

## **An introduction to the gig economy**

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### **Abstract**

In light of the growing popularity of digital platforms which have attracted a number of workers in recent years, the term “gig economy” has caught much attention around the world, including in Hong Kong. However, the concept of the gig economy is not well-defined and involves diverse types of working. This article introduces the concept of the gig economy and its participants.

### **簡介零工經濟**

#### **摘要**

由於數位平台日益普及吸引一些工人參與其中，「零工經濟」一詞在世界各地（包括香港）備受關注。然而，零工經濟的概念沒有確切的定義，亦牽涉不同種類的工作。本文簡介零工經濟的概念及其參與者。

The views and analysis expressed in this article are those of the author and do not necessarily represent the views of the Office of the Government Economist.

## I. INTRODUCTION

1. The term “gig economy” has caught much attention around the world in recent years amid the rise of digital platforms that match service requests to service providers. While workers’ participation in these digital platforms is still mostly occasional in nature, some expect the work transacted through digital labour platforms to play a bigger role in the labour market in the future. This article introduces the concept of the gig economy (Section II) and discusses the characteristics of the digital labour platforms (Section III) and the participation of consumers and workers in these platforms (Section IV).

## II. CONCEPT OF THE GIG ECONOMY

2. The term “gig economy” has been mentioned as early as in 2009. At that time, it was used to describe the situation in which people take up several part-time jobs to make a living or engage in project-based or consulting work<sup>1</sup>. Subsequently, the concept has been generalized to cover freelancing activities, temporary employment or even the less formal segments of the labour market<sup>2</sup>. In the recent years, however, riding on the growing popularity of digital platforms like Uber, Airbnb, Deliveroo, Foodpanda and TaskRabbit, the term “gig economy” is increasingly associated exclusively with service transactions arranged through digital platforms<sup>3</sup>.

3. While the recent focus of the gig economy is on the use of digital platforms, exactly which types of economic activities arranged through digital platforms constitute

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<sup>1</sup> Brown, T. 2009. “The Gig Economy.” *The Daily Beast*, 1 December.

<https://www.thedailybeast.com/the-gig-economy?ref=scroll>

Hook, L. 2015. “Year in a word: Gig economy.” *Financial Times*, 29 December.

<https://www.ft.com/content/b5a2b122-a41b-11e5-8218-6b8ff73aae15>

<sup>2</sup> Bracha, A. and M.A. Burke. 2018. “The Ups and Downs of the Gig Economy, 2015–2017.” Federal Reserve Bank of Boston Research Department Working Papers 18-12.

<https://www.bostonfed.org/publications/research-department-working-paper/2018/the-ups-and-downs-of-the-gig-economy-2015-2017.aspx>

Gallup. 2018. “The Gig Economy and Alternative Work Arrangements.”

[https://www.gallup.com/file/workplace/240878/Gig\\_Economy\\_Paper\\_2018.pdf](https://www.gallup.com/file/workplace/240878/Gig_Economy_Paper_2018.pdf)

<sup>3</sup> European Commission. 2016. “The Future of Work: Skills and Resilience for a World of Change.” [https://ec.europa.eu/epsc/publications/strategic-notes/future-work\\_en](https://ec.europa.eu/epsc/publications/strategic-notes/future-work_en)

IMF. 2018. “Group of Twenty: Future of Work: Measurement and Policy Challenges.” <https://www.imf.org/external/np/g20/pdf/2018/071818a.pdf>

黎明芝. 2016. “Gig Economy (零工經濟) 打擊職場架構.” *Hong Kong Economic Times*, 22 February.

<https://topick.hket.com/article/1375236/Gig%20Economy%E5%BC%88%E9%9B%B6%E5%B7%A5%E7%B6%93%E6%BF%9F%E5%BC%89%E6%89%93%E6%93%8A%E8%81%B7%E5%A0%B4%E6%9E%B6%E6%A7%8B>

gig work is still debatable. For example, while some<sup>4</sup> suggest that the gig economy should include both on-site services (or in-person services) such as delivery services and off-site services (or online services) such as programming, some<sup>5</sup> are of the view that gig work only consists of on-site services. The latter group believes that platforms that arrange on-site services<sup>6</sup> and platforms that arrange off-site services<sup>7</sup> should be discussed separately since they often vary in many aspects such as how transactions are priced and how workers are matched to consumers.

