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**THE GIG ECONOMY, DIGITAL  
LABOUR PLATFORMS, AND  
INDEPENDENT EMPLOYMENT  
IN THE EASTERN CAPE**

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## THE GIG ECONOMY, DIGITAL LABOUR PLATFORMS, AND INDEPENDENT EMPLOYMENT IN THE EASTERN CAPE<sup>1</sup>

### 1. Introduction

At the dawn of the 21st century, freelance work through online platforms emerged as a new phenomenon, gradually becoming a distinctive feature of the digital economy characterised by remote platform work, also known as online freelancing and online gig work. What is the role of digital labour platforms in transforming the world of work? To what extent do freelancing and online gig work contribute to the reduction of both the *unemployment rate* and the *working poverty rate* in a poor province like the Eastern Cape? The study employs Statistics South Africa's Quarterly Labour Force Survey (QLFS), General Household Survey (GHS), and Income Dynamic Survey<sup>2</sup> (IDS) to explore the implications of the gig economy in terms of the employment potentials for the Eastern Cape Province. Understanding freelance work and digital labour platforms in the context of employment will contribute towards better policy and regulation for these new forms of work and support job creation in the Eastern Cape.

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1. Key words, acknowledgment, and disclaimer.

- **Key words:** *gig economy, digital labour platform, freelance workers, labour market dynamics, and working poverty rate*
- **Acknowledgement:** *The authors acknowledge inputs from Nelson Mandela University (NMU), ECSECC, staffs from the International Labour Organisation, Statistics South Africa's Quarterly Labour Force Survey, and the national Department of Labour.*
- **Disclaimer:** *The primary data for online freelancing or online gig work in the Eastern Cape was not reliable. Due to lack of data, this document is only released as work in progress, and it will be completed once the relevant information becomes available.*

<sup>2</sup> National Income Dynamics Study – Coronavirus Rapid Mobile Survey (NIDS-CRAM) 2020, Wave Version 1.1.0. Cape Town: Allan Gray Orbis Foundation. Cape Town: Southern Africa Labour and Development Research Unit, 2020. DOI: <https://doi.org/10.25828/7tn9-1998>

## 1.1 Concept and basic definitions

Before plunging deeper into the subject, let us clarify the concept and provide basic definitions of selected key words used in this report.

- **Freelancer<sup>3</sup>** and **freelance worker** are terms commonly used for a person who is self-employed and not necessarily committed to a particular employer. In other words, a freelancer pursues his/her profession without a long-term commitment to any one employer. Freelancing is also a form of entrepreneurship (autonomous worker; independent labourer; independent contractor or consultant) who earns wages on a per-job or per-task basis, typically for short-term work.
- **Gig economy** is a labour market characterised by the prevalence of short-term contracts or freelance work as opposed to permanent jobs. The gig economy is based on flexible, temporary or freelance jobs, often involving connecting with clients or customers through an online platform. The gig economy can benefit workers, businesses and consumers by making work more adaptable to the needs of the moment and demand for flexible lifestyles
- **Gig workers** are independent contractors, online platform workers, contract firm workers, on-call workers, and temporary workers. Gig workers enter into formal agreements with an on-demand company to provide services to the company's clients. *In South Africa, most gig workers are classified as independent workers (Fairwork, 2021).*
- **The Online Labour Index** provides an online gig economy equivalent of some conventional labour market statistics. It measures the supply and demand of online freelance labour across countries and occupations by tracking the number of projects and tasks across platforms in real time.

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<sup>3</sup> *These “traditional” freelancers have no employer and instead do freelance, temporary or supplemental work on a project-to-project basis. Freelancing is also a form of entrepreneurship, which means the freelancer has total control of his/her earning potential. Freelancers are not locked into a salary, and so can earn as much as they are able to bill to their clients.*

- *The working poverty rate* conveys the percentage of employed persons living in poverty despite being employed.

## **1.2 Background and aim of the study**

### **1.2.1 Background to the study**

With the rise of the gig economy, people are talking about freelancing more than ever before. The world of work has been disrupted by advances in digital technology, like artificial intelligence (AI), automation, big analytics, blockchain, cloud computing, 3D printing, Internet of Things (IoT) and robotics (World Bank, 2019 and UNCTAD, 2019). Undoubtedly, these digital technologies have played a major role in facilitating changes in business models that are already affecting the nature of work, workers, and employment relationships globally. However, the successful adoption of these technologies holds much promise for businesses and consumers but also presents new challenges to labour markets.

Countries are experiencing shifts in the labour market associated with the advancement in digital technologies. According to Christensen *et al* (2018), digital technologies affect labour markets through three key channels: automation, connectivity and innovation. These channels interact in complex ways to affect economic factors that drive changes in business models, production and the nature of work. Added to the changes the demographic and social shifts. Also, the spread of Covid19 brought further changes in the business model, and more specifically to the workplace. For instance, prior to the pandemic, remote working was considered an unusual phenomenon. Following the spread of Covid19 and the consequent lockdowns, remote working has become the new normal and part of operating a business. Technology has played a profound role in facilitating this new normal in the world of work.

Recently, the advancement of digital technologies and changes in business models have led to the emergence of the gig economy and digital labour platforms that use these technologies to mediate work or deliver services between service provider and customers (ILO 2018).

This trend coincides with an expansion in the pool of workers with a high degree of autonomy, paid by task or assignment, who provide services to their employers on a short-term basis. Together with the gig economy, digital labour platforms are evolving rapidly because they create a large-scale efficient marketplace where workers are linked directly to clients or buyers through the platform. Recognising this trend, businesses and employers are creating environments with the fluidity and flexibility that workers seek and are less hierarchical, more adaptable definitions of jobs and responsibilities, unconventional working arrangements, and more blending of work and private life (McKinsey, 2016). Zhou (2020) notes that digital labour platforms have grown because they provide a partial response to at least three needs: business demand for flexibility in production processes, policymakers' intention for better labour market efficiency, and workers' interests in flexible working-time arrangements.

As in other countries, platform work is expanding rapidly across South Africa and the Eastern Cape is no exception. One of the main factors contributing to the growth of platform work is the growth and expansion of platform businesses in South Africa, like ride-hailing and transport services (Bolt, DiDi, Droppa, Uber, and PicUp), food delivery services (Mr D Food Delivery, Uber Eats and Checkers Sixty60) and other online business services (GetTOD, M4Jam, NoSweat, SweepSouth, Upwork). Another reason is the high level of digital penetration and the vast number of internet users across South Africa. In addition, there is a large unemployed and inactive population who want to work, and increased demand for independent services from both consumers and businesses. As the number of online platforms grows, the numbers of independent workers are rising due not only to the growth of the gig economy but also its ability to absorb the unemployed, given the high level of unemployment in South Africa.

