Challenges and impact of the gig economy

Amit Joshi1*, Saharsh Jain1, Puneet Kumar Gupta2

1 Gandhi Memorial Intercontinental School, Jakarta 10630, Indonesia
2 The ICFAI University, Dehradun 248011, India

* Corresponding author: Amit Joshi, ihsojtima@gmail.com

Abstract: The dynamic landscape of global business, fueled by technological innovations, intense competition, and evolving consumer expectations, has prompted businesses to undergo significant restructuring. In response to these challenges, innovative business structures, particularly the gig economy, have emerged as a transformative force. The gig economy, facilitated by digital platforms, has redefined traditional work models, allowing individuals to engage in temporary and flexible jobs across various industries. While providing flexibility for workers and cost-effectiveness for businesses, the gig economy has an uncertainty of jobs for workers, their rights, and the need for regulatory frameworks. This paper explores the evolution of the gig economy and its effect on the job environment, labour policies, and regulations. It highlights the advantages of gig work, such as flexibility and job expansion, while also addressing the challenges, including job insecurity and the potential for social and ethical dumping. The role of gig platforms in reshaping labour markets, particularly in empowering women in certain regions, is discussed. The paper emphasizes the necessity of adapting employment laws to accommodate the unique nature of gig work, considering factors like control exertion and triangular relationships. Moreover, the paper delves into issues of discrimination faced by gig workers based on gender or race, both domestically and internationally. It recognizes the potential benefits of outsourcing gig work in developing countries but underscores the ethical concerns of “ethics dumping” and the need for safeguards. The impact on workers’ well-being, social integration, and the lack of protection under employment laws are discussed as challenges arising from the detachment of gig workers from conventional work environments. In response to these challenges, the paper examines existing policy initiatives, such as the European Union’s efforts to regulate gig work, emphasizing the importance of building a skilled workforce and addressing concerns related to platform work. However, it identifies gaps in addressing ethical challenges, particularly in the realm of algorithmic systems and the need for comprehensive measures to protect the rights of gig workers’ rights thus focusing on their welfare. The paper advocates for a holistic approach to address the ethical challenges posed by the expanding gig economy. It calls for a balance between flexibility and ethical considerations, envisioning a gig economy that not only meets market demands but also prioritizes fairness, equity, and the well-being of its workforce.

Keywords: employment; exploitation; gig economy; workers

1. Introduction

The global business landscape is going through a profound transition driven by innovative technologies, heightened competition, and consumer’s raised expectations [1]. Due to the continuously changing economic environment, businesses are forced to reevaluate and restructure their operational models to remain competitive and adaptable to the continuously shifting landscapes. Central to this transformative paradigm is the evolution and proliferation of the gig economy, a phenomenon
shaped by digital advancements and characterized by flexible, temporary work arrangements [2]. The gig economy showcases a transformation from traditional employment structures, offering individuals the freedom to engage in short-term, task-based work across diverse industries [3]. Enabled by digital platforms, this evolution in work models has redefined the employer-employee relationship, with gig workers, often freelancers or independent contractors, enjoying autonomy in choosing when, where, and how much they work. While the gig economy provides unprecedented flexibility for workers and cost-efficiency for businesses, it has given rise to multifaceted challenges, ranging from job security concerns to the ethical implications of the shifting dynamics in labour markets. This paper delves into the multifaceted landscape of the gig economy, exploring its origins, evolution, and the various dimensions it introduces to the job market. It focuses on projecting the advantages and disadvantages associated with gig work, emphasizing the need for nuanced regulatory frameworks to ensure fair treatment and protection of gig workers. Additionally, the paper addresses the effect of gig platforms on labour markets, with a focus on the empowerment of certain demographics, such as women, in specific regions. Furthermore, the paper navigates through the ethical considerations arising from the gig economy, including issues of discrimination, outsourcing practices, and the potential for social and ethical dumping. It analyses existing policy initiatives and proposes comprehensive measures to bridge gaps in protecting gig workers’ rights, well-being, and fair treatment. As the expansion of the gig economy continues and reshapes the traditional contours of employment, a holistic understanding of its implications becomes imperative. The article seeks to contribute to this understanding by exploring the nuances of the gig economy, offering insights into its benefits, challenges, and ethical dimensions, and advocating for an approach that ensures both flexibility and ethical considerations in the evolving market economy.

