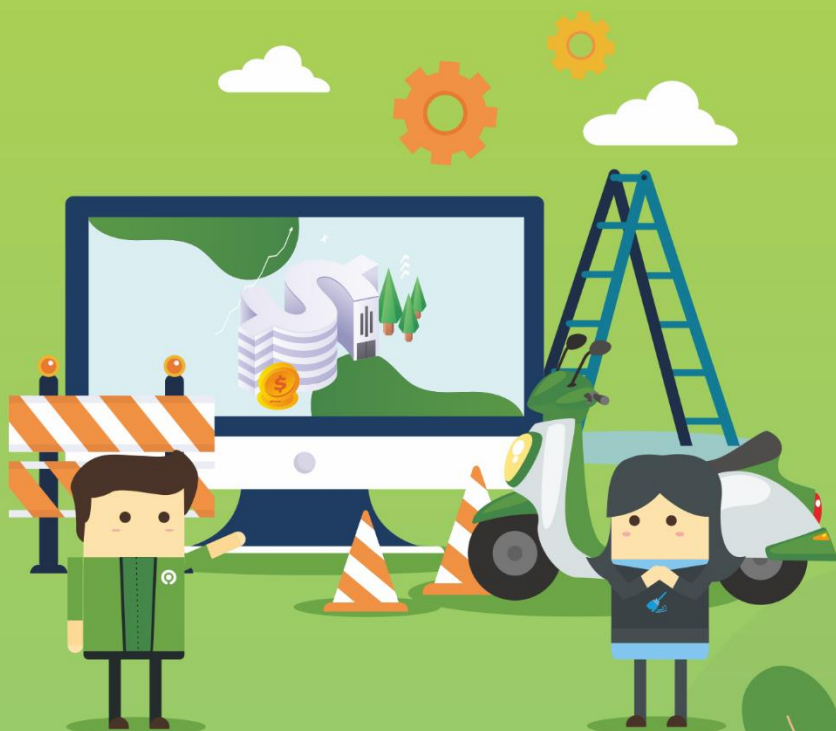


ENSURING A FAIR LABOR PRACTICE IN THE ERA OF DIGITAL ECONOMY

...





Author

Arumdriya Murwani

Editor

Anisa Pratita Kirana Mantovani

Designer and Layouter

Muhammad Fanani Arifzqi



INTRODUCTION

The development of the internet had brought about a profound transformation in the way we do economy. Currently, we are witnessing the start of a new age of the so-called "gig economy" or platform economy. Platform economy typically consisted of two types of work: crowdsourcing and work-in-demand. Internet became an essential element of the platform economy, as it facilitates the necessary interaction which enabled the economy to work.¹ Digital labor platform became a place where work is outsourced through an open call to a geographically dispersed crowd (crowd work/crowdsourcing), and a channel to source local labors to perform the daily menial task (work-in-demand).² This paper will mainly set its focus on the latter, as it applies more to the Indonesian context.





The benefit of a platform economy had been cited multiple times as providing more flexibility and freedom for workers to choose their working hours and career path. This flexibility had arguably provided empowerment paths towards those who previously marginalized due to their socio-economic conditions. People who were unable to obtain tertiary or even secondary education, for example, now can participate in the gig economy. As long as they possess a gadget and internet connection, while the skill sets meet the demand of the customer. These skills can range from driving a motorcycle to providing massages. Workers now have the ability to manage their working hours, which is seen to offer more opportunities for women to enter the labor market while

The workers are considered "partners" instead of employees, giving an equal atmosphere in the workplace—a world away from the strict hierarchical structure of the traditional office. However, the adverse side of the platform economy had only started to show. Flexibility in choosing work hours, for example, had led employees to work longer hours. The on-demand and inconsistent nature of the workplace had also directed the workers engaged in this platform economy not to be considered as labor, which exclude them from getting insured by their employers. Moreover, this new platform economy might overlook the humane aspects of work. Against this background, this paper aims to answer the question of how can we ensure a fair labor practice in the digital economy?



THE GIG/PLATFORM ECONOMY AND ITS COMPLICATIONS

The gig economy refers to a trend where a growing number of people are turning into some freelance work to make ends meet. The economy is based on short-term jobs, a "gig" or "tasks" -hence the name gig economy. Platform economy, on the other hand, refers to any economic activity that is facilitated by platforms-such as websites or apps. Prominent platform companies are now household names, such as Apple, Google, Uber, Airbnb, and GO-JEK. These platform companies are growing at a rapid scale and signal the shift of the way we are doing economy.