Reducing unemployment is a top priority in South Africa which includes ensuring that technological change reduces rather than exacerbates the unemployment problem. The benefits and costs of the gig economy remain highly debated, particular with regard to employment and quality of employment. One view argues that the platform creates job opportunities and benefits socially marginalised groups, like the unemployed. McKinsey (2016) asserted that the reliance of the gig economy on independent workers could benefit the economy by cushioning unemployment, promoting labour force participation, stimulating demand and raising

productivity levels. Also, consumers and business could benefit from the greater availability of services and improved job matching that better fulfils their employment needs. In contrast, another view asserts that the rapid rise of the gig economy reflects the exploitation of regulatory and legal loopholes and the imposition of one-sided flexibility on workers, rather than superior business models (Leenoi, 2021; Schwellnus *et al*, 2019; Zhou 2020).

Despite the benefits of the gig economy, there are some challenges to the existing regulations. Yet, there is limited understanding of the gig economy in the Eastern Cape and more broadly in South Africa. In the context of the Eastern Cape, the real question is how the underlying growth of the gig economy and digital labour platforms could affect the nature of work and contribute to job creation. It is equally important to consider how the gig economy can help reduce unemployment in the Eastern Cape.

### **1.2.2 Problem statement and objective of the study**

The main questions the study seeks to address are: What is the role of digital labour platforms in transforming the world of work? To what extent does freelancing and online gig work contribute to the reduction of both the *unemployment rate* and the *working poverty rate* in a poor province like the Eastern Cape? The objective of this study is to explore the implications the gig economy and digital labour platforms have for the overall labour market of the province. It is anticipated that understanding the gig economy in the context of employment, and the findings of this study, will contribute towards the reform of labour policy in the Eastern Cape.

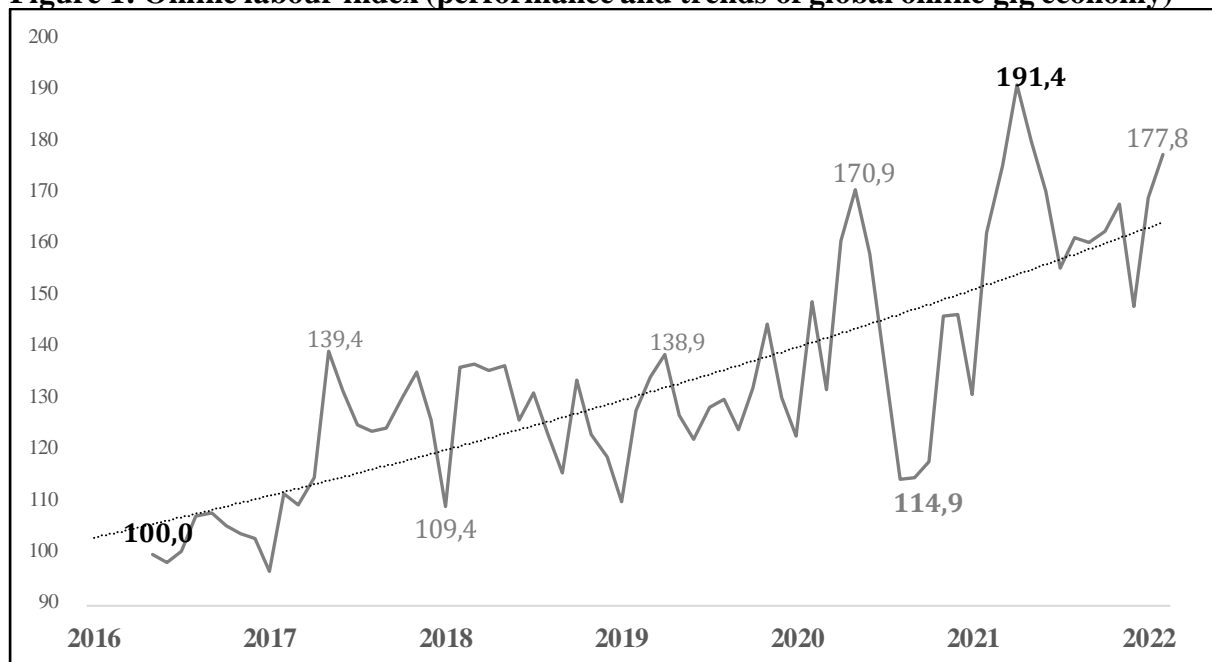
### **1.3 Performance and trends of global online gig economy**

The online gig economy market, also known as *online labour market* or *online freelancing market*, is understood as the market comprising platform-mediated work that is conducted remotely via the internet (Horton *et al*, 2018). Instead of hiring a standard employee or contracting with a conventional outsourcing firm, companies are using online labour platforms to find, hire, supervise and pay workers on a project, piece-rate or hourly basis (Tubaro *et al*, 2020; Vallas & Schor, 2020). Enterprises from small to large are using these platforms to access

skills and flexible labour, assisted by specialised consultants and online outsourcing firms. Figure 1 below provides *online labour indices* (OLI: 2016 and 2021), which portray the performance and trends of the global online gig economy.

*The global online labour market has, over a short period, registered an overall index growth of 90%. Figure 1 shows the extent to which the gig economy's online projects fluctuated significantly, due primarily to seasonal variability over the period of the Covid19 pandemic.*

**Figure 1: Online labour index (performance and trends of global online gig economy)**



Source: International Labour Organisation (ILO: 2022) [www.onlinelabourobservatory.org](http://www.onlinelabourobservatory.org)

#### 1.4 Organisation of the study

The rest of this study is organised as follows: Section 2 looks at labour market dynamics with more emphasis on the unemployment rate and the working poverty rate. Section 3 looks at the nature of the gig economy and digital labour platforms. Section 4 analyses the level of employment and the gig economy in the Eastern Cape. Section 5 deals with the challenges of digital labour platforms. Section 6 provides policy recommendations and lastly, Section 7 provides the conclusion.

## 2. Labour market dynamics: unemployment rate, and working poverty rate

This section unpacks the monthly earnings of self-employed people and shows the proportion of people who are employed yet remain poor (working poor). It also indicates two shocking trends relating to the rates of unemployment and poverty in the province to shine some lights on the gloomy labour market condition in the province. The main highlights of the section are presented in the box below.

- *An analysis of the monthly earnings of self-employed people reveals that roughly 62% of self-employed people in the Eastern Cape (57% in the country as a whole) are working yet are poor.*
- *In the Eastern Cape, the number of unemployed people has surpassed the number of people in employment. This has many implications for the dependency ratio, tax base, affordability and reliance on the government for social assistance, to name only a few.*
- *The twin predicament of having the highest share of people below the food poverty line, coupled with the highest youth unemployment rate in the country, suggests that efforts toward growing the economy and creating jobs are not addressing social ills.*

### 2.1 Employed yet poor

#### 2.1.1 Minimum wages and monthly earnings of self-employed people

In gazette<sup>4</sup> No 44 136 published on Monday evening (7 February 2021), the minister said the national minimum wage was now R23.19 for each ordinary hour worked. Multiplying this hourly rate of R23.19 by 8 hours a day and 24 working days a month, yields a minimum wage rate of R4 452 a month.