2. Literature review

The advent of innovative technologies, competition around the world, and evolving customer expectations have compelled businesses to restructure their working models to thrive in existing fiercely competitive and continuously changing landscapes. In response to these challenges, innovations in business structures have emerged as a means of delivering diverse positions to the market [4,5]. This transformation expanded traditional freelance work commonly named the gig economy [6]. The gig economy’s expansion is predominantly driven by digital applications, facilitating direct connections between service providers and customers [7]. In contrast to earlier applications of digital platforms for procuring project work, where information technology supports competition dissemination, gig economy platforms revolutionize the fundamental work model [8]. In the gig economy, individuals, often referred to as gig workers or freelancers, engage in temporary and flexible jobs rather than traditional full-time employment [9]. This form of work spans various industries, encompassing activities such as freelance writing, graphic design, ride-sharing, food delivery, and other on-demand services. Gig workers enjoy the freedom to choose when, where, and how much they work, making this flexibility appealing to those seeking a balance between work and other commitments. Many gig
workers discover opportunities through online platforms and apps that link them with clients or customers. Typically, gig work entails completing specific tasks or projects for a short duration rather than committing to long-term employment. The surge in demand for temporary, contractual labour was notably influenced by the pressure of reduced cost due to the 2008 global financial crisis, contributing to the gig economy’s expansion [10,11]. Gig workers instead of being referred to as employees are classified as contractors who are not dependent on their employers. This means they take care of taxes, insurance, medical and other benefits. While the gig economy offers flexibility for workers and cost-effectiveness for businesses, it has also raised concerns about job security, workers’ rights, and the need for regulatory frameworks to ensure fair behaviour towards gig workers. The dynamics of the gig economy continue to evolve, influencing both the job market and discussions around labour policy and regulation. In certain aspects, these on-demand gigs prove advantageous for both workers and the economy, contributing to job expansion and supporting household incomes. These gigs typically offer flexible hours, minimal or no training expenses, and generally have low barriers to worker entry. These characteristics empower gig economy workers, even those with additional employment, to generate additional income or supplement their primary earnings, especially in challenging periods within a strained job market. Additionally, consumers availing themselves of on-demand services benefit from the convenience, accessibility, and often lower costs associated with these services [12]. Aligning with Adam Smith’s concept of economic specialization, companies can opt for a model where tasks are assigned to different freelancers specialized in specific areas, rather than hiring a generalist for all tasks. This approach promotes greater accountability among workers, as performance standards directly impact future income. The resulting boost in productivity growth generates a rational exuberance, fostering increased confidence among consumers and businesses, leading to higher spending and investment, thereby creating more job opportunities, and resulting in higher per capita income [13]. Participation in the gig economy has seen diverse contributors, notably benefiting women’s involvement in the workforce. For example, in the West Bank and Gaza region, over 3rd out of 15,000 users on the Souktel are women, while women constitute only 19% of the overall labour force in that area [14]. Online labour markets like Freelancer and Upwork are expected to serve as alternatives to traditional physical labour migration, resulting in increased job opportunities within digital platforms [15]. The shift in labour markets brought about by gig platforms, particularly the increased potential for outsourcing production and assigning responsibilities to workers, requires a reconfiguration of risks, protections, and liabilities in the value chain of production [16]. This restructuring may give rise to social dumping, pushing industries to increasingly rely on gig workers to cut the cost of operation and maintain competitiveness. The pressures for cost reduction, heightened by the financial crisis during 2008 and the recent economic decline owing to the pandemic due to COVID-19, elevate the social risk and ethical impacts on gig workers [17–19].

Due to the distinctive nature of gig work, it poses challenges to fit into the existing laws of employment. The substantial flexibility inherent in gig work, coupled with the widespread geographic dispersion of workers on gig platforms, complicates the enforcement of existing labour laws, such as minimum wages, and makes facilitating
collective bargaining more challenging. Recommendations stemming from this perspective include suggesting the establishment of a specific law for labour [17] or introducing specific division for gig workers with a constrained set of labour rights, like ‘independent workers’ [20] or ‘dependent contractors’ [21,22]. The crucial factors for the welfare of gig workers include effectively enforcing employment laws through regulatory measures and educating them about their rights [23]. To support dimensions of enforcement and education, platforms like the Turkopticon may be employed to empower gig workers through collective bargaining [24].

