

GIG ECONOMY

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GOVERNING THE GIG ECONOMY PARADIGM: MITIGATING EXPLOITATION WHILE FOSTERING GROWTH

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ABSTRACT

The unprecedented rise of the gig economy has transformed the way traditional labour markets operate, promising flexible work opportunities while new governance challenges emerge. This paper analyses the gig economy paradigm, examining the precarious conditions of the new labour arrangement, the absence of social protections, the shift in economic risk, and the contentious classification of gig workers as independent contractors rather than employees. The paper explores the inadequacies of existing labour laws in multiple regions in safeguarding platform workers' rights. Through a comparative analysis, this study highlights the responses of companies to regulatory efforts, and how the responses influence the structure of the gig economy in Pakistan. It also provides insights into the critical role of the platform economy as an employment source amid economic volatility. The paper proposes a governance model aimed at reducing parity, ensuring fair compensation, and providing essential protections while fostering sustainable growth within the gig economy. This framework suggests policy interventions such as clear worker classification, social security inclusion, and minimum wage indexation, underscoring the importance of balancing economic development with workers' rights in a rapidly evolving labour landscape.

Keywords: Gig economy, labour laws, governance, wage, economic development, Pakistan

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1. INTRODUCTION

The gig economy is becoming the new norm in the services sector and is expected to expand into other sectors of the economy as well. Initially filled with the promises of job flexibility, independent work schedules, and wage autonomy, the gig economy has now become an economic arrangement characterised by exploitation, tough oversight, and denial of due rights to workers.

Gig workers' experiences of wage fluctuations, job security, and lack of benefits are of the utmost significance in this governance paradigm. Platform companies, which operate these businesses and whose business models vary across regions, are the implementation stakeholder. Customers, who use and pay for these services and how their finances define the market dynamics also play an important role in it. The government, on the other hand, has responsibility to enforce governance mechanisms to protect workers' rights in their country amid a desire for economic growth.

Scholars concerned with labour relations advocate for the status of the workers whom these companies hire to accomplish task-based work. The question of a worker's status is of significant importance because of the difference in the rights available to employees of an organisation in comparison to an 'independent contractor'. Vicky Smith views it as an extension of what Fordist organisations have been trying to achieve for decades i.e., flexibilising employment relations by outsourcing and subcontracting work or using contingent forms of employment.

Smith's argument seems valid if we contextualise it in conjunction with the absence of a specialised governance regime to protect gig workers.¹

Elaine Pofeldt pointed out the radical overhaul of work since the 1980s in pursuit of greater 'flexibility' and cost savings. As a result, 40% of Americans now work on a 'contingent' basis – in part-time, on-call, and contract roles, which demonstrates the space occupied by this new form of employment. This has shifted economic risks from the employer to the employee and has stripped workers of their rights, which were available to them previously.²

While conventional Industries are adopting the gig mode of work, workers already part of the gig economy are bearing the brunt. The trilateral nature of the gig economy, where workers, online platforms and customers come together to perform a transaction, makes the status of the workers more complex.³ The classification of workers and the correct definition of their status then becomes more important because of its direct implications for the workers' rights. The literary work of Adrian Todol-signes is also of utmost importance because of his emphasis on the correct definition of the workers involved in the gig economy. For him, this provides the foundation for the due rights of the workers.⁴

The European Court of Justice in one of its judgments defines an employee as a person who for a certain period performs a service for and under the direction of

¹ Smith, Vicki. "Enhancing Employability: Human, Cultural, and Social Capital in an Era of Turbulent Unpredictability," *Human Relations* 63, no. 2 (2010): 279-300.

² Elaine Pofeldt, "Shocker: 40% of Workers Now Have 'Contingent' Jobs, Says US Government," *Forbes*, May 25, 2015, <https://www.forbes.com/sites/elainepofeldt/2015/05/25/shocker-40-of-workers-now-have-contingent-jobs-says-u-s-government/>.

