

The Gig Economy and the Future of Work: Global Trends and Policy Directions for Non-Standard Forms of Employment ¹

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MAIN MESSAGES



The global rise of the non-standard forms of employment (NSE) creates opportunities and challenges for the labor market. New forms of work have both positive and adverse impacts on firms, workers, and the economy.



Growth and diversification of NSE require social protection and employment policy responses to realize the benefits and mitigate the adverse effects of the emergence of NSEs and gig work.



The degree of penetration of NSE vary significantly across and within regions. This is partially attributed to context-specific features such as the policy environment, e.g., labor law.



Harmonizing policies across all employment forms - standard and non-standard - is necessary to ensure inclusiveness of all new forms of work in the labor market for the benefit of workers, firms, and the economy.

Conventional parameters of standard employment contracts

To understand how to define gig work, it is important to recall that in many developed

economies, until recently, standard employment was characterized by four attributes:



Full-time



Subordinate

employee-employer relationship



Indefinite



Mostly **on-site**

Non-standard employment in the Gig Economy

“Gig Work,” a term coined around 1915 and more recently popularized by platform work, describes the exchange of labor for money on a short-term and payment-by-task basis. At present, gig work, flexi-work, on-call work, freelance, and other future terms describe non-standard employment (NSE) forms that deviate from the conventional parameters of standard employment. When these forms become prevalent, we can talk about a “Gig Economy.”

NSE can be classified as “*Dependent-Employment*” or “*Self-Employment*.” This classification is required to eliminate gray areas in employment -such as disguised employment²- to develop well-targeted policies for both dependent-employed and self-employed people. This distinction makes examination, or review future work types easier.

This brief examines the “Future of Work” through the lens of labor contracts governing workers’ rights, social protections, pensions, end-of-service benefits, and active labor market programs, the cost of which impacts, firms, and workers. The brief aims to help policymakers navigate some of the challenges associated with emerging forms of work. It provides a summary of global trends, emerging evidence, international experiences, and policy directions for interventions targeting non-standard work.

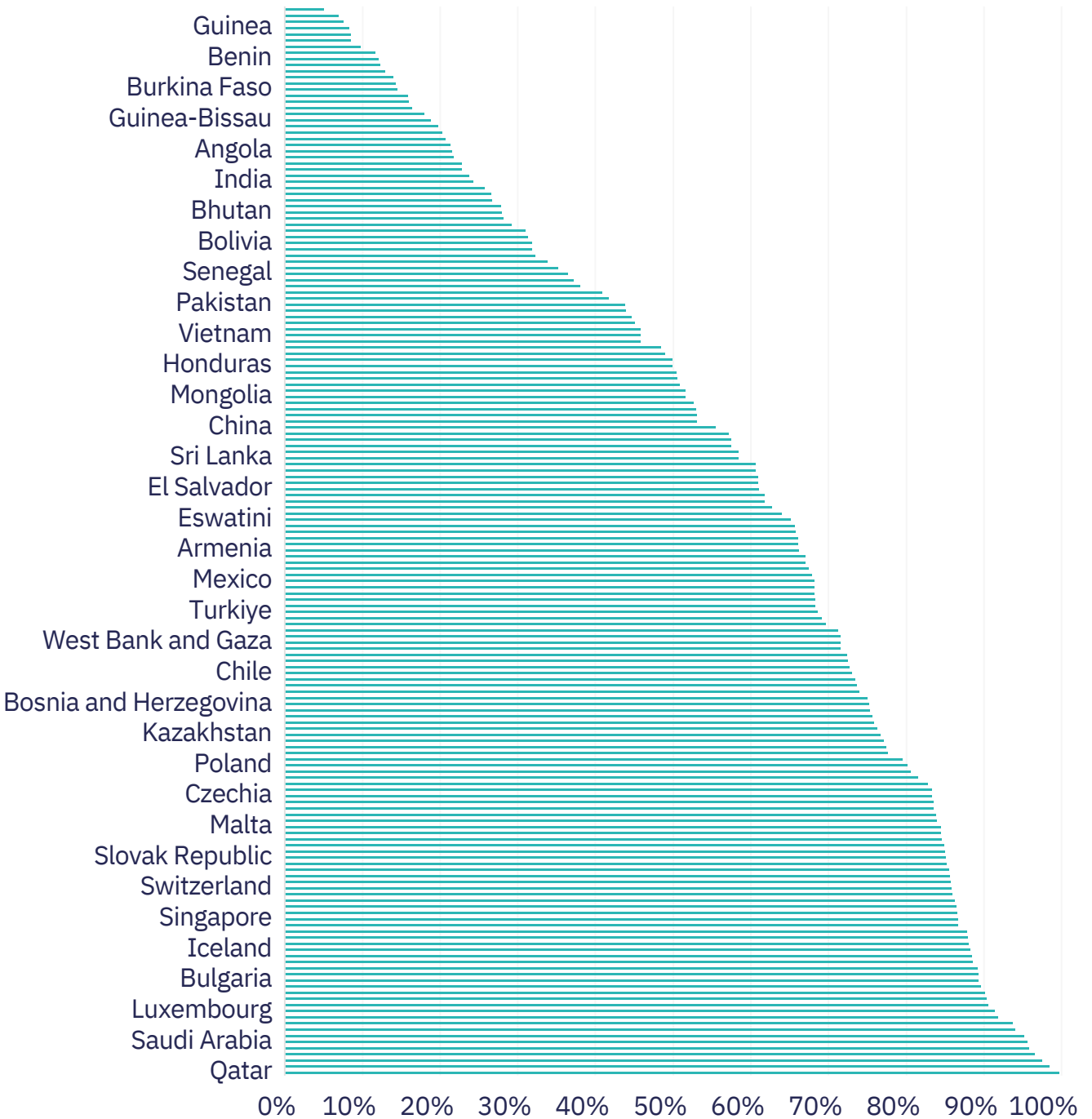
Global trends in non-standard forms of employment