Expanding the range of employment law categories, selection tests, and protective measures to encompass gig work is recommended [18,20,21,25]. Rather than solely focusing on the extent of control exerted by an employer, the analysis should also consider the extent of the right of an employer to exercise control [17]. In the gig economy, many platforms exert control over various aspects, including work allocation, pricing, worker appearance, work quality supervision, and worker termination. This gives rise to triangular relationships that may necessitate a more distributed concept of employment, with shared responsibilities among the platform intermediary, gig workers, and end-users [10,22,23].

Another concern pertains is discrimination experienced by gig workers based on gender or race. Additionally, there is evidence of the maltreatment of gig workers in less developed countries where they are pregig work is frequently outsourced [26]. On a positive note, outsourcing gig work can benefit the local economy by creating employment opportunities and offering better wages. Various international organizations have recognized the potential of the rapid growth of online labour platforms in low- and middle-income countries to increase employment and contribute to poverty reduction efforts [27–29]. Additionally, workers sometimes utilize digital labour platforms to access overseas markets that are less discriminatory or as an alternative means to access local markets, given that digital platforms can conceal characteristics likely to result in discrimination [30].

Nevertheless, the cost of communication and setup diminishes the advantages for workers in less developed countries [31]. Moreover, there exists a potential for wage convergence and racial discrimination, adding to the challenges [32]. Differences in bargaining power are evident among various groups of workers; in Southeast Asia, workers enjoy higher bargaining power due to increased demand compared to their Sub-Saharan African counterparts [26]. The outsourcing of gig work to jurisdictions with lower rights and wages also raises ethical concerns, often referred to as ethics dumping. As gig workers become increasingly detached from conventional work environments and professional affiliations, they confront challenges that are related to their well-being and social integration [33]. Many gig workers currently lack protection under employment law, including safeguards against unfair discrimination, primarily because they are frequently misclassified as non-employees.

The challenges arising from this shift underscore the need for reform, a sentiment reflected in various policy initiatives at both national and supranational levels. In 2019, the European Union commissioned the High-Level Expert Group (HLG) to regulate gig workers. To address this, they proposed a focus on building a skilled workforce to support digital work by certifying workers with a “Digital Skills Personal Learning Account”. This approach aims to mitigate concerns related to the lock-in effect of
platform work, empowering workers to navigate the implicit algorithms guiding their
tasks. In the gig economy, it is crucial to highlight occupational safety, mental health,
and stress mitigation by updating labour laws to ensure equal treatment across standard
and non-standard work arrangements. Additionally, it is imperative to address labour
market social and economic polarization by establishing a “Digital Single Window”
for managing employment contributions and taxes while redistributing the value of
digital ownership.

While these proposals are coherent and reasonable, there are gaps in addressing
certain ethical challenges. The increased use of algorithmic systems lacks caution and
fails to emphasize safeguards for transparency and accountability. Discrimination,
exclusion, and disconnectedness faced by gig workers, especially concerning race,
gender nationality/citizenship, and other personal characteristics, are undervalued. The
predominant focus on mental health conditions, overlooking broader issues of
discrimination and exclusion, is a concern. A comprehensive approach is necessary to
safeguard the rights and well-being of gig workers. As the gig economy expands, it is
essential to address the entire spectrum of ethical challenges it presents thoroughly.
This comprehensive approach is crucial to ensure that this evolving mode of work goes
beyond mere tolerability, aspiring to become an ethically preferable development
within the market economy one that upholds principles of fairness and equity. In this
context, the gig economy should not only offer flexible labour but also strive to
provide labour that is both flexible and ethically preferable.

3. Analysis

The emergence and growth of the gig economy have prompted a comprehensive
analysis of its various facets, ranging from economic implications to social and ethical
considerations. This analysis seeks to delve deeper into key aspects, providing insights
into the impact and challenges associated with the gig economy.