³ Healy, Joshua, Daniel Nicholson, and Andreas Pekarek. "Should We Take the Gig Economy Seriously?," *Labour & Industry: A Journal of the Social and Economic Relations of Work* 27, no. 3 (July 3, 2017): 232–48, <https://doi.org/10.1080/10301763.2017.1377048>.

⁴ Todolí-Signes, Adrián. "The 'gig economy': employee, self-employed or the need for a special employment regulation?" *Transfer: European Review of Labour and Research* 23 (2017): 193 - 205.

another person in return for which they receives remuneration.⁵ This definition, though very detailed, falls short in addressing the trilateral nature of the gig economy where gig workers are often under the scrutiny of both online platforms and customer.

Valerio De Stefano argues that the control mechanisms enacted on the gig platforms provide sufficient grounds to classify workers as employees.⁶ In his view, it is misleading and serves as a way for companies to evade their responsibilities towards their employees.⁷ However, it is possible to define workers both as independent contractors, who enjoy work flexibility at the cost of precarity, and as employees with traditional work obligations and rights. This can be perceived as a middle ground for employees who deserve worker protections and for independent contractors who seek flexibility.

The literary work has provided some understanding of how defining the status of workers can be a way forward for better governance of the gig economy. However, a gap remains regarding how we can contextualise this in the developing economies that struggle with job opportunities and economic turbulence. This research paper aims to provide a fair model that allows the companies to operate their businesses in a conducive environment while also protecting workers' just rights.

The provision of rights to workers, as Steven Vallas et al. argue, changes with the shift in governance paradigm. They assert that, just like a chameleon, these apps

⁵ EU . (2024, April 18). *Gig economy: How the EU improves platform workers' rights*. European Parliament, <https://www.europarl.europa.eu/topics/en/article/20190404STO35070/gig-economy-how-the-eu-improves-platform-workers-rights>

⁶ Valerio De Stefano, "The Rise of the Just-in-Time Workforce: On-Demand Work, Crowdwork, and Labor Protection in the Gig Economy," *Comparative Labour Law & Policy Journal* 37: 471504.

⁷ Ibid

also respond to their surroundings i.e., institutions that regulate them.⁸ Fredrick Söderqvist has also contextualised this idea in the Nordic region and demonstrated that due to universal coverage, gig platforms are not as vulnerable in the Nordic region as in the other countries.⁹

This study focuses on governance mechanisms that enable economic growth without undermining gig workers' rights and well-being. Through the examination of policies and frameworks, the aim is to contribute solutions that allow a gig economy based on principles of equity, fairness and sustainability.

For this purpose, the study employs a qualitative approach to analyse the role each stakeholder plays in this new mode of economic arrangement. A comparative analysis of case studies from various parts of the world helps explore the current governance paradigm of the gig economy.

2. COMPLEXITIES SURROUNDING THE GIG ECONOMY

2.1 Precarious Nature of Work

The American music industry was the first to coin the term "gig" to indicate small concerts that Jazz musicians used to perform at local levels. These musicians earned their living by moving from one "gig" to the next—similar to today's gig workers—often without permanent income or benefits.¹⁰ However, multiple fundamental differences distinguish the two. Musicians in the gig economy had

⁸ Steven Vallas and Juliet B. Schor, "What Do Platforms Do? Understanding the Gig Economy," *Annual Review of Sociology* 46, no. 1 (July 30, 2020): 273–94, <https://doi.org/10.1146/annurev-soc-121919-054857>.

⁹ Fredrick Söderqvist, "Sweden: Will History Lead the Way in the Age of Robots and Platforms," in *Work in the Digital Age: Challenges of the Fourth Industrial Revolution* (Oxford: Rowman & Littlefield, forthcoming, 2018).

¹⁰ Jaclyn Kurin, "A Third Way for Applying US Labor Laws to the Online Gig Economy: Using the Franchise Business Model to Regulate Gig Workers," *Journal of Business & Technology Law* 12 (2016): 193.

distinct “face value” and performed work based on unique skills, which made them less vulnerable to replacements. Moreover, musicians carried intrinsic value with each gig, enhancing their value and leading to more opportunities.¹¹

Gig workers often perform highly generalised tasks, with platforms able to replace them quickly, reducing them to interchangeable roles. In addition, gig workers in the platform economy face extensive surveillance and algorithmic control—tools that contradict their designation as “independent contractors.” However, despite facing such governance issues, gig platforms like Uber, Airbnb, and Upwork have expanded into the mainstream labour market, fundamentally reshaping work organisation on a global scale.

