

The Gig Economy and Labour Market Dynamics

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Abstract: The gig economy, which is defined as transient and adaptable work arrangements facilitated by digital platforms, has experienced unprecedented growth in recent years, profoundly altering labor market dynamics. This profound transformation has introduced a multitude of repercussions for workers, simultaneously offering both opportunities and challenges. In one aspect, it entails providing individuals with heightened autonomy, the opportunity to cultivate multiple income streams, and an improved balance between work and personal life, thereby enabling them to autonomously shape their career paths. Conversely, increasing concerns on job security, workers' rights and protection, and employment benefits arouse discussions of economic welfare of gig workers. For businesses, the gig economy represents a transformative force, promoting cost-effective, on-demand labor while necessitating responsive strategies to manage a decentralized and flexible workforce. As a signal of a new era in labour market dynamics, gig economy has significant impacts on the broader labour force and traditional employment patterns. Grappling with of crucial task, policymakers are in urgent need of finding a balance that preserves the rights and finance security of the labour force without mitigating enthusiasm of development and economic prosperity. Comprehending the multifaceted influences of the gig economy is paramount in formulating policies, thereby building a labor market that embraces opportunities and challenges arising from this transformative change and ultimately facilitating a future work of greater equity and adaptability.

Keywords: gig economy, flexibility, labour protection, labour market

1. Introduction

In recent years, as a result of advancements in technology, an increasing number of people have begun to enter the job market in new ways and searched for positions on digital platforms, leading to a growing interest in the gig economy. According to research, at least 59 million American adults participated in the gig economy over 2020, roughly to 36% of the U.S. workforce and this number is expected to reach 52% by 2023 [1]. The gig economy pertains to the transaction of labor services for monetary compensation, occurring either between individuals or firms through digital platforms that actively facilitate the alignment of service providers with customers, typically characterized by short-term engagements and compensation structured on a per-task basis [2]. It reconstructs the traditional structured labour market, giving individuals opportunities to have flexible working places and schedule, with more freedom arranging their own time. Thus, workers are no longer constrained by

the restrictions of full-time employment with a single employer in this dynamic and growing labor market.

Working with US employment data, Collins et al. find virtually all expansion of the gig workforce since 2011 has come from online platform work [3]. Digital platforms, including house-renting platforms like Airbnb, self-employment markets like Upwork, and ride-sharing applications like Uber, provide several benefits. These emerging platforms operate as a medium between customers and gig workers, matching labour with business or households requirements automatically by algorithm, creating a wider market place and reducing barrier for entry. The process of looking for jobs is simplified and clients can directly contact with workers, stating their demand to avoid inefficiency and discontent caused by information asymmetry. Furthermore, customers can rate the services of workers for evaluation and feedback, and if they are satisfied with the work of the employee, customers can establish a long-term employment relationship with them through the platform. Dividing a larger project into several smaller, distributed, lower-skill assignments that may be finished by people in various locations, digital platforms make it possible for new types of employment to be created. By facilitating access to the advantages of flexible, on-demand labor for individuals and organizations, digital platforms not only increase the availability of gig workers but also promote the rise of the gig economy, ultimately changing the traditional labor market.

Since the global Covid-19 pandemic, there has been an increasing interest and needs to work remotely from home with social distancing protocols to contain the spread of virus. In addition, the high reliability on deliveries for food and other necessities during lockdown has contributed to growth of economics. The pandemic has brought unprecedented challenges and disruptions to various sectors of the economy, making people less dominant with money requires more careful choices. Firms can't afford full-time employees anymore, dismissing large number of workers and recruiting short-term labour instead to reduce cost. The number of the unemployed continuously rising, people started to looking for part-time jobs as supplement for income, encouraging the gig economy. A research from National Bureau of Economics illustrate that nearly 2.1 million new workers entered the gig economy in 2020, double the number of entrants in 2019 [4].

This essay explores the gig economy's influence on labor market dynamics, focusing on its growth, impact on workers, opportunities for businesses, reshaping of traditional labor markets, and the regulatory challenges it presents.