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<sup>4</sup> Also look at the National Minimum Wage Act, No 9 of 2018 (Department of Employment and Labour) [https://www.gov.za/sites/default/files/gcis\\_document/202102/44136gon76.pdf](https://www.gov.za/sites/default/files/gcis_document/202102/44136gon76.pdf)



Table 1 uses the Quarterly Labour Force Survey (3Q2021) to unpack the monthly earnings of self-employed people in the country and in the Eastern Cape Province. During the third quarter of 2021, about 62.3% of self-employed people in the Eastern Cape (57.6% in South Africa as a whole) earned less than the minimum wage rate.

Working while swimming in a pool of poverty has contributed to the country's persistent inequality of income, especially in the Eastern Cape. Unfortunately, Table 1 does not reveal the proportion of self-employed workers who are freelancers<sup>5</sup> (gig workers).

**Table 1. Monthly earnings of self-employed people: 62% of self-employed people in the Eastern Cape (57% in South Africa as a whole) are working yet are poor**

Monthly earning of self-employed people: 3Q2021		SA		Eastern Cape	
Below minimum wage rate  (Employed yet poor)	1. R0-R999/month	1,0%	<b>57,6%</b>	0,9%	<b>62,3%</b>
	2. R1 000-R1 999/month	4,8%		5,6%	
	3. R2 000-R2 815/month	19,5%		23,4%	
	4. R2 816-R3 499/month	18,8%		22,7%	
	5. R3 500-R4 332/month	13,5%		9,7%	
Low to middle-class workers	6. R4 333-R5 680/month	11,0%	<b>32,6%</b>	10,8%	<b>33,7%</b>
	7. R5 681-R7 999/month	7,9%		6,9%	
	8. R8 000-R12 160/month	6,4%		3,3%	
	9. R12 161-R22 999/month	6,5%		11,5%	
Upper class	10. R23 000-R24 999/month	0,8%	<b>9,8%</b>	1,2%	<b>4,0%</b>
	11. R25 000-R29 999/month	0,1%		0,2%	
	12. R30 000-R42 999/month	1,3%		1,4%	
	13. R43 000/month and above	8,4%		2,4%	
		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Total number of self-employed people</b>		<b>1 537 817</b>		<b>118 718</b>	

Source: Statistics South Africa (QLFS, 2022), own calculations

<sup>5</sup> From the definition provided in section 1, it was established that gig workers are self-employed. But not all those who are self-employed are gig workers. Due to a lack of data on freelancers, the analysis is limited to the aggregated indicator.

### **2.1.2 High inflation rate and fuel price hikes worsen living conditions for working-poor**

According to the South African Reserve Bank, the country's annual inflation rate accelerated further to 5.9% in December 2021. It eased to 5.7% in January 2022. However, it remains high and close to the top of the Reserve Bank's 3% to 6% target range. In January 2022, prices rose faster for food (5.7% v 5.5%); housing & utilities (4.3% v 4.2%); furnishings (2.2% vs 2.1%); recreation & culture (1.9% v 1.4%); restaurants & hotels (5% v 4.2%) and miscellaneous goods and services (4.6% v 4.3%). High inflation affects the poor more than it does the rich. It erodes the disposable income of the working poor and deepens their poverty levels.

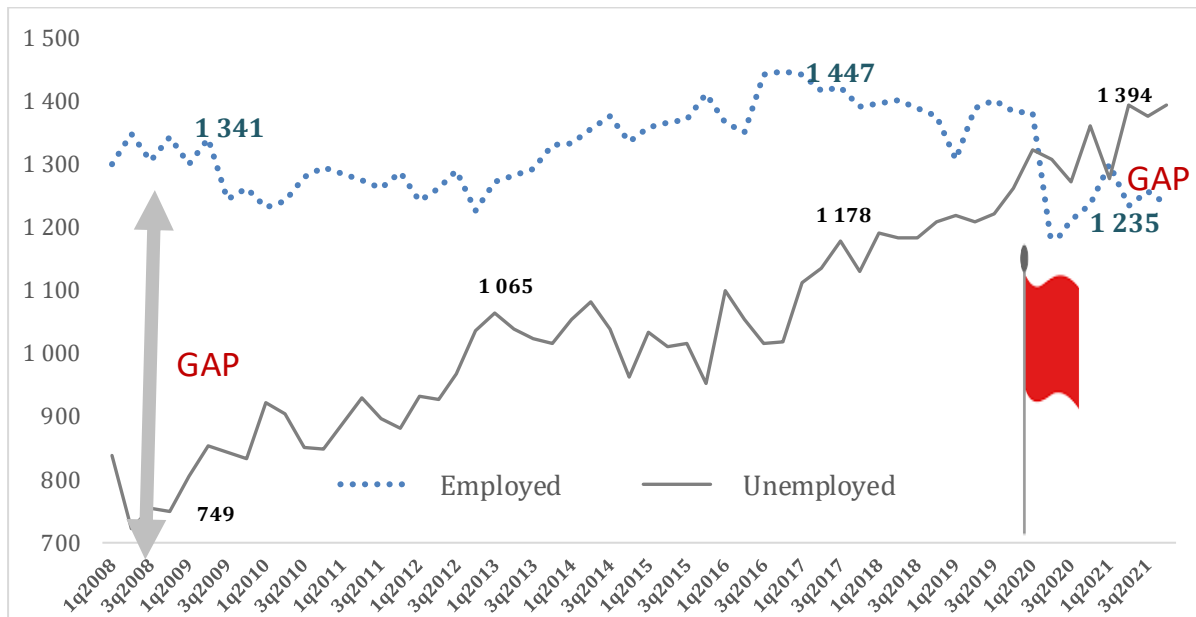
The fuel price hikes expected in March 2022 will affect transport costs. Most working poor (domestic workers, farmers and those in elementary occupations including cleaners) do not work from home. They go to work by taxi or bus. A transport cost increase will reduce their already minute disposable income.

### **2.2 The number of people unemployed has now exceeded the number of people employed**

As indicated in Figure 2, the Eastern Cape now has more people unemployed than employed, and the gap is getting wider. This regrettable state of affairs is exacerbated by the Covid19 pandemic and apparently contributes to the rise of informal sector, self-employment and freelancer activities in the province.

The sharp decline in employment since 1999 is mostly attributed to the economic and financial downturn due to lockdown measures to curb the spread of Covid19, causing many people to lose their jobs. Under pandemic conditions, the gig economy has given considerable opportunity to people who have lost their jobs to look for part-time and independent work. The alternative work arrangement provided through gig platforms will facilitate flexible working conditions and remote working. This will also encourage people who are unable to work full-time to join the workforce.

