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Gig Economy in Malaysia: Current, Present and Future

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Abstract: This research aims to review the expansion of gig work enabled by digital platforms, providing individuals with flexibility and opportunities to diversify their income. This research emphasizes the difficulties experienced by gig workers, such as social isolation, absence of benefits, financial instability, and the necessity for protective policies. It highlights the significance of acquiring new skills and proposes policy suggestions to establish a conducive atmosphere for gig workers. It contends that the gig economy in Malaysia's future necessitates thorough data and precise regulations to guarantee equitable treatment and advantages for gig workers amid worries about job displacement and the continuation of disparities.

Keywords: *Gig Economy, Sustainability, Social Protection*

1. Introduction and Background

The gig economy refers to a labor market structure where workers are hired on a temporary or on-demand basis, without the guarantee of long-term employment or traditional employee benefits (Petkovski et al., 2022, Linthorst & Waal, 2020). In recent years, the gig economy has had a significant impact on both workers and firms. The flexibility it offers has attracted many individuals, particularly students, the unemployed, and fresh graduates, who are seeking to supplement their income or work independently. Essentially, these gig workers engage in temporary, project-based, and flexible jobs, often facilitated through platforms that connect them with consumers or clients. This trend has redefined the nature of work and workplace expectations for both employees and employers.

Malaysia has seen a notable increase in the gig economy in recent years (Pillai & Paul, 2023). Additionally, a survey by the Malaysian Institute of Economic Research revealed that 45% of Malaysians have engaged in gig work at some point in their lives, indicating the widespread adoption of this employment model. The advancement of technology and digital platforms has led more people to choose gig work as a source of income. This transition to gig work provides individuals with flexibility and the ability to decide when, where, and how they work. Furthermore, gig work allows individuals to diversify their income streams and pursue multiple projects simultaneously, which can lead to increased financial stability. Additionally, the gig economy has also created opportunities for individuals to showcase their skills and talents on a global scale, as digital platforms enable them to connect with clients and customers from around the world.

2. The Present Status of Gig Economy in Malaysia

The gig economy refers to a labor market characterized by the prevalence of temporary positions and the use of independent workers on short-term contracts instead of long-term employment agreements. One notable trend in this market is the rise of digital labor platforms that enable organizations to outsource work to a geographically dispersed pool of workers, such as Upwork and Clickworker. Additionally, there are location-based applications that connect workers with job opportunities in specific geographical areas. In Malaysia, the gig economy is experiencing rapid growth, driven by the emergence of various digital labor platforms. These platforms include ride-sharing services like Grab, food delivery apps like Food Panda and Grab Food, and freelance job portals like Freelancer and Fiverr.

The gig economy not only offers individuals flexibility in choosing when and where they work but also impacts the traditional labor market structure (Chen et al., 2022, Abkhezr & McMahon, 2022, Bonvin et al., 2023). The rise of gig work has redefined workplace expectations for employees, employers, and governments. Moreover, in light of the COVID-19 pandemic, the gig economy is expected to be an enabler of inclusive and sustainable growth post-pandemic(Bonvin et al., 2023)(ŞEN, 2022)(Md Yusof et al., 2022). As a result, policymakers are considering incorporating the gig economy into economic planning initiatives, emphasizing shared prosperity

and inclusive economic growth. With the gig economy being recognized as a source of economic growth, workers need to continue upskilling and reskilling to remain competitive in the industry. A study conducted by Harun et al. surveyed students and alumni of the Universiti Sains Islam Malaysia, and the results showed that a majority of respondents had engaged in gig work at some stage in their lives. This encompasses various jobs like drop shipping, courier services, and food delivery.

