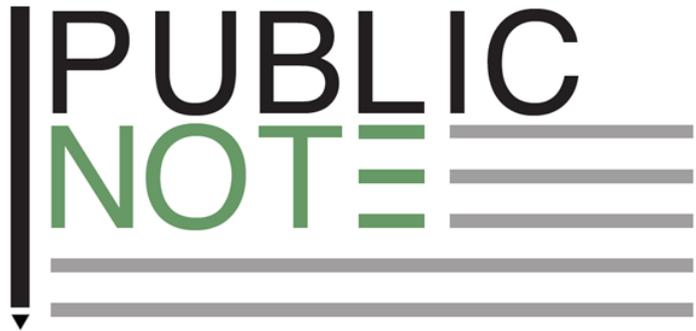


# The welfare State Should Adjust To New Risks Caused By The Gig Economy

An interdisciplinary approach

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Favouring political and economic conditions combined with technological advancements allowed casual employment on digital platforms recently to rise – the gig economy emerged. It is estimated that at least 45 million gig workers were registered online in 2015. This new sector ensures flexibility and autonomy; nevertheless, it brings about risks related to welfare state services which were designed for traditional forms of employment. New risks include an unclear employment status, irregular working hours, overwork and constant digital surveillance.

The paper takes an interdisciplinary approach due to the complexity of the gig economy posing questions and challenges across the disciplines of economics, philosophy and politics. It concludes that jobs in the gig economy need to have the same standards and working conditions as traditional jobs. This implies adjusting welfare state policies to the new demands through shared responsibility of both the corporations in the gig economy and the welfare state.

## Lessons for practice

- The philosophical insights have shown the precarities and risks in the gig economy and advocate for the need to act; politics and economics are the means for implementation
- It is the shared responsibility of corporations and the welfare state to address the risks through suitable policies and laws
- The regulation accounting for different risks stretches from national welfare state services to global policies regarding for example taxation and data privacy
- The paper has given a valuable but limited view into the gig economy and therefore only provides a general recommendation for policymaking.

Keywords: gig economy, flexibility, digitalisation, welfare state, neoliberalism

## **What is the gig economy?**

Uber, a prominent example of a gig economy platform, has recently been in the news as the UK supreme court has decided that drivers should receive paid holidays and a minimum wage. This is one of 1,000 cases that challenges gig workers' employment status (Butler, 2021). Uber itself argues that its workers are "independent self-employed partners" and thus not entitled to basic legal rights like traditional workers.

While temporary and flexible employment forms are not new, the gig economy benefited from favourable political and economic conditions and accelerated thanks to technological advancements. The gig economy will be defined as the "establishment of a capital-labour relationship between a worker and a digital platform, that mediates workers' supply and consumer or professional demand for the completion for a small task or 'gig' and operates at once as a market intermediary and a shadow employer" (Gandini, 2019).

This new economic sector allows for high levels of flexibility, autonomy and task variety. Despite that, it brings about risks related to welfare state services which were designed for "old" forms of employment. This means no guarantee of sick leave, no minimum wage, irregular working hours, overwork and constant digital surveillance (Wood, 2019). The problem is the gap between state regulation responding to these risks and essential welfare services.

An interdisciplinary approach is suitable as the topic is not solely about economics but includes the role of the state and ethical concerns regarding the precariousness of this sector. Taking this interdisciplinary approach, I will argue that the welfare state should adjust to new risks caused by the gig economy from three disciplinary standpoints: economics, politics and philosophy. Based on this argumentation, a comprehensive conclusion will be drawn.

### **Economics:**

Economic theories like the Marxist Labour Process Theory (LPT) and Friedman's view on business' responsibilities provide valuable insights explaining the conditions and resulting risks in the gig economy. Friedman assumes perfect information in the market and sees the only interest and goal of a firm in profit maximization. This means that corporate executives or businesses in general in the gig economy do not bear any responsibility other than maximising their company's profit and therefore do not have to account for any precarities. In contrast, the LPT critically assesses the conditions for working on such digital platforms and focuses on the point of production, emotional labour and control in the gig economy (Gandini, 2019). Important here is the transfer of risks from employer to worker resulting from non-traditional work (Chai & Scully, 2019).

### **Politics:**

The question of how the welfare state can regulate the gig economy and account for the resulting risks includes insights into the discipline of politics which has been structured along the classification of Esping-Andersen. The welfare state is defined as a safety net accounting for sickness, unemployment and old age; however in the light of neoliberalism and the shift towards a post-industrial labour market - which the gig economy is part of - new risks especially for low-skilled workers arise (Kersbergen & Vis, 2013). Therefore, it is inferred that the regulation of this new sector is based on both national and global policies to fully account for all risks. Depending on the welfare state type, different regulatory policies among European states are needed. Despite national governing institutions implementing regulations, the gig economy as a global sector poses regulatory challenges across borders. Thus, for an effective regulation, global policies need to be established likewise (Eichhorst, 2017).

### **Philosophy:**

Lastly, concerns about the safety and well-being of workers in the gig economy are raised in business ethics. The question of responsibility includes three possible duty bearers: the welfare state, corporations or individuals. The theory shifting the responsibility from the state to businesses beyond profits is corporate social responsibility. It is based on the Aristotelian approach of individual virtue and integrity from which Solomon derives that self-interest is in line with the public good (Solomon, 2004). Moreover, concerns about the supervision and control in the gig economy are expressed in which workers essentially suffer from an “asymmetrical power struggle” (Snider, 2018; Tan, 2020). These insights show the lack of contribution from the side of corporations towards the common social good. The importance of a holistic perspective beyond the binary opposition of profit or social responsibility is stressed and it is advocated for the same standards for digital platforms and traditional employers (Prassl, 2019).

## **Conclusion**

While the economic and political insights complement each other, those of economics and philosophy conflict as Friedman’s argumentation fundamentally opposes to Solomon on the question of responsibility. The philosophical insights will be prioritized considering the following: regulations are fundamental building blocks for the functioning of our economy to ensure the long-term existence of businesses and our society to protect the rights and safety of citizens. Therefore, the only way to ensure the continued existence of the gig economy is through regulatory policies.

In conclusion, the gig economy needs to be regulated using adopted and possibly new policies through shared responsibility. This entails that businesses need to ensure working standards as in traditional workplaces and that further welfare services going beyond the capabilities and role of businesses are to be covered by the state. Lastly, the gig economy should be regulated through national and global policies to cover all risks. In addition to national regulations which depend on the welfare state type, global policies need to be established likewise to account for challenges across borders such as taxation.

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### **A note from the author**

I have written this paper as part of a course in my studies, the Capstone Project. The aim was to write an interdisciplinary research paper about a societal issue or problem within my track „Challenges to the Welfare State“. What inspired me to write about the gig economy was the huge number of „riders“ in Utrecht. I started to inform myself about the working conditions, organisation of such jobs and its (lack of) regulation and thus realised the growing importance of this sector. Therefore the complexity of the gig economy fits very well into the framework of an interdisciplinary approach as it poses questions across the disciplines of politics, philosophy and economics.