

Could Online Gig Work Drive Development in Lower-income Countries?

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“You have the freedom of choice. Who you want to work with, when you want to work, and how you want to work.”

‘Victor’ – Nigeria.

“There’s a lot of people out there, if they’re not satisfied with you, they are going to try somebody else.”

‘Amanda’ – South Africa.

Introduction

More than a billion people are set to enter the job market in less than three years, mostly from low- and lower-middle-income countries.¹ Online gig work—paid work managed via online platforms with no contract for long-term employment—has been seen by economic development experts as a relatively welcome phenomenon, allowing these workers to compete frictionlessly in a global marketplace.² Policymakers hope regions like Sub-Saharan Africa and Southeast Asia can capitalize on this digitally mediated work opportunity, thereby addressing a global mismatch in supply and demand of (online) labor³. In the face of low wages in emerging economies⁴ and youth-to-adult unemployment rates hitting historic peaks,⁵ Internet-based marketplaces might permit a “virtual migration” offering economic benefits akin to physical migration,⁶ lifting people out of poverty, raising labor force participation, and improving productivity.

But are these hopes really justified? Drawing on 152 interviews, a survey of 456 workers, and transaction data from one of the world’s largest online gig work platforms, we discuss some of the risks and rewards of this “new world of work”.⁷ There will be benefits like increased pay and autonomy for many, but concerns include downward pressure on pay generally, long hours, discrimination, lack of social contact for some, and the disembedding of gig-platforms from the norms and laws that normally regulate labor intermediaries. By drawing attention to these issues, we hope to help platform operators improve their positive impact, help workers take action to improve their situations, and prompt policy makers to revisit regulation as it applies to workers, clients, and platforms.

1 United Nations Development Programme. (2015). Human Development Report 2015. United Nations Development Programme. New York, NY.

2 See note 1.

3 We expand this argument in: Graham, M., Hjorth, I., Lehdonvirta, V. 2017. Digital labour and development: impacts of global digital labour platforms and the gig economy on worker livelihoods. *Transfer: European Review of Labour and Research*. 23 (2) 135-162. <https://doi.org/10.1177/1024258916687250>.

4 International Labour Office. (2015). Global Wage Report 2014/5. http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_324678.pdf

5 See note 1.

6 Horton, J. J. (2010). Online labour markets. In *International Workshop on Internet and Network Economics*. Springer Berlin, Germany.

7 The responses are not necessarily representative of all workers’ experiences in these regions, in part because it is difficult to define exactly who counts as an online worker. See full report for data and methods: <https://www.oii.ox.ac.uk/publications/gigwork.pdf>

From Outsourcing to Online Gig Work

The idea that individual workers can participate in the global economy began in the 1980s with the concept of offshore outsourcing. India was once described as “the back office of the world”, but businesses are now looking to other markets for cheap, qualified labor pools. The expansion of fiber optic connectivity has opened opportunities for many regions (such as Sub-Saharan Africa) that have historically faced severe infrastructure and connectivity barriers. Economic and technological shifts such as market liberalization and standardization of technology networks provide a further backdrop to this increase in offshoring and outsourcing.

The World Bank has suggested that online gig work and related phenomena offer a “promising alternative to traditional employment in today’s digital era”,⁸ and some governments are actively supporting the practice. The Philippines has specialized to serve culturally proximate clients, and Nigeria’s ‘Microwork for Jobs Creation’ initiative aims to help workers make money and build skills. However, there is little evidence so far that embracing online gig work as a national strategy can lead to long-term positive economic impact on workers.

Online gig work platforms act as a matchmaking service, regulating the temporary relationship between buyers and sellers. Tasks a worker might undertake range from writing and graphic design to more mundane ones like data entry. This can be an important source of income for gig workers: 68% of our survey respondents described it as important or very important to their household income, noting gig work as one of their main sources of income, with local labor markets offering only low-paying jobs or none at all. Some said they could now afford to save some income and pay for private health insurance.

Online gig work can certainly be stimulating: 53% of our respondents strongly agreed that their job involved solving complex tasks. They also explained how they were given space to complete work independently; an autonomy not typically afforded in other work contexts, such as business process outsourcing centers. However, algorithmic controls like ratings, reputation scores, and automated tests act as a powerful system of labor control, particularly when ratings are combined with work history and test scores to rank workers.

8 World Bank (2015) The Global Opportunity in Online Outsourcing: <http://documents.worldbank.org/curated/en/138371468000900555/The-global-opportunity-in-online-outsourcing>

Online Gig Work Isn't Always Fantastic

Oversupply

Many new workers are joining online gig platforms as a result of growing awareness, increasing global connectivity, and lack of jobs in local labor markets. However, a mismatch between supply and demand (Table 1) can result in underemployment and downward pressures on pay, particularly for unskilled workers.

Table 1. Labor oversupply on one major online platform

Country	Potential workforce	Successful workers	Over-supply
Philippines	221,100	32,800	188,300
Malaysia	11,900	500	11,400
Vietnam	7,700	1,000	6,700
Kenya	21,700	1,500	20,200
Nigeria	7,000	200	6,800
South Africa	10,200	800	9,400
Global	1,775,500	198,900	1,576,600

Note: All data are from 7 April 2016, not seasonally adjusted. Shown are countries from our study. Potential workforce = total searchable worker profiles on the platform; Successful workers = searchable worker profiles with at least one hour billed or \$1 earned; Oversupply = potential workforce minus successful workers. Successful workers excludes those who have made their profiles invisible to public searches.

