of one Lulu, "I don't want to work in a salaried position anymore. It's too draining. They take a lot and give you little in return. I prefer to be independent, working for individuals and working out my own schedule." Another Lulu added, "For me, a salaried job equates to the working class, shift work, listening to the boss, and so on. I'm too old for that. It's not who I am anymore."
- **Lulus approve LDMR's social project and the fact of being involved in strengthening social ties at the neighbourhood level:** 80% of the Lulus interviewed believe it is important to be part of a committed structure. Many Lulus who do not necessarily place any importance in the social dimension at the outset, admit that they are eventually "caught up" in the company's social project, "I joined the LDMR team because I needed to earn a bit of money. But the idea of being part of a wider human adventure that also makes it possible to help others was ultimately a real driving force", or "initially, it was really just to earn a bit of cash. Now, it's also because of the atmosphere that I'm there. It's nice to be part of a project like this and to feel like I am useful in the neighbourhood too."

The model put forward by LDMR fits perfectly with the current social trends mentioned earlier: urbanisation, "tertiarisation", crisis in the low-qualified employment sector and new aspirations. By creating real economic value at the level of a city neighbourhood, LDMR, both a physical and digital platform, provides a solution to counter the deteriorating employment market. At the same time, it seeks to combat the potential risks inherent in freelance work by providing ongoing improvements to the services it provides Lulus with.

These potential risks, especially for those in the most precarious situations, need to be taken into account and raise the issue of how to maximise the social utility of such platforms.

**"BY CREATING GDP AT THE LEVEL OF A CITY NEIGHBOURHOOD, LDMR, A PHYSICAL AND DIGITAL PLATFORM, PROVIDES A SOLUTION TO COUNTER THE DETERIORATION IN THE LABOUR MARKET."**

### 3. WHAT NEW SOCIAL MODEL TO INVENT FOR ON-DEMAND WORK?

#### A. THE MAIN AREAS OF TENSION

Today, the effects of digital platforms are still ambiguous: they provide opportunities for the most qualified and most “astute” but are a source of potential traps for the most vulnerable. The principle risks and main questions around the rise in on-demand work are:

- **The insecurity of on-demand work:** how to avoid new forms of employment from becoming socially “inferior”?
- **Sharing added value and representativeness:** what social and political acceptability for digital platforms without new forms of capital sharing?
- **Welfare cover:** what guarantees can be offered to people with numerous professional activities and their statuses?
- **Taxation:** what tax rules need to be implemented to integrate digital platforms as best possible?

For the service providers for whom it is their main activity and registered on the “quasi-operator” platforms, there would seem to be two priorities: their status and their hybrid situation, both legally independent and economically dependent on the one hand, and welfare cover on the other.

#### B. IDEAS FOR PROPOSALS

Regarding welfare cover and providers’ rights, there has been a growing amount of work on on-demand work in France in the recent months (MP Pascal Terrasse’s report on the development of the collaborative economy, General Inspectorate of Social Affairs’ report on platforms, etc.). We believe there are four areas of proposals that are crucial to allow, insofar as possible, each provider to benefit as best possible from the economic opportunities provided by the platforms.

- **The simplification of the self-employed status:** if the creation of a status specific to the situation of these providers, at the crossroads between employed and freelancer, would above all be a source of confusion, it would seem appropriate to guarantee the simple use of the self-employed status by returning to an initially simplified status.
- **The creation of frameworks for dialogue between platforms and providers:** the balance between “quasi-operator” platforms and service providers requires the independent individual relation to be regulated by a fairer and inclusive collective framework.
- **Support for providers in securing their professional pathway:** the development of an entrepreneurial activity requires initiative and ongoing adaptation. The situation of providers registered on these platforms, often compelled by economic circumstances, makes access to finance and insurance complex. The experiences run so far with micro-credit and micro-insurance could be areas worth exploring. The platforms could also pool their efforts based on the practices of comparable sectors, such as the temporary employment industry.

These proposals are each intended to answer a specific issue. It would, however, be possible to go further and propose to deal with these various issues through a comprehensive proposal and a certification system for the “quasi-operator” platforms. The aim would be to implement a voluntary, flexible system to reconcile social responsibility and legal stability.

**This certification process could be based on two principles:**

- A framework contract between platforms and service providers. The idea involves reducing the imbalance between providers and platforms in the same way that collective bargaining agreements maintain a balance in relations between employees and employers. The aim is to provide the community with the right to negotiate what the individual alone is unable to obtain. Systems of this nature exist, under a variety of legal guises, for example, in the relations between insurance companies and brokers (under a collective bargaining agreement even though brokers are independent) or between franchisees and franchisers. This contract could be negotiated (under conditions to be considered) by providers’ representatives. It would make provision for the introduction of welfare benefits, such as supplementary health cover and professional insurance taken out by the platform for its providers (possibility for mutualisation). Obviously this certification would only be granted to platforms whose providers declare their related activity and income.
- The platform implementing such a framework contract would be awarded a certification together with a conclusive presumption exclusive of any connection with its service providers.

While some areas of these proposals can only be implemented by the national government (for example, simplification of the self-employed status), cities can also contribute by prompting digital platforms to be more responsible (the certification process could, for example, be applied at the local level).

It should be noted that progress has recently been made at the legislative level in France, notably under the French Labour Act, in which Article 60 aims to introduce “platform social responsibility”. This Article defines a certain number of obligations for the operator platforms (access to insurance and equivalent right to strike for the service providers, collective dialogue, etc.). The correct application of this text will however depend on the implementation of decrees, initially expected in December 2016. These decrees will in particular set the level of worker income from which the platforms will be subject to these obligations. It will prove difficult to set this threshold given the diversity of platforms and situations. Clarification will also be made concerning issues like insurance (what form the contract should take? amounts? etc.). The issue is to protect the service providers as well as possible while avoiding creating a heavy-handed approach to regulations which would be obsolete within a few years, if not months, and could end up being difficult to implement given the variety of economic models, and provider statuses and motivations.