The Impact of the Gig Economy on the Labor Market

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Abstract. In the context of the continuous development of digital economy and Internet technology, the gig economy, as an emerging industry, has brought multi-faceted impact and influence to the traditional labor market. This article uses the research method of reading and summarizing existing literature, and by comparing the traditional labor market and the gig economy employment market, explores and discovers the impact of the development of the gig economy on the opportunities and risks of the labor force, enterprise employment patterns and market composition. It is concluded that the development of the gig economy has increased employment opportunities and narrowed the income gap between urban and rural labor force. But at the same time, it was also discovered that the potential workers' rights and interests in the development of the gig economy are difficult to protect, and a series of problems such as platform user data leakage. In this regard, this article analyzes from four aspects: individuals, enterprises, platforms and governments, and puts forward suggestions for multi-sector collaboration to maximize benefits.

Keywords: Gig Economy, Traditional Labor Market, Employment Model, Supply and Demand Matching.

1 Introduction

Today, China's economy has shifted from a stage of rapid development to a stage of high-quality development. This transformation is inseparable from the momentum given by the rapidly developing Internet and constantly updated and iterated big data technology. In the process of high-quality development, China faces many practical challenges. In this regard, China has chosen to use the digital economy to assist development. The digital economy is based on new generation technologies such as artificial intelligence and big data, which has greatly promoted the transformation of social production methods and economic models, and changed the employment pattern of the labor force [1].

Driven by the background of the digital economy and the revolutionary breakthroughs in digital technology, a new economic form—the gig economy—came into being [2]. As a platform economic model that relies on algorithm matching and intelligent terminals, it is different from traditional employment methods and is highly flexible. It can break the constraints of time and space and allow many otherwise restricted

J. Rak et al. (eds.), *Proceedings of the 2026 11th International Conference on Social Sciences and Economic Development (ICSSED 2026)*, Advances in Economics, Business and Management Research 391,
https://doi.org/10.2991/978-94-6239-701-9_19

labor forces to participate. It relies on digital platforms and technology to quickly match labor with required positions, saving costs caused by the misalignment of supply and demand in the past. In the current tight employment environment, the gig economy has provided abundant jobs for China's working-age population and brought effective benefits to China's labor market.

Current research has focused on the work rights relationship in the gig economy and studied its impact on social security benefits and some specific occupations, but has not deeply explored the impact of the gig economy on the labor market at different levels. To this end, this article will use the method of literature analysis to complete the research goal of analyzing the impact of the gig economy, a new economic form, on the Chinese labor market, mainly from three aspects: the impact of the development of the gig economy on workers' employment opportunities and risks, corporate employment patterns, and changes in the labor market structure. The marginal contribution of this article is mainly to analyze the impact of the gig economy on the labor market from multiple perspectives, and by studying the potential risks and challenges that the gig economy may bring to the labor market, it provides a certain outlook and makes suggestions for the future.

2 Definition and Theoretical Basis of Core Concepts

Before understanding the impact of the gig economy on the labor market, clarifying the precise definition of the gig economy is important. At present, the academic community has not reached a unified conclusion on the definition and scope of the "gig economy". The U.S. Congressional Research Service defines the "gig economy" as an employment model that aims to achieve on-demand business and uses mobile software or Internet platforms as intermediaries to match the needs of resource providers and consumers [3]. Dollinger and others, representative scholars of neostructuralism, proposed the theory of dual labor market segmentation in the early 1970s. This theory is used to respond to many problems that cannot be explained by classical labor market theory. This theory holds that the labor market should be divided into two parts: the primary market and the secondary market [4]. The two divided markets differ in the stability of the jobs they offer, but the difference in jobs offered by the two markets is not entirely reflected in technical aspects. The theory also proposes that workers' lifestyle, human capital, demographic characteristics and other factors will affect the possibility of workers entering the above two markets. At the same time, the different labor markets in which practitioners operate will intensify the labor process and even lead to the solidification of workers' class status. Compared with the main market, the low social security and social welfare levels in the secondary market make workers in this market more likely to become members of unstable employment groups. The gig economy, an emerging industry, should be classified as a secondary market based on the division rules proposed by the dual labor market segmentation theory based on the job stability provided. At the same time, due to the lack of systematic rules and legal constraints in some occupations in the gig economy, practitioners fail to receive corresponding social security and social benefits, and may even face sudden unemployment crises. Based on the above-mentioned specific analysis of the dual labor market segmentation theory, it can be seen that the development of the gig economy has brought great variables to workers' employment opportunities and risks. In the following sections, this article will specifically explore the impact of the gig economy at different levels.