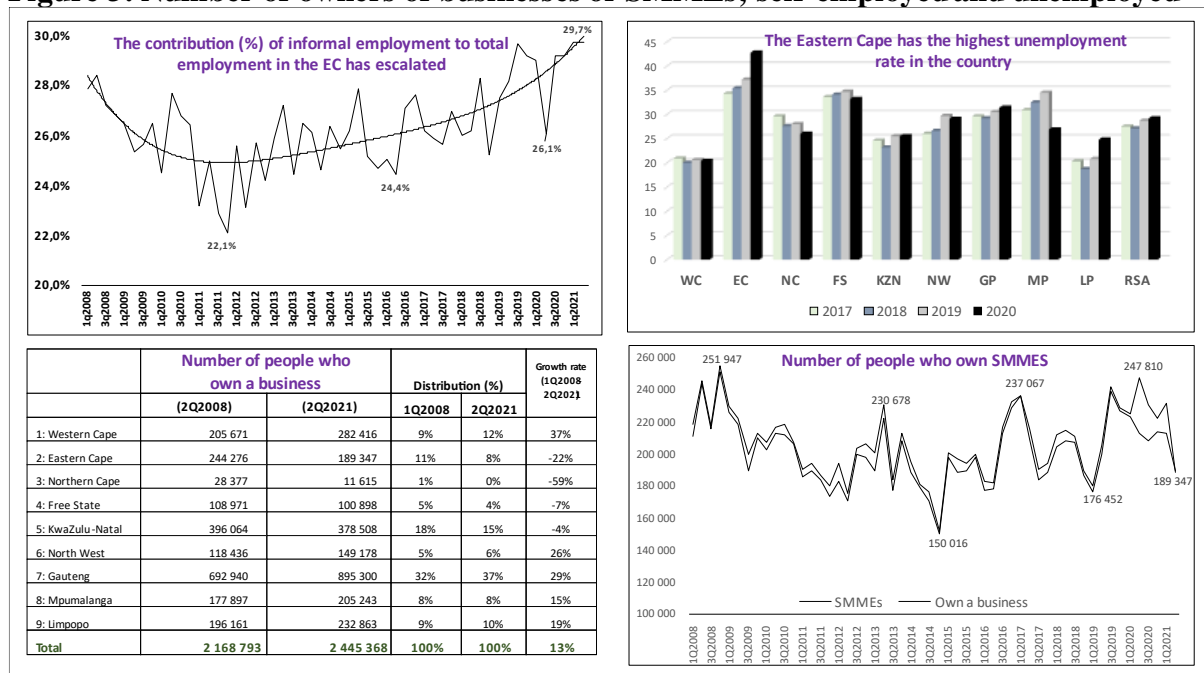
**Figure 2: Number (in thousands) of people employed v unemployed in the Eastern Cape**



Source: Statistics South Africa's QLFS (2022)

Figure 3 shows that the percentage contribution of the informal sector (non-agricultural) to total employment in the Eastern Cape has risen from 22.1% in 2Q2011 to 29.7% in 2Q2021. The number of people owning a business or an SMME has also declined.

**Figure 3: Number of owners of businesses or SMMEs; self-employed and unemployed**



Source: Statistics South Africa's QLFS (2022)

The sharp rise in the informal sector can be attributed to declining job opportunities in the province, and rising unemployment.

### **2.3. Post-recession upsurge in the proportion of people below the food poverty line**

With sluggish economic growth, Covid19 pandemic, scarce employment opportunities, and rise in the working poverty rate, the overall levels of poverty in the country have escalated drastically.

As shown in Figure 4 (Panel A and Panel B), the rural provinces (Eastern Cape and Limpopo) are the most devastated provinces in the country with the highest proportions of people below the food poverty line.

Figure 4 (Panel C) shows how the number of people below the food poverty line is unequally distributed among the nine provinces. Figure 4 (Panel D) shows the percentage of people in poverty in terms of Statistics South Africa's three categories<sup>6</sup> and poverty classifications.

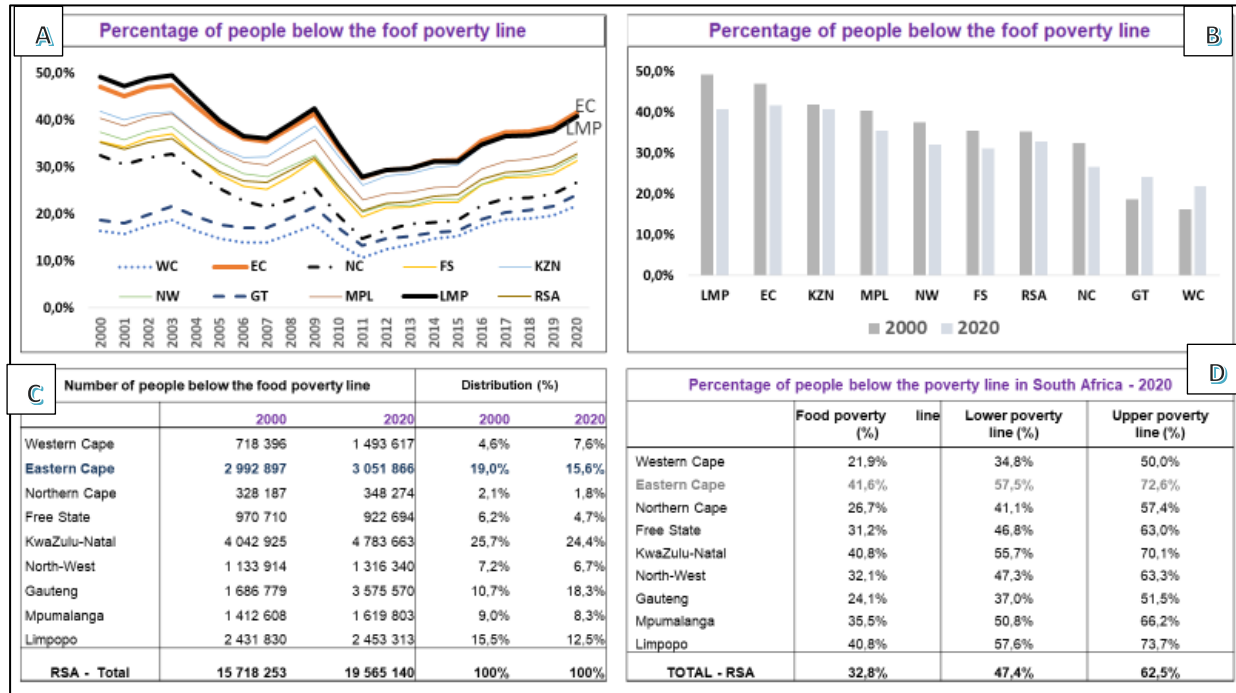
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<sup>6</sup> **People below the food poverty line:** The food poverty line is defined by Stats SA as the level of consumption below which individuals are unable to purchase sufficient food to provide them with an adequate diet. Those below this line are either consuming insufficient calories for their nourishment or must change their consumption patterns from those preferred by low-income households. This variable measures the number of individuals living below the particular level of consumption for the given area and is compared directly with the official food poverty rate as measured by Stats SA.

