

WORKING WITHOUT BORDERS

The Promise and Peril of Online Gig Work

Short Note Series #3: The demand for online gig workers



This Short Note is part of a series based on the report [Working without Borders: The Promise and Peril of Online Gig Work](#) that aims to promote discussion among policy makers and practitioners on opportunities in online gig work.

The demand for gig work in developing countries is experiencing significant growth, with expectations of continued increase in the future. While traditionally driven by developed countries, an interesting trend is emerging, as more and more firms in the developing world are now embracing online gig platforms. Start ups and MSMEs are at the forefront of this trend, look to gig labor platforms to find specific skills that may not be available in local markets, at competitive rates and with flexibility that they need to keep their costs low. Among the various skills in demand, software and technology-related jobs are in the highest demand, reflecting the ongoing digital transformation in various industries. Additionally, clerical and data entry tasks are also among the most sought-after skills, likely due to the increasing integration of AI in business processes. Several factors are contributing to the escalating demand for gig workers in developing countries. One key factor is access to a diverse, extensive and cost effective talent pool offered by digital labor platforms. These platforms connect businesses with a variety of talent from all over the world. Furthermore, the gig work platforms offer firms the flexibility they need to adapt to rapid changes in the market that helps firms retain competitiveness and productivity in an increasingly digital and globalized world. With online gig work set to increase in the coming years, especially microtasks, with more businesses integrating AI into their processes, monitoring trends in demand will be key to develop appropriate policy and regulatory mechanisms.

In this Short Note, we discuss some recent trends in demand for online gig work and addresses the questions: *What countries and regions are driving demand for online gig work? What types of firms hire gig workers and for which tasks? What motivates firms to hire gig workers?* The note draws on insights from the World Bank report [“Working Without Borders: The Promise and Peril of Online Gig Work,”](#) a comprehensive report that addresses knowledge gaps in the growing online gig economy. The analysis from this report draws on data from a global survey of firms that hire gig workers conducted for the purposes of this study.¹ The survey findings are complemented with data from the Online Labour Index (OLI).

This Short Note has been prepared by Catalina Rodriguez Tapia (S4YE) under the overall guidance of Namita Datta, Program Manager, S4YE, World Bank. The Note is based on findings of a larger report [“Working without Borders: The promise and peril of Online Gig Work,”](#) World Bank, 2023.

1 What is gig work?

The term “gig” comes from the music industry and can be understood as a one-off job for which a worker is paid for a particular task or for a defined period.¹ “Online gig work,” specifically, refers to tasks that are performed using mainly digital tools and delivered online by workers, including tasks such as data entry, image tagging, graphic design, website design, and web development.²

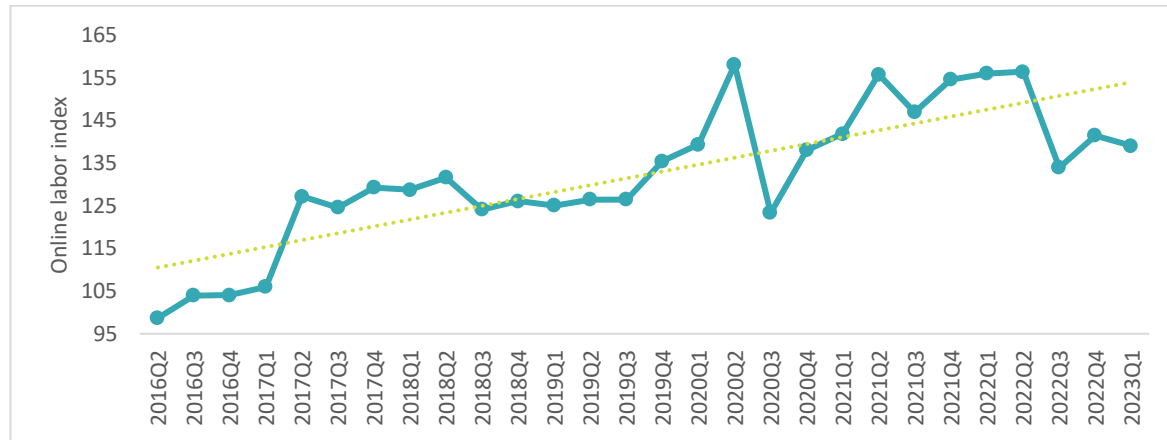
The demand for gig workers has been increasing over the past few years. The widespread adoption of digital technologies has led to an increase in online gig work in recent years, with the World Bank estimating that it now accounts for 4.4 to 12.5 of the global labor force, with total of