Non-standard employment forms (NSE) are arising worldwide, presenting new development challenges for policymakers. The COVID-19 crisis may have exacerbated this trend. While new forms of work are a relatively new global phenomenon, data suggest that the degree of penetration of NSE into the labor market varies significantly across and within regions and income levels. This variation can be explained by two factors. The first is measurement: national accounts and labor statistics cover new types of work across countries in incomplete and inconsistent ways. Secondly, even if measured correctly, the policy environment, such as the labor law, can favor some types of employment while making others unattractive or impractical for firms or workers.

Figure 1 shows the prevalence of wage and salary employment across countries. As expected, high-income countries have significantly higher shares of wage employment than developing countries. For example, countries in the Gulf Cooperation Council (GCC) region have some of the highest shares of wage employment in the world.³ In contrast, developing countries in the Sub-Saharan Africa region, on the other hand, have some of the lowest rates of wage employment in the world. This makes it especially important for developing and emerging economies with higher shares of non-standard forms of employment to rethink their strategy to address possible vulnerabilities and capture the benefits.



FIGURE 1: Wage and salaried workers, total (% of total employment)



Source: World Bank, WDI

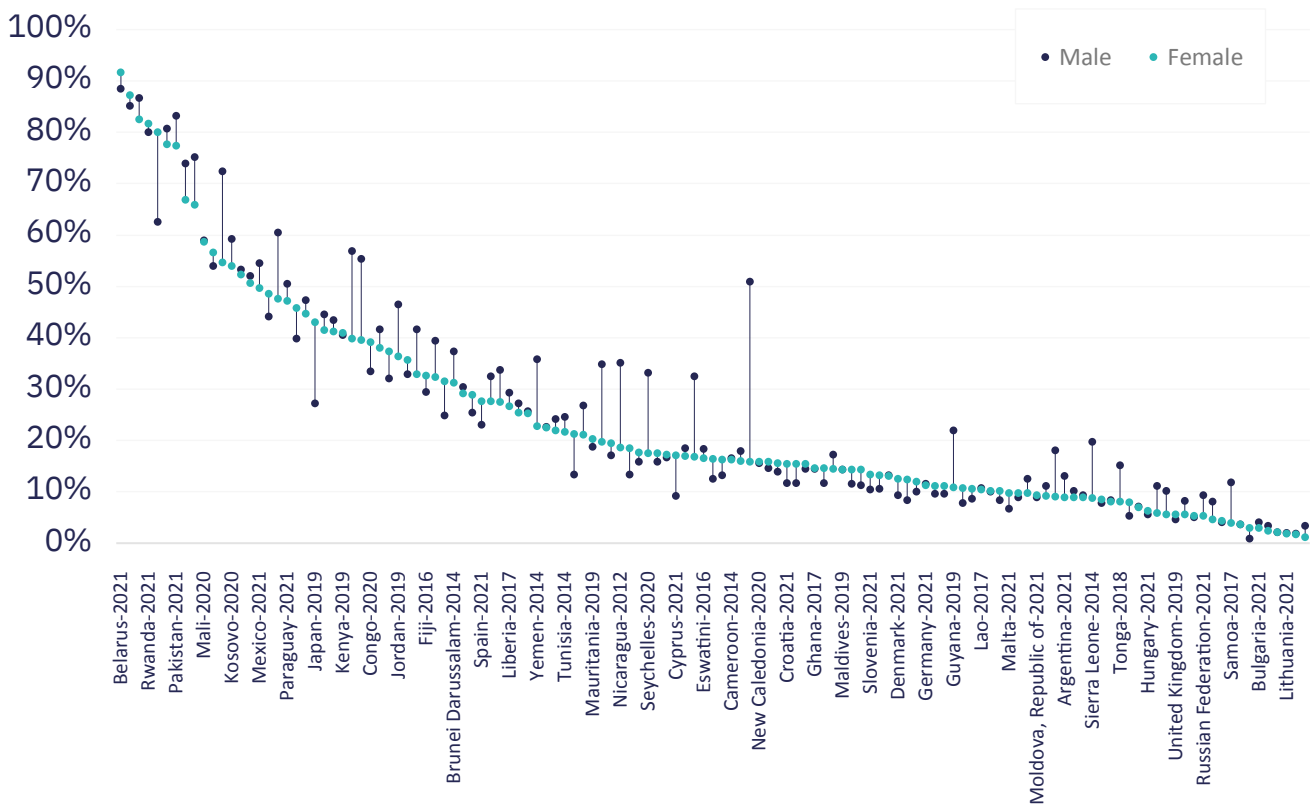
Temporary work is one common feature of NSE around the world.⁴ Figure 2 illustrates the prevalence of temporary contracts around the world. There is wide variation in the use of temporary contracts between and within

regions and income levels. The widespread use of temporary contracts in developing countries like Belarus, Rwanda, Indonesia, and Pakistan – making up roughly 80-90% of total contracts –

