

Exploring the Potential Hazards of the Gig Economy: the Example of Online Taxi-hailing Software

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ABSTRACT

In modern society, the odd-job economy has become an increasingly common phenomenon. In the context of the odd-job economy, workers find themselves in a precarious position, becoming freelancers, casual workers and contractors, even many full-time and professional jobs are undergoing this precarious transition. This paper uses Uber and Didi as examples to analyse the many aspects of the sharing economy that currently exist. This study is important for a comprehensive analysis of the hazards of the casual labour economy and can also serve as a reference for other scholars to develop a more rational approach to the problem. This study found that the emergence of taxi apps has upset the local 'taxi company-taxi driver-passenger' equation, the emergence of an odd-job economy does not guarantee the rights of workers, the large number of casual workers, which is extremely difficult to manage, can also lead to a reputational crisis for the employers themselves. In this study, 10 articles selected from Google Scholar and CNKI were used for data compilation and review analysis.

Keywords: Gig economy, Online taxi-hailing software, Potential hazards, Workers' right, Creative destruction.

1. INTRODUCTION

The new economy of the "casual labour economy" is sweeping the world. Data shows that between 10 and 15 per cent of the working age population in the US and Europe earn their living through odd jobs, and another 10 to 15 per cent do so as a sideline to their main job. Worldwide, more than 160 million people are actually involved in "odd jobs". More and more young people born in the Internet era are also becoming a new generation of "freelancers", preferring jobs with an Internet background, such as freelance writers, webmasters, personal trainers and so on. The development of the odd-job economy has brought about increasingly flexible employment patterns in terms of types of work and working hours [1]. I believe that under the sugar coating of the sharing economy created by online platforms, a huge social crisis is brewing, and these issues, which are already emerging, have turned into an inescapable topic for academics. From the current research of scholars, there is a consensus that the traditional theory of subordination, which is used to judge the existence of labor relations, is no longer applicable to the identification of the legal status of platform workers in the casual labor economy and should

be changed and broken through accordingly [2], and the characterization of platform employment relations is still controversial. In this paper, the writer searched for articles from 2000 to the present on Google Scholar and CNKI using the keywords of "casual labor economy" and "online taxi", through selecting, a total of 10 articles were included in the classification summary of this study. This paper analyses the potential risks posed by the casual labour economy to the local economic environment and workers, as well as the risks posed by the casual labour economy to the employing enterprises themselves with the example of online taxi-hailing software.

2. THREE POTENTIAL HAZARDS OF GIG ECONOMY

It is argued that another meaning of "sharing" in sharing economy is risk sharing [3], which means the risks are shared by the employment platform and the workers as well as the customers of the platform. This paper will analyze the potential dangers of this phenomenon from three aspects, which are the local impact of gig economy with the example of taxi-hailing applications and the potential hazards of the odd-labor economy on workers and employment platforms.

2.1. The Impact of the Emergence Of Ride-hailing Software on the Local Economy

Uber brings a new model of travel to the public. Uber reorganized the relationship between passengers and drivers into mobile phones with satellite positioning and online application, which made the process of travel more convenient. However, the emergence of Uber has severely squeezed the market share of local cabs, leading to the closure of some cab companies and the unemployment of cab drivers, because the taxi companies were unable to offer competitive prices compared to Uber, resulting in a massive loss of passengers.

Joseph Schumpeter believed that creative destruction causes economic hardship because the replacement of the old model by the new one, which inevitably puts pressure on the people or companies that benefit from the old model. When the previous model became obsolete, the companies and employees who worked for the old will face bankruptcy and unemployment, if not handled properly, it can even affect the regional economic and social stability. As a result, governments usually create bureaucratic regulations to prevent companies from going out of business and to limit the realization of these innovative ideas. Uber is a perfect example of creative destruction. The emergence of Uber has strongly squeezed the viability of traditional cab companies, and similar situations are happening around the world. This dilemma led politicians and lawmakers to call for regulation of innovation to prevent the workers from losing their jobs. For example, Uber's growth in Italy has been resisted by the local cab union and the government, and on April 8, 2017, according to media reports, an Italian court announced an injunction against the Uber App because of Uber's unfair competition to the traditional cab industry. In its ruling, the court upheld the cab union's complaint, requiring Uber to shut down the application's operations in Italy within 10 days, as well as cease promotional and promotional activities, and if Uber fails to comply with the request it will face a fine of 100,000 euros per day.

