

The Emergence of the Gig Economy as an Important Employment Sector Post-Covid-19

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BACKGROUND

The gig economy is defined as a labour market characterised by the prevalence of short-term contracts or freelance work done by individuals, although it is also loosely called freelance work. The popularity of gig jobs has increased in recent years as trends shifted from fixed work or employment to gig work whereby individuals work when needed for that task. Some of the reasons behind the emergence of this trend include; lack of other job opportunities, lack of faith in job security, desire for freedom in terms of flexible hours, and the advancement of technology such as mobile apps which has allowed business transactions to be conducted in a more efficient manner. Due to this it is mostly populated by the younger generation who are more attuned to the digital environment.

Some of the downsides to gig work include exploitation, disputes or deferring payment for work, lack of benefits which a company provides under employment regulations, lack of regulation, and the lack of facilities for gig workers to independently contribute to their Employer's Provident Fund (EPF) or even the Employment Insurance Scheme (EIS). At present, individuals involved in the gig economy could contribute to the Employees Provident Fund (EPF) and the Social Security Organisation (SOCSO)¹ however this is not widely practiced among them. Due to these factors, gig workers are the hardest hit during any sudden change in demand and supply for their labour.

VALUE

A study conducted by PricewaterhouseCoopers (PwC) stated that the gig economy is forecast to be worth approximately RM263.3 billion globally by 2020. 46 per cent of human resource professionals worldwide expect that by 2020, up to 20 per cent of the workforce will comprise contract workers on short-term or freelance assignments.

Previous Prime Minister Tun Dr Mahathir stated that the (previous) government's draft of the 12th Malaysia Plan 2021-2025 will have its focus on the gig economy as a new source of economic growth.²

¹ Malay Mail "HR, Youth and Domestic Trade Ministries to form special committee to scrutinise gig economy issues, says deputy minister" 4 Feb 2020

² Malay Mail, "Gig economy: Pitfalls and opportunities" 8 Dec 2019

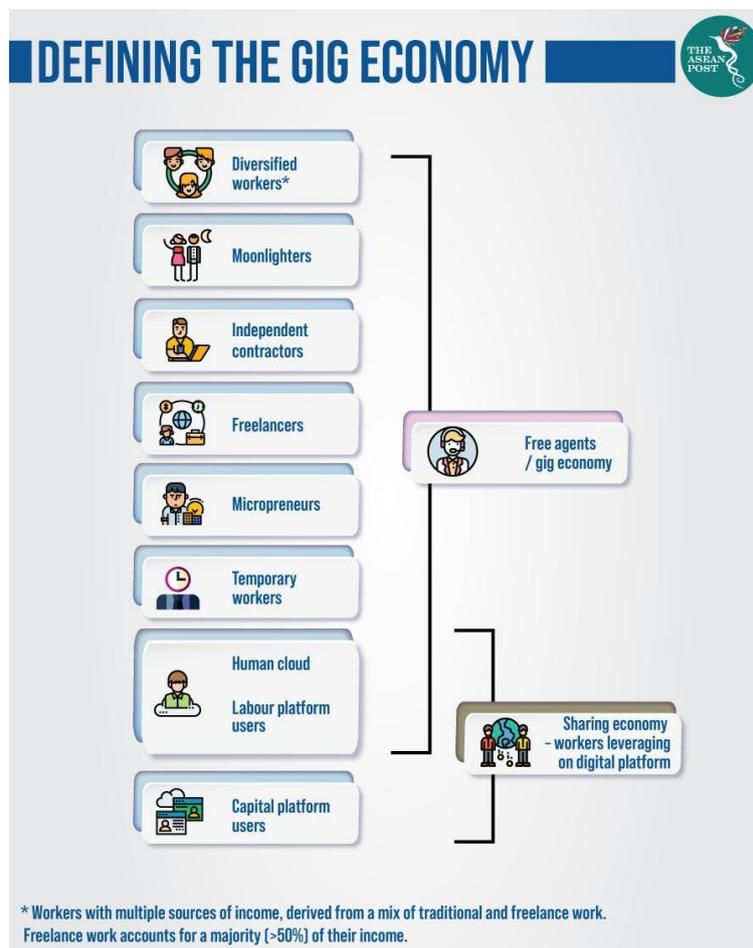


Figure 1: Source: Asean Post

PROBLEMS FACED BY GIG WORKERS IN MALAYSIA

Disputes

The gig companies have consistently maintained that they merely facilitate “independent contractors” (the drivers) to get in touch directly (via their platforms) with consumers and end users.