underscores the need for policymakers to ensure that these contracts are effective and that temporary workers are adequately protected. Moreover, there are differences in the proportion of women and men on temporary contracts across countries, with women in

some countries more likely to hold temporary positions compared to permanent ones, while the reverse is true in others. A deeper analysis is required to determine the significance of these differences and uncover the root causes driving these disparities.

FIGURE 2: Workers on temporary contracts, by sex, age 15-64, latest available year (% from total number of contract workers)



Source: ILO



Evidence on the impact of the non-standard employment forms

With the growth of NSE in many economies, policymakers must consider the benefits and drawbacks of these new forms of work.

Proactive policy measures can help manage the growth of the gig economy sustainably.

Global experiences suggest that changes in regulations and other institutions governing the labor market are driving the growth of NSE. The Netherlands, for example, has had the highest rates of part-time employment in the world for many years.⁵ With the increase in the frequency of part-time work, the Netherlands introduced new regulations to ensure that part-time workers are entitled to basic protections and benefits.⁶ It's worth noting that part-time work often lacks worker pro-

tection and may lead to involuntary part-time work traps, particularly for women. Therefore, the Netherlands' model is crucial to examine as it demonstrates how policymakers can not only control the growth of NSE but also improve its quality.

The literature provides a useful framework for understanding the benefits and challenges of growing NSE adoption. Literature on the pros and cons of the expansion of these occupations can be divided into two categories: for the firm and the worker. Box 1 provides a summary of the implications associated with NSE for both workers and firms.