2.2 Lack of Social Protections

The rise of the gig economy presents unique challenges and opportunities from a governance perspective, as traditional labour laws and social protections have fallen short of keeping pace with the evolving nature of gig work. Labour governance, as we know it today, was developed in response to the exploitation and inadequate protections industrial workers endured in the early stages of industrialisation including harsh work conditions, low wages, and minimal job security. It wasn’t until labour movements and regulatory reforms in the late 19th and early 20th centuries that significant protections—such as guaranteed minimum wages, health and accident insurance and other workers’ protections—were devised. Gig workers today mirror the earlier struggles of industrial labourers with issues such as lack of a

¹¹ Martin Cloonan and John Williamson, “Musicians as Workers and the Gig Economy,” *Popular Music and Society* 46, no. 4 (2023): 354–70, <https://doi.org/10.1080/03007766.2023.2231266>.

guaranteed minimum income, lack of health and accident insurance, and the absence of other social protections that cover traditional labourers.

2.3 Independent Contractors or Full-Time Workers

The rapid growth of the gig economy has posed regulators with a novel challenge: how to classify workers and protect their rights without hindering economic growth and employment generation? Gig platforms tend to label gig workers as "independent contractors" rather than employees, an escape clause companies use to evade mandatory obligations towards their employees such as providing workers with social protections like healthcare, paid leave, and retirement plans. This classification, as minor as it seems, has led to the same governance issues faced by early industrial workers, where regulatory frameworks struggled to keep up with the demands of new work structures.

2.4 Contrasting Philosophical View

As much as the challenges concerning the gig economy are governmental, a multitude of philosophical questions also surrounds its complex debates. Gig platforms maintain the Libertarian view of this new work organisation, championing the flexibility and autonomy of gig platforms, enabling workers to choose their work hours and projects. In contrast, workers and labour unions have adopted a Marxist stance on the issue¹² arguing that gig companies perpetuate exploitation, with platforms controlling the means of production while shifting economic risks such as job security, health benefits, and income stability onto the workers. This is part of

¹² Natalie Rauscher, *The Future of Work in the United States: Discourses on Automation and the Platform Economy* (Springer Nature, 2021).

broader concerns about the commodification of labour, where human labour is reduced to disposable commodities left to face precarious conditions.

In contrast, labour economists maintain an overall optimistic view of the gig economy and it is often praised for its contribution to labour market flexibility. However, in its current organisation, the gig economy's flexibility comes at a cost. Critics argue that gig work drives the "precarisation" of labour, shifting the burden of economic risks from companies to workers, much like the unprotected labour of early industrial workers.¹³ This shifting of economic risks means that workers often lack access to essential protections, leading to rising inequality and economic instability.

Another long-term concern about gig workers is the limitation of opportunities for skills development. Human capital theorists have raised concern about how gig workers may find themselves trapped in low-paid jobs with little opportunities for upward progression.

2.5 Wickedness Surrounding the Issue

Given the complexities surrounding the gig economy, it can be characterised as a wicked problem. Governance challenges, such as the cross-border nature of gig work — where platforms operate internationally — are complex and involve multiple stakeholders, each with a multitude of interests. A wide array of priorities regarding national development, minimum wages, economic growth, and workers' social protections further complicate the situation. International cooperation and governance structures that are simple, easy to implement and replicable across

¹³ Juliet Webster, "Microworkers of the Gig Economy," *New Labor Forum* 25, no. 3 (2016): 56–64, <https://doi.org/10.1177/1095796016661511>.

nations will be essential for addressing these challenges, ensuring fair treatment and protection for gig workers across borders.