**Proportion of people below the lower poverty line:** The lower poverty line is defined by Stats SA as the level of consumption that includes both food and essential non-food items but requires that individuals sacrifice some food items so as to obtain the non-food items. This variable measures the share of individuals in the selected area that are living below the lower poverty line for the given area and is compared directly with the official lower-bound poverty rate as measured by Stats SA.

**People below the upper poverty line:** The upper poverty line is defined by Stats SA as the level of consumption at which individuals are able to purchase sufficient food and non-food items without sacrificing one for the other. This variable measures the number of individuals living below that particular level of consumption for the given area and is compared directly with the official upper poverty rate as measured by Stats SA.

**Figure 4. Post-recession upsurge in the proportion of people below the food poverty line**



Source: Own Calculations derived from IHS Global Insight, 2022

## 2.4 Policy stance

Since 1994, several policy initiatives in South Africa – the Redistribution and Development Programme (RDP), the Growth, Employment and Redistribution Policy (GEAR), the New Growth Path (NGP) and the National Development Plan (NDP) – had a single declared aim: to stimulate economic growth and to reduce unemployment and poverty rates. Despite these policies, South Africa – and in particular the Eastern Cape – is facing an immense problem of low economic growth, high unemployment, a high level of poverty and income inequalities. Sluggish economic growth over the past decade and the recent Covid19 pandemic have rendered social and economic recovery unattainable. The employment problem facing the province is not simply about the quantity of jobs but also the quality of jobs created. In the context of high unemployment in the province – and indeed in South Africa as a whole – the digital labour platform could play a significant role in alleviating this problem. However, studies have contended that digital labour platforms alone would not help in reducing unemployment (McKinsey, 2016; OECD, 2018).

### 3. Understanding the nature of the gig economy and digital labour platforms

Digital technologies have changed the nature of work by allowing for labour to be intermediated through online platforms. One of the transformations of the gig economy is an expansion of the choices of employers and employees in terms of whom to hire and where to work from. Although the gig economy is a recent development, it is expanding ever more rapidly across the globe. This section focuses on digital labour platforms and the gig economy in general.

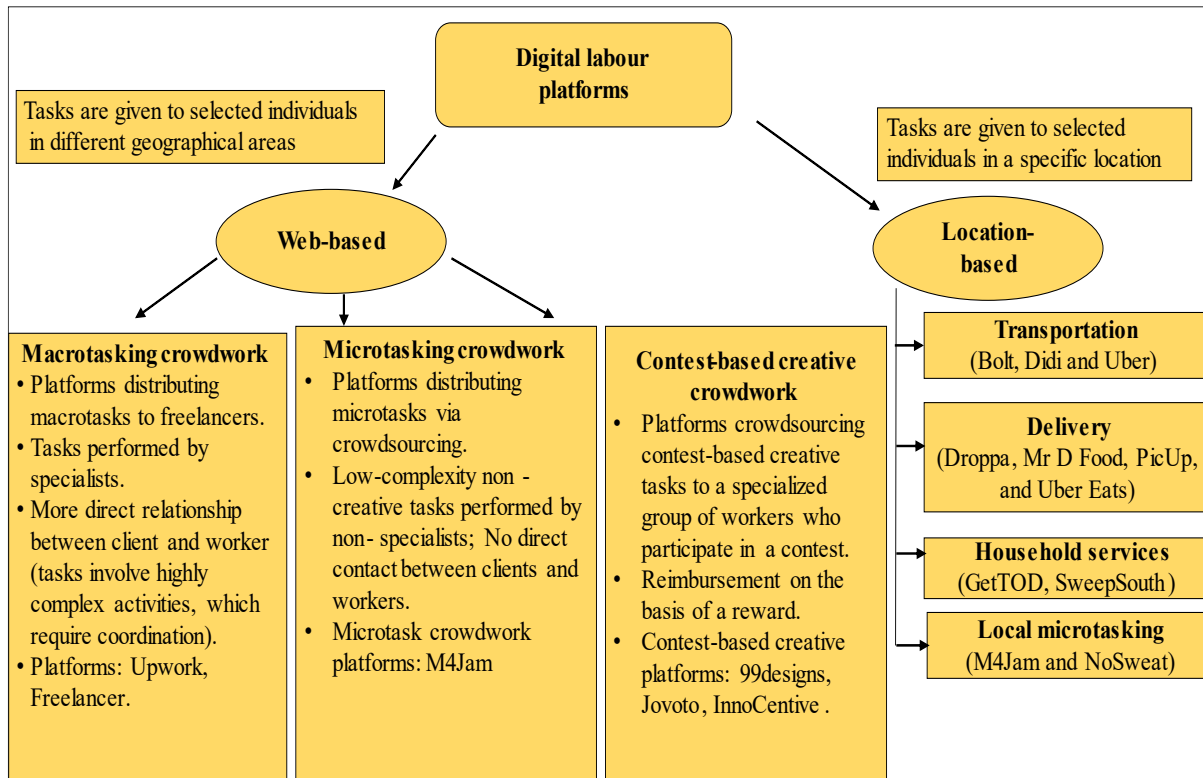
The digital labour platform is defined as a two-sided platform that links workers on one side of the market to customers (clients, businesses or consumers) on the other, on a per-service basis (Schwellnus *et al*, 2019). By this definition, digital labour platforms are viewed narrowly as a subset of the gig economy. As noted by the International Labour Organisation (2018), the digital labour platform involves three parties: the customers (clients, businesses or consumers) requesting the services, the intermediary (platform) and the service providers (workers).

Digital labour platforms are usually categorised into web-based and location-based platforms (Berg *et al*, 2018).

Location-based platforms allocate work to workers or service providers in a specific area (ILO, 2019). In a location-based platform, tasks are allocated to individuals (service providers) in a specific geographical area through software applications (apps). This type of labour platform directs workers to deliver local services like transport, delivery and household services.

Web-based platforms allocate work or tasks to a geographically dispersed crowd or selected individuals (freelancers). This type of platform involves outsourcing work or tasks in the form of open calls to a network of people (ILO, 2018; Mexi, 2019). According to Mexi (2019), web-based labour platforms involve the distribution of macro-tasks, micro-tasks and **content-based** creative tasks. This platform gives businesses the opportunity to leverage on the power of the crowd and access to workers in multiple locations to complete a specific task. Figure 1 provides information on the categorisation of digital labour platforms using relevant South African examples.