BOX 1

PROS & CONS OF NON-STANDARD FORMS (NSE) OF WORK

Advantages

Disadvantages



For firms

- Flexibility to hire by task
 - Quicker response to shocks
 - A wider pool of talent of more specialized labor
 - Lower labor costs
- Firm-specific skills not accumulated
 - Combining tasks can be challenging and may result in overwork and mismanagement
 - High turnover rates



For workers

- Low barriers to entry
 - Potential pathway to full-time job opportunities
 - Highly flexible, allowing individuals to customize their schedule, location, and level of commitment.
- Higher risk of unemployment and job insecurity compared to their standard counterparts
 - Less opportunities for professional development due to lack of training and feedback
 - Lower earnings in some occupations or jobs of certain skill levels

The rise of NSE poses both challenges and opportunities for firms. On one hand, NSE can reduce labor costs for firms while providing a more robust pool of qualified and readily available workers for the firm to recruit from. This offers employers more organizational flexibility to meet short-term needs or seasonal demand at lower costs and enables businesses to access more specialized labor otherwise unavailable in-house.⁷ Moreover, non-standard workers can be an efficient source of motivated and productive labor under the right circumstances.⁸ On the other

hand, relying too heavily on NSE can have adverse effects on the firm. Studies have shown that it may lead to the low development of skillsets within the firm,⁹ reduce the incentive to invest in training, research and development (R&D), and productivity-enhancing technologies¹⁰ and resource allocation. Therefore, it is important for firms to strike a balance between utilizing NSE to their advantage and investing in the long-term growth of the firm.

Workers in NSE also face certain tradeoffs. NSE can be a gateway into the workforce and a way to gain valuable work experience. It also

offers a pathway to re-enter the labor market after a period of unemployment.¹¹ In addition, it provides unprecedented flexibility for various segments of the workforce that may need it the most, including vulnerable groups often at the margins of the labor market, such as the elderly, persons with disabilities, caretakers, and women with child-care responsibilities. However, non-standard workers are more likely to be concerned about job security,¹² transitioning to full-time work, and the potential loss of income-generating work (Box 1).¹³ These concerns are more prevalent in certain groups, such as women.¹⁴ Additionally, work in NSE is mainly outside the protection of social safety nets, especially social insurance schemes that protect workers in the event of income shocks such as unemployment, work injury, or disability. It is important to enact policies that expand access and coverage of traditional social insurance schemes to the most vulnerable segments of the workforce.

The rise of NSE and new forms of work present new questions for the labor market and the economy. Its proliferation has effects on the dimensions of the labor market, including working conditions, individual worker profile, firms, industry, country setting, and more. It also affects the adoption of new technologies, innovation,¹⁵ the efficiency of labor relocation, labor productivity, and, therefore, an effect on aggregate productivity and economic growth. Studies have shown a negative correlation between productivity and the number of temporary laborers within a firm.¹⁶ This has been attributed to the decline in firm-specific skill, and reduced productivity of temporary workers given the labor conditions they face. It can lead to unemployment, create segmentation in the labor market, affect productivity growth and innovation, and ultimately lead to negative social outcomes such as labor market exclusion, vulnerable work, and poverty.



Recommended policy directions



The “Future of Work” will be shaped by the policy environment in which the labor market operates. A package of recommended policy directions can be grouped into three areas: 1) harmonizing rules for standard and non-standard employment; 2) updating social protection systems; and 3) supporting life-long learning (Box 2). These policy directions, drawing from international experiences, aim to update the policy environment to realize the benefits and mitigate the adverse effects of the NSE. (Box 3).

Policy direction 1: **Harmonizing rules for standard and non-standard work**


Harmonizing employment contract rules creates an integrated labor market that utilizes NSE through incentivizing workers to join the labor force and giving firms access to a larger talent pool. Non-uniform costs or benefits across types of labor contracts can skew the hiring process away from meeting a business’s needs. Regulations should classify workers correctly as under dependent-employment or self-employment, harmonize contribution costs across dependent-employment contracts, and incorporate flexible arrangements in dependent-employment. This ensures the hiring process meets business needs and worker preference.

