

Platform Economy: a Pivotal Element for Economic Transformation

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Nowadays, virtually none of our economic activities can do without an online platform. Whether it's grocery shopping, watching a movie, making an appointment with a doctor, or job hunting, the right platform is where a wealth of information can be found in one place, enabling us to find the information we need in a matter of seconds. On a recent business trip to Shenzhen, we found that various gig companies had made life so easy for the local residents that they had now become an indispensable part of daily life.

From the workers' perspective, the platform economy has broken traditional employment relationships. Platform enterprises have generated a good variety of flexible work modes, including the commonly-known posts of content creators for social media platforms, Uber drivers, and takeaway delivery riders. Usually referred to as gig work, this type of work has made us marvel at the convenience brought by technology while worrying about the threat of the market being monopolized by a conglomerate, taking advantage of platform workers.

This article attempts to discuss the contributions of platform companies, along with their positive and negative impacts on the labour market, and to explore preliminarily the social responsibility of platform companies and the roles regulators can play.

Cases of the platform economy

Platform companies aim to facilitate the exchange and distribution of products, services, and information by connecting various types of market participants. Within just a dozen years, the platform economy has already evolved into a colossal industry. As of 2023, five of the top 10 most valuable companies worldwide are platforms. In 2021, the total market capitalization of the world's top 100 platform companies was

already in excess of US\$15 trillion. The platform-based digital economy industries contribute 40% of the Chinese economy and 10% of the US economy.

These platforms come in all shapes and sizes. For instance, China's Didi Chuxing and America's Airbnb enable users to temporarily share offline physical resources and services while YouTube and Upwork help content creators and freelancers to present themselves and to identify suitable partners. There are of course also large e-commerce platforms such as Amazon, Taobao, etc. Despite the differences in function and structure, on the whole, various online platforms utilize technology including cloud computing, machine learning, and Internet of Things, to significantly minimize the cost and time necessary for the collection and analysis of information. Before the advent of digital platforms, it would take enormous amounts of human resources to process the information, which was often available to just a handful of power elites. The role of platforms in facilitating the sharing of information and resources has no doubt benefited people through technology.

Given the wide application of technology, platform companies are less labour-dependent than other general sectors. For example, though comparable in terms of market capitalization, Walmart employs a full-time workforce of over two million while Meta, the parent company of Facebook, have fewer than 100,000 employees. Despite employing three to four times more staff than platform companies such as Tencent on average, several major banks in China pale in market capitalization compared to these enterprises.

Platform enterprises as a major source of employment opportunities

While having fewer direct employees in comparison to non-platform companies, because of their expeditious expansion and the increasingly keen competition in the industry, platform companies are recruiting a larger number of high-income professionals. Before the wave of layoffs among tech companies in 2022, the annual employee growth rate in many digital platforms had been maintained at 20% to 30% for 10-plus years in a row, peaking at 66% at Google and even doubling at Alibaba within one single year.

Since large amounts of repetitive tasks and basic-skill jobs are handled by machines, employees of platform companies mainly consist of managers or professionals, the majority of whom are rewarded with handsome salaries. As for manually skilled jobs, they are primarily handled by temporary workers hired for the purpose or by outsourced companies.

As most companies are unwilling to reveal data of temporary employees, outsiders have little idea about the information in question. According to a report in *The New York Times* in 2019, at Google, temporary workers and contract staff totalled more than 120,000, even outnumbering its permanent employees then. There are also frequent reports in China of huge numbers of temporary employees working as “contract staff” or “interns” at major platform companies such as Alibaba, Tencent, ByteDance, etc. In general, they are responsible for handling necessary but relatively simple and highly repetitive technical tasks.

Apart from traditional jobs, the platform economy has also created mass jobs with great flexibility and autonomy, making it possible for many who are unable to adapt to conventional full-time work to enter the labour market, including students, people with disabilities, first-time parents who have to take care of their newborn babies, etc. In addition to gaining an income, they now have a chance to realize their self-worth.

By researching tax filings over the years, economists have found a rapid rise in America’s gig population from 2014 onwards. The percentage of workers earning an income from platform companies rose from below 0.1% of the national labour force in 2013 to 1% three years later.

Since gig work is more flexible than traditional work and is a faster way to generate income, more than two million Americans attempted to join the gig economy each year during the coronavirus pandemic. By 2021, more than five million Americans earned an income of at least US\$600 from platforms per person per year.