3. Social Challenges of the Gig Economy in Malaysia

Gig workers may encounter social isolation and a dearth of assistance within the gig economy (Ahmad, 2020, Bonvin et al., 2023, Liu et al., 2020). The absence of a conventional workplace environment can lead to feelings of detachment and impede social interactions. Furthermore, the absence of support systems and benefits that are typically accessible in traditional workplace settings, such as healthcare coverage, retirement plans, and collective bargaining power, presents significant challenges for gig workers. Consequently, many face heightened economic vulnerability and social insecurity. Additionally, the uneven power dynamics between gig workers and their operating platforms often lead to workers bearing the burdens and costs associated with their work responsibilities - including maintaining their equipment as well as handling expenses related to transportation logistics. For example, a gig worker who provides food delivery services may have to rely on their vehicle for transportation, leading to increased wear and tear and the need for regular maintenance. This can result in additional costs for the worker, cutting into their already limited income. Furthermore, without access to employer-sponsored healthcare coverage, gig workers may find it challenging to afford necessary medical treatments or be left without any coverage at all, further exacerbating their vulnerability and insecurity. On the other hand, some gig workers may opt to use a company-provided vehicle for transportation logistics. In this case, they may not have to worry about wear and tear or maintenance costs. Additionally, gig workers who manage to secure affordable healthcare coverage independently can mitigate the risk of being left without any coverage.

Maintaining a consistent work identity and establishing a stable career can be difficult for gig workers, as they lack a steady workplace and employer relationship which may affect their professional identity (Mehta, 2020). This instability can also hinder their ability to build professional networks and advance in their chosen field. Furthermore, gig workers may also face challenges related to income security. The fluctuating nature of gig work can result in irregular and unpredictable income streams, making it difficult for workers to financially plan and meet their basic needs (Ahmad, 2020). Additionally, the misclassification of gig workers as independent contractors rather than employees can further exacerbate these challenges. Gig workers are often responsible for their own taxes, insurance, and other expenses that are typically covered by employers (Chen et al., 2022, Horan & Bullen-Smith, 2023). This lack of employer-provided benefits adds to the financial insecurity experienced by gig workers, making them more susceptible to economic hardship and limited access to social protections (Horan & Bullen-Smith, 2023). These social challenges faced by gig workers in Malaysia highlight the need for policies and regulations that protect the rights and well-being of this vulnerable group. Without adequate protections and support, gig workers in Malaysia are left to navigate a precarious work environment. The absence of employer-provided benefits not only increases their financial vulnerability but also limits their access to essential social safety nets. To address these issues, policymakers must establish comprehensive policies and regulations that safeguard the rights and well-being of gig workers, ensuring they receive fair compensation, access to benefits, and protection from exploitation.

Gig workers may face a lack of advocacy and representation, making it difficult for them to voice concerns and negotiate for better working conditions. The absence of collective bargaining power can contribute to a perceived imbalance in the gig economy. Gig economy workers share similar issues with temporary agency workers or subcontracted employees when identifying their "employer" for purposes like collective bargaining or health and safety compliance. Furthermore, the gig economy can exacerbate existing inequalities in the workforce. This is particularly evident in terms of income disparities and access to benefits. Gig workers often have less job security and limited access to healthcare, retirement plans, and other employee benefits compared to traditional employees. Additionally, the gig economy tends to disproportionately affect marginalized communities who may already face systemic barriers to employment opportunities. These inequalities can further widen the gap between different socioeconomic groups and perpetuate social and economic disparities.

