

Time to formalise gig economy workers to avoid labour exploitation

IT is time to formalise gig economy workers within the domestic labour market as lack of formal recognition under Malaysian labour law exposes them for exploitation and inadequate protection.

Research for Social Advancement (Refsa) researcher Jaideep Singh said for better or worse, the gig economy will remain for the foreseeable future and Malaysia needs to adapt to the situation sooner.

“Judges in countries like Canada, France and the UK, for example, have ruled in favour of gig workers in cases against Uber, classifying them as similar to normal employment rather than self-employment. Malaysia should follow suit.

“Budget 2022 has made some progress towards helping gig workers out, such as increasing the tax relief for their Employees Provident Fund (EPF) contributions to RM4,000 as well as expanding the coverage of social protection under the Social Security Organisation (Socso) to include new categories of informal workers. Moving forward, the momentum needs to continue,” he told The Malaysian Reserve (TMR).

The pandemic may have accelerated the growth of the gig economy, as consumers moved away from brick-and-mortar stores and started working from home regularly, which created huge demand for delivery services among others as well as a desire for flexibility that gig work could offer.

“Some of these trends, such as hybrid work arrangements and rising digitalisation/automation, may be here to stay for the foreseeable future, which would bode well for the future of the gig economy,” he said.

Gig workers need to be given access to the more comprehensive social protection system that traditional employees enjoy, including automatic enrolment under EPF and employment insurance under the Employment Insurance System.

“To achieve this, they need to be recognised as workers, which would require a definitional shift in line with what some developed countries have done,” he added.

Can a day job in a gig economy replace a traditional job? Jaideep said this depends on the nature of the gig economy job as well as the social protection system in place,

He said the gig economy is a diverse sector that covers everything from consulting services to e-hailing and accommodation. Some, especially freelancers, engage in gig work as a supplementary source of income.

He noted how low-skilled gig workers, especially those involved in transportation and delivery, often face precarious employment, given the high dependence on fluctuating consumer demand.

“Coupled with the lack of formal social protection, these jobs cannot be relied on for a steady source of income, meaning it is much harder for them to replace a traditional job,” he said.

Gig work, according to Jaideep, may continue to attract the secure but flexible (upper) middle class on the one hand and the insecure but desperate poor on the other hand.

“In other words, if the poor, especially those in urban areas, find that they cannot earn a living wage through traditional employment due to a lack of suitable, available opportunities for example mismatch of skills, they are forced to turn to gig work as it usually has a lower skill requirement.

“But the consequence is that there is less protection, lower social mobility and very limited scope for career progression that traditional employment can offer. In the pandemic, many low income individuals have had to resort to this sort of precarious gig work after losing their jobs. If these trends continue in the years to come without the requisite protection, they could further exacerbate inequalities,” he said.

Department of Statistics Malaysia (DPSM) data shows that as of 2018, the gig economy already accounted for 18.5% of Malaysia’s gross domestic product.

EMIR Research head of social, law and human rights Jason Loh Seong Wei said if DOSM’s projection is correct, then the contribution would have grown to 30% in 2020.

He said the contribution will increase in the years to come although it might stabilise after a while. If so, this shows that Malaysia is not overly dependent on the gig economy as a source of employment and economic growth.

“Much of the gig economy or the standard or stereotypical gig job is low-skilled or non-high-skilled ones in which there’s little value-added service for example the food delivery which has become ubiquitous in the highly urbanised areas.

“As such, there’s a critical need to ensure that the majority of those, especially with reference to the youth, who are engaged in the gig economy to later on

upskill (and reskill or cross-skill) as part of our quest to produce more highly-skilled workers in the future for a digital and high-technology economy,” he told TMR.

Loh said towards that end, we should also ensure that there are incentives in place to encourage the youth to transition out of the gig economy and into training and development for the digital and high-technology economy (including in green technology and renewable energy).

“The government must, therefore, play a proactive role in encouraging the youth to transition from the gig economy – by working with the private sector to provide on- the-job training and permanent positions in critical industries and sectors.

“It is in line with the Malaysia Digital Economy Blueprint to create 500,000 high-skilled jobs across the board which especially is aimed at the youth,” he said.

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