The gig economy contributes to job expansion, providing opportunities for
income generation, especially in challenging economic periods. The flexibility it
offers benefits workers seeking supplemental income. However, the gig economy’s
reliance on short-term, contractual labour may contribute to job insecurity and
challenges in ensuring stable income for gig workers. Gig platforms allow for
economic specialization, enabling companies to leverage the expertise of freelancers
in specific areas. This can lead to productivity growth and increased job opportunities.
The restructuring of labour markets may result in social and ethical dumping, where
gig workers bear the brunt of cost-cutting pressures, especially during economic
downturns. Adapting regulatory frameworks can facilitate the coexistence of
traditional and gig employment models, promoting flexibility in the workforce.
Enforcing existing employment laws, such as minimum wages and collective
bargaining, poses challenges due to the dispersed nature of gig workers and the unique
characteristics of gig work. Positive Aspects: The gig economy has the potential to
empower underrepresented groups, including women, by providing opportunities for
participation and income generation. Discrimination based on gender, race, or
nationality may persist, highlighting the need for measures to ensure equal
opportunities and fair treatment. Outsourcing gig work to low-income countries can
contribute to poverty reduction and employment opportunities. “Ethics dumping” raises ethical concerns, as companies may exploit lower rights and wages in certain jurisdictions. Gig workers may face challenges in terms of well-being and social integration. Policy initiatives, such as those proposed by the European Union, aim to regulate gig work, protect workers’ rights, and ensure fair treatment. The effectiveness of these policies relies on achieving a delicate balance between encouraging innovation and flexibility while safeguarding the rights and well-being of gig workers. Technology enhances efficiency in gig work by facilitating better matchmaking between workers and jobs. Lack of transparency in algorithmic systems used by gig platforms may lead to biased decision-making and challenges related to accountability.

In summary, the analysis underscores the need for a nuanced approach in navigating the gig economy. While recognizing its potential benefits in terms of flexibility, job opportunities, and economic empowerment, addressing concerns such as job insecurity, discrimination, and ethical considerations is crucial. Striking a balance between innovation, flexibility, and ethical considerations is imperative to ensure the gig economy evolves into a sustainable and equitable mode of work.

4. Practical implications

The proliferation of the gig economy brings forth a myriad of practical implications that span across various stakeholders, including workers, businesses, policymakers, and society at large. Understanding and addressing these implications is essential for effectively navigating the evolving landscape of work. Gig work provides individuals with the flexibility to choose their working hours, locations, and the type of tasks they undertake. This can be advantageous for those seeking to balance work with other commitments, such as education or caregiving responsibilities. However, the same flexibility may lead to challenges such as income instability and lack of access to traditional employment benefits like health insurance and retirement plans. Companies can benefit from the cost-effectiveness of gig work, as they can engage freelancers for specific tasks without the overhead costs associated with full-time employees. The reliance on gig workers may pose challenges in maintaining a cohesive company culture, and businesses may face reputational risks if not perceived as treating gig workers fairly.

Gig work introduces opportunities for labour market expansion and entrepreneurship. Adapting regulatory frameworks can facilitate the coexistence of traditional and gig employment models. Existing labour laws may struggle to adequately address the unique nature of gig work, leading to difficulties in enforcing protections, such as minimum wages and collective bargaining rights.

The gig economy can empower underrepresented groups, including women in regions where they face workforce challenges. Online platforms may offer new opportunities for participation and income generation. Discrimination based on gender, race, or nationality can persist in gig work, and ensuring equal opportunities and fair treatment remains a critical challenge.

Outsourcing gig work to low-income countries can create employment opportunities and contribute to poverty reduction. The practice of “ethics dumping”, where companies exploit lower rights and wages in certain jurisdictions, raises ethical
concerns. Gig workers may face challenges related to well-being and social integration. Policy initiatives, such as those proposed by the European Union, aim to regulate gig work, protect workers’ rights, and ensure fair treatment. Implementing effective policies requires a delicate balance to encourage innovation and flexibility while safeguarding the well-being and rights of gig workers. Embracing technology can enhance efficiency and matchmaking between gig workers and jobs. Lack of transparency in algorithmic systems used by gig platforms may lead to issues such as biased decision-making and lack of accountability, necessitating a focus on transparency and fairness.

The practical implications of the gig economy are diverse and multifaceted, requiring a nuanced approach from various stakeholders to harness the benefits while addressing the challenges. Policymakers, businesses, and workers need to collaboratively navigate this evolving landscape to create a sustainable and equitable future of work.