The results indicate that Uber reduced the service revenue of taxi drivers by approximately 12% in the initial year and 18% in the third year of entry of Uber [4]. But since the market share of cabs is heavily occupied, why some cab drivers still not choose to switch to driving online cars? the main reason for this is that online cars earn less money than driving traditional cabs, taking the Didi applications China as an example. In Nanjing, the capital of Jiangsu Province, the fare of cabs is 2.4 yuan per kilometer, while the fare which given by online software is only 1.5 yuan a kilometer during peak hours, plus the Didi platform has a 20%-30% draw on each single drive, though driving the cab also needs to pay the fare to the taxi company, but as a full-time driver, with a lot of orders in a day, it is clear that the platform's pro-

rata share is much more than the fixed amount of the fare giving to the cab company, and the driver will make much less money accordingly, plus, the fares for online taxis are already much lower than taxi fares, it is very difficult for a full-time driver to accept the huge income gap. But for the passengers, the online car-hailing has a huge price advantage, so they will not choose to take a cab. This led to an embarrassing situation that no matter what the original cab drivers choose, continuing to drive a cab or switching to work for the online taxi software, the income is less than before inevitably.

2.2. The Impact of the Emergence Of Ride-hailing Software on the Local Economy

The platform's satellite positioning system monitors the location of the vehicle and assigns the driver to the waiting passengers according to the distance between the vehicle and the passenger, plus there are a fixed number of orders that cannot be refused every day, thus the mechanism of the taxi-hailing software becomes "Taylorism in the digital age. [5]" For individual workers, the development of the odd-job economy promotes the flexibility of work, but also reinforces the uncertainty of job income and the instability of job security.

There are two aspects to affect the income of the driver, the first one is the service fee generated by the platform algorithm, and the other one is the reputation rating mechanism of the platform, which is linked to the reward and punishment of drivers. This mechanism puts drivers in a very passive position. Today's sharing platforms are heavily biased in favor of the customer's travel experience, and if a passenger was unjustifiable and disruptive, giving the driver a bad review for no reason, the driver can rarely recover his or her financial loss even if he or she complaining to the platform, which undoubtedly increases the uncertainty of the driver's income.

The development of the gig economy has led to the disintegration of the traditional employment structure, and the accompanying protection for workers under the traditional employment regulation has been diluted [6]. Since the inception of Uber, the debate has focused on whether Uber drivers are employees or independent contractors. The platforms claim that these drivers are independent contractors and glorify them as individual entrepreneurs. If the odd-job workers are defined in this way, it is clear that the employment platforms do not need to pay minimum wages and purchase social insurance for the drivers, not to mention that being responsible for their retirement and give them other benefits. Refusing to provide these benefits to drivers will undoubtedly greatly reduce the operating costs of the platforms. Thus, it seems that the reason why sharing platforms employ a large number of odd-job individuals or groups of independent contractors is to reduce employment costs [7]. There is no doubt that the odd-labor economy has

disrupted the traditional employment relationship. In today's increasingly widespread odd-job economy, even some decent companies have started to fire all their employees and rehire them on an odd-labor basis, and these employees are also facing no benefits and no insurance.

In many countries, the existing labor laws and social security policies do not provide protection for work-related injuries, illnesses and pension issues for the workers of these platforms. In China, for example (see Table 1 in Appendix), it can be seen that the benefits of odd jobs are far inferior to those of regular workers. Even within the governments of some countries, there seems to be no definite decision on whether these odd-job workers are employees or not. In the U.S., for example, when Uber's drivers were preparing to strike for better wages and working conditions, the National Labor Relations Board issued a memorandum of declaring that Uber's drivers were independent contractors and therefore not entitled to collective bargaining, as well as not entitled to the federal minimum wage or overtime protections. At the same time, the California Supreme Court ruled, in an apparent contradiction, that odd-job workers have employee status. While the government has no clear position and there is disagreement between the federal and state governments, and companies are trying to exploit the law and glorifying the entrepreneurial spirit of the self-employed, only workers are getting injured. I think whether the government or the enterprises, it's important to distinguish between entrepreneurial zeal and self-employed desperation [8], although those capitalists probably knew that these are two different things from the beginning, but the proliferation of odd jobs is likely to have a negative impact on the companies themselves.