The emergence of the platform economy is inextricably linked with the rapid development of the internet. Over the past few decades, the proliferation of the use on the internet resulted in the hyper-connectivity among individuals around the world. The advancement is argued to create an environment which allows platform companies to thrive. Their growth has been unprecedented as well. The new digital ecosystem had been predicted to account for more than 30% of global corporate revenue, some \$60 trillion, by 2025.³ In 2018, seven out of the ten most valuable company in the world are engaging in the platform economy.



LARGEST GLOBAL COMPANIES IN 2018 VS 2008

SEVEN OUT OF TEN ARE NOW BASED ON PLATFORM
BUSINESS MODELS

2018

RANK	COMPANY	FOUNDED	US\$Bn
1.		1976	890
2.		1998	768
3.		1975	680
4.		1994	592
5.		2004	545
6.		1998	526
7.		1955	496
8.		1999	488
9.		1886	380
10.		1871	375

2008

RANK	COMPANY	FOUNDED	US\$Bn
1.	 PetroChina	1999	728
2.		1870	492
3.	 GE Lighting	1892	358
4.	 中国移动 China Mobile	1997	344
5.	 ICBC	1984	336
6.	 GAZPROM	1989	332
7.		1975	313
8.		1907	266
9.		2000	257
10.	 AT&T	1885	238

*Companies based on the platform model



Figure 1: 10 Largest Global Company in 2008-2018 (US\$ Billion)



In general, the types of activities involved in the gig/platform economy are divided into two: crowdsourcing and work-in-demand. Crowdsourcing refers to the activities in which companies outsource labors to perform a series of tasks through online platforms.⁴ (destefano, kneese). These series of tasks can range from professional services to menial jobs in the office. The second type of activities in the gig economy is the work-in-demand. Work-in-demand activities typically refer to traditional works, such as running errands, cleaning, and transport-related jobs performed in a series of tasks.⁵ Other differences with the former and the latter lies in the geographical locations. While the former allows the workers to conduct their tasks from anywhere in the world, work-in-demands usually are territorially bound and only outsource at the local level.

As has been mentioned in the previous paragraph, the new model of economy facilitated by the internet allows for more flexibility in both the working hours and in deciding one's course of a career. The platform economy allows for more excellent work-life balance, which gives more flexibility for a previously marginalized group of people to enter the workforce and gain economic independence. Women, for example, are now able to work while still taking care of her family. People who did not receive secondary and tertiary education can still perform work-in-demand via apps, especially those works which are menial in nature.





While this undoubtedly allows more flexibility and empowerment to the marginalized community, this new system might have an unprecedented effect on labor protections. DeStefano, for example, argued that this model of economy encouraged the dehumanization of workers.⁶ The pay-as-you-go nature of much of the platform works had contributed to the commodification of human services. Consumers interact with the workers (who would be visible only) through the app and in the designated time for the work to be completed. As a result, humans were expected to work as smoothly as the application or platform that represent them. A simple failure to adhere to the standard operational procedure, or a simple mistake, could cost a job. The protection for the workers who engaged in this model of the economy had also become a concern. In this paper, we will focus more on the Indonesian case to understand how the rapid development of platform economy could potentially pose harm to the well-being of the workers and how to ensure a fairer labor practice in such economy.



THE INDONESIAN CASE

The platform economy is developing rapidly in Indonesia. The country is home to 100 million smartphones, with 130 million people spread across the island now connected to the internet.⁷ This environment enables platform companies to proliferate. The Indonesian digital economy is on its way to becoming the largest in Southeast Asia as its market values would reach US\$100 billion by 2025.⁸ The ones who spearheaded this development are ride-hailing companies, such as Grab and GO-JEK. They institutionalized efficiency by offering services, such as rides, cleaning, massages, and salons through their smartphone apps. These companies had created jobs for over a million people and contributed \$567 million to the national economy each year. The company is predicted to contribute a staggering amount of US\$120 billion to the national economy within the next decade.⁹ In hindsight, the development of platform and gig economy are good for the overall economic growth of Southeast Asia's biggest economy. However, is it good for the well-being of their labors?