3 The Impact of the Gig Economy on Labor Market Entities

3.1 Opportunities and Risks of Employment for Workers

Traditional Formal Job Market. In the traditional formal employment market, workers have a clear employer, and both parties jointly agree and sign a labor contract. At the same time, workers are protected by the Labor Contract Law of the People's Republic of China and can apply for labor arbitration when a labor dispute occurs with the employer. In this labor market, both employers and employees are in a subordinate relationship, workers receive higher levels of security and social welfare benefits, and unemployment risks and job volatility are lower. At the same time, in the traditional formal job market, employees can obtain promotions and salary increases by improving their professionalism and leadership skills, spanning the level differences from execution to management to decision-making. However, with the further development of artificial intelligence technology, some of the jobs originally provided by the traditional market have been replaced by machines, causing the labor force in this position to face structural unemployment. Not only that, the number of college graduates continues to rise, and many college students are faced with the current situation of "unemployment upon graduation". It is common for hundreds of competitors to compete for a job. It can be seen that although the employment risk is low for workers in the traditional formal employment market, it is increasingly difficult to obtain employment opportunities.

Traditional Informal Employment Market. Under the current background of high employment pressure in China, due to the development of the digital economy, business models have been innovated, and many new jobs have been created, especially a large number of informal jobs [5]. The traditional informal labor market is characterized by easy entry or no entry barriers. It mainly relies on local resources. The common system is family ownership or self-employment. The labor skills required by workers do not need to be acquired in formal schools [6]. The employer and the employer have an "informal contract" relationship, and workers do not have strict institutional protection, so employment risks are high. At the same time, the traditional view is that practitioners in the informal job market are inefficient and are people who have been squeezed out of the formal job market. And those employed in the formal market will gain more benefits under the same job functions [7].

Gig Economy Job Market. The gig economy job market has some commonalities with the two traditional labor markets mentioned above but is not exactly the same. It relies on Internet technology and big data platforms to break the limitations of time and space and build a new employment relationship involving the interests of platforms, consumers and gig workers. In the gig economy job market, the employer and employee are neither in a traditional superior-subordinate relationship nor an equal-status relationship. During the labor process, the platform matches the requirements of both supply and demand parties, and conducts performance appraisal and salary payment to gig workers online. The development of the gig economy has given the labor force more opportunities and employment opportunities. However, at the same time, due to different platform regulations and welfare benefits, the level of protection workers receive and the occupational risks they face in the same labor market vary. Not only that, labor mobility in the gig economy market is lower than in the traditional job market. There is great resistance for managed practitioners to enter management, and the possibility of promotion and development is extremely slim.

3.2 Enterprise Employment Model

The employment model is a planned employment selection and institutional arrangement implemented by an enterprise based on its independently planned production and operation goals. From the perspective of employment, employment models are divided according to the work flexibility of workers, and are divided into traditional typical employment, that is, fixed employment and full-time employment, and traditional atypical employment [8]. The employment model of gig economy enterprises belongs to traditional atypical employment, which is different from typical employment in terms of labor matching mechanism and wage price formation mechanism.

Labor Matching Mechanism. In the traditional labor market, workers obtain job opportunities through interpersonal networks such as participating in job fairs, submitting resumes, operating intermediaries, and headhunting. However, matching sources are limited by time and geographical space. Long matching time, high economic costs, and uneven results are all problems that exist in the traditional matching mechanism and need to be solved. In the gig economy market, platforms integrate multilateral resources, connect multilateral groups, and use positive network externalities to facilitate both parties to realize service transactions. This change breaks the original dimensional limitations caused by time and space, allowing the service scope to expand from the regional market to the global market. However, the incompleteness of the matching algorithm also brings negative network externalities such as privacy leaks and lack of ethics to platform users [9].

Wage Price Formation Mechanism. In the traditional job market, employees sign short-term or long-term labor contracts with employers and receive a fixed salary every month or year. The difference is that the gig economy market adopts a flexible "dynamic pricing method." For example, takeout delivery fees are higher at night and early morning than during the day, and Didi Taxi charges different fees based on the distance between the customer and the destination and whether it is during peak travel period.

Although this "piece-rate" income calculation method has stimulated workers' production enthusiasm to a certain extent, it has also led to the undesirable consequences of continuous self-exploitation of gig workers, and the labor intensity has continued to increase [10].

3.3 Labor Market Structure

Differences between Urban and Rural Areas. In the traditional labor market, due to the uneven distribution of urban and rural resources and the individual differences caused by the different educational levels of urban and rural residents, the income gap between the two is obvious. However, with the continuous acceleration of China's urbanization process in recent years and the gradual improvement and improvement of transportation networks, population mobility has increased significantly. This gives rural workers more opportunities to seize than before. Empirical research has found that compared with traditional employment, in gig employment, the impact of education level on the urban-rural wage income gap will be relatively smaller [11].