2.3. The Hazards Of The Gig Economy On Employment Platforms

It is undeniable that employment platforms do save employment costs by using odd-job workers, but it comes with a huge management difficulty for odd-job workers. Sharing economy platform companies have a large number of workers and more complex employment relationships [9]. In Jiaxing City, one of the most developed cities in Zhejiang Province (see Table 2 in Appendix), the majority of the drivers of Didi platform drive for less than five hours a day, which means that there are mostly part-time drivers. These part-time drivers come from all walks of life, the type of work they do may not be related to the service industry at all, which makes their industry literacy unevenly matched. The following table compares the difference between the entry thresholds of odd jobs industry and traditional employment industry (see Table 3 in Appendix), it can be seen that the access requirement of odd jobs industry is much lower than that of traditional employment industry, and since the working tools are mostly owned by

individuals, there is no way for the platform to organize uniform tests about the safety issues of the cars, which is also a very big hidden hazard. Moreover, many part-time workers take driving online car-hailing as their way to earn extra money, not their main work, so they will not invest enough time and energy to treat this work, not to mention helping the platform to maintain the social image and developing cultural identity of the platform. As a result, the traditional organizational management methods are almost all ineffective for temporary workers, which makes the risk of platform's employment increase steeply. As Steven hill said, if U.S. companies want good workers, they need to offer decent jobs [11].

Due to the high turnover of odd-job workers, the quality of each individual varies, and they are generally not strictly trained for their professions, this has led to an inability to guarantee the quality of service provided by the company, this in turn affects the reputation of the company and leads to a lack of competitiveness of the product, the end result is a decline in profits and a reputation crisis of the platform. Just like these taxi apps, they are often trapped in the crisis of public opinion because of the personal safety of drivers and passengers. In the case of Didi, for example, there have been several vicious incidents between drivers and passengers in China, with the murder of the air hostess in Zhengzhou, the capital of Henan province, on May 5, 2018; the murder of a girl in Wenzhou, a city of Zhejiang province on August 24, 2018, and so on, while safety issues are also serious with uber, Uber stating that it has received five cases of rape and just under 170 cases of sexual assault between December 2012 and August 2015. The rate of rape cases is 1 in 9 million, this may not seem like a high rate, but with a large number of users even with such a small probability, the number of cases is still very large. This has a lot to do with the fact that it is difficult for platforms to carry out rigorous background checks on the huge number of odd jobs. Moreover, the larger the platform, the more vulnerable it is to the public outcry caused by such cases. This crisis can lead to a drop in stock price, public crisis, regulatory involvement and other chain reactions, which are the hidden dangers of the odd job economy for businesses.

3. CONCLUSION

The sharing economy changes the way we live, offering flexibility, efficiency for individuals. As discussed in the article, this employment relationship has significant impact on the local economy and cause unemployment, for workers there is no employment security and they are also often in a situation where there is no law to protect their interests, and for employment platforms the huge volume and mobility of part-time workers makes employment extremely risky. But nowadays the gig economy has become an unstoppable trend, although this development model has various

problems, if we can strengthen the regulation of this new growth model, we can make full use of the advantages of the sharing economy, optimise the allocation of social resources, increase employment and so on. In the current economic downturn due to the outbreak of the new epidemic, if the advantages of the odd job economy are properly utilised, it could ease the tide of unemployment caused by the economic downturn and prevent more people from losing their jobs. Regulate this issue more

effectively requires the combined efforts of platforms, workers and the government. The direction of future research should focus mainly on how to effectively protect the rights and interests of odd-job workers and how to rehouse local taxi companies on the verge of bankruptcy and taxi drivers with reduced incomes, striking a balance between worker welfare and corporate income is essential.

APPENDIX

Table 1. The difference between the "platform + service provider" model and traditional employment models

| No. | Comparison Content | "Platform+ServiceProvider" employment model | Traditional employment model |
|-----|--|---|-----------------------------------|
| 1 | Whether to sign an employment contract | No, usually a cooperation agreement | Yes |
| 2 | Type of work | Full time or part time | Full time |
| 3 | Remuneration method | Settlement period is variable | paid on a regular monthly basis |
| 4 | Management and supervision | Focus on industry regulatory guidance | Application of labour regulations |
| 5 | Whether social security is paid | No | Yes |
| 6 | Recognition of injury or death at work | Liability for personal injury | Work injury |

Table 2. The Distribution of hours of business of online taxi drivers

| Type | Specific gravity |
|--------------------|------------------|
| Less than 2 hours | 17.25% |
| 2-5 hours | 53.98% |
| 5-10 hours | 26.73% |
| More than 10 hours | 2.04% |

Source: Title Research on the Government Supervision of Online Car-hailing Platforms—Take DiDi in Jiaxing as Example [10]

Table 3. Differences in access between the odd-job industry and traditional employment industry

| No. | Comparison Content | "Platform + Service Provider" employment model | Traditional employment model |
|-----|--------------------------------|--|---------------------------------|
| 1 | Entry method | Register in the mobile client | Apply for the job |
| 2 | Recruitment process | Real name verification, platform review | Written test, interview |
| 3 | Recruiting requirements | Generally no requirements | Age, education background, etc. |
| 4 | Working tools | Self-prepared | provided by the employer |
| 5 | Pre-employment training or not | Generally no | Yes |

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