3. LITIGATIONS AND LEGISLATIONS AROUND THE GIG ECONOMY

The rapid expansion of the gig economy has presented policy makers with novel governance challenges: addressing the perpetuation of exploitation while ensuring economic growth. To tackle these novel challenges, regulators have sought new ways to improve workers' rights, access to benefits, and protections in a sector often characterised by precarious employment, uncertainty, and vulnerability.

Although companies have consistently raised concerns about the feasibility of these regulations, this study will analyse the suitability of legislations introduced in various parts of the world, the applicability of these in Pakistan, and propose a way forward that ensures workers protection while not hindering the benefits derived from the gig platforms.

As discussed earlier, the gig economy can be characterised as a wicked problem. One that is complex involves dichotomous situations, and often seems impossible to solve. The most controversial aspect of the gig economy is the classification of workers as "independent contractors" which has been challenged in courts due to profound implications it carries. Workers argue that despite working for full time (standard forty hours a week), they are not entitled to the benefits extended to the full time employees.¹⁴

¹⁴ Ibid

3.1 Initial Legal Challenges

A Grubhub driver filed a lawsuit against the company, arguing that his classification as an independent contractor was a mean to deny him his due rights.¹⁵ His argument was supported by evidence such as his total working hours exceeding the legal requirements of full-time worker, the controls the company could exert over workers, and the incentive mechanism used by the company as assertive methods to maintain driver performance according to its standards.¹⁶ The court kept in view the arguments presented before it ruled in favour of the driver, emphasising the importance of correct classification of workers and consequently ordered the company to ensure access to benefits. The case proved pivotal and set a precedent for other gig platforms, preventing them from leveraging the misclassification of workers to evade their obligation towards them.

3.1.1 Legislative Responses in the US

While workers' unions have taken their pleas to courts against the platform companies, several legislatures have also responded to the growing awareness of worker exploitation. However, the question facing legislative assemblies remains how to balance the workers' protection with continued economic activity that fosters more employment opportunities.

¹⁵ Kellen Browning and Aanna Ley, "Food Delivery Companies Sue New York City Over Minimum Pay Law," *The New York Times*, July 6, 2023, <https://www.nytimes.com/2023/07/06/nyregion/uber-minimum-wage-lawsuit-nyc.html>.

¹⁶ Michał Głuszak and Agnieszka Małkowska, "Platform Work in the Digital Economy," in *The Digital Economy and the European Labour Market* (Routledge, 2022), 169–81, <http://dx.doi.org/10.4324/9781003254638-16>.

3.1.2 California Assembly Bill 5 (AB5)

In 2019, California State Assembly passed a bill called AB5. It was aimed at standardising the criteria for classifying workers as employees. The bill established a three-part test (the ABC test)¹⁷ which required companies to demonstrate that gig workers were not their full time employees unless:

- i. They were free from the company's control and direction in performing their work.
- ii. Their work was outside the usual course of the company's business.
- iii. They had an independently established trade or business doing that type of work.

AB5 was hailed as landmark legislation that could ensure access to benefits such as minimum wage, healthcare, and paid sick leave for gig workers. Although gig platforms didn't welcome AB5, arguing that an indefinite number of workers would lose jobs as a consequence of compliance, several companies reassessed their approach to treating workers as independent contractors.¹⁸

3.1.3 California's Proposition 22

In direct response to California Assembly's bill AB5, gig platforms, dissatisfied with the compliance requirements, declared it unfeasible and unsustainable for the

¹⁷ Liya Palagashvili, Paola Suarez, Cody Kaiser, and Vincent Melo, "Assessing the Impact of Worker Reclassification: Employment Outcomes Post-California AB5," *SSRN Electronic Journal*, 2024, <https://doi.org/10.2139/ssrn.4709497>.

¹⁸ Waldemar Hoff, "Regulatory Governance for the Gig Economy," *Krytyka Prawa* 13, no. 2 (2021), <https://doi.org/10.7206/kp.2080-1084.448>.

gig economy, and subsequently advocated for Proposition 22.¹⁹ Platform companies faced criticism for their exorbitant spending to promote Proposition 22 which amounte to \$245 million. California voters passed Proposition 22, allowing companies like Uber and Lyft to maintain the classification of their drivers as independent contractors. Although it deprived the workers with the rights extended to full time employees by the Californian Assembly, it did ensure guaranteed minimum wage for active hours and some healthcare benefits, demonstrating a shift from the companies' earlier stance.

