NUS National University of Singapore

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Guard against gig economy creating permanent underclass

Lim Sun Sun and Irene Ng

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The gig economy, powered by the proliferation of smartphones and mobile Internet connectivity, has birthed an entirely new category of employment that continues to grow in depth and breadth.

These seamless mobile connections free us from space-time constraints because we are now contactable anywhere and any time, facilitating the matching of individuals with jobs through responsive and user-friendly mobile apps. In this way, individuals can independently seek employment on an ad hoc basis, without being confined within the structures of a company or organisation.

In such an environment, people can take on short-term work that they can nimbly fit into their own schedules. Gig economy jobs cover the full spectrum of freelance work, all the way from providing professional advice to offering relatively low-skilled yet essential services such as cleaning and delivery.

The professional members of the gig economy workforce are significantly empowered by mobile connectivity. They can coordinate appointments with clients and complete work on the move while tending to their personal commitments. For example, a Web designer who was previously circumscribed by the immediate working environment, office hours and corporate hierarchy can now offer services as a free agent, paying perhaps a small subscription to the mobile app provider that connects clients with professionals. At the same time, she can benefit from better control over her personal time and family commitments and possibly achieve better work-life balance. Family time need not be at the cost of career actualisation and vice versa. At this professional level, she is akin to a sole proprietor, without having to bear the onerous burdens of running a full-fledged, self-sustaining company.

However, such autonomy also exacts a substantial cost. The flexibility of being under "contract for service" in the gig economy is at the expense of benefits such as annual leave, medical coverage and other legislated employment protection that paid employment offers.

More worryingly, the situation on the opposite end of the gig economy workforce is not as sanguine. Many low-skilled workers offering services such as cleaning, repairs and delivery are vulnerable individuals: They may be school dropouts, lowly educated, single parents or sole breadwinners of low-income households. With their disadvantaged circumstances, gig economy jobs may be a blessing for the short term, but also a bane in the long run.

For example, for some low-wage jobs such as dispatch or delivery, working as a permanent staff member of a company might pay less than if one is "self-employed" or contracted to the work. When cash on hand is important, being in a "gig" job allows one to work on multiple gigs or to pile on hours that one permanent job does not permit. Many breadwinners of low-income households also choose daily-wage jobs that give them a higher take-home salary because they are liquidity constrained, while other low-skilled workers opt for gig work because they need time flexibility to care for elderly parents or young children.

These examples illustrate the situations where individuals are either not in a position to bargain for more attractive terms in full-time long-term employment, or choose to work in "gig" jobs due to family exigencies. For low-wage workers who are liquidity constrained, the instant gratification from such piecemeal work is a demotivating factor to seeking something more stable and sustainable. The immediate needs for quick liquidity are gained at the expense of investments in skills development. Instead of providing more people with flexible employment, therefore, the risk is that a flourishing gig economy may create a permanent underclass that cannot plan or save for the long term due to the lure of easy, short-term earnings.

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To avoid entrenching people within the chore economy, we need to implement policy safeguards that can offer these low-wage workers the advantages of long-term employment, and public education to apprise them of the value of upskilling. Social innovation must therefore keep pace with technological innovation. While we embrace technology, we must equally ensure that social policy mitigates the negative fallout of technological transformations.

stopinion@sph.com.sg

• Lim Sun Sun is a professor of media and communication and head of humanities, arts and social sciences at the Singapore University of Technology and Design. Irene Ng is an associate professor of social work and director of the Social Service Research Centre at the National University of Singapore.

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