### III. CHARACTERISTICS OF DIGITAL LABOUR PLATFORMS

4. Among the three major types of participants in the gig economy—digital labour platforms, workers, and consumers—the role of digital labour platforms is particularly important because as middlemen, they shape how workers and consumers transact with one another and provide necessary information to both parties to maintain the quality of services. We use the term “digital labour platforms” to describe digital platforms that are likely to be relevant to the gig economy<sup>8</sup>, i.e. those which take an active role in matching service providers and consumers and coordinating payments<sup>9</sup>. As compensation, digital labour platforms often charge a share of the transaction amount, but the risks involved in the transactions are borne by the workers and consumers. There are numerous digital labour platforms which provide different kinds of service, and some common characteristics are described below.

5. Digital labour platforms that arrange off-site services focus on various types of services that can be completed without the service provider showing up at a particular place, and are mostly unknown to the general public who do not use these platforms.

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<sup>4</sup> De Stefano, V. 2016. “The rise of the ‘just-in-time workforce’: on-demand work, crowdwork and labour protection in the ‘gig-economy’.” International Labour Organisation Conditions of Work and Employment Series No. 71. [https://www.ilo.org/wcmsp5/groups/public/---ed\\_protect/---protrav/---travail/documents/publication/wcms\\_443267.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_443267.pdf)

<sup>5</sup> Schmidt, F.A. 2017. “Digital Labour Markets in the Platform Economy: Mapping the Political Challenges of Crowd Work and Gig Work.” Friedrich Ebert Stiftung. <http://library.fes.de/pdf-files/wiso/13164.pdf>

<sup>6</sup> Examples of platforms arranging on-site services are Uber and Deliveroo, and more elaboration on these platforms can be found in paragraph 6.

<sup>7</sup> Examples of platforms arranging off-site services are Upwork and Amazon Mechanical Turk, and more elaboration on these platforms can be found in paragraph 5.

<sup>8</sup> Examples of digital platforms that do not fall into the scope of digital labour platforms are online job boards and online job agencies.

<sup>9</sup> De Stefano (2016).

Smith, A. 2016. “Gig Work, Online Selling and Home Sharing.” Pew Research Centre.

<https://www.pewinternet.org/2016/11/17/gig-work-online-selling-and-home-sharing/>

UK Department for Business, Energy & Industrial Strategy. 2018. “The characteristics of those in the gig economy.”

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/687553/The\\_characteristics\\_of\\_those\\_in\\_the\\_gig\\_economy.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/687553/The_characteristics_of_those_in_the_gig_economy.pdf)

Tasks on these platforms can be viewed as being outsourced globally to workers around the world. Some platforms like Upwork focus on matching higher-skilled freelancing activities like programming or performing creative work, where tasks are transacted at prices agreed between clients and workers and clients can view freelancers' portfolios. On the other hand, platforms like Amazon Mechanical Turk specialize in lower-skilled tasks like data verification, transcription and photo classification (also called human intelligence tasks as they are easy for humans to do but relatively complicated for computers to do); these tasks are often divided into segments and taken up by different workers.

6. On the other hand, the rise of platforms that arrange localized on-site services like transport, food delivery or domestic cleaning services in many places including Hong Kong has caught much public attention. Common examples of these platforms include Uber, Deliveroo and Helpling. Unlike those mentioned in the previous paragraph, these platforms do not merely do matching and coordinate payments; instead, they often brand their services by setting a service standard and a price scale for workers and consumers to follow, and workers and clients may be matched automatically through computer algorithms to each other. To compete with currently available services, these platforms invest a lot in marketing and discounts (such as referral bonuses) to attract workers and consumers. Since effective matching requires sufficient participation from both consumers and workers, the success of these platforms is said to depend on two-sided network effects<sup>10</sup>.

## **IV. CONSUMER AND WORKER PARTICIPATION**

### IV.A. Consumer Participation

7. In the era of online purchasing, buying services through digital labour platforms is common. As an example, among seven European countries, 16% to 29% of the adult population bought transport or delivery services through digital labour platforms in the past year in 2017, while 15% to 36% bought household services<sup>11</sup>. From consumers' perspective, although some platforms arrange services that were previously unavailable (such as completing small online tasks like photo editing or obtaining food delivery from certain restaurants), many services arranged also act as substitutes for previously

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<sup>10</sup> Schwellnus C., A. Geva, M. Pak and R. Veiel. 2019. "Gig Economy Platforms: Boon or Bane?" OECD Economics Department Working Papers No. 1550. <https://doi.org/10.1787/fdb0570b-en>

