

Gig Economy on Workers' Welfare and Labor Market Stability

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ABSTRACT

The gig economy has emerged as an alternative employment model that offers high flexibility for workers, but brings major challenges to worker welfare and labor market stability. Gig workers often face income uncertainty, inequity in the distribution of economic benefits, and lack of adequate social protection. Income uncertainty causes financial stress, while unstable employment status exacerbates workers' future uncertainty. Gig workers are also exposed to health risks in the absence of adequate social security, while the gig economy offers flexibility in working hours, workers often have no control over their work, leading to inequality between companies and workers. This study aims to understand the impact of the gig economy on workers' welfare as well as its impact on labor market stability, by highlighting aspects of income uncertainty, lack of social protection, and inequity in the distribution of economic benefits. The study suggests the need for fairer policies and social protection for gig workers to address inequality and create a more stable labor market. The findings also point to the importance of clearly regulating the rights of gig workers, to safeguard their welfare in the face of changing global employment structures.

INTRODUCTION

Along with the development of digital technology, the emergence of app-based platforms such as online motorcycle taxis, food delivery, and other freelance work has become increasingly common in society. This phenomenon has changed the way many people earn income by flexibly utilizing their time and skills. The gig economy offers workers the opportunity to earn income in a more independent way and not be tied to traditional working hours. The gig economy gives workers the opportunity to have more control over their schedule and the amount of work they want to take on. This provides freedom and convenience in managing their time, and opens the door to new economic opportunities for some workers. The gig economy also poses challenges to worker welfare and labor market stability.

The gig economy causes impacts that are felt in general and seen in certain more specific patterns. Some sectors or groups of people are more affected than others, such as workers in the transportation and food delivery sectors, which often rely on digital platforms. Many workers experience uncertainty in terms of income, social welfare, and job security.

Even though these jobs may seem to offer freedom, workers in them do not get basic rights such as health insurance, leave, or severance pay, which are usually available in traditional jobs. The impact of the gig economy on workers' welfare and labor market stability is an interesting topic for further research.

One of the main issues that workers in the gig economy face is income uncertainty. Unlike traditional jobs that provide a fixed salary, gig workers are often only paid based on the amount of work that can be completed in a given time (Abraham et al., 2017). This means that their income is highly dependent on external factors such as customer demand, the number of hours worked, or weather conditions, which can make their income uncertain. This uncertainty is a big problem for workers who need financial stability. Kalleberg (2018) points out that this income uncertainty can have a detrimental impact on workers' financial well-being and mental health. Gig workers often do not have access to health or other social security benefits provided by employers in traditional jobs (De Stefano, 2015). Workers are vulnerable to the risk of accident or illness in the absence of adequate protection.

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Another problem faced by workers in the gig economy is the lack of recognition of their rights as workers. Many digital platforms classify their workers as “partners” or “freelancers,” which means they are not recognized as permanent workers and do not get the rights that workers should receive such as pension coverage, health insurance, or leave entitlements. This leaves them in a more vulnerable position, both financially and socially. A study by Berg (2015) states that the unclear status of these workers has the potential to reduce their quality of life in the long-term, even though they work hard and make a significant contribution to the economy. This situation creates injustice in the distribution of economic benefits between companies and workers.

The development of the gig economy is affecting more workers from different backgrounds, so the impact is not only limited to certain sectors, but also affects the economic system as a whole. It is important to understand how this system works and how workers may be affected in the long-term, both financially and socially. Examining the well-being of workers in the gig economy can provide a clearer picture of the future structure of the economy and how policies can better favor workers in the face of uncertainty.

This research aims to assess the impact of the gig economy on worker welfare and labor market stability, with a focus on income insecurity, lack of social protection, and the long-term implications for workers in this economic system.

RESEARCH METHOD

The literature study approach was used in this study to analyze various references related to the impact of the gig economy on worker welfare and labor market stability. This method allows researchers to collect, review, and assess relevant literature from various sources such as scientific journals, books, government reports, and related articles. Through this approach, researchers can identify existing findings, map knowledge gaps, and gain an understanding of how the gig economy affects workers. According to Wood et al. (2019), a literature review can provide insights into how the job flexibility offered by the gig economy can impact income uncertainty and job security, which are important issues for workers' well-being.

The literature study is also useful to identify various perspectives and theories that have been put forward by previous researchers in understanding the dynamics of the gig economy. Researchers can analyze how different policies and regulations in different countries affect the welfare of workers in this sector.

Schor (2017) revealed that working conditions in the gig economy often create inequality in the distribution of economic benefits between companies and workers. This study can be explored more deeply by relying on literature studies of various relevant theories, and provide a more comprehensive understanding of the rapidly growing gig economy phenomenon.

RESULT AND DISCUSSION

The gig economy is growing rapidly due to advances in digital technology, affects various aspects of workers' lives and labor market stability. The gig economy refers to a system of workers' employment that relies on temporary contracts or short-term work completed on-demand through online platforms, such as online transportation, food delivery and freelance work (Vallas & Schor, 2020). The gig economy brings various challenges related to worker welfare and labor market stability despite offering flexibility for workers (Friedman, 2014). Workers in the gig economy are often faced with high income uncertainty, and many do not receive adequate social protection. It is important to further examine how the gig economy affects aspects of worker welfare, including income, working conditions and social security.

One of the main impacts of the gig economy on workers' well-being is income uncertainty. Unlike traditional jobs that offer a fixed salary, gig workers depend on the amount of work they can complete in a given time. This causes the income received by workers to be highly volatile and unstable. According to Kalleberg (2018), income uncertainty can cause high financial stress, especially for workers who depend entirely on income from gig work. This unstable income also interferes with workers' ability to make long-term financial plans, such as savings, investments, or retirement planning.