Insecurity

Many online gig workers experience job insecurity, with 43% of our respondents feeling easily replaceable. Job insecurity is associated with lower physical and mental well-being, but platforms do little to mitigate it, with some of the largest platforms boasting that workers are on-demand and can be fired at any time.

Discrimination

Some workers feel discriminated against because of their countries of origin, and we found evidence of “statistical discrimination”, where clients assumed that workers from lower income countries provide less valuable work, resulting in their earning disproportionately little. However, we found no evidence of clients devaluing workers from these countries if they could provide testimonials to the high quality of their work.

Isolation

Some workers feel they have limited opportunities to interact: 74% of our respondents said they rarely or never communicated face-to-face with other platform workers. Isolation is a barrier to workers constructing a collective identity, and reduces their ability to collectively voice shared concerns regarding issues such as low wages. Most clients are in different time zones, so workers may find themselves working unsocial hours.

Overwork

Online gig work can both help and harm work–life balance: 55% of our survey respondents said they worked at a very high speed, and 22% experienced pain as a result of their work. Only 15% didn't work to tight deadlines. Interviews with workers indicated that this intensity coupled with long hours is driven by low pay rates, employment insecurity, and the process of bidding for jobs.

Opacity

Ten percent of our survey respondents said they didn't know the name of the person who hired them, with 70% saying they would like to know more about them. This opacity is reflected in the fact that 32% of respondents didn't know if income tax was paid on their earnings, and 34% said they didn't pay any.

Intermediation

The importance ascribed to reputation scores means work can end up flowing to high-scoring intermediaries who then re-outsource the work, keeping a part of the client's fee. Intermediaries can add value to clients by breaking down larger projects, providing project management, and ensuring timely delivery. Experienced intermediaries may also be better at picking workers than inexperienced clients. However, intermediaries can complicate the flow of information from clients to workers, potentially hindering skill development, and the oversupply of workers allows intermediaries to pay low rates.

Moving Forward: Five Questions to Consider

While there are clearly significant rewards to online gig work, significant risks include discrimination, low pay, overwork, and insecurity. We invite gig workers, platform owners, and policy makers to consider the following questions:

Where should we regulate online gig work?

Most demand for online work is generated by a handful of high-income countries. Is there any reason why a US employer hiring a Kenyan worker should avoid adhering to local labor laws in both countries? Enforcing minimum standards at the site of “gig work” purchase might be an effective way to improve labor conditions for workers in low income countries.

Can we limit online gig work monopolies?

Online gig work platforms benefit from positive network effects, whereby each additional user increases the value of the platform for everyone. This creates a monopoly opportunity if new platforms are unable to compete with established ones. Workers can become locked into particular platforms, but allowing them to transport their reputational capital would allow movement between platforms, discouraging monopolistic behavior.

Will online gig workers receive formal employment contracts?

People defined as “self-employed contractors” are normally understood as being equal parties to those with whom they enter into contracts (conversely, “employees” are regarded as being in need of special protections, like minimum wages, notice period, and sick pay). If workers are falsely classified as contractors, this can leave them in a precarious position. One way to rectify this would be for platforms to create a range of contract types to cater for different categories of workers, helping clients to correctly classify their workers according to their relevant local labor laws. For example, if a worker is engaged continuously by a UK-based client on a full-time basis, this would indicate that they should (according to UK law) have an employment contract. Some platforms have already made moves in this direction.

Can we encourage workers to voice their issues?

Online workers are more likely to compete than collaborate, but will have more bargaining power against exploitative platforms or clients if they cooperate. Unions are effective at organizing workers by threatening to withdraw labor, but most online workers are not unionized, and interviews revealed significant skepticism towards traditional unions. However, strengthening workers’ voice would not only benefit workers but perhaps also help platform engineers implement platform features based on worker feedback, in turn boosting productivity.

Can we hold platforms to account for poor working conditions?

Organizations like the Fairtrade Foundation inspect sites of production for commodities like chocolate, coffee, and tea. On the same model, a “Fairwork Foundation” could pressure platforms into ensuring decent working conditions, and taking responsibility for their online chains of production (see <http://fair.work/> for more on this idea). Platforms that provide workers with conditions above market minimums might benefit from a seal of approval, helping people choose platforms that offer fair working conditions.⁹

Final Thoughts

It might seem as if this new digital work happens somewhere ‘online’, and thus can’t be governed by national laws. But we should remember that gig work always happens *somewhere*: all platforms, clients, and workers are anchored in specific places; and it is in these places that we envision a range of responses and solutions. We need to consider and address all of these issues if online gig work is to truly live up to its potential for human development and become a sustainable situation for many more workers into the future.

About this Project

This chapter draws on a three-year investigation by researchers from the Oxford Internet Institute (OII) at the University of Oxford and the Gordon Institute of Business Science (GIBS) at the University of Pretoria. It was led by Prof. Mark Graham, Prof. Vili Lehdonvirta, and Prof. Helena Barnard, with significant contributions from Dr Isis Hjorth and Dr Alex J. Wood. We thank the grantor, the International Development Research Centre (107384-001), Tess Onajai, Ellie Marshall, Ilinca Barsan and Liinus Hietaniemi for assistance, and the workers who generously participated in the research. Further support for the research was provided by the European Union’s Seventh Framework Programme for Research and Technological Development (FP/2007–2013) / ERC Grant Agreement n. 335716.

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⁹ See: <https://www.oii.ox.ac.uk/publications/fairwork.pdf>