<sup>11</sup> The seven countries are Austria, Germany, Italy, the Netherlands, Sweden, Switzerland, and the United Kingdom.  
Huws, U., N.H. Spencer, D.S. Syrdal and K. Holts. 2017. "Work in the European Gig Economy: Research Results from the UK, Sweden, Germany, Austria, the Netherlands, Switzerland and Italy." [https://uhra.herts.ac.uk/bitstream/handle/2299/19922/Huws\\_U.\\_Spencer\\_N.H.\\_Syrdal\\_D.S.\\_Holt\\_K.\\_2017\\_.pdf](https://uhra.herts.ac.uk/bitstream/handle/2299/19922/Huws_U._Spencer_N.H._Syrdal_D.S._Holt_K._2017_.pdf)

available services. Consumers benefit from having more options and discounts, and from reduced search and match time. The fact that these digital labour platforms provide information on workers' reputations and keep track of work progress also gives confidence to consumers. However, there are concerns that some digital labour platforms may eventually harm consumers if they use aggressive measures like prolonged generous discounts to squeeze out other digital or offline competitors in the hope of maximising their own market share.

#### IV.B. Worker Participation

8. Individuals also participate in digital labour platforms as workers, but mostly occasionally. In 2017, 11.9% of active internet users in 14 European countries reported having ever worked on these platforms<sup>12</sup>. The participation rate over the past 12 months was 8% among US adults in 2016<sup>13</sup>, and 9% to 22% of the adult population of seven European countries in 2016-17<sup>14</sup>. The participation rate over the past week was much lower at 1.0% of the US workforce in 2017<sup>15</sup> and 4.4% among Great Britain's population in 2017<sup>16</sup>, suggesting that workers mostly work on an occasional basis, possibly to smooth income fluctuations<sup>17</sup>.

9. Statistics specifically on digital platform workers are relatively limited and not comparable across surveys. Therefore, some US researchers have tried to track the

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<sup>12</sup> The survey inquired about the provision of services via online platforms that match clients with workers and handle payment.

Pesole, A., M.C. Urzì Brancati, E. Fernández-Macías, F. Biagi, and I. González Vázquez. 2018. "Platform Workers in Europe." JRC Science for Policy Report, European Commission. <http://dx.doi.org/10.2760/742789>

<sup>13</sup> The survey inquired about earning income through websites or apps that require workers to create a profile, coordinate payment and connect workers directly with people requiring services (Smith 2016).

<sup>14</sup> The survey inquired about participation in paid work via an online platform. The seven countries are Austria, Germany, Italy, the Netherlands, Sweden, Switzerland, and the United Kingdom (Huws et al. 2017).

<sup>15</sup> The survey inquired about participation in short, online or in-person tasks through companies that connect them directly with customers and coordinate payment through an app or a website.

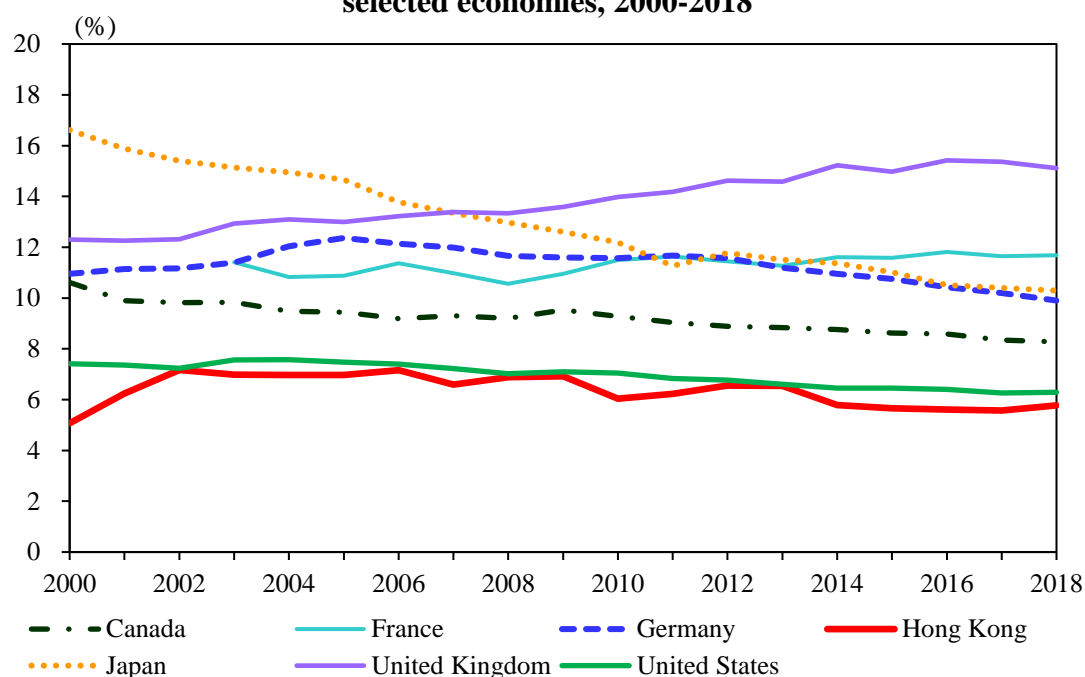
US Bureau of Labor Statistics. 2018. "Electronically mediated work: new questions in the Contingent Worker Supplement." *Monthly Labor Review*, September. <https://doi.org/10.21916/mlr.2018.24>