» *Differentiate between an employee (dependent employment) and a freelancer (self-employment)*

The first building block to harmonizing the rules is tackling the misclassification of workers. This is crucial for ensuring that all workers have access to labor and social protections. This is crucial for ensuring that all workers have access to labor and social protections. Governments tend to achieve this by setting a criteria that differentiates between a dependent employee and a self-employed.¹⁷ The criteria examines several aspects such as the degree of independence of the worker (over how, where, and when they complete their work), ownership of the tools of work, opportunity of profit associated with the performed task, and degree of integration of the worker in the employer’s business as standard employees would be more integrated than self-employed. In some countries, there is a presumption of an employment relationship; that is, the burden of proof is placed on the employer (rather than the employee) in disputes about employment status.¹⁸


BOX 2 PACKAGE OF POLICY INTERVENTIONS

 Policy Direction	 Policy Target		
Harmonize rules for standard and non-standard works	 Correct classification of workers	 No segmentation in the labor market	 Firms have wider options to hire people
Update social protection system	 Allow workers to insure this income streams	 Extended protection to all workers	 Encourage entry to the labor market
Lifelong learning	 Enhance Career Path and Productivity		

 *Harmonize costs of contributions across various dependent employment contracts*

The second building block to harmonizing the rules is adjusting the costs and benefits across various forms of dependent employment.¹⁹ Regulations should aim to minimize the incentives for businesses and workers to change employment contract type to avoid tax and social contribution liabilities or shift work costs to the workers.²⁰ Countries regulate NSE to reduce unfair business practices and pave the way toward good jobs or entrepreneurship. Other than harmonizing

the costs, countries also restrict the use of NSE such as putting a limit on percentage of workers to be hired on NSE contracts in a firm or setting a maximum duration or number of NSE contract renewal with one employer.

 *Incorporate telework rights and flexible work arrangements*

The third building block to harmonizing the rules is incorporating flexible work arrangements such as telework into the labor law. Teleworking can be across different types of employment contracts and work arrangements. However, working off-premises (unlike the conventional standard employment) makes it a

non-standard form of employment that has new challenges. Countries have been implementing telework regulations that assign employer and employee responsibilities and liabilities. Policies should ensure that new arrangements increase productivity without shifting operating costs to employees or interfering with the employer's business needs.²¹

Policy direction 2: Update social protection systems

Retrofitting the social protection system is critical for the future of work. Today's social protection systems were designed to provide employment protection through the conventional standard employment relationship model. Innovation is needed to offer protection to the NSE and to update the rules of eligibility. Governments around the world are attempting to extend protections such as occupational hazard, update unemployment insurance, and design portable benefits savings schemes to utilize savings as a tool for social protection.

» *Extend occupational hazard protection*

Occupational hazard protection could be overlooked for NSE and provide limited options for freelancers. Amending labor laws and designs of the social insurance system to extend protection for the NSE that are classified as dependent employees while innovating options for the self-employed ensures income protection for workers suffering work-related injuries.²²

» *Updating unemployment insurance schemes*

One important way in which rules can be harmonized is by extending protection to non-standard workers from income shocks due to unemployment. However, traditional eligibility criteria and thresholds might prevent NSE classified as dependent employees from accessing their benefits or the social insurance system altogether. Countries are experimenting to create new tools for the dependent employees in NSE and tools to expand coverage to the self-employed with a history of consistent, stable earnings with mechanisms to mitigate moral hazard and adverse selection.²³

» *Design portable benefits savings schemes*

The social protection system can expand to cover NSE by utilizing savings as a tool. Important elements of the social protection system – such as pensions and unemployment insurance – are generally unavailable to NSE. This is largely due to contribution mechanisms or eligibility thresholds. Hence, incentivized portable saving accounts can help extend those benefits to more people.²⁴ Governments can encourage savings accounts through incentives such as matching contributions or tax exemptions.²⁵

Policy direction 3: Lifelong learning

The future of work will require constant learning, for the employees to remain employable in a constantly changing labor market. Because of gig work, more people can enter the labor market on their own terms, giving them more control over their professional lives. However, this autonomy requires more individual responsibility from workers to acquire skills and advance their careers on their own, as firms tend to have disincentives to

invest in the skills development of gig workers. Given the importance of lifelong learning in the modern economy, governments are increasingly implementing policies to encourage training for a growing number of people who work in the gig economy through tax incentives, the provision of career guidance, the provision of adaptable support, the expansion of access to high-quality training, and the enhancement of labor market data.