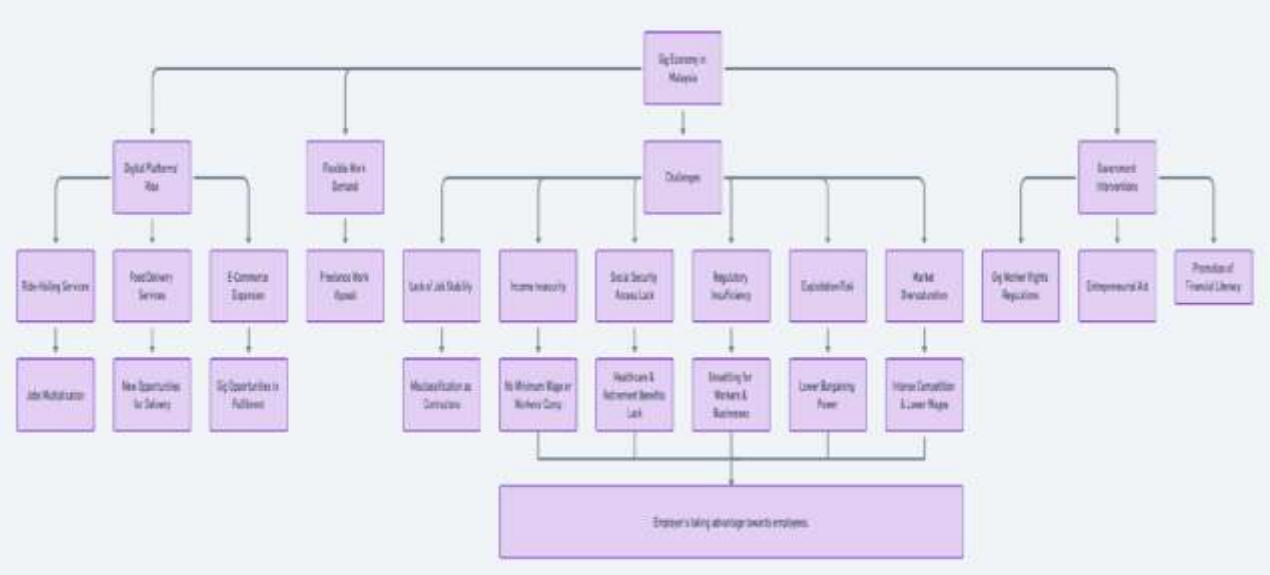
It can further perpetuate gender, racial, and socioeconomic disparities as marginalized individuals may face additional barriers to accessing gig work opportunities and fair treatment within the gig economy. These disparities can result in a concentration of gig workers from marginalized backgrounds in lower-paying and less desirable gigs, further widening the income and opportunity gap. The gig economy has both advantages and disadvantages for workers and firms. The advantages include flexibility in working hours, the ability to choose the type of work, and the potential for higher earnings. However, these advantages must be balanced against the disadvantages, such as the lack of benefits and protections, financial insecurity, and limited career prospects. Additionally, the lack of benefits and protections in the gig economy can leave workers vulnerable to exploitation and unfair treatment. Without access to healthcare, retirement plans, or paid time off, gig workers may struggle to meet their basic needs and face difficulties in planning for their future. Moreover, the limited career prospects within the gig economy can hinder workers from advancing professionally or gaining job stability, further perpetuating economic inequality.

The ambiguity in classifying gig workers as employees or independent contractors can lead to uncertainty regarding their rights and benefits. The clarity in employment status is crucial for workers to understand their legal protections and entitlements, which underscores the significance of using appropriate sources to comprehend the complexities surrounding gig work. The gig economy has sparked significant debate and raised important questions about worker rights, social protection, and labor market inequality. It is essential to address these issues and develop comprehensive policies that ensure the well-being and security of gig workers. Without clear guidelines and regulations, gig workers may be vulnerable to exploitation and unfair treatment by companies. Additionally, the lack of benefits such as healthcare or retirement plans can leave gig workers financially insecure. Therefore, policymakers must prioritize the creation of a supportive framework that safeguards the rights and livelihoods of independent contractors in the gig economy.