SURVEY RESULTS

GOJEK's Impact on the Indonesian Economy in 2018



Lembaga
Demografi

GOJEK Contributed US\$3 Billion (IDR 44,2 Trillion) in Added Value To The Indonesian Economy

Partners' contribution to the economy*

IDR 44.2 T



2018

Partners contribution based on service

GO-RIDE	IDR 16.5 Trillion
GO-CAR	IDR 8.5 Trillion
GO-LIFE	IDR 1.2 Trillion
GO-FOOD	IDR 18 Trillion



*Added value derived from additional income earned by GOJEK's driver-partners, SME merchants, and talent partners after joining GOJEK

Monthly average income of GOJEK partner is above Average Minimum Wage*

GO-RIDE IDR 4.9 Million Jabodetabek
IDR 3.8 Million Other 8 Cities

GO-LIFE IDR 4.8 Million Jabodetabek
IDR 4.3 Million Other 8 Cities

GO-CAR IDR 6 Million Jabodetabek
IDR 5.5 Million Other 8 Cities

Average Minimum Wage of 9 surveyed cities is IDR 2.9 Million*

90% of GOJEK Partners are Confident They Can Improve Their Families' Welfare



8 out of 10 partners are confident they can send their kids to school

85% driver partners view their partnership with GOJEK as fair

84% feel a strong sense of solidarity with their fellow driver partners

93% of SME Merchants Experienced an Increase in Transaction Volume



79%

of SMEs joined FO-FOOD because of its advanced technology



55%

of SMEs saw their revenue classification increase after joining GO-FOOD



98%

of SMEs perceive the partnership with GO-FOOD as beneficial

GO-LIFE widens earning opportunities in Indonesia

70% of GO-LIFE Talent are Woman

90% of GO-LIFE Partners are Elementary to High School Graduates



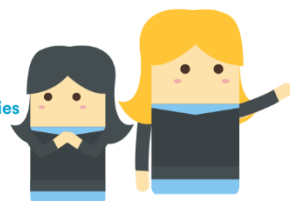
94% of GO-LIFE talents acquired additional skills through training



82% of talents have experienced an increase in income since joining GO-LIFE



50% of GO-LIFE female talents are breadwinners of their families



95%

of female talents are confident they can be fully independent with GO-LIFE

GO-LIFE widens earning opportunities in Indonesia

Research Population

9 cities; 3,886 GO-RIDE partners; 1,010 GO-CAR partners; 1,000 GO-FOOD merchants; 836 GO-LIFE** talents (GO-CLEAN and GO-MASSAGE)
Survey in 9 cities include: Balikpapan, Bandung, Greater Jakarta, Denpasar, Makassar, Medan, Palembang, Surabaya, Yogyakarta

*Average Minimum Wage in 9 surveyed cities

**GO-LIFE survey areas in 6 cities: Bandung, Denpasar, Greater Jakarta, Yogyakarta, Surabaya, Medan

Figure 2: Infographic on the Impact of Go-Jek



Many had highlighted the concerns for labor protection under this new system, stating that the rapid development of such a system did not parallel the development of the regulations that would protect the rights of the labors.¹⁰ This phenomena is evident in Indonesia, where questions surrounding the regulations of online ride-hailing services became one that is quite controversial as the government struggling to balance the demands of the consumers and the rights of the workers.¹¹ Gig workers, who mostly were hired in a specific time setting, might not qualify to obtain traditional employment benefits such as health insurance, paid leave, and pension.¹² While this would not be a problem for people who do gig works as their side-jobs, it would hurt those who do gig tasks full-time, as the most case in Indonesia. This divide potentially harms a large number of Indonesians as well, considering that a considerable percentage of the Indonesian workers are regarded as informal workers. This category is broad and includes casual, part-time, small scale manufacturers, and street vendors. The protection for workers under this category falls outside of the labor law, and it made up for almost 60 percent of the total workforce.¹³

This case study will further focus its discussion on workers of ride-hailing applications, such as Go-Jek and Grab. Workers from this category are considered "partners" of their companies. Therefore, they are subject to the partnership-and not labor-law. This entails entering into a partnership agreement with the platform company. Often, these agreements do not explicitly state out the healthcare and insurance benefits that the drivers, or the "partners," might be entitled to. These agreements are also considered one-sided, with the companies having the rights to arbitrarily change the terms and conditions regarding the contract without prior notice. The companies often did not consult their partners before making changes in the policies. If the partners continued performing their works through the ride-hailing platform after a notification that policy would change, the company would consider it as an agreement to the newly-revised policy. This scheme has undoubtedly created an unfair work practice for the partners of the ride-hailing companies, as the workers were not provided with the opportunity to negotiate for their rights.