The National Bureau of Statistics of China also began capturing demographic data on gig workers in recent years. Of the over 200 million people reportedly engaged in “flexible employment”, many are believed to be holding down at least one gig job. Moreover, research by the Renmin University of China illustrates that, Alibaba,

through various channels, including itself as well as upstream and downstream suppliers, has created approximately three million gig jobs in design, manufacturing, customer service, courier service, etc.

All in all, platform companies have made significant contributions to the labour market. Not only have they continued to create large amounts of jobs with different income levels and skill requirements but they have also provided many people suffering income loss or unemployment with a temporary and flexible source of income in times of adverse economic conditions, e.g. the coronavirus pandemic during the last few years.

Challenge of the gig economy to traditional employment relations

Besides breaking the traditional employment relations, gig work has changed public awareness of work as well as employment relations. For instance, do Uber drivers work for Uber or do they work for themselves through Uber? Is the relationship between YouTube and YouTubers one between employer and employees or is it one between business partners? Even the line between employed and unemployed has become blurry: Are Uber drivers who work only on Sundays considered employed or unemployed?

Due to the great flexibility, low input, and low commitment of gig work, it should theoretically be ideal for many. However, as a matter of fact, many gig workers usually hold down another full-time job. A survey by Zety, a job-hunting website, shows that only about 3% of the respondents regard gig work as full-time jobs, the prerequisite for which is an input of over 40 hours per week.

One of the key reasons for this is the low income level of gig work. Of the gig workers taking part in the above survey, 63% earn an hourly pay of US\$7 to US\$15, which is below the minimum wage in many American cities.

In terms of earnings from individual platforms, Uber drivers earn around US\$10 per hour on average after deducting platform fee and other charges. As for Meituan, the largest food delivery platform in China, its delivery riders in Beijing earn a monthly income of around RMB6,000. Content creators for Bilibili, a video platform, receive

RMB10 for every 10,000 views. In other words, they earn RMB1,000 for a video with one million views.

Achieving a trilateral balance: a test of wisdom

Why is the income of gig workers so low? In the opinion of many economists, the primary reason is the powerful monopsony of employers (platform companies in this case) in the labour market, which makes it almost impossible for gig workers to have any bargaining power. The platforms, on the other hand, are the classic case of monopsony power in the labour market. Furthermore, gig workers of the same company rarely know each another and thus are not in a position to bargain collectively with the company.

The labour issue of the gig economy is a worldwide controversy. Some believe that, given the high level of freedom and low entry threshold of gig work, overregulation could drive up cost and in turn raise the entry threshold, causing gig jobs to shift towards the traditional mode of employment. Those who take the opposing view think that insufficient regulation leads to low wages and even a lack of basic healthcare and retirement protection for gig workers.

Let's put things into perspective. While more and more people join the gig workforce, gig work is still a relatively new economic concept. Gig workers, platform companies, and regulatory bodies need more time to explore and try out what works and what doesn't so as to strike a balance.

In the meantime, we suggest that platform companies should take the initiative to make some changes. After getting a deep understanding of the problems facing gig workers, they can propose protective measures with respect to company sizes and characteristics and shoulder part of the social responsibility. For example, Alibaba launched a risk management platform in 2019 to enable e-commerce businesses to handle such risks as malicious complaints and scalping orders. In response to widespread criticisms, Meituan has come up with different ways to improve the rights of delivery riders and releases an annual Riders' Rights Social Responsibility Report.

Hong Kong-based Lalamove makes use of its technology, big data, and global network to help small and medium enterprises to enhance their competitiveness by providing them with more efficient and flexible logistics services. At the same time, the company offers various service awards and benefits, e.g. accident insurance, servicing and maintenance discounts, etc. to their driver partners, contributing to inclusive economic development across the Asian region. Although not all inequality issues stemming from the platform economy can be resolved as a result, this is nonetheless a promising start.

Meanwhile, policymakers and regulators should also take an active part in this and explore ways to strike a balance between safeguarding the development of the new economic format and protecting the rights of workers. In view of its fluidity and innovativeness, gig work has not only made available the opportunity for various groups to boost their income while showcasing their value but has also expanded the range of products and services available in the market. These unique features can hardly be replicated by traditional industries. On the other hand, the basic rights of some workers should not be the price to pay for the string of benefits that come with fresh opportunities and new innovations.

This is especially the case as many who opt to take up gig jobs are underprivileged. They will find themselves in dire straits if government policies fail to offer them any protection.

In the face of relentless technological, social, and economic progress on a daily basis, be it policymakers or platform companies, they should all move with the times and make changes as soon as possible so that the resulting advancements can equally benefit everyone.