3.1.4 New York City's Fair Workweek Law

In a similar move, New York City enacted a law in 2017 requiring employers, including gig platforms, to provide fair scheduling practices and predictability for workers, thereby reducing precarity.²⁰ However, law proved to be merely guidelines due to its generalised structure.

3.1.5 Washington State's Gig Worker Protection Bill

The legislation enacted by Washington State has been well received by the trade unions and workers because of its clear nomenclature, strict compliance requirements, and broad social coverage. It mandates that gig companies provide minimum wage, paid sick leave, and other social benefits to gig workers, marking a significant milestone in the protection of gig workers' rights.²¹

¹⁹ Veena B. Dubal, "Economic Security & the Regulation of Gig Work in California: From AB5 to Proposition 22," *European Labour Law Journal* 13, no. 1 (2021): 51–65, <https://doi.org/10.1177/20319525211063111>.

²⁰ Caitlin Dewey, "States and Cities Eye Stronger Protections for Gig Economy Workers," *Washington State Standard*, September 19, 2023, <https://washingtonstatestandard.com/2023/09/19/states-and-cities-eye-stronger-protections-for-gig-economy-workers/>.

²¹ Ibid

3.2 Comparative Approaches in the European Union

The European Union (EU) has taken more stringent measures to regulate the gig economy compared to the US. In April 2024, the EU Platform Workers Directive was passed by the Parliament, aimed at improving working conditions for gig workers. This directive required companies to provide clearer contracts, improve social benefits, and enhance transparency and predictability to reduce the precarity of gig work. It also instructed the Parliaments of member nations to legislate at national level, following the general guidelines provided by the EU Parliament.²²

4. CONCERNS OF GIG PLATFORMS

Gig companies have maintained that their operational models are centred on flexibility and autonomy of gig workers therefore cannot fit within the standardised definition of labour. However, this has raised the question of who is responsible for the social protections otherwise available to workers in traditional industries.

Companies also warn about the implications of shifting all the responsibilities for workers' social protection onto employers. Platforms have raised concerns that increased regulations regarding workers' social protection and reclassification as full-time employees could lead to higher operational costs, which could, in turn, result in reduced services and higher cost for consumers, potentially leading to fewer job opportunities for workers. Uber, a synonymous with gig work, when forced to classify their workers as full-time employees had warned that this could result in limitation of hiring and offering of services, resulting in reduced economic activity in the sectors

²² European Union, "Gig Economy: How the EU Improves Platform Workers' Rights," *European Parliament*, April 18, 2024, <https://www.europarl.europa.eu/topics/en/article/20190404STO35070/gig-economy-how-the-eu-improves-platform-workers-rights>.

they operate.²³ However, companies often overlook the positive aspects of providing fair compensation to their workers, which could lead to reduced transaction costs involved in onboarding of these workers, improved performance, and adaptation of services by a broad consumer base.

Figure 1 presents trends in the ratio of CEO-to-worker compensation for CEOs at the top 350 US companies. Given such stark difference, criticism is justifiable when considering the expenses incurred on executive salaries and other benefits. Workers Unions and academics who advocate workers' rights argue that these platforms, which deny workers their fair compensation on account of increased operational costs, often pay their executive exorbitant salaries.²⁴ This tends to prove the dual labour theory, that contends that primary workers are often paid well when compared to the secondary workers.