Gender Differences. In traditional occupational labor with fixed working hours and workstations, female workers are often restricted by factors such as childbirth, housework, and social norms. But now that the gig economy has emerged, workers have the freedom to choose their working hours, working locations and service recipients, which is highly in line with the time and income flexibility that female workers need. Not only that, this is also consistent with the needs of enterprises for flexible employment during economic transformation, which promotes female practitioners to fully utilize their personal abilities and obtain employment opportunities. But at the same time, the results of the mechanism test show that in the market field, the effect of women's income decline is obvious; in the family field, the unequal distribution of housework hours further expands the wage gap caused by gender. Generally speaking, compared with the non-gig economy, in the gig economy job market, women bear greater wage pressure and the gender wage gap is also higher [12].

4 Suggestions

Overall, the gig economy has brought undeniable and profound changes to the labor market. Different from the traditional job market, the gig economy has created a new type of employment relationship with a platform as a bridge. However, whether it is the employment opportunities faced by practitioners, the level of protection they receive, or the changes in enterprise employment relations and market structure compared with the traditional labor market, the gig economy still has many things to improve. In this regard, this article puts forward the following suggestions. First, individual laborers should consciously improve their core competencies and abilities, and know how to seize opportunities, accept challenges, and seek suitable positions in the context of the development of the gig economy. Secondly, some research shows that the structure of entrepreneurial enterprises has undergone important changes in the context of the development of the gig economy, and self-employed and survival entrepreneurs are replaced by flexible employment models [13]. It can be seen from this that entrepreneurial enterprises should innovate on the original employment model so that the enterprise does not face being eliminated in the process of development; then, the platform should consciously ensure the stability of professional technology, the accuracy of resource matching, and the legitimacy of the operation process. The platform should also actively ensure that the labor force in the gig economy market receives legal and consistent social security and social welfare; thirdly, the government should speed up the urban-rural integration process and further reduce the uneven wage distribution caused by urban-rural differences. At the same time, attention should be paid to female workers, emphasis should be placed on establishing group employment protection, and promoting high-quality and stable employment of the labor force; finally, the government should introduce and improve laws and regulations related to platform distribution of profits and protection of the legitimate rights and interests of practitioners, and strictly promote implementation after promulgation to reduce the invisible exploitation of workers by platforms. However, while protecting the rights of workers, relevant state departments should also establish effective management mechanisms to ensure that workers perform their corresponding labor obligations in accordance with the law. For example, in response to the problem of tax loss caused by the gig economy's lack of stable tax sources and the platform's inaction during the tax payment process, the tax authorities can require the platform to conduct two-way data sharing with it. At the same time, third-party institutions such as finance and market supervision can also be allowed to collaborate on governance [14]. All in all, in the face of the risks and challenges brought about by the established fact of the development of the gig economy, whether it is an individual, an enterprise, or a platform, the government should actively face it and find solutions to the problem from multiple angles. In the process of seeking response strategies, multiple departments can work together to maximize efficiency.

5 Conclusions

The emergence and promotion of the gig economy is the result of economic globalization and the rapid development of digital and Internet technologies. As a new economic form, the development of the gig economy has undoubted influence, but its influence has both advantages and disadvantages. Compared with the traditional job market, the high flexibility of the gig economy job market allows rural workers who are constrained by urban-rural differences and female workers who are restricted by social norms and many other working groups to have more diversified career choices and career paths, and are no longer limited by time and space. For enterprises, entrepreneurial enterprises are faced with an ever-changing and developing labor market. Only by spontaneously promoting the transformation and upgrading of the industrial structure and using more flexible employment models can they meet the challenges. The gig economy transforms the labor matching mechanism in the enterprise's employment model from the original external intermediary or third-party matching to a platform that automatically links supply and demand. This new type of employment relationship saves the time of matching resources and needs between supply and demand, saves money costs for enterprises and consumers, and at the same time provides consumers with more convenient and faster choices. The gig economy has also transformed the wage price formation mechanism from fixed wages to a dynamic pricing method, stimulating workers' enthusiasm for working more for more work. However, due to the inherent instability of gig economy occupations and the lack of binding labor contracts, practitioners are unable to receive adequate social security measures and social welfare benefits, and are required to bear higher employment risks than those in the traditional formal employment market. At the same time, because the platform plays a large role in scheduling and allocating resources, problems such as uneven income distribution and resource allocation differences occur. Not only that, the instability of platform matching technology also leads to an increased risk of user privacy data leakage.

Through research and analysis of existing literature, this article summarizes the impact of the development of the gig economy on the labor subject in terms of opportunities and risks, employment patterns, and market composition. However, since this article did not conduct empirical investigation and mechanism analysis based on specific realistic conditions, there are certainlimitations. In view of the current problems contained in the development process of the gig economy, this article puts forward corresponding solution suggestions from four aspects: individual labor force, enterprise, platform and country. Future research will also conduct more detailed discussions to further explore methods and strategies that can effectively help the labor force achieve high-quality and stable employment in the gig economy market.

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