In common law, an “employee” is an individual who is hired by an employer to perform services, and the latter has the right to exercise control over the means by which the former renders his services. Thus, if a business owner can control not only “what” work will be done, but also “how” the work is performed, then the person carrying out the task can be regarded as a common law employee.

If the business owner can only control “what” is to be done, but not “how” it is done by another person, then the latter is an independent contractor. In many jurisdictions, digital

platform providers, such as Uber, Deliveroo and Foodora have described their workforce as “partners” or even “micro-entrepreneurs”.

They are providers of technology, not of services. In Britain, the Employment Appeals Tribunal disagreed, ruling that Uber is indeed a provider of transport services, and enters into dependent work arrangements with transport workers.

A local daily reported on 4 Jan 2020 that a woman had reported Grab to the Industrial Relations Department for unfair removal from the latter’s platform. She alleged she was blocked from driving on the platform operated by MyTeksi Sdn Bhd over a dispute with a passenger at the Senai Airport in Johor in November 2019. The report was lodged under Section 20 (1) of the Industrial Relations Act 1967 (unfair dismissal or dismissal without cause).³

In the US, California enacted a new law (known as Assembly Bill 5) requiring companies like Uber and Lyft to treat their workers as employees (not as “independent contractors”). According to a New York Times report, these workers must be designated as employees instead of contractors if a company exerts control over how they perform their tasks or if their work is part of a company’s regular business.

The new law, which codifies and extends a 2018 California Supreme court ruling (in *Dynamex Operations West, Inc. v. Superior Court of Los Angeles*) is expected to benefit at least one million workers engaged as ride-hailing drivers, food-delivery couriers, janitors, nail salon workers, construction workers and franchise owners.

Exploitation

In Malaysia, the gig economy in 2017 grew by 31 percent based on figures by Employees' Provident Fund (EPF) Malaysia. According to Shareen Shariza Abdul Ghani, co-founder and director of Sourga Ventures , in the next five years, 40 percent (of a company's workforce) will be coming from contingent workers.⁴

Surviving in the gig economy requires competency in specific skill sets, which can get very competitive. In Southeast Asia, the gig economy is unregulated, making freelancers easy targets for exploitation either by being overworked or underpaid.

A 2018 study by PayPal revealed that 58 percent of freelancers in four Southeast Asia markets (Singapore, Philippines, Indonesia, and Vietnam) have experienced not being paid. The key reason for this is that freelancers are not being taken seriously by clients.

³ NST, “Speed up law on gig economy” 5 Feb 2020

⁴ Forum held at University of Malaya (UM) on ‘The Gig Economy - Disruptive Innovation or Opportunity for Exploitation’, February 2019

One of the problems faced by these freelancers is that it is not cost-effective for them to take legal action against the client who did not make payment for services. Chasing them down is also very time consuming. In order for a freelancer to be successful, they need to know how to protect themselves. Newcomers or non-seasoned freelancers might end up losing out on any income should they enter the market.

Lack of Savings and Security

Based on data by the EPF, the growing gig economy and an ageing population are expected to cause a decline in the percentage of workers contributing to the fund.

According to Khazanah Research Institute (KRI), existing evidence suggests that social protection coverage for workers with atypical employment arrangements is sparser than that for typical workers. For example, a 2018 KRI survey on youth found that only 18% of self-employed youth contributed to at least one social protection scheme, versus 66% for those with standard employment and 47% for those with non-standard employment¹⁵.

A 2018 Zurich-University of Oxford survey on workers also found that only 18% of self-employed respondents in Malaysia were equipped with some form of income protection, versus 21% of employed workers. Finally, a 2019 online survey by the Centre on e-hailing riders found that full-time gig workers are less likely to have savings and employment-related insurance (44%) as compared to casual gig workers (61%) who are doing the work for supplementary incomes and maybe covered by employment insurance schemes elsewhere.