**Diagram 1: Digital labour platform**



Source: Mexi (2019) and ILO (2018)

In the Eastern Cape and indeed the rest of South Africa, location-based platforms are the most common type, especially those offering transportation and delivery services. However, understanding the distinction between the different types of labour platforms is significant, given the crucial implication it has regarding the worker's protection and scope of regulation. For instance, the web-based labour platform is largely characterised by delocalisation of work or tasks, which usually involves workers who perform outsourced tasks online across different parts of the world. In other words, it leads to an increasing de-territorialisation of the state's regulatory and enforcement capacity, adding multiple levels of complexity to regulation. However, the operations of location-based labour platforms fall within local or national regulatory jurisdiction.

### **3.1 Key stylised facts about employment in the gig economy**

A wide variety of working arrangements is supported by gig economy. Given the nature of digital labour platforms, the literature usually divides gig employment into two forms of work: crowdwork and work-on-demand (De Stefano, 2016; Said 2015; Smith & Leberstein, 2015; Zhou, 2020). The two forms of work present some differences in terms of how work activities are carried out. Crowdwork is mostly executed online, which allows platform clients and workers to operate anywhere in the world, whereas work-on-demand only matches demand and supply of work activities using software applications, but the tasks are executed locally (De Stefano, 2016). While the two forms of work differ significantly, they share some common features. So it is important to provide an in-depth understanding of key features of gig employment. They are:

#### **3.1.1. *Reliance on digital technologies***

According to Schwellnus *et al* (2019), the gig economy uses digital technologies to match workers with prospective clients on per-task basis. It relies on algorithms controlled by internet platforms to achieve real-time matching of demand and supply of work, goods, and information (Zhou 2020). This allows minimisation of transaction costs and reduces market frictions. Digital technologies rapidly select which job opportunities offer the greatest accessibility to platforms and apps for workers; make it possible to accede to vast pools of people available to complete tasks or to execute gigs at a precise moment.

#### **3.1.2. *Employment arrangements***

Despite the differences, the employment arrangement for the two forms of work in the gig economy is fundamentally similar. The gig economy relies on self-employed or independent contractors (freelancers). Most platforms usually operate with a few permanent workers but with significant numbers of part-time or casual workers or service providers who are usually classified as self-employed or independent contractors. In other words, much of the workforce



is not classified as employees in the traditional sense; rather they are regarded as self-employed (Berg, 2016; ILO 2018; Schwellnus, 2019; Zhou 2020). For example, drivers for ride-hailing (DiDi, Bolt and Uber) and food delivery (Mr D Foods and Uber Eat) are regarded as self-employed or independent workers.

### ***3.1.3. Labour relationship***

Given the reliance on independent workers, the traditional employer-employee relationship has become blurred because independent contractors take up platform work. The prevalence of freelancing arrangements and the temporary nature of platform employment de-links workers from employers (Christensen *et al*, 2018). The traditional employment relationship requires some element of control by the employer over the employee in deciding working hours, the ways in which work is carried out and the place of work. With the increased use of non-standard employment arrangements there is a shift in costs, risks, and responsibilities from employer to workers in the gig economy. McKinsey (2016) noted that it is conceivable that the traditional model of a corporation with employees in an elaborate hierarchy of specialised functions could in future give way to organisations that rely on a loose network of external providers for many activities. However, the non-traditional form of the employment suggests that workers may not have the social benefits and protection usually associated with traditional employment arrangements (OECD, 2018).

### ***3.1.4. Flexibility of the working environment***

The increased use of independent workers implies a more flexible working environment for both employees and employers. In other words, the ability of a worker to set his/her work schedule and to work from home or from a location of choice provides a high level of flexibility for workers in terms of the selection of tasks, the amount of time spent on work activities, the place of work and the organisation of work. Also, this may reflect a desire for a more flexible way of fitting work around other responsibilities. This applies particularly to those who provide transport services (ride-hailing).

### 3.1.4 Remuneration

In terms of remuneration, payments are made by task, assignment, or sales. Independent workers are paid by the task, assignment or contract, or the volume of sales they make. Unlike salaried employees, they are not paid for time spent not working. Also, platforms charge workers commission for making use of the platform.

## 4. Employment and gig economy in the Eastern Cape

The growing number of digital labour platform in South Africa is associated with the high gig population. This has led to a growing number of South African are finding work through multinational platforms like Bolt, Uber, Uber Eats, Mr D Food and DiDi. However, capturing the extent of employment in the gig economy through existing household and labour force surveys has been impossible due to a lack of data. Although there is no official data regarding the level of employment in the gig economy, evidence in the literature suggests that the number of workers who either rely fully on gig work or take up gigs as a side job, is expected to rise rapidly (Leenoi, 2021; McKinsey, 2016). A study by Fairwork (2021) estimated that about 30 000 South African workers were employed in location-based platform work while up to 100 000 workers were employed in web-based platforms. The study further estimated that gig workers account for about 1% of South African workers. The number is expected to growth by about 10% yearly.

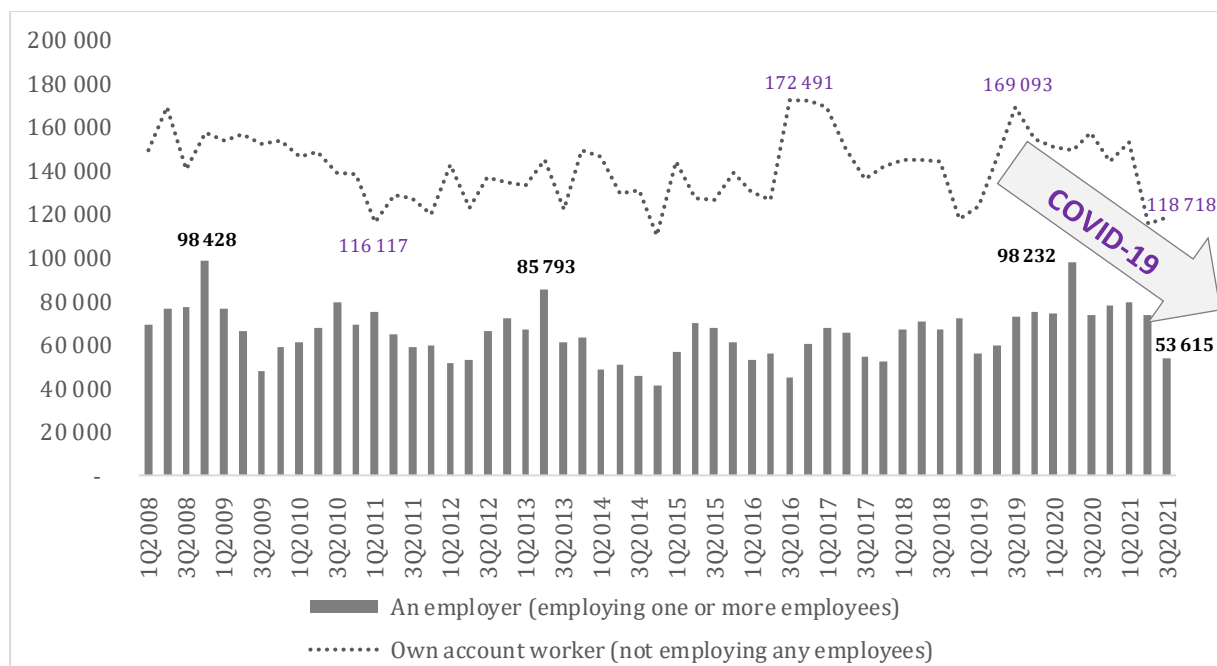
### 4.1 Independent workers and the gig economy