<sup>16</sup> The survey inquired about labour participation in the gig economy which was defined as "the exchange of labour for money between individuals or companies via digital platforms that actively facilitate matching between providers and customers, on a short-term and payment by task basis" (UK Department for Business, Energy & Industrial Strategy 2018).

<sup>17</sup> Smith (2016).

growth of the gig economy using readily available self-employment figures<sup>18</sup>, only to find that the self-employment ratio from household surveys in the US has not shown a rising trend. Similarly, the self-employment ratio did not increase in many other advanced economies<sup>19</sup> including Hong Kong, as shown in *Chart 1*. However, since the self-employment ratio relates to employed persons whose main job is in self-employment, it may not be able to capture gig workers who take up digital platform work only occasionally or as a side job to supplement their income.

**Chart 1 Self-employment as a ratio of total employment for selected economies, 2000-2018**



Sources: OECD, Census and Statistics Department.

10. Apart from trends in labour participation, many are also concerned about the labour rights of gig workers. Workers, especially those who provide physical services, need to follow guidelines and price schedules set by the platforms, and may even need to wear uniforms or follow certain shift schedules, or be restricted from working for other platforms concurrently. However, as most digital labour platforms classify

<sup>18</sup> Yet, we should be careful when interpreting the figures because the coverage of self-employment may vary depending on the purpose of collecting the data (such as taxation, implementation of labour legislation or regular household surveys).

Abraham, K.G., J.C. Haltiwanger, K. Sandusky, and J.R. Spletzer. 2017. "Measuring the Gig Economy: Current Knowledge and Open Issues." NBER Working Paper No. 24950. <https://www.nber.org/papers/w24950>

<sup>19</sup> In the United Kingdom, there were visible increases in self-employment ratio in many sectors, including those not commonly involved in the gig economy like construction, over the past ten years.

workers as self-employed independent contractors<sup>20</sup>, workers enjoy neither the legal rights of employees nor the flexibility of being self-employed, so criticisms of employment misclassification arise<sup>21</sup>. Moreover, some fear that digital labour platforms may take advantage of information asymmetries to exploit workers. For example, the matching algorithms on digital platforms are unknown to the workers and may not assign tasks fairly<sup>22</sup>, and the difficulty of transferring one’s portfolio or reputation developed on one platform to another may also affect the mobility of digital platform workers across platforms.

## V. CONCLUDING REMARKS

11. The concept of the gig economy has evolved over time. While a widely recognised definition has yet to form, the term is increasingly used to refer to services transacted through digital labour platforms. These digital labour platforms, which act as online computerised intermediaries, actively manage the services arranged and incentivise workers and consumers to participate. While these platforms can provide additional choices of services to customers and fit the schedules of occasional workers, there are concerns about labour rights and consumer rights as these platforms enjoy a certain degree of market power and may seek to dominate markets. Although the share of workers involved in these digital labour platforms is still small, we shall continue to pay close attention to the development of different types of digital labour platforms.

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<sup>20</sup> A minority of digital platforms employ workers as employees currently, such as “Hello Alfred” (an app arranging household services in the US). The boundary between a traditional firm adopting digital platforms to dispatch workers and a digital labour platform employing workers may become increasingly blurred in the future.

<sup>21</sup> There were rulings favourable to digital platform workers to enjoy more rights in the UK and the US. In the UK case of *Uber BV v Aslam*, the Court of Appeal ruled that Uber drivers are entitled to some workers’ rights like the minimum wage and paid annual leave. In the case of *Dynamex v. Superior Court of Los Angeles* in California, employers are said to have a responsibility to prove that workers are not employees.

<sup>22</sup> UK Department for Business, Energy & Industrial Strategy (2018).