» *Career guidance and improved labor market data*

Career guidance helps find the right opportunities according to their abilities. Labor market information and career guidance are critical elements of the labor market intermediation system, as it helps address information asymmetries between employers and workers in the job-matching process. However, as the labor market continues to evolve and NSE become more prevalent, the traditional functions of labor observatories and career guidance can be enhanced to help improve the matching process for workers in non-standard contracts, like freelancers and gig workers.²⁶

» *Expand access to high-quality training and adaptable support*

Skills development and employment support policies must be adaptable to accommodate the many non-traditional forms that gig work can take. As new forms of work emerge and workers have more agency and flexibility, they also bear the responsibility to continue retraining and improving their skills to meet the needs of a constantly changing labor market.²⁷

Government can incentivize skills development for workers in NSE through tax incentives and savings accounts for training.²⁸ Many tools, such as scholarships and grants, can be used to incentivize workers to pursue their training and education. However, these resources must be inclusive of all types of work.²⁹



Conclusion

The global rise of NSE and gig work creates opportunities and challenges for the labor market and requires public policy responses to realize their benefits and mitigate their adverse effects. Evidence on the NSE impact on firms and workers reaffirms the need for a policy environment that balances the benefits and challenges

of NSE to maximize its positive effects. Public policy should aim to harmonize rules for standard and non-standard employment, update social protection systems, and support lifelong learning to ensure workers are able to manage transitions and better navigate a constantly changing world of work.



BOX 3**INTERNATIONAL EXPERIENCES****Policy Directions****Examples of policy interventions from international experiences****Harmonizing rules for standard and non-standard work**

- **Canada** rolled out an [IPG](#) (Interpretations, Policies, and Guidelines) to ensure a uniform national application to determine the existence of an employer/employee relationship.
- In the **United States**, more than 20 states adopted the ABC test to determine whether an individual should be classified as an employee or an independent contractor to cover employment laws (Rhinehart et al. 2021).
- In the **Netherlands**, the labor and social security laws that apply to employment contracts with fixed working hours also apply to those with variable hours. This includes protection against unsafe or unhealthy working conditions, rules for holidays, vacation days, and holiday allowances, and the same hourly minimum wage and youth minimum wages (OECD 2018).

Update social protection systems

- **France** established certain protections for platform workers through the El [Khomri law](#), allowing accidental injury or illness coverage for platform operators earning more than 13% of the annual social security ceiling.
- **Sweden** expanded coverage [by introducing features](#) to mitigate moral hazards and adverse selection, such as freelancers having to pause their businesses for a period to receive unemployment insurance.

Expand lifelong learning

- **Iceland's** "NEXT STEP" platform provides information on available jobs in non-traditional forms of employment, detailing alternate forms of work associated with the occupation, such as jobs available for freelancers (Finlex, 2022).
- **Finland** provides training support for adults with more than ten years of work experience who are employed full-time or self-employed and want to pursue a degree or vocational education (CEDEFOP, 2018).
- In **Malta**, the government coordinated an initiative to provide entrepreneurship education by funding entrepreneurship courses at local schools and universities. In addition, this education can be tailored to the needs of disadvantaged gig workers (EEOR, 2010).
- In **Italy**, women and young people are targeted for training, counseling, and tutoring in business plan development and management (EEOR, 2010).