¹ Abraham et al. 2018.

² An ILO study lists 4 categories of online gig work – microwork, freelancing, competitive programming, and medical consultation (ILO 2021).

545 online gig work platforms across the globe.³ Online Labour Index (OLI) data, which provides an online gig economy equivalent to conventional labor market statistics for several of the largest online labor platforms, shows that the demand for gig work increased 41 percent between 2016 and the first quarter of 2023.⁴ The COVID-19 pandemic further expanded the use of digital platforms (see figure 1). After the initial drop in demand for online labor in the third quarter of 2020, the demand surpassed the pre-pandemic period, likely due to the so-called distancing bonus: given that many offices remained shut down during 2020 and 2021, firms may have found online platforms an attractive option to find remote workers.

Figure 1. OLI Labor Index



Source: Authors' illustration based on OLI data.

Note: Index=100 on 1 June, 2016.

2 Where is the demand for online gig work coming from?

Certain countries, regions, types of firms, and categories of tasks have played a pivotal role in propelling the demand for online gig work. This section is based on survey data to understand trends that contribute to the surge in demand for online gig work. Monitoring these trends, especially in developing countries where these platforms have gained popularity, will be key in the design of appropriate policies and regulations, including training programs to equip workers with the right skills, provide a level playing field to disadvantaged populations etc and design ways to protect workers.

³ Datta et al. (2023).

⁴ The OLI tracks projects/tasks posted on the five largest English-language online labor platforms, representing at least 70% of the market by traffic. In addition, since 2020, the OLI 2020 covers six non-English language platforms: three in Spanish and three in Russian. The index is based on tracking all projects and tasks posted on a sample of platforms, using API access and web scraping. The data from which the OLI is calculated is collected by periodically crawling the list of vacancies available on each of the sample platforms. A vacancy refers to a job, project, or task offered by a firm that wishes to hire a worker. For each crawl, list of open vacancies is saved. Comparing changes in statuses permits to calculate the number of new vacancies between two crawls. A new vacancy for day t is defined to be a vacancy which has not been observed for any period $0, \dots, t-1$, and is observed on period t . For details, see Kässi and Lehdonvirta (2018).

