

A clouded future

Online services that match freelancers with piecework are growing in hard times.



IT WAS not the Christmas present that Julie Babikan had been hoping for. In December 2008, soon after buying a house, she was abruptly fired from her job as a graphic designer at an accounting firm in Chicago. "I had no clue that my position was about to be eliminated," she recalls. Desperate to find work as the economy tipped into chaos, Ms Babikan scoured job ads to no avail. Eventually she decided to advertise for work on a service called Elance, which allows freelancers to bid for corporate piecework. She has since built up a healthy stream of online projects and reckons she will soon be earning more than she did in her previous job.

Like Ms Babikan, millions of workers are embracing freelancing as an alternative to full-time employment or because they cannot find salaried jobs. According to IDC, a market-research firm, there were around 12m full-time, home-based freelancers and independent contractors in America alone at the end of last year and there will be 14m by 2015. Experts reckon this number will keep rising for several reasons, including a sluggish jobs market and workers' growing desire for the flexibility to be able to look after parents or children.

Technology is also driving the trend. Over the past few years a host of fast-growing firms such as Elance, oDesk and LiveOps have begun to take advantage of "the cloud"—tech-speak for the combination of ubiquitous fast internet connections and cheap, plentiful web-based computing power—to deliver sophisticated software that makes it easier to monitor and manage remote workers. Maynard Webb, the boss of LiveOps, which runs virtual call centres with an army of over 20,000 home workers in America, says the company's revenue exceeded \$125m in 2009. He is confidently expecting a sixth year of double-digit growth this year.

Although numerous online exchanges still act primarily as brokers between employers in rich countries and workers in poorer ones, the number of rich-world freelancers is growing. Gary Swart, the boss of oDesk, says the number of freelancers registered with the firm in America has risen from 28,000 at the end of 2008 to 247,000 at the end of April.

That may, in part, be a reflection of American bosses' ruthless cuts in full-time jobs, forcing those laid off to scramble for whatever work they can find. But it is also a sign of another notable trend: the range of work available on "e-lancing" sites is growing to encompass more complex and better-paid tasks. "We're starting to see legal and financial work coming online," notes Mr Swart, who says he has recently been talking with a big American insurance company that is thinking of farming out claims adjustments via oDesk. Recent projects posted on Freelancer.com, a rival site, include the composition of a rap song to help teach English to Chinese students and a design for a luxury hotel in Barbados. Such work is more likely to be won by educated Western workers, especially if it requires local knowledge.

To boost demand for their services, online employment outfits have developed sophisticated software to screen workers and to manage their relations with employers. LiveOps, for instance, submits people who would like to join its pool of freelancers to a battery of tests to assess their suitability for cloud-mediated work. More controversially, oDesk has developed tools that let employers check on work being done out of their sight. These include a feature that takes a screenshot of a worker's desktop six times every hour, combining them to form a "work diary", and another that measures overall time spent using a keyboard and mouse.

Mr Swart insists oDesk's approach does not amount to installing "spyware" on workers' computers and points out that they are free to remove pages from the online diaries if they so wish. Yet employers are likely to outsource important projects only if they can track their progress closely.

Workers may put up with such Big Brother-ish monitoring because oDesk guarantees them payment for any work they complete, saving them the hassle and risk of attempting to collect money from employers. Other sites are also experimenting with payment models. Australia's 99designs, which matches 70,000 designers—40% of whom are in America—with online tasks, collects money upfront from customers and only pays it out when projects meet agreed targets. It also gives employers a money-back guarantee if they are dissatisfied with the work done, though refund rates, it claims, are very low.

Some in the fledgling industry reckon that the growth of "e-labour" will mirror that of e-commerce, which took longer than expected to catch on. "By 2020 we may represent just one to two percent of the world's work," says Mr Webb, who used to be a senior executive at eBay. "But five years after that it will have taken off." One reason for this, he explains, is that younger workers will want many jobs during their careers and will be more comfortable with the technology that makes remote working possible.

The industry will have to negotiate several hurdles if it is to realise Mr Webb's vision. The first is the natural conservatism of managers who like to see the whites of employees' eyes. "There are some jobs where you really want a person to yell at," jokes Lukas Biewald of CrowdFlower, another e-lancing site. That may be one reason why most work in the cloud is still done on behalf of small and medium-sized companies that do not have the luxury of gargantuan budgets. Some large firms have dipped their toes in the water—LiveOps, for instance, has handled specific projects for the likes of Kodak and Coca-Cola—but few have taken a plunge.

The industry also has to overcome frequent criticism that it is running little more than "digital sweatshops" that drive down wages and humiliate workers. The regulatory environment, too, is uncertain. Alek Felstiner of the University of California at Berkeley's school of law predicts that some governments will draw up rules that make it harder for firms that regularly tap workers in the cloud to label them as independent contractors rather than employees with more rights.

E-lancing sites are confident that their model of work will find a way through the regulatory maze. They fiercely reject claims that they are exploiting online workers. Repeated surveys in rich and poor countries alike, they claim, show that people appreciate both the autonomy and the breadth of opportunity that the model gives them. Ms Babikan admits she was initially nervous about competing with rivals from low-wage nations, but quickly secured enough work to keep her busy from such countries as Canada, France and Thailand as well as America. In fact she now has so much work that she is thinking of hiring an administrative assistant to help her—a virtual one, of course.

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