In 2015, thousands of Go-Jek drivers across the country were laid off by the companies due to the alleged use of fictitious booking system to gain more points.¹⁴ For some partners, these lay-offs were sudden, and they did nothing wrong, while Go-Jek had stated that they did warn the drivers who were not complying with the company's rules.¹⁵ While some Go-Jek partners did admit that there was foul play in the community, the massive nature of the lay-off had made it possible for the system to make a mistake and cost an innocent man his job. Moreover, this case study sees that Go-Jek did not give sufficient channels for the drivers to appeal to their case and protect themselves from the company's arbitrary policies

ENSURING FAIRER LABOR PRACTICES

How, then, can we create a better and fairer work environment for workers who engaged in platform or gig economy? This case study suggests three different steps that the workers, government, and the companies can do to ensure a better and fairer work environment in the platform economy. This case study considers that relevant stakeholders must collaborate in answering the challenges posed by the new model of the digital economy.

Unionizing becomes one of the solutions to tackle the question of job fairs in the platform economy. Most of the workers who are contributing to the growth of the platform economy are anonymous, geographically scattered, and operating without a shared workspace. Although self-organizing in this situation might pose a challenge, unionizing had proven to be extremely beneficial for the Go-Jek community at the local level. In the 2015 case, for example, various Go-Jek drivers' organization organized a series of protests that were caused by the companies' sudden lay-off of the thousands of workers. It would be more effective if workers were to assemble at the national level, as to increase its bargaining power when negotiating with the corporations.



The government could also help to ensure that the companies would grant the workers basic rights. This action could be executed by formulating and issuing regulations that would be beneficial to the workers. The government can also work with the corporations to ensure that their workers are receiving public healthcare. Go-Jek and the state had worked together in this field as well. As per 2018, Go-Jek had prepared a special setting in their platform so that the workers can sign up for workers' social security (BPJS-TK) through their application.¹⁶ **(source, tirta)** This work should be appreciated and set a precedent for the government to be more proactive in building a good partnership with corporations who engage in platform economies to ensure that the rights of the workers would be fulfilled.

Moreover, the government should keep watchful eyes for price competitions that these companies often engage in. As platform companies aim to attract more customers, they often engaged in unfair competition to cut back prices on behalf of the workers' well-being. This inequality can be avoided by providing a regulatory framework to ensure that the price competition will not affect the rights of the workers. The government can also act as a middleman in negotiating the change in policies that platform company seldom arbitrarily imposed towards the workers. It could do so by providing guidelines for the companies and the workers to negotiate changes in policies before they are implemented.





CONCLUSION

The digital economy is on the rise, and platform companies are one of its pillars. It offers revolutionary ways of doing savings: cutting costs of the transaction, empowering those who were marginalized under the traditional economic system, and giving more flexibility towards workers. In the Indonesian context, the platform economy had helped to connect millions of people to a source of income and generating billions of dollars for the local economy. However, there are some unforeseen challenges to this new model of the economy. One of which is the issue of workers protection. The platform economy had been dubbed as problematic due to its tendency to treat their workers as partners, making them fall outside of the obligation for the companies to provide them with benefits such as health care benefits and pension. Platform companies were also structured in a way that enabled them to decide without prior negotiation with the drivers arbitrarily. Such challenges could be addressed by nationally unionizing the drivers and forging closer collaboration between companies and the government. This case study hopes to shed a brief illustration of the complexity of the issue, and we expect further research and collaboration can be done to ensure that the rights of the workers are protected.



REFERENCE

¹International Labor Organization. (n.d.). Crowd work and the gig economy (Non-standard forms of employment). [online] Available at: <https://www.ilo.org/global/topics/non-standard-employment/crowd-work/lang-en/index.htm> [Accessed 27 Jun. 2019].