Gig workers often do not have access to the social security and labor rights afforded in traditional employment (Muntaner, 2018). Many gig platforms classify their workers as “independent contractors” or “partners,” which means they are not recognized as workers and do not receive the usual benefits of full-time workers, such as annual leave, health insurance, or retirement benefits (De Stefano, 2015). Gig workers are often exposed to occupational health and accident risks without adequate protection. This greatly affects workers' quality of life, especially when they cannot access adequate healthcare or when they have no savings for the future.

The gig economy also creates inequality between companies and workers. Workers who work for platform companies such as Uber or Grab often receive wages that are disproportionate to the effort they put in,

even though the companies earn large profits. A study by Berg (2015) shows that gig workers in the transportation sector often have to work long hours to earn a decent income, while most of the profits remain with the platform. This inequality is exacerbated because gig workers do not have many opportunities to upgrade their skills or obtain training that can increase their bargaining power in the job market.

Uncertainty about the future of work is also a significant problem in the gig economy. Unlike traditional jobs that usually offer long-term contracts and career security, gig workers often only have temporary or flexible employment relationships. Gig workers often have no certainty about the future sustainability of their jobs. Graham et al. (2017) showed that this job uncertainty can reduce workers' quality of life, as they feel insecure in their jobs. This has the potential to cause long-term anxiety related to their economic stability and can interfere with psychological well-being.

The gig economy does offer attractive flexibility but it is often more beneficial for companies than for workers. Companies can rely on gig workers to work on demand without having to tie them down to long-term obligations or give them job security. Workers have the right to freely determine their working hours, but they are often forced to accept jobs with uncertain hours and under conditions that are not ideal for meeting their financial needs (Wood et al., 2019). The flexibility afforded to workers can turn into a dependency on short-duration work and a lack of control over the amount of income they earn, leading to uncertainty in the management of daily life. While flexibility allows them to choose their working hours, the reality is that gig workers are often trapped in an irregular work cycle, which reduces their control over their personal and social lives and creates tension in the work-life balance.

Another challenge posed by the gig economy is the unfairness in terms of risk distribution between workers and companies. Gig workers have to bear many risks, such as income uncertainty, accidents, or health problems, while platform companies often do not take responsibility for the welfare of their workers. According to a study by Huws et al. (2019), gig workers in the food transportation and delivery sector are vulnerable to accidents and injuries, but they are not covered by adequate insurance. Platform companies, despite raking in huge profits, do not feel obligated to provide health insurance or support for their workers. This injustice exacerbates the gap between workers and companies, which in turn exacerbates economic instability and worker welfare in the gig economy.

The gig economy has the potential to change the overall structure of the job market. Traditional jobs with security and social benefits are increasingly being replaced by temporary jobs that rely on digital platforms. This leads to an overall decline in job quality and creates long-term uncertainty about how the labor market will evolve. Brynjolfsson and McAfee (2014) note that the shift to gig work could lead to fragmentation of the labor market, with most workers trapped in precarious jobs that offer no long-term benefits. Without reforms that address the welfare of gig workers, these changes in the structure of the labor market could exacerbate social inequality and create a more fragmented and unstable working class.

The gig economy also affects labor market dynamics in broader ways, such as influencing labor policies and social regulations. Governments in various countries are beginning to respond to these developments by creating policies that focus on protecting gig workers. Many countries are still struggling to regulate this increasingly flexible labor market, leaving workers in a vulnerable position. A study by Katz and Krueger (2016) shows that despite efforts to introduce stricter regulations, many gig workers remain inadequately protected.

The gig economy also exacerbates social and economic inequality. Gig workers, most of whom come from lower or working-class backgrounds, often have difficulty accessing education or skills training opportunities that can help them secure better or more stable employment. Gig workers in this position are often trapped in a cycle of low-paid work, further isolating them from greater economic opportunities (De Stefano, 2015).

The gig economy sector can also create new challenges related to the integration of technology in the world of work. Platform companies often rely on algorithms to organize work and determine wages, which can be unfair to workers. According to Zeng (2020), these algorithms can exacerbate income inequality and worsen the working conditions of gig workers as they have no control over how their work is divided or how much they will be paid.

Workers in the gig economy also face mental health issues. Stress caused by income uncertainty, irregular working hours, and job insecurity can often contribute to mental health issues, such as anxiety and depression. This is further exacerbated by the lack of adequate social support from the work system. According to Purohit and Linder (2019), gig workers tend to be more vulnerable to mental health issues as they do not have strong emotional support or social networks.

CONCLUSION

The gig economy provides opportunities for many workers to earn income through flexible and independent means. It also poses serious challenges to worker welfare and labor market stability. High income insecurity, inability to access social security, and economic inequality between companies and workers are the main problems often faced in the gig economy. Unstable working conditions and the risk of financial insecurity worsen workers' quality of life even though companies offer freedom in choosing working hours. The gig economy also has the potential to change the structure of the labor market to be more flexible, but at the expense of long-term employment sustainability and social protection of workers.

It is important for policymakers and platform companies to create a fairer system that prioritizes workers' welfare. The government needs to formulate policies that protect gig workers without reducing the flexibility offered by this model. Stricter regulations on social security, health insurance and job security for gig workers should be considered. Workers should also be given access to skills development and opportunities to increase their bargaining power in the labor market. Through these efforts, the gig economy can develop in a more balanced and beneficial way for all parties involved.

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