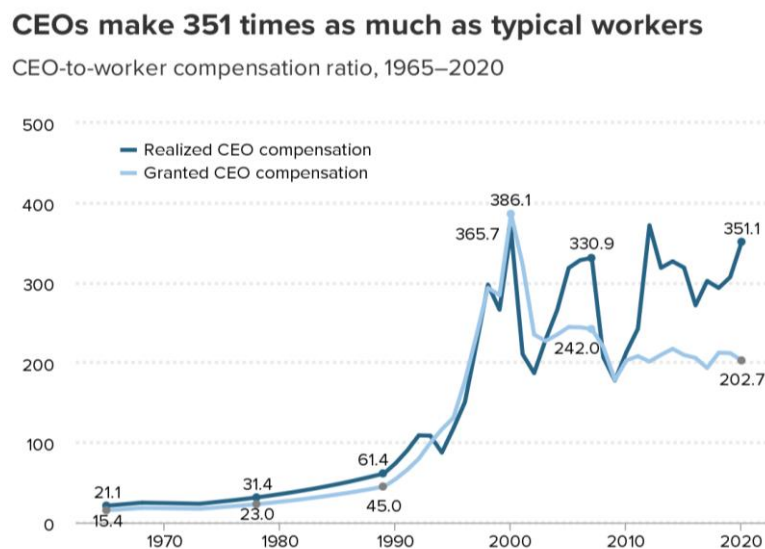


Figure 1: The dramatic increase in CEOs salaries with the advent of technological companies.

²³ Daniel E. Rauch and David Schleicher, "Like Uber, but for Local Governmental Policy: The Future of Local Regulation of the 'Sharing Economy,'" *SSRN Electronic Journal*, 2015, <https://doi.org/10.2139/ssrn.2549919>.

²⁴ Lawrence Mishel and Jori Kandra, "CEO Incentives—It's Not How Much You Pay, but How," *Harvard Business Review*, August 10, 2021, <https://hbr.org/1990/05/ceo-incentives-its-not-how-much-you-pay-but-how>.

5. GIG ECONOMY AND PAKISTAN

Pakistan has witnessed significant growth in the gig economy over the last decade. This includes freelancers who offer their services through platforms such as Freelancer.com, Upwork, and several other online platforms. Additionally, there are gig workers who provide their services through on-demand platforms such as InDrive, FoodPanda, and others. While freelancers who tend to be highly skilled have better working conditions and have their value enhanced with each completed task, gig workers involved in logistics services usually have limited options about the opportunities available to them.

5.1 Opportunities

According to the Pakistan Freelancers Association (PFLA), which has fifty thousand registered members — with the actual number of freelancers surpassing 2.37 million (those who have completed at least one freelance task) — freelancers earned 500 million USD in the last financial year.²⁵

It's not just skilled freelancers who have been earning through these platforms; Gig Platforms involved in logistics businesses provide job opportunities to thousands of Pakistanis. An estimated 0.7 million gig workers are involved in location based services earning their livelihood from these platforms. While many gig workers use these platforms to supplement their incomes and work part-time, others work beyond full-time working hours to make a living.

²⁵ Mamun M. Adil, "Pakistan's Gig Economy Is Worth \$300 Million and the Fourth Largest in the World," *Aurora Magazine*, October 11, 2024, <https://aurora.dawn.com/news/1145234/pakistans-gig-economy-is-worth-300-million-and-the-fourth-largest-in-the-world>.

5.2 Fair Compensation

FoodPanda, a food delivery service, with a ninety percent market share, estimates that fifty thousand riders deliver food from twenty thousand food establishments.²⁶ The company claims that, on average, its riders earn more than 40% of the minimum wage, with tips supplementing their incomes substantially. While FoodPanda remains optimistic about the riders' compensations, riders disagree with the platform. They argue that platform companies often do not account for the actual expenses incurred on fuel, mobile data, and vehicle maintenance.²⁷

It is not only the issue of fair compensation that surrounds the platforms such as FoodPanda; the company has also been criticised for evading liability altogether if their "independent contractors" are involved in work-related accidents, such as robbery, loss of cash, or injury, otherwise covered by the employers under the labour laws enacted in the country. However, Nauman Sikandar Mirza, who managed FoodPanda for six years before leaving in 2021, had a different opinion. In an interview with the Dawn, he stated that both the riders and company share equal liability, and opinionated that there is a room for improvement.²⁸ FoodPanda riders, he informed, are entitled to accidental insurance amounting to 0.5 million showing the company's resolve to increase social benefits coverage.²⁹

5.3 Control Mechanisms

InDrive, a ride-hailing company with a majority market share, has also been criticised for its precarious bidding method, which has increased work for the drivers.