The Malaysian government has introduced schemes such as the Self-Employed Employment Injury Scheme (SEEIS) and i-Saraan. SEEIS is an employment or workplace injury insurance scheme similar to the one for full-time employees under SOCSO while i-Saraan is a voluntary retirement savings scheme. For i-Saraan, according to the EPF website, the government will contribute 15% or up to RM250 per person annually until 2022 (at the time of this writing, terms and conditions for this stated top-up was not stated).

i-Saraan is fully voluntary; one would have to actively sign up for the scheme and make monthly contributions from one's business, freelancing or gig income. Meanwhile, the Self-Employment Social Security Act 2017 makes it mandatory for selected groups of self-employed workers to contribute to the SEEIS. The government has also recently extended the scope of coverage to four other informal sectors.

'Mandatory' here means that self-employed workers are required to join; they are not automatically enrolled into the scheme. Having a mandatory scheme without securing

enrolment means that the onus is on the worker, to not only enrol in the scheme, but to also actively pay into the scheme each month. As with human nature, the majority will not do such as it is too much hassle for an unclear payoff.

Unless enforcement is very strict, take-up of such a scheme will be low. Hence it is unsurprising that although the SEEIS is ‘mandatory’, only 18% of an estimated 250,000 drivers who come under the scheme are registered. The enforcement required in achieving even this amount of take-up appears to be high, involving spot check visits, warnings and court action.⁵

POST COVID-19

Based on the above, the gig economy already has its share of issues before the pandemic started to take a toll on the economy. Worse still, the World Economic Forum quoted a survey that found gig workers are among the hardest hit economically by the coronavirus pandemic.

The survey which was conducted by AppJobs included respondents from all over the world. In its findings, almost 70% of gig workers said they now have no income, and only 23% have some money saved. Among gig workers and the self-employed, some 89% are now looking for a new source of income. Over half of gig workers said they had lost their jobs; more than a quarter had seen their hours cut.⁶ Almost 70% of the workers surveyed said they were not satisfied with the support they had received from their companies during the pandemic. Over half expected some help either from the government or the companies they work for.

For Malaysia, the Department of Statistics also showed findings that non-wage or self-employed workers are among the hardest hit;

		Lost job	Experiencing drop in income	Work from home	Receiving usual income	Savings (less than a month)	Savings (more than a month)
Non-wage recipients	Self-employed	46.6	94.8	25.1	4.7	71.4	28.6
	Employer	23.8	86.3	30.9	13.1	49.2	50.8
Wage recipients	Government-Linked Company (GLC) employee	0.4	15.6	73.7	84.1	38.9	61.1
	Private employee	1.8	41.1	48.9	58.5	58.0	42.0
	Multinational Company (MNC) employee	0.4	14.2	80.8	85.2	31.2	68.8

Source: DOS (2020)

Figure 2: Effect of Covid-19 Outbreak by Employment Status (%), 2020

⁵The Centre, “ Voluntary, Mandatory, Automatic. A Better Approach to Social Protection Coverage” 13 Feb 2020

⁶ AppJobs, “How much is the gig economy affected by the coronavirus outbreak?” Link: <https://www.appjobs.com/blog/coronavirus-effect-on-gig-economy>