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End Notes

- 1 This note was prepared in collaboration with the National Labor Observatory (NLO) under the Technical Cooperation Program (TCP) with the Kingdom of Saudi Arabia, led by Nayib Rivera (Economist, World Bank) and Johannes Koettl (Senior Economist, World Bank), with the guidance of Carole Chartouni (Senior Economist, World Bank), Mohammed Ishan Ajwad (Senior Economist, World Bank), and Ekaterina Pankratova (Senior Social Protection Specialist, World Bank). The note benefited from the advice of the World Bank peer reviewers Indhira Santos (Senior Economist, World Bank), Jonathan Stöterau (Economist, World Bank) and Matteo Morgandi (Senior Economist and Global Lead for Labor, World Bank). The World Bank team expresses its appreciation for the NLO leadership and guidance in preparation of this note, particularly Dr. Usama A. Al-Gemili (Executive Director, NLO), Eng. Mohammed Alrufaydi (General Manager for Labor Sector Performance, NLO), Eng. Faris Almazyad (Project Manager, NLO), Mr. Pieter Storm (Strategic Advisor, NLO), and Mr. Mehmet Ali Soytas (Advisor - Acting General Manager of Product Management, NLO).
- 2 A disguised employee is hired as a freelancer or independent contractor to bypass regulations and levies.
- 3 Wage employment is defined as “wage and salaried workers (employees) are those workers who hold the type of jobs defined as ‘paid employment jobs,’ where the incumbents hold explicit (written or oral) or implicit employment contracts that give them a basic remuneration that is not directly dependent upon the revenue of the unit for which they work.” Data is internationally comparable.
- 4 According to the ILO, temporary employment, whereby workers are engaged only for a specific period of time, includes fixed-term, project- or task-based contracts, as well as seasonal or casual work, including day labor.
- 5 The Wassenaar Agreement of 1982 aimed to tackle unemployment by restraining wage growth, while collectively reducing full-time working hours and increasing part-time work opportunities.
- 6 The reduction in working hours resulted in job redistribution in the form of part-time work. Laws and protections for part-time workers were enacted in the Netherlands over the years, including guaranteed minimum wage, safeguards against wrongful termination, pro-rated holidays, and parental leave (Visser, et al. 2004).
- 7 Gig workers are associated with lower pay and non-wage costs, particularly in countries that do not mandate social security or severance contributions (ILO, 2016).

- 8 When satisfied with their gig work or seeking a permanent position, gig workers are more productive, less fatigued, and may work harder than their standard counterparts (ILO, 2016; Dunn 2020).
- 9 Temporary workers are also less likely to transfer knowledge within the organization (ILO, 2016).
- 10 A study of Italian firms found that firms with a high proportion of fixed-term workers were less likely to adopt new technology, but this effect disappeared when the firms' investment willingness was factored in, suggesting that appropriate training and an educated workforce can mitigate this negative impact (Cirillo et al. 2021).
- 11 In countries with strict labor laws like Spain, Italy, and Portugal, gig work can be a more accessible option than traditional employment (Garcia-Cabo, & Madera, R., 2019).
- 12 In both Spain and Japan, temporary workers are more likely to become unemployed compared to their permanent counterparts (ILO, 2016).
- 13 In addition, temporary workers have more trouble getting credit and housing, according to European and US studies (ILO, 2016). Research also shows that they have trouble transitioning to permanent jobs and are more likely to delay family planning until they have more stable jobs.
- 14 Data from the United Kingdom Household Longitudinal Study: Understanding Society (UKHLS) found that women were less likely than men to transition from part-time or temporary work to a permanent job. It also showed they are more likely to transition to care work (Gousia, 2021). Workers who utilize flexible work to accommodate other activities, such as caregiving, may be more willing to accept lower wages and may face additional wage penalties (Litman L et al, 2020).
- 15 A study of the economies of France, Germany, Italy, Spain, and the Netherlands from 1998 to 2012 found a significant negative relationship between having a relatively higher share of temporary workers and introducing new products (Cetruloa, 2018).
- 16 Industry-level panel data from European countries indicate that the use of temporary contracts has a negative impact on labor productivity growth, with greater harm observed in skilled sectors (Lisi & Malo 2017).