²⁶ Hassan Arshad, "The Opportunities of Gig Economy," *DAWN*, July 24, 2023, <https://www.dawn.com/news/1766516>.

²⁷ Ibid

²⁸ Mariam Ali Baig, "Meal on Wheels - Interview with Nauman Sikandar Mirza, CEO Foodpanda Pakistan," *Aurora*, April 2018, <https://aurora.dawn.com/news/1142965>

²⁹ Ibid

Zain, an InDrive driver, believes that a significant portion of their time is spent on bidding for work for which they are not being compensated.³⁰ He recalled his time working for Careem—a ride-hailing app, that lost market share to InDrive — with a view that it, was a better option. Zaran, another driver, was also of the opinion that Careem had better compensation mechanisms such as waiting time charges, and rush time charges.³¹ However, the company terms it as an empowerment , both for customers and service providers, allowing them to reach a consensus on fare beforehand within the allowed limits. With over 100,000 drivers onboard, InDrive says it also offers its customers and drivers with accidental health insurance amounting to 1 million. It also promised to cover the hospital expenses incurred during the ride.³²

5.4 Conditions of Workers

While gig workers are unhappy with the platforms, FairWork, an organisation that assesses the working conditions of gig workers has also shown the adverse situation surrounding gig economy. They examined six gig platforms, namely Bykea, Careem, inDrive, Uber, Foodpanda, and GharPar. According to FairWork, the platforms failed to provide any evidence to help support their claim of consistent, fair pay equal to or above the minimum wage or local living wage after deducting work-related expenses. ³³

³⁰ Zuha Siddiqui, “InDrive Wanted to Make Ride-Hailing Fairer. Drivers Say It Has Made Them Poorer,” *Rest of World*, October 17, 2023, <https://restofworld.org/2023/indrive-pakistan-drivers-underpaid/>.

³¹ Ibid

³² Ibid

³³ Fairwork, *Fairwork Pakistan Ratings 2022*, Centre for Labour Research, 2022, <https://clr.org.pk/Fairwork-Pakistan-Ratings-2022.pdf>.

Fairwork has based its findings on assessment of five key factors: Fair Pay, Fair Conditions, Fair Contracts, Fair Management, and Fair Representation. As per their assessment, all of the six companies they assessed failed to prove that their workers earn a minimum wage if they work full time, let alone a living wage which amounts to PKR 205 per hour.³⁴ Similarly, working conditions remain questionable with workers often facing issues such as access to clean drinking water, toilets and other safety issues. They also remain unaware of the contracts they have made with companies with changes being imparted without prior discussions. Fair Management showed some signs of hope with the availability of appeal mechanisms in case of complaints but mostly remains undocumented raising concerns about the seriousness of the practice. In line with the other factors, fair representation remains unaddressed with companies not ready to discuss issues with any workers collective.

The Gig Economy has undoubtedly contributed to the overall development of Pakistan. It has provided citizens with ample job opportunities, driven economic growth, helped the economy digitise, and expand business opportunities. Pakistan is experiencing a youth bulge, with millions of young citizens entering the labour market every year. In a dire situation like this, gig platforms have provided a buffer to unemployed citizens because of the low cost of entry into the gig economy. However, this bulk supply of labour has resulted in low bargaining space for workers and they often work on terms that are exploitative. Next section offers an analysis of the governance efforts that have been made to tackle these exploitative actions and explores how we can ensure a fair gig economy paradigm.

³⁴ Ibid

6. ANALYSIS

Technology has disrupted economies all around the world, and the labour organisation is no exception. The Gig Economy, a work mode based on short-time one-off tasks, has shown tremendous growth with technological improvements over the last decade. It has enabled businesses to expand, reach more customers, and help digitise the economy. Gig Platforms involved in logistics and transportation have made mobility easier, broken the monopoly in the transport sector, and has allowed unskilled workers to earn livelihood.