Figure 2. Aspects of demand



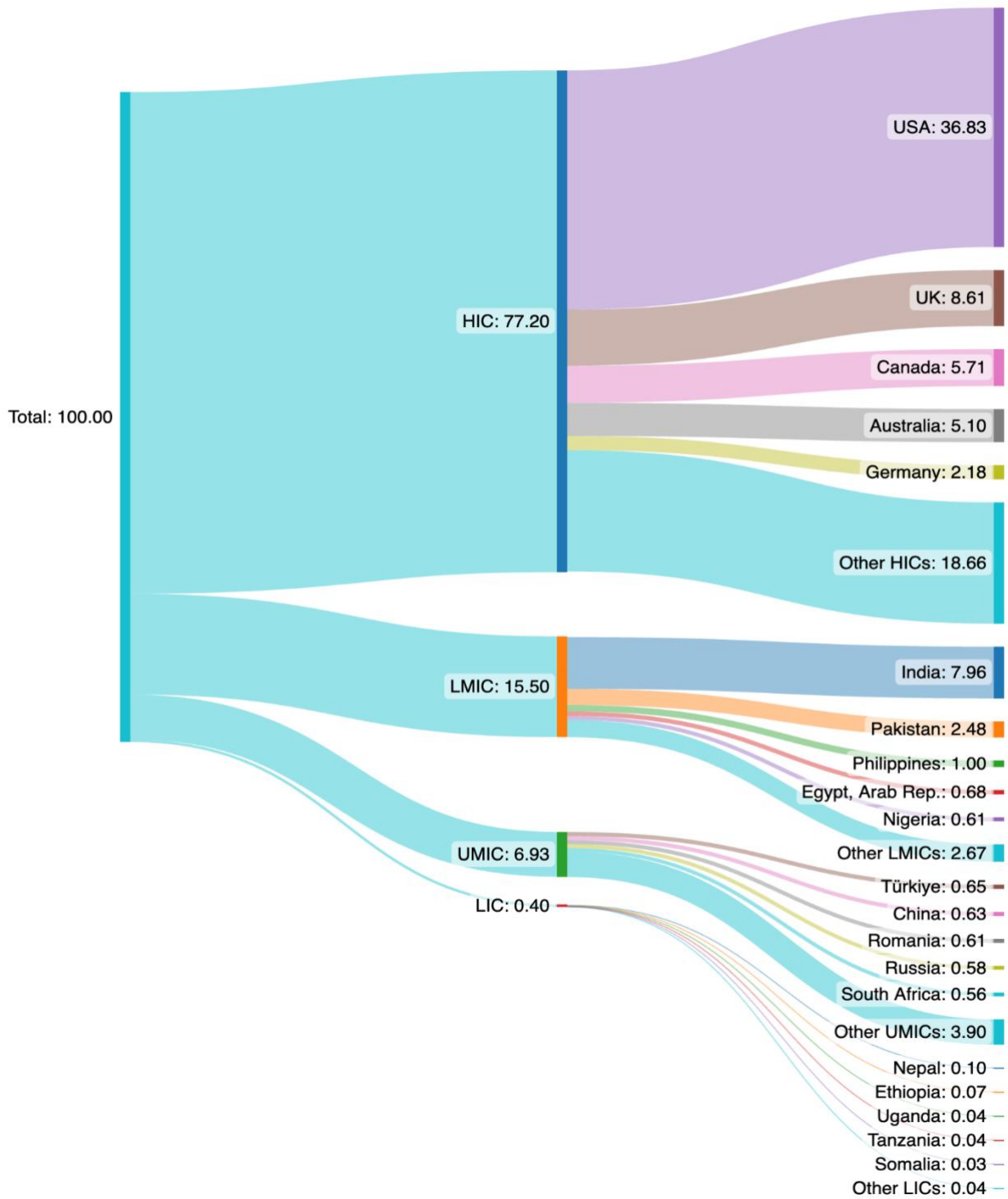
2.1 What countries and regions drive demand?

Developed countries dominate the demand for online labor, but interestingly, lower-middle (LMIC) rather than upper-middle (UMIC) countries are the second most important contributors. According to OLI data, about 78 percent of the global demand comes from high-income countries (HIC), and especially the United States: close to 4 in 10 vacancies are posted by firms operating there (Figure 3). The country that most drives demand for online gig work is the United States, followed by the United Kingdom, India, Canada, Australia, and Germany. LMICs, rather than UMICs are the second most important contributors to the global online labor demand, collectively accounting for 15.4 percent (including India, Pakistan, the Philippines, Nigeria, and Ukraine, among others). Nevertheless, this may be influenced by the fact that OLI data used here captures only a selection of English, plus a handful of Spanish and Russian-speaking platforms.⁵ Upper-middle and low-income countries account for 6.8 percent and 0.3 percent of global demand respectively.⁶

⁵ Since 2020, the OLI index covers six non-English language platforms: three in Spanish and three in Russian. However, they were not included in the analysis below so as not to exaggerate the impact of the Russian and Spanish platforms given that the representation of regional platforms overall remains limited in the OLI index. For more information, please see: <http://onlinelabourobservatory.org/oli-demand/>.

