MIDLANDS ENGINE OBSERVATORY ACADEMIC INSIGHTS
Gig economy: ride-hailing and takeaway firms may not survive the cost of living crisis

This article summarises this article in The Conversation.

Theme:

The gig economy regarding transport and food takeaway firms.

Area of Focus:

The article focuses on the gig economy, characterized by short-term and temporary employment, and its recent poor performance.

Key Findings:

Companies within the gig economy reached great heights, however recent data shows that those same companies are now performing abysmally – even compared to the woes of stock markets in general. This dates back some 18-months though it has intensified since last autumn.

This is exemplified through Uber, known for ride-hailing and food delivery now valued at $49bn (£39bn) compared to $125bn – plus (£101bn) in early 2021. Doordash, a US takeaway firm, is down $28bn (£23bn) from nearly $90bn (£73bn) in the same period. Just Eat, which delivers takeaway in the UK, Europe, and US, has fallen from a valuation high of £24bn to under £5bn. Currently it is trying to sell off GrubHub, a US business it bought for $5.9bn just two years ago. Meanwhile, Deliveroo, another UK takeaway company, has seen its valuation fall from £7bn to £1.7bn in only nine months.

The share sell-offs will vastly reduce the flow of funds into the sector, making borrowing more difficult and put adding pressure on companies to repay existing debts. So, what has caused the collapse and what does it mean for workers and consumers?

Money is no longer easy due to reasons such as the era of low interest rates and high demand for corporate debt being no more, there is less demand due to high rates of inflation and investors no longer willing to fund losses – with high firms having to become self-funding to breakeven. Finally, there is a downward spiral causing firms to cut costs, reducing benefits of workers, and keeping tight control on wages – making work less attractive for self-employed people. The breadth of services will probably reduce, making gig services only likely to be long-term profitable in more affluent areas, where customer demand is likely to hold up at higher prices, and areas of high population density.

Uber = blue; DoorDash = turquoise; Deliveroo = green; Just Eat = red; S&P 500 = purple; Nasdaq 100 = yellow. TradingView

Midlands Engine Impact:

- The Midlands economy is likely to suffer on the already hurt high streets, especially regarding the retail sector where food-to-go and takeaways have been amongst the fastest growing store types.
- Increasing takeaway costs are more likely to reduce consumption, causing takeaway closures which will in-turn reduce growth and economic recovery.
- Firms cutting costs, reducing benefits to workers, and keeping tighter control on wages makes gig economy employment less attractive to workers – in turn this may increase unemployment levels – further reducing growth. Likewise, this may be further amplified by these firms being forced to downsize as investors are no longer willing to fund losses.
- The Midlands, an area with already large and sparsely populated rural communities is more likely to be on the brunt of the reduction of takeaway and transport services.

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