Previous research in Malaysia has shed light on the challenges faced by gig workers in the country. These challenges include low pay, crowded marketplaces, employment insecurity, social isolation, overwork, financial precarity, and stressful working conditions. Moreover, gig workers often face difficulties in accessing social protection, such as social security and healthcare benefits, due to their classification as independent contractors (Ran & Zhao, 2023). Therefore, policymakers and stakeholders must engage with these research findings and develop strategies that address the unique needs and vulnerabilities of gig workers in Malaysia, especially in light of the COVID-19 pandemic and its impact on unemployment rates and the growth of the gig economy. The COVID-19 pandemic has further exacerbated the challenges faced by gig workers in Malaysia. With widespread job losses and economic uncertainty, more individuals are turning to gig work as a means of survival. However, this increased competition has led to a further decline in wages and job security for gig workers. Therefore, it is crucial for policymakers to not only address the immediate impact of the pandemic but also implement long-term measures that protect the rights and well-being of gig workers in the country.

This can be achieved through the introduction of regulations that ensure fair wages, job security, and access to social protections for gig workers. Additionally, policymakers should consider promoting entrepreneurship and providing training programs to help gig workers transition into more sustainable forms of self-employment. By addressing these issues, Malaysia can create a more inclusive and resilient gig economy that benefits both workers and the overall economy.

Figure 1: Framework of the gig economy in Malaysia



4. Future of Gig Economy in Malaysia

Nevertheless, within Malaysia's economic sector, there remains a lack of clarity regarding the terminology surrounding Gig workers, and policymakers are still lacking comprehensive data on this matter (Md Yusof et al., 2022). This poses a challenge in accurately evaluating the precise magnitude and influence of the gig economy in Malaysia. Furthermore, apart from the aforementioned difficulties, the gig economy in Malaysia confronts various other present and forthcoming challenges. Firstly, there exists a dearth of social protections and benefits for gig workers. Numerous gig workers in Malaysia do not enjoy the same social protections and benefits as conventional employees, such as minimum wage, paid leave, and healthcare benefits. Insufficient regulation and safeguarding for gig workers: The existing regulatory structure in Malaysia fails to provide a clear definition of the employment status of gig workers, thereby exposing them to potential exploitation and depriving them of crucial benefits and protections.

The growth of the gig economy in Malaysia has raised concerns about its impact on traditional employment. Some argue that the rise of gig work may lead to the displacement of traditional jobs, particularly in sectors like transportation and food service. However, others suggest that the gig economy can complement traditional employment by providing additional income opportunities and flexibility for individuals who may not be able to secure full-time employment. Further research and analysis are needed to fully understand the relationship between the gig economy and traditional employment in Malaysia.

While the gig economy in Malaysia offers flexibility and additional income opportunities for gig workers, critics argue that it also perpetuates precarious employment and a lack of social protections. They argue that gig workers may face exploitation, low wages, and a lack of benefits such as healthcare and retirement savings. Additionally, some policymakers may be concerned about the potential loss of tax revenue from gig workers who may not accurately report their income. These counterarguments and alternative perspectives should be addressed to provide a well-rounded analysis of the gig economy in Malaysia.

One possible solution for addressing the challenges of the gig economy in Malaysia is to establish a Gig Workers Protection Act that provides gig workers with social protections, such as access to healthcare, retirement savings, and paid leave. This act could also define the employment status of gig workers and ensure that they are eligible for benefits and safeguards. Additionally, policymakers can collaborate with platform companies to develop a self-regulatory framework that sets standards for fair treatment, transparency, and accountability within the gig economy. By implementing these recommendations, Malaysia can create a more supportive and equitable environment for gig workers.

A suggested future study on Malaysia's gig economy could be a comprehensive socio-economic analysis aimed at understanding the impact on traditional employment and formulating protective legislation for gig workers. This study would blend quantitative methods, such as surveys and tax data analysis, with qualitative approaches like interviews and focus groups, to evaluate the gig economy's influence on job displacement and government revenue. It would also entail a comparative analysis with other economies that have established worker protections to inform policy recommendations. A collaborative effort to draft a Gig Workers Protection Act would be a key outcome, aiming to incorporate healthcare, retirement, and paid leave for gig workers. The study's significance lies in providing a detailed policy roadmap to ensure gig workers are integrated into the economy equitably, serving as a blueprint for similar economies.

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