Nonetheless, one major feature of gig economy is the reliance on self-employed workers, particularly freelancers or own account workers, rather than on employees (Berg, 2016). Moreover, most platforms classify their workers as self-employed or as independent contractors (ILO, 2018). **In South Africa, most gig workers are classified as independent workers (Fairwork, 2021).** Also, evidence in the literature shows that the incentives to work on digital labour platforms are greater among independent workers than with dependent workers (Schwellnus *et al*, 2019). So, in the absence of data on gig employment, data on the

number of independent workers could provide useful insights. Importantly, these workers share similar characteristics with platform workers and it is of interest to look at this group of workers in more detail.

In the literature, self-employed or independent workers are usually distinguished based on whether or they have employees. They are classified as self-employed with employees (employers) or as self-employed without employees (own account workers).

**Figure 5: Number of independent workers in the Eastern Cape**



Source: Stats SA (2022)

Figure 5 shows recent trends in the number of independent workers in the Eastern Cape. The figure shows that there are more own-account workers than self-employed. Also, the trends show that there has been a steady decline over the period 2Q2008 to 3Q2016 for both categories. Specifically, the number of own account workers declined from 169 357 in 2Q2008 to 126 694 in 2Q2016 (roughly a 25.2% decrease) while the number of self-employed with employees declined from 98 428 in 4Q2008 to 44 861 in 3Q2016 (a 54.4% drop). This recent trend shows that there has been a slight growth in the number of independent workers before

the outbreak of the Covid19 pandemic. However, as shown in Figure 5, the number has declined significantly for both categories of independent workers since the onset of the pandemic. For instance, the number of own account workers fell from 169 092 in 3Q2019 to 118 718 in 3Q2021, while self-employed with employees fell from 98 232 in 2Q2020 to 53 615 in 3Q2021. Over the period the share of own account workers in total employment ranged between 8.3% and 13%, while the share of self-employed with employees ranged between 3.1% and 7.3%. Again, the recent trend shows that the share of independent workers in total employment in the province has declined sharply since the beginning of the pandemic. For example, the share of self-employed with employees fell from 8.4% in 2Q2020 to 5.9% at the end of 2Q2021, while the share of own account workers fell from 13% in 3Q2020 to 9.3% in 2Q2021.

#### 4.2 Spatial distribution of independent workers

Table 2 compares the number of independent workers across South African provinces. According to data from Statistics South Africa, in 2Q2008 there were 2.2 million independent workers in South Africa. This number rose to 2.5 million in 2Q2021.

**Table 2: Spatial distribution of independent workers across the nine provinces**

Province	Distribution (%)				Growth rate (%) (2Q2008 – 2Q2021)	
	An employer		Own account		An employer	Own account
	2Q2008	2Q2021	2Q2008	2Q2021		
Western Cape	13,37	12,56	7,13	10,79	7,29	66,29
Eastern Cape	9,43	7,87	12,07	7,49	-4,71	-31,93
Northern Cape	2,22	0,62	0,73	0,38	-67,97	-43,13
Free State	4,73	4,98	5,52	3,75	20,11	-25,49
KwaZulu-Natal	15,81	15,26	20,18	15,75	10,19	-14,30
North West	4,21	4,02	6,07	7,40	9,18	33,81
Gauteng	37,27	39,90	28,22	34,45	22,23	34,01
Mpumalanga	5,23	6,13	10,20	9,89	33,85	6,42
Limpopo	7,74	8,67	9,88	10,11	27,87	12,31
<b>Total</b>	<b>100,00</b>	<b>100,00</b>	<b>100,00</b>	<b>100,00</b>	-	-

Source: Stats SA (2021)

Across the provinces, Gauteng, KwaZulu-Natal and the Western Cape had the largest proportion of independent workers. However, over the period 2Q2008-2Q2021, a notable trend regarding the Eastern Cape was a decline of 4.7% and 31.9% respectively for self-employed with employees, and own account workers.

### 4.3 Sectoral dynamics of independent workers

The study by Schwellnus *et al* (2019) noted that digital labour platforms are highly concentrated in industries and/or occupations with a large share of own-account workers. It reveals that growth in the gig economy and digital labour platforms are concentrated mostly in the service sector, particularly in transport and personal services industries, as well as trades (like electricians and plumbers). This is because of a high concentration of independent workers in transport and personal services. By contrast, there is no digital labour platform activity yet in manufacturing, natural resources or public services. So it is important to consider the industry dynamic in relation to independent workers.

**Table 3: Industrial dynamics of independent workers in the Eastern Cape**

Industry	An employer		Own account worker	
	2Q2021	%	2Q2021	%
01: Agriculture, hunting, forestry and fishing	7 842	11%	1 896	2%
02: Mining and quarrying	-	-	-	-
03: Manufacturing	2 629	4%	7 428	6%
04: Electricity, gas and water supply	-	-	-	-
05: Construction	11 808	16%	3 997	3%
06: Wholesale and retail trade	15 492	21%	68 563	59%
07: Transport, storage and communication	13 352	18%	10 704	9%
08: Finance: insurance, real estate & business services	4 183	6%	8 455	7%
09: Community, social and personal services	17 535	24%	12 497	11%
10: Private households	507	1%	1 742	2%
<b>TOTAL</b>	<b>73 351</b>	<b>100%</b>	<b>115 282</b>	<b>100%</b>

Source: Stats SA (2021)

Table 3 provides information on the dynamics of independent workers in the Eastern Cape during 2Q2021. The table shows a high concentration of self-employed with employees in the

categories community, social and personal services (24%), wholesale and retail trade (21%), and transport, storage, and communication (18%). With regard to own account workers, there is a high concentration in wholesale and retail trade (59%), followed by community, social and personal services (11%) and transport, storage, and communication (9%).