2. Impact for Gig Workers

2.1. Opportunities and Returns for Labour

Since the rapid growth of the gig economy, there must be some reasons for workers to choose to be alternative. Flexibility can be the main attraction for labour to give up the traditional ways of working, which allows them to work at non-specific time and places and without a schedule and lower the barrier for labour market participation. This flexibility allows individuals to strike a better work-life balance and adapt their work arrangements to meet personal needs and priorities, potentially reducing stress and burnout as well. They can determine the types of gigs to take and when to take breaks, providing a high degree of control over their daily routine. The autonomy to operate as independent contractors are given to the workers and they are able to determine and manage the kinds of projects they take on without entrepreneur permission.

People who have other commitments like students and parents can be particularly beneficial from the freedom given as the work doesn't require people to be stand by all day. Specifically, the ability to engage in remote work was perceived as highly beneficial due to its capacity to enable employees to bypass arduous, time-consuming, and costly commutes using crowded public transportation systems [5]. As parents, they may have more free time to take care and accompany their children

which is crucial to children's development. Through the digital platforms, individuals can not only work remotely from home, but also explore different industries and roles without making long-term commitments. This experimentation can help workers discover their true passions, especially for those recent graduates who can't find a future direction, as supported by gig work is predominantly prevalent within the demographic of young adults aged 18-29, with approximately 30% of individuals in this age group reporting their engagement in income generation through gig platforms [6].

Apart from that, although people attend gig economy due to various reasons, the most common one is as supplement of income. The short-term gig work serves to fill the gap for people who are currently looking for the next full-time job, also as financial support during the slowdown economy. Pew Research reports that gig work has been a side job for 68% recent gig workers in the US [7]. The data corroborates that more than half taking gig job as extra earning with continuously increasing living cost during economic stagnation.

The portfolio career can be developed and lead to a more diversified skill, diversifying their income sources and potentially earning more than they would in a traditional job. According to data from the United States Department of Labor, the January employment report indicated that approximately 5% of the American workforce, equivalent to 8 million individuals, were engaged in multiple job positions [8]. Whether engaged in various or interconnected domains, individuals accrue expertise and refine their skillsets with the objective of amalgamating proficiencies, interests, and inclinations, thereby cultivating a flexible and versatile professional trajectory that harmonizes with their individual aspirations and principles. Such a path may culminate in heightened job contentment and the capacity to weather the challenges of a swiftly evolving employment landscape.

2.2. Challenges and Resilience for Labor

Despite the high flexibility and multiple choice for gig work, the fluctuation of income and limited access to employment benefits can be the main concern. Since the gig economy is on-demand, it can be susceptible to market movements and cause the instability of income for gig workers, causing financial insecurity. In the context of the gig economy, it effectively shifts the burden of risk and income instability from a party with a relatively high tolerance for risk, typically an employer, to a party with a lower risk tolerance, often an individual worker, resulted in the volatile earning for independent workers [9]. For those just take gig work as a supplement of income, this may not be considerable, but for those taking gig as a serious job, erratic and frequent changes in income may make it impossible for them to cover their daily expenses. Under the changing dynamic circumstance, workers must continually adapt their skills to match evolving market demands. This requirement emphasizes the importance of lifelong learning and cultivating a diverse skill set, or they may be driven out of the market.

There was frequent mention of the trade-off between employment rights and the flexibility of gig economy working [10]. Usually, the employers in the traditional labour market are responsible to provide these services which is required by law, however, gig workers are excluded from this group, hence benefits including social security fund, unemployment benefit, and workers' basic salary are not accessible for gig workers. The protection of the rights and interests of gig workers has become an vital issue, especially in the continuous development of gig economy. Historically, the majority of gig economy workers were considered independent contractors rather than employees. Independent contractors receive the only payment for the work they do for the business. They are paid without payroll taxes, and they do not receive any benefits, insurance, or retirement plans. Contrarily, employees are entitled to the above benefits, and employers are compelled to offer them unemployment insurance, health, as well as social security contributions. Disability insurance encompasses the provision of financial support for extended or short-term medical conditions and impairments. To illustrate, when an employee experience a period of illness, they may receive

financial compensation throughout the course of their ailment. In certain instances within the United States, specific companies may opt to provide compensated leave during pregnancy for female employees through the utilization of temporary disability coverage. The absence of labor protection can leave gig workers vulnerable to exploitation. Balancing innovation with ensuring worker rights remains a pressing concern.