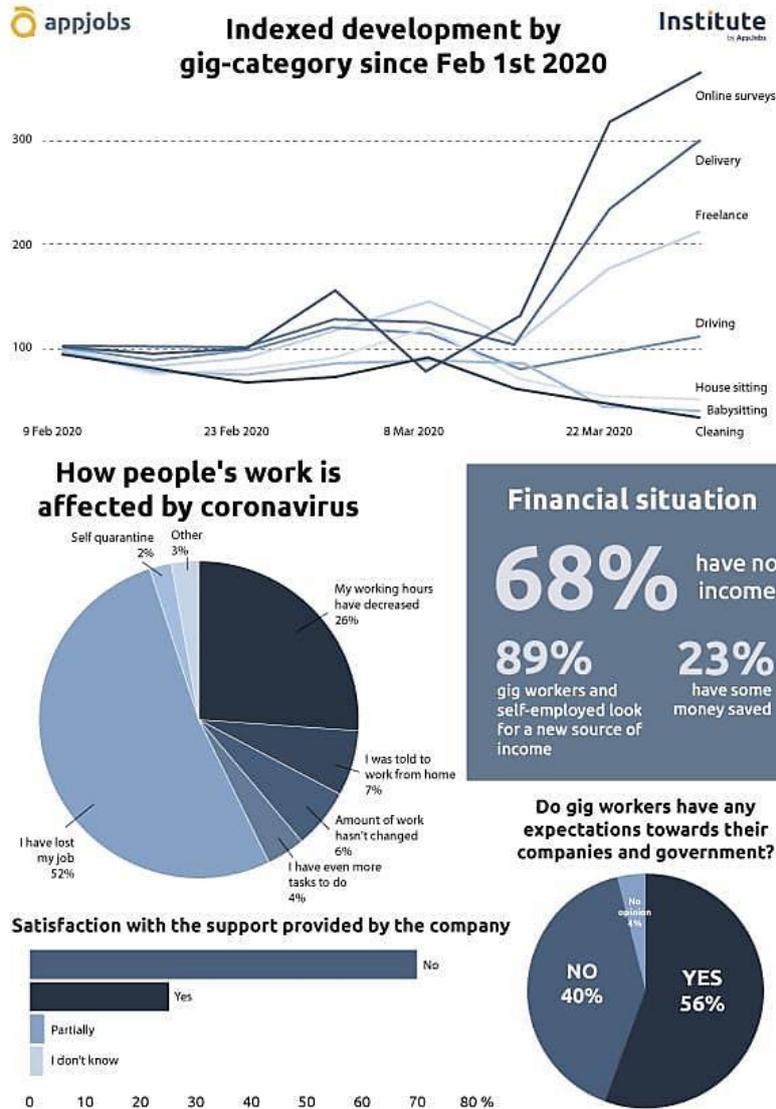


Figure 3: Source: AppJobs Institute

LIGHT AT THE END OF THE TUNNEL: NEW DEMAND FOR SPECIFIC SECTORS

Despite the bleak outlook above, there has been a strong demand for manpower related to delivery, online business, and digital management.

A company by the name of Technavio has been monitoring the online on-demand food delivery services market and states that the sector is poised to grow by USD 104.45 billion during 2019-2023, progressing at a Compound Annual Growth Rate (CAGR) of over 15% during the forecast period.⁷

⁷ Delivery Services Market 2019-2023 | Growing Consumer Demand For Convenient Food Ordering To Boost Growth, Technavio



Figure 4: Source: Technavio

The sectors that stand to benefit from restricted movement measures and social distancing include:

Sanitisation Products and Services: This goes without saying as many companies are now required to take precaution against the virus, and people are generally following guidelines by the health authorities. According to a study by Sacheerome, there was a 70% demand increase for home care and sanitizing fragrances since COVID-19.

E-Commerce retailers: there has been a 129% year-over-year growth in U.S. & Canadian e-commerce orders as of April 21 and an impressive 146% growth in all online retail orders.⁸ The Commerce.Asia Group of Companies, an eCommerce ecosystem of technology and big data solutions, saw a surge of 149% year-on-year Gross Merchandise Volume (GMV) growth in the first quarter since the Movement Control Order (MCO) was introduced.⁹

Industrial real estate: The Movement Control Order (MCO) imposed on the country to stem the spread of the outbreak will incentivise many late adopters of e-commerce to try out online shopping while the disruptions to the supply chain may give rise to potential decentralization of logistics players into multiple smaller satellite distribution hubs to support local distribution channels.¹⁰

Robotics: This was a crucial issue for the medical industry as Personal Protection Equipment (PPE) became very scarce and is still scarce in many parts of the world. Robotics was used in China for a myriad of tasks such as telemedicine, delivery and sterilization work.

⁸ Forbes, "How COVID-19 Is Transforming E-Commerce" 28 April 2020

⁹ Digital News Asia, "Commerce.Asia: E-Commerce Thrives Under Challenging Mco Times", 21 April 2020

¹⁰ EdgeProp, "Knight Frank: Logistics outlook bright amid COVID-19 crisis", 1 April 2020.