- 17 In the United States, more than 20 states adopted the ABC test to classify a worker as an employee or an independent contractor for the purpose of coverage under employment laws (Rhinehart et al. 2021). The test presumes that an individual providing services to an employer is an employee unless the employer can prove otherwise by satisfying all three parts of the test: (A) The work is done without the direction and control of the employer; (B) the work is performed outside the usual course of the employer's business; (C) the work is done by someone who has their own independent business in that kind of work.
- 18 Canada's "Interpretations, Policies, and Guidelines" standardizes employer-employee relationship status.
- 19 In the Netherlands, labor and social security laws for fixed working hours also apply to those with variable hours, providing equal protection, hourly minimum wage, benefits and pension rights, and dismissal procedures (OECD 2018). The UK is considering a higher minimum wage for flexible forms of employment, and Finland mandates provisions for sick pay and termination compensation (OECD 2019).
- 20 For instance, if hourly or remote work is cheaper than full-time or on-site work, the company may hire workers on cheaper contracts depriving them of certain benefits.
- 21 In the UK, employees have the legal right to request flexible working after 26 weeks of employment, and employers must handle requests in a reasonable manner by assessing the advantages and disadvantages of the request and holding a meeting to discuss the request. In the Netherlands, employees of over a year can request a change in working hours and the employer must grant the request unless there are significant business reasons for denying it. Since COVID-19, more governments have rolled out regulations and guides regarding teleworking, such as Argentina, Belgium, Portugal, Spain, and Saudi Arabia, among others.
- 22 The French government established protections for platform workers through the El Khomri law, which requires platform operators to provide insurance for accidental injury or illness for workers earning over 13% of the annual social security ceiling and to contribute to their professional training. In the US, platform workers in NYC transport are covered by a collectively managed insurance fund called "The Black Car Fund" which provides workers' compensation insurance and is paid by passengers via a 2.5% surcharge on trips originating in the state.
- 23 Some policies support unemployed individuals to pursue non-traditional work or entrepreneurship while retaining some access to unemployment insurance, while others, like Sweden, require freelancers to pause their businesses to receive unemployment insurance to address issues like moral hazard and adverse selection (Pollack 2018).

- 24 These accounts are distinguished as they 1) are linked to workers rather than specific jobs, allowing benefits to be transferred from project to project or job to job; 2) support of contributions from multiple employers or clients that are proportionate to dollars earned, jobs completed, or time worked; 3) can cover all types of workers, including independent contractors and other non-standard employees; and 4) hold funds that are not always accessible by the employee, but can be used in a variety of social contingencies.
- 25 For example, New Zealand's KiwiSaver scheme or the UK's National Employment Savings Trust (NEST).
- 26 Funding for state labor market information systems can help workers make informed career decisions by providing information on in-demand skills, training courses, and non-traditional employment options. Iceland's "NEXT STEP" platform offers job information and resources on skills, qualifications, and educational pathways for different careers and details alternate forms of work associated with the occupation, such as being able to do this work as a freelancer.
- 27 The government of Malta funds entrepreneurship education in schools and universities. Italy provides business plan development and management training for women and young people. In Luxembourg self-employed individuals must join a sector-specific professional association, which provides guidance and expertise for self-employment projects, such as the Chamber of Trade or the Chamber of Agriculture (EEOR, 2010).
- 28 Singapore offers "individual learning accounts" for citizens over 25, funded with a \$500 government subsidy (more for mid-career professionals) to pay for courses from approved providers. This allows citizens access to education and training regardless of employment status (Fitzpayne, Alastair, and Ethan Pollack, 2018). In Belgium, the government supports unemployed individuals who want to start self-employment by providing up to a year of benefits while they complete training (Spasova, S. et al. 2017).
- 29 In Finland, adults with more than 10 years of work experience who are employed full-time or self-employed and want to pursue a degree or vocational education can receive state-funded contributions to the costs of education and training (CEDEFOP, 2018). Upper Austrians with a gross monthly income of less than EUR 2,200, including part-time, freelance, and self-employed workers, who have not completed high school, are eligible for a 50% co-funding share of the costs of professional development training and re-training (CEDEFOP, 2018). Another example is the widespread use of temporary contracts due to deregulation, which can widen the cost gap associated with terminating a permanent worker and hiring a temporary worker, leading to higher shares of temporary employment.



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