3. Opportunities for Businesses in a Gig-Driven Landscape

3.1. Access to Diverse Specialized Talent

Due to the low barrier for entry, the gig economy and digital platforms offer businesses access to a diverse talent pool, gathering labour all around the world with diverse specialized skills, so that companies are able to figure out employees that fit them both occupationally and geographically. Businesses tend to employ specific talent gig workers to cover different stages of the production, splitting a complex program into multiple tasks, instead of the traditional pattern that one full-time worker responsible for whole projects. By focusing on particular stages that they are skilled in, specialization of labour maximizes potential ability of each workers, which leads to higher productivity and reduce cost.

3.2. Cost Efficiency

Except accessibility to diverse specialized talented workers, business can benefit from cost saving in various ways. The gig economy allows enterprise to manage labour according to market condition with higher flexibility in operation and lower overhead expenses, providing a financially advantageous alternative to traditional employment models. The gig economy's capacity to reduce permanent labor expenses is one of its main cost-saving benefits. The typical costs associated with traditional full-time employment include pay, benefits (healthcare, retirement plans), paid time off, and office space. Compare to full-time employees, gig workers often only receive task basis payment for the hours they put in or the specific projects they do, without basic salary. According to a research done by Snider, L. by forgoing paying for overtime, vacations, sick leave, social security, medicare, unemployment benefits, or injured worker compensation, businesses can save 20–30% per employee [11].

Additionally, by using gig workers, firms may save the administrative costs associated with payroll, such as payroll, tax, and benefit management, which is sophisticated and time-consuming. Contrarily, gig workers frequently handle their own tax preparation, insurance, and other administrative responsibilities. Businesses' administrative effort is reduced as a result of this change of duty, which enables more effective resource allocation.

Moreover, the new market model not only allows organizations to better manage resources, but it also increases their agility in responding to market movements. By utilizing gig workers, businesses may easily scale up or down dependent on demand. They can hire more people during high seasons or for specific projects without committing to long-term contracts. This scalability is particularly valuable in industries with fluctuating workloads. For instance, during the holiday season, a retail business can see a spike in customer assistance inquiries. They can recruit gig workers on a temporary basis to temporarily satisfy the additional demand rather than hiring and training a big number of full-time customer support professionals. This guarantees that the company continues to operate profitably while providing top-notch service.

Overall, with the rapid growth of gig economy, many businesses start to operate with a combination of the traditional full-time employees and short-term workers to lower costs, acclimatizing to changing market conditions. Both company-owned and independently franchised McDonald's establishments are actively seeking individuals to augment their workforce, with a

current recruitment drive offering 20,000 positions throughout Canada [12]. From a series of approach, decreasing fixed costs and eliminating fringe benefits payments, business can manage workforce more flexibly to allocate resources in an efficient way, avoiding being driven out of industry due to lack of competitiveness. While cost efficiency is a key benefit, businesses must also consider other factors such as talent quality and legal compliance when leveraging the gig economy to ensure overall success.

4. Reshaping Traditional Labour Market

4.1. Employment Patterns

The growing popularity of the gig economy has challenged conventional ideas of full-time work. The old 9-to-5 paradigm is being disrupted as more and more workers choose flexible schedules that suit their interests. Traditional, fixed and permanent contracts are displaced by short-term, temporary and task-basis gig workers in the market, providing more flexibility with both workers and businesses. Since these tasks are open accessed, it do not require high qualification, which widen the range of labour market, accepting more low skilled labour. This flexibility actually lead to a bilateral effect.