²De Stefano, V. (2015). The Rise of the 'Just-in-Time Workforce': On-Demand Work, Crowd Work, and Labour Protection in the 'Gig-Economy.' SSRN Electronic Journal, pp.471-504.

World Economic Forum. (2019). Platforms and Ecosystems: Enabling the Digital Economy. [online] Available at: <https://www.weforum.org/whitepapers/platforms-and-ecosystems-enabling-the-digital-economy> [Accessed 27 Jun. 2019].

³Kneese, T., Rosenblat, A., and Boyd, D., 2017. Understanding Fair Labor Practices in a Networked Age. Data & Society Working Paper, pp.1–18.

De Stefano, V. (2015). The Rise of the 'Just-in-Time Workforce': On-Demand Work, Crowd Work, and Labour Protection in the 'Gig-Economy.' SSRN Electronic Journal, pp.471-504.

⁴*Ibid.*,

⁵Forbes. (2019). What Are The Pros And Cons Of The Gig Economy?. [online] Available at: <https://www.forbes.com/sites/quora/2019/01/08/what-are-the-pros-and-cons-of-the-gig-economy/#1884cf171388> [Accessed 27 Jun. 2019].

⁸JakartaPost

⁹Jakarta Post. (2018). Indonesia's digital economy to dominate Southeast Asia by 2025. [online] The Jakarta Post. Available at: <https://www.thejakartapost.com/news/2018/11/28/indonesias-digital-economy-to-dominate-southeast-asia-by-2025.html> [Accessed 27 Jun. 2019].

¹⁰Jakarta Post (2018). The gig economy and skills trap in Indonesia. [online] The Jakarta Post. Available at: <https://www.thejakartapost.com/academia/2018/11/21/the-gig-economy-and-skills-traps-in-indonesia.html> [Accessed 27 Jun. 2019].

¹¹Hastuti, R. (2019). Perang Tarif, Gojek Minta Pemerintah Turun Tangan. [online] CNBC Indonesia. Available at: <https://www.cnbcindonesia.com/fintech/20190527200750-37-75373/perang-tarif-gojek-minta-pemerintah-turun-tangan> [Accessed 27 Jun. 2019].

¹²De Stefano, V. (2015). The Rise of the 'Just-in-Time Workforce': On-Demand Work, Crowd Work, and Labour Protection in the 'Gig-Economy.' SSRN Electronic Journal, pp.471-504.

¹³Waskito, A. (2017). Indonesia's Future Lies in Its Informal Sector. [online] FEE. Available at: <https://fee.org/articles/indonesia-s-future-lies-in-its-informal-sector/> [Accessed 27 Jun. 2019].

¹⁴Wijaya, C. (2016). Hundreds of Go-Jek drivers protest 'unfair policy.' [online] The Jakarta Post. Available at: <https://www.thejakartapost.com/news/2016/10/03/hundreds-of-go-jek-drivers-protest-unfair-policy.html> [Accessed 27 Jun. 2019].

¹⁵*Ibid.*,

¹⁶Ramadhani, Y. (2018). Gojek Siapkan Layanan Pendaftaran BPJS-TK Online untuk Pengemudi - Tirto.ID. [online] [tirto.id](https://tirto.id/gojek-siapkan-layanan-pendaftaran-bpjs-tk-online-untuk-pengemudi-chVh). Available at: <https://tirto.id/gojek-siapkan-layanan-pendaftaran-bpjs-tk-online-untuk-pengemudi-chVh> [Accessed 27 Jun. 2019].





Center for Digital Society

Faculty of Social and Political Sciences
Universitas Gadjah Mada
Room BC 201-202, BC Building 2nd Floor,
Jalan Socio Yustisia 1
Bulaksumur, Yogyakarta, 55281, Indonesia

Phone : (0274) 563362, Ext. 116
Email : cfds.fisipol@ugm.ac.id
Website : cfds.fisipol.ugm.ac.id



facebook.com/cfdsugm



[Center for Digital Society \(CfDS\)](https://www.linkedin.com/company/center-for-digital-society)



[cfds_ugm](https://www.instagram.com/cfds_ugm)



[@cfds_ugm](https://twitter.com/cfds_ugm)



[@cfds_ugm](https://twitter.com/cfds_ugm)



[CfDS UGM](https://www.youtube.com/CfDSUGM)