In the gig economy, independent work poses a great challenge, particularly in cases where the individual who engages in such work is financially dependent on platform work as the sole source of income. Of course, there are cases where some workers may use platform work as a supplemental income while still being employed elsewhere. However, one of the major reasons independent workers are of interest to policymakers is that they tend to be in a vulnerable position compared with traditional employees and may need special protections regarding access to the usual benefits and protections like other employees (OECD, 2018).

In addition, given the prevalence of independent workers in the gig economy, it suggests that policy decisions can amplify or dampen the emergence of such forms of work. The growth of platform work could be facilitated by reforms on the regulations, with strong incentives for employers and workers.

More importantly, as the province faces a high rate of unemployment, platform work could potentially help mitigate the effect of the rising jobless rate if appropriate policies are put in place. However, policymakers need to have a clear understanding of the challenges of the gig economy. These challenges are highlighted in the next section.

## **5. Challenges of digital labour platforms**

Digital labour platforms have the potential to address the rising unemployment problem in the Eastern Cape. At the same time, they are disrupting existing labour relations and structures. The challenges and opportunities posed by digital labour platforms need to be considered in the context of broader changes taking place in labour markets, including the effects of increasing digitisation.

One of the areas of concerns regarding gig workers has been their employment status. South African platform workers, as in many other countries, are recognised as independent workers. The independent work status implies that gig workers have more flexibility and independence than traditional employees, particularly in deciding where, when, and how often they can work. However, empirical evidence increasingly reveals that this employment status exposes platform workers to precarious and unfair working conditions (Fairwork, 2021). Another area of concern for platform workers is their limited access to income security protections, like unemployment insurance, workers' compensation and disability insurance. Work in the gig economy is often unsafe and insecure. Workers lack protections afforded to regular employees, like sick pay and unemployment benefits. A study by the ILO (2019) shows that lack of social protection was one of the major concerns. The study noted that workers who did have health or pension coverage received those benefits through their main job, their spouse's employment, or from the state.

In addition, there is inadequate security of income. Not surprising, platform workers are faced with unpredictable income as they do not have consistent employment. Platform workers are paid on piece rates varying by distance, location, and company. Platform workers can also receive extra income if the number of their rides a day or week meets a certain threshold. In sum, the harder they work, the higher they earn. This in turn results in excessive hours worked and a higher risk of errors or accidents due to a race against time. Moreover, as workers are classified as independent contractors in many instances, this deprives them of the right to organise collectively. Even if they could organise, the geographic dispersion of the workforce would make it difficult. Currently, there is no official union for platform workers in South Africa which could help bring about changes. Lastly, the geographical dispersion of workers, particularly for web-based platforms, adds multiple layers to regulatory challenges.

## **6. Policy recommendations**

The growing number of workers accessing work on these platforms suggests that governments need to address some of the challenges arising from platform work, including that of the ambiguous employment relationship. This would require developing policies to ensure that

workers receive universal minimum labour and social benefits and rights, and to find regulatory solutions as these platforms operate across multiple jurisdictions, through international policy dialogue and co-ordination. Taking these challenges into account, the key question that needs to be addressed is how gig workers can be better supported by the platforms and by the government while ensuring that decent and quality work is created through the platforms. In view of these challenges, these policies are recommended:

### **6.1 Improving working conditions**

Improving working conditions among platform workers will help to increase the attractiveness of platform work and encourage unemployed individuals to be self-employed, as well as reducing the rate of unemployment. To achieve this, governments can help by ensuring that workers and employers are aware of their respective rights and responsibilities. Governments might also consider how various rights, benefits and protections could be extended to those working on digital labour platforms. National-level regulation that aims to strengthen the rights and benefits of workers on digital labour platforms can, for example, require the platforms to contribute to social security systems or to apply local minimum wages. This may include making the social security system more flexible to accommodate the nature of platform work regarding contributions required to qualify for benefits, allowing for interruptions in contributions, and enhancing the portability of benefits between different social security systems.

### **6.2 Addressing the issue of employment status of the platform workers.**

Given the common classification of platform workers as self-employed, they usually fall outside the scope of labour law protections and other benefits, including collective bargaining. Currently, there is little or no labour regulation over how platforms treat their workers. In response to situations where all the rules relating platform work, including the terms of trade, rules of entry and forms of contracts, are decided by the platforms, government should consider passing new laws or regulations requiring platform companies to provide minimum benefits to



platform workers. Such regulation of platform labour relations will contribute towards quality of platform employment.

### **6.3 Encourage freedom of association and collective bargaining**

At present, platform workers have little or no bargaining power, and are at risk of being exploited by platforms. So there is a need to build the capacity of platform workers to form unions, or least to ensure their representation in collective bargaining, and to use collective bargaining to develop regulatory measures to ensure that platform work is decent, as well as by advancing other collective efforts and building alliances between unions and other organisations so as to develop effective collective responses to decent work for both self-employed and other employment relationships.

### **6.4 Promoting competitive environment among platforms**

Promoting sufficient competition among the platforms is necessary to minimise the emergence of dominant platforms. Studies have shown that a two-sided network effect can create a dominant platform, leading to the exploitation of workers (Schwellnus *et al*, 2019). Two-sided network effects imply that a larger number of platform participants on one side of the market (the providers) raises the value of participation on the other side (customers). This problem can be addressed by enforcing competition policy tools, like rules on predatory pricing and control of mergers and acquisitions, limiting the costs of switching between platforms or engaging in several platforms simultaneously.

## 7. Conclusion

The gig economy and digital labour platforms are growing rapidly across South Africa. The study revealed that global online labour market has, over a short period, registered an overall index growth of 90%. Also, the gig economy's online projects fluctuated significantly, due primarily to seasonal variability over the period of the Covid19 pandemic

In the context of growing unemployment in the country and more specifically the Eastern Cape, digital labour platforms could play a greater role in reducing the level of unemployment. Three findings were noted. Firstly, the analysis of the monthly earnings of self-employed people revealed that roughly 62% of self-employed people in the Eastern Cape (57% in the country as a whole) are working yet are poor. Secondly, the number of unemployed people in the Eastern Cape has surpassed the number of people in employment. This has many implications for the dependency ratio, tax base, affordability and reliance on the government for social assistance, to name only a few. Thirdly, the twin predicament of having the highest share of people below the food poverty line, coupled with the highest youth unemployment rate in the country, suggested that efforts toward growing the economy and creating jobs are not addressing social ills in the province.

Gig economy platforms can bring economic benefits in terms of productivity and overall employment. The key challenge for policymakers will be to support innovation in business models while ensuring adequate levels of worker protection. The evidence in the literature showed that major platforms classified their workers as independent workers. This means that these workers are not subject to the legal protections granted to workers in a traditional labour relationship with regard to pay, working hours, occupational safety and health, voice, and representation and social security. In this regard, this study provided some insights into the nature of the gig economy and digital labour platforms and their implications for job creation in the Eastern Cape. In addition, it provide some policy responses that could help ensure that decent work is created through the platforms.

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