4.2. Wage Dynamics

According to the general consensus of gig economy, it's short-term and on demand, implying gig workers' fluctuation in income. The payment for gig workers are task basis or piecework basis, they do not enjoy fixed or basic salaries offered by enterprise. The insecurity in their finance may put them in risks of struggling to cover normal living expense, declining their standard of living. In 2020, 62% of respondents in the US of gig economy said that their emergency savings would not last six months, with 24% less than one month [13]. As payment for high flexibility and autonomy, gig workers have to bear the result of instable income. Without continuous disposable saving, they are unable to face some unexpected conditions, for example, employees may face the possibility of being laid off during the economic downturn, which will make their life extremely difficult without enough savings.

On the other hand, a dynamic factor is introduced to wage structures. Dynamic pricing and compensation strategies are common in gig labor. Although this may cause revenue swings for employees, it gives businesses the advantage of being able to adjust labor expenditures to match customer demand. Dynamic payment benefit business from adapting to changing market condition in short period by employing short-term workers. The elastic supply allows business to change their quantity supplied quickly with changing consumer preference, attaining more profit. Furthermore, these jobs are often repetitive with only single task, so that cost of employing gig workers is cheaper compare to traditional full-time labour, saving costs for business.

4.3. Job Security and Benefits

According to National Labour Relation Act, independent contractors are specifically excluded form it's definition for the term 'employee' [14]. Because independent contractors are not covered by the NLRA and there is no intention to grant collective rights, businesses are not required to bargain with gig workers. A fine balance must be struck in the gig economy between access to traditional employment benefits and job security. Regular job security is frequently absent for gig workers, and they frequently have restricted access to important benefits like retirement and health plans. The uncertainty around a steady salary and necessary benefits causes many workers to have serious concerns.

On the other side, businesses benefit from the flexibility that the gig economy provides. As demand patterns change, they may quickly adapt their staff, improving operational effectiveness. This agility, though, can come at the expense of employee safety and well-being.

4.4. Labour Unions and Collective Bargaining

The appearance of the gig economy makes it difficult for labour unions to fulfill their duties of collective bargaining for labour rights and protection as employment arrangements and work commitments vary between different gig workers. Due to the diverse and scattered characteristics of gig working, tough decisions are made for election of representatives of gig workers. In this instance, the diminished structural negotiating leverage possessed by remote gig laborers constrained their capacity to assert control over their working hours, resulting in the potential exploitation of their labor [14]. The lacking bargaining power puts gig workers to a poor negotiation position, except the expensive treatment from courts or private arbitration, only few efficient solutions are accessed by gig labour when they are being exploited including late or non-payment, continuous and long-time work. They may not know ways protecting their rights as it's quite limited. The gig economy calls for novel methods of collective representation that can take into account the particular requirements and issues of this adaptable and varied workforce.

5. Conclusion

In conclusion, the gig economy has brought opportunities and challenges for both firms and workers, reshaping the labour market without any hesitation. Digital platforms, the Covid-19 pandemic, monetary factors, and the sharing economy have all contributed to its expansion. While gig labor gives organizations flexibility and access to a range of skills, it also comes with financial instability and a lack of traditional protections. Advancement in technology, the digital platforms is the foundation of the gig economy, with software building platforms for gig workers, providing recruitment information and communication channels. Besides, the gig economy has injected new vitality into the market, bringing innovation impetus and opportunities for enterprises as supported by existence of Uber drivers and Airbnb rentals. More and more businesses start applying gig workers to adapt market variations, increasing productivity to survive and attain profit in such intensely competitive market. Despite the autonomy in work and flexible schedule, gig workers are under threat of finance insecurity caused by instable income and lack of protection of their rights. Regulations should be made to exploitation of gig workers without stifling innovation, adapting existing labor regulations to the gig economy while crafting new safety nets to provide gig workers with necessary protections and benefits which is challenging. Classification of gig workers is complex people varying in working hours and direction. This paper has discussed the altering labour market with growth of gig economy, detailed laws and proposals on the conservation and administration of the gig economy can be studied further in the future.

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