5. Conclusion

In conclusion, the study provides a comprehensive exploration of the gig economy, unravelling its multifaceted impact on the global workforce, businesses, and societal structures. While recognizing the potential benefits associated with flexibility, job expansion, and economic empowerment, the study also highlights critical challenges and ethical considerations that demand thoughtful attention. The gig economy’s transformative force in reshaping traditional employment structures is evident, driven by digital innovations and the evolving preferences of both workers and businesses. However, the implications are not unilaterally positive, as the flexibility provided to gig workers coexists with concerns over job security, the absence of traditional employment benefits, and the potential for exploitation in the form of social and ethical dumping. Legal and regulatory frameworks, designed for a different era of work, face challenges in adapting to the distinctive characteristics of gig employment. The study underscores the need for nuanced approaches, such as the establishment of specialized labour laws or the creation of new gig worker categories, to ensure the protection of workers’ rights and fair treatment. Ethical considerations loom large in the gig economy, with issues of discrimination, especially based on gender and race, taking centre stage. The study acknowledges the positive potential of outsourcing gig work to low-income countries but emphasizes the ethical imperative of avoiding “ethics dumping” and safeguarding the well-being and integration of gig workers into the broader workforce. Policy initiatives, exemplified by the European Union’s efforts, demonstrate a recognition of the need for regulation. However, the study highlights the importance of balancing innovation with safeguards for workers, advocating for comprehensive measures that address algorithmic transparency, discrimination, and the broader spectrum of gig workers’ well-being. The evolving role of technology, coupled with the intersectionality of social and cultural factors, demands continuous examination to inform policies and practices that uphold fairness, equity, and the well-being of gig workers. In essence, the gig economy represents a
paradigm shift in the world of work, demanding a delicate balance between flexibility and ethical considerations. As the gig economy continues to expand, the study concludes with a call to action—a collective endeavour to shape its trajectory into an ethically preferable development within the market economy, one that upholds principles of fairness, equity, and the holistic well-being of all those engaged in this evolving mode of work.

6. Limitations of the study

While this analysis aims to provide a comprehensive understanding of the gig economy and its implications, it is essential to acknowledge the inherent limitations of the study. These limitations may impact the generalizability and depth of the findings, and they include:

Temporal Constraints: The gig economy is a rapidly evolving phenomenon influenced by technological advancements, economic shifts, and societal changes. The study’s findings may be limited by the temporal context, as developments in the gig economy may have occurred since the last available data.

Geographical Scope: The study may have a specific focus on certain regions or countries, potentially limiting the generalizability of findings to a global context. The gig economy experiences variations in its impact and challenges across different regions with distinct economic, cultural, and regulatory landscapes.

Data Sources and Bias: The analysis heavily relies on existing literature, research studies, and policy documents. The limitations of these sources, including potential biases, inaccuracies, or omissions, could impact the comprehensiveness and accuracy of the study.

Varied Definitions of Gig Work: Different studies and regions may use varied definitions and classifications for gig work, freelance, and independent contracting. This lack of uniformity in terminology could lead to variations in the interpretation of findings and comparability across studies.

Diversity of Gig Workers: The gig economy encompasses a diverse range of workers engaged in various types of work, from freelance writing to ride-sharing. The study might not capture the nuanced experiences and challenges specific to different sectors or occupations within the gig economy.

Limited Stakeholder Perspectives: The perspectives considered in the study may be predominantly from the viewpoint of workers, policymakers, and researchers. The inclusion of perspectives from businesses, gig platform operators, and consumers could provide a more holistic understanding of the gig economy.

Unexplored Social and Cultural Factors: Social and cultural factors play a significant role in shaping the dynamics of the gig economy. The study might not thoroughly explore how societal norms, values, and cultural contexts influence gig work and its implications.

Dynamic Nature of Technology: The study may not fully capture the continuous evolution of technology, including advancements in gig platforms, algorithmic systems, and their impact on the nature of gig work. Technological developments could introduce new dynamics not covered in the study.

Limited Longitudinal Perspective: The study’s focus on the current state of the gig economy may limit its ability to provide insights into long-term trends, changes,
or adaptations in response to challenges over an extended period.

Unexplored Intersectionality: The study may not thoroughly explore how factors such as gender, race, age, or socioeconomic status intersect with gig work experiences. An intersectional analysis could reveal nuanced challenges faced by specific demographic groups. Acknowledging these limitations is crucial for interpreting the findings in a context-aware manner. Future research endeavours may address these limitations to further refine our understanding of the gig economy and its multifaceted implications.

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