5G and the growth of bandwidth requirements: In Malaysia, adherence to the MCO by remaining indoors at all times saw 23.5 per cent higher Internet traffic nationwide (for both fixed and mobile broadband services) during the first week of the MCO while the second week of the MCO saw a further increase of 8.6 per cent.¹¹ Whereas in the US, AT&T reports that core network traffic on Easter Sunday, April 12, was 21% greater than on what it termed “a similar day at the end of February”. That figure compares to 18% the previous day, 26% on April 11, and 28% on April 9.¹²

Virtual meetings: Global downloads of business apps including Tencent Conference, WeChat Work, Zoom, Microsoft Teams and Slack have risen nearly five-fold since the start of the year, data showed, as the Covid-19 outbreak changes how corporations work. While such apps attracted 1.4 million new users across the App Store and Google Play in the first week of January, that figure jumped to a record 6.7 million in the first week of March¹³. Stock prices for Zoom Communications have increased with the last few months as the investors are as certain that the virus could possibly boost the demand for Zoom's video conferencing products.

Online groceries and last-mile distribution centers: HappyFresh Malaysia has seen a 10%-15% increase in orders during the start of the MCO. Meanwhile, other companies for a while could not keep up with demand.

E-Learning: In response to significant demand, many online learning platforms are offering free access to their services, including platforms like BYJU'S, a Bangalore-based educational technology and online tutoring firm founded in 2011, which is now the world's most highly valued edtech company. Since announcing free live classes on its Think and Learn app, BYJU's has seen a 200% increase in the number of new students using its product.¹⁴

Overall, it is predicted that there will be demand for skills related to technology and engineering, digital management, delivery and basic necessities (food etc). Hence job matching and training will become essential to make sure that the demand and supply for labour meets the equilibrium.

Wordstream, an online advertising and keyword management outfit has outlined a number of home-business ideas that can be categorized as gig jobs in a chart below. While some of the businesses may not be new, there has been an upward trend in the number of people engaging these activities from home or as independent contractors,

¹¹ Malay Mail, “MCMC: Slower internet speed in Malaysia due to surge in bandwidth demand” 9 Apr 2020

¹² Lightwave, “Service providers see some flattening in COVID-19 pandemic bandwidth demand growth”

¹³ The Star, “Teleconference apps and new tech surge in demand amid Covid-19 outbreak” 17 March 2020.

¹⁴ World Economic Forum, “The COVID-19 pandemic has changed education forever. This is how” 29 Apr 2020

especially among young working parents, those who needs to provide care for family members, and those who want to keep cost low by working from home or mobile offices.



POLICY RECOMMENDATIONS

Firstly, the Malaysian government should strongly move towards allocating budget for re-training of labour participants to take up demands for services in the gig economy. For example, the Singaporean government announced that it would fund training for freelancers and self-employed persons, providing payments of S\$7.50 an hour for them to go for lessons to upgrade their skills.¹⁵ This is especially needed due to the drastic shifts happening from the pandemic-curbing measures worldwide.

As mentioned, many gig jobs may not be new but working as independent contractors or working remotely without the a formal office environment could require a whole set of new skills.

Secondly, the government needs to iron out and give clear guidelines and facilities for gig workers to contribute regularly to their EPF and EIS. As this situation may take up to a few years, workers need to start saving immediately and not wait.

¹⁵ South China Morning Press, "The Covid-19 crisis is hurting Asia's gig economy workers and they want the government to help" 16 March 2020

Thirdly, the government should commission and buy products such as artwork. Instead of handouts, affected workers can do commission work for the state. For example, having live shows that are streamed without audience attendance in order for the performing community to still work and have an income. The government needs to support local artists who are badly affected by the MCO.

Fourth, automatic enrolment and automatic deductions should be implemented to ensure that gig workers have savings in their name. Implementing this approach, with an opt-out option, is a well-known behavioral strategy to ensure participation in social security plans across the world. A study by Clark and Young at Vanguard found that participation rates of those under an automatic enrolment saving and investment plan is nearly double of those under voluntary enrolment. Automatic enrolment-cum-deductions work particularly well for gig platforms which already have a data infrastructure and pay out earnings to thousands of informal workers.

Fifth, there is a need for an expansion and temporary extension of unemployment insurance, especially the Job Search Allowance (JSA) component under PERKESO's EIS mechanism. Under this expansion plan, individuals currently receiving EIS benefits should receive a temporary freeze in their maximum six-month period benefit eligibility period for as long as the movement control measures are in place.

Sixth, the government must follow suit in implementing laws that will better protect gig workers, such as those who are in the e-hailing industry.

Seven, the government especially needs to assist SMEs to move towards online business and transactions where possible due to the predicted shifting trends to social distancing.

9 June 2020

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