However, platform economies are mostly characterised by monopolies as well, where most of the market is dominated by one company. Workers involved in the gig economy have raised concerns about the absence of regulations to protect their rights. In response to the concerns, governments have attempted to limit the independence of these platforms through legislation. The US and the EU started regulating the platforms by providing necessary minimum guidelines. Bills such as AB5 and EU directives were aimed at the same purpose.

Additionally, the issue of algorithmic governance—how platforms use algorithms to allocate tasks and determine pay—raises concerns about transparency and fairness. Ensuring workers' data rights and preventing algorithmic biases will be key governance priorities in the future.

Efforts to regulate these platforms by setting minimum standards such as ensuring minimum wage by Spain and California (conditional) are commendable and provide some sense of security to the workers. However, regulations declaring these workers as full-time employees could result in hampering the overall economic

activity. As noted by companies, this could result in reducing the workforce and ultimately will affect the sectors connected with the gig economy.

It is however important that companies do not take exploitative routes towards profit making. Paying millions of dollars to executives while workers suffer from a lack of basic needs cannot be accepted in a humanistic society. While companies claim that their workers earn more than the minimum wages if they work full time, the question of other benefits is more important. The shift of economic risks such as accidents, sickness or death could have adverse effects on the dependents and can be devastating. It is therefore important that the government, in consultation with workers and companies, devise a mechanism for the provision of such benefits.

7. POLICY RECOMMENDATIONS

In view of the above discussion, there has been progress in developed countries to improve the working conditions for the gig workers. Legislation and court decisions around the world have provided necessary guidelines as to how we can build a model that works for the countries like Pakistan, where the gig sector is flourishing and providing job opportunities to hundreds of thousands. Pakistan can implement following policy recommendations to improve the overall gig economy environment:

7.1 Clear Worker Classification

Pakistan should formulate clear legal definition for gig workers that defines their workers' status clearly. They should be given an option to choose between part time or full time work. If they choose to work full time and they fulfil the standard working

hours, they should be eligible for employee benefits, including health insurance and retirement savings.

7.2 Social Protections

All gig platforms in Pakistan should be made responsible for taking care of the work-related accidents and injuries. Workers should be entitled to accident and health insurance regardless of their status. The government should register these workers with Social Security departments, enabling workers and their families to access those benefits.

7.3 Wage Indexation

Gig workers' wage should be indexed to standard parameters such as platform profitability, inflation, and cost of living to ensure fair compensation. Companies must have transparent pay structures to eliminate biases in task allocation and wage calculation.

7.4 Introduction of Basic Guaranteed Income (BGI) Programme

Pakistan should introduce a BGI programme to provide support to low-income gig workers and reduce income precarity. The programme could be funded through a mix of government subsidies, platform contributions, and international development assistance.

8. CONCLUSION

The gig economy, once praised for its commitment to job flexibility and autonomy, has turned into a complicated economic arrangement characterised by worker precarity, unstable wages, and regulatory challenges. In developing

economies like Pakistan, while technology-based gig platforms have provided economic opportunities and reduced the rate of unemployment, concerns regarding wage compensation, job security, and social protections have also come to the forefront. The absence of a well-defined legal framework and governance mechanisms has enabled companies to exploit workers, adding to the economic risks.

As discussed above, a central issue in governance of gig economy remains classification of workers i.e., whether workers should be classified as independent contractors or designated employees. Case studies from developed states and the legislative actions such as AB5, California's Proposition 22, Washington State's Gig Worker Protection Bill, and the EU's Platform Workers Directive emphasise on the role of institutions in shaping the gig economy, highlighting that stronger governance results in better protection of workers and creates a profitable relationship between workers, gig platforms, and state economy.

For Pakistan, where gig economy is still in its nascent stage, it is important to formulate a governance model which allows business growth whilst safeguarding workers' rights. Policy options including clear worker classification, social security registration, accident insurance, and wage indexation can help Pakistan become a fairer gig economy. Ultimately, a broader collaborative approach – where the government, gig platforms, and workers come together for policymaking – is pertinent for running a gig economy that follows principles of equity, transparency, and long-term economic development.

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