⁶ Note that these shares are likely underestimated, especially when it comes to China).

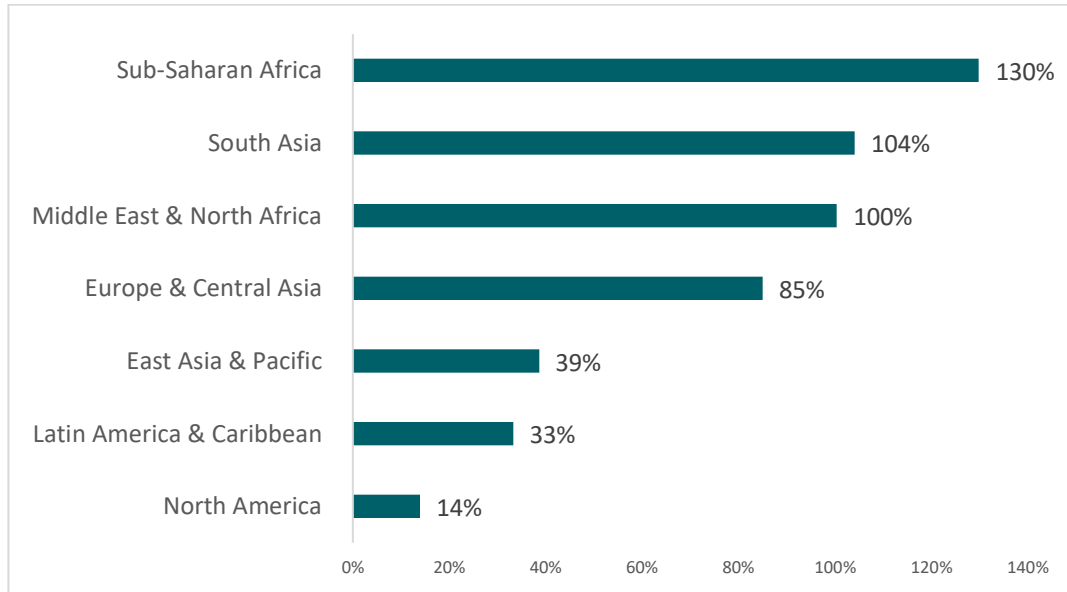
Figure 3. Demand for online labor, by country and country income groups - 2022



Source: Authors' illustration based on OLI data.

Although firms in developed countries hire most gig workers, demand is growing at a significantly faster pace in developing countries. According to OLI data, between 2017 and 2022, India's share of global labor demand increased by 2.5 percentage points and Pakistan's by 1.3 percentage points. The share of other developing countries such as Nigeria, the Philippines, Bangladesh, Egypt, and China also increased though the magnitudes are very small. In contrast, the share of global demand accounted for by the United States decreased by 10 percentage points. Though these changes may seem small overall, their magnitude can be appreciated more clearly by looking at the growth rate of jobs posted on digital labor platforms in each region. Based on a representative sample of job postings scraped from a large online gig platform Sub-Saharan Africa has the fastest growth rate in the overall number of job postings at 130 percent growth between 2016 and 2020, despite accounting for the smallest share of jobs on the platform overall. These high job postings growth rates have also been high in other regions, including South Asia (104 percent growth rate) and Middle East & North Africa (100 percent). Although most jobs posted on the platform originated from North America, the growth rate there was the smallest at 14 percent, a growth rate nine times slower than in Sub-Saharan Africa. Furthermore, firms based in lower middle- or low-income countries were more likely to say that the share of work outsourced to gig workers increased over time compared to businesses in upper-middle- or high-income countries (59 vs 45 percent). The former firms were also more likely than the latter to claim that they plan to hire gig workers more so in the future than in the past (53 vs 42 percent), suggesting that the share of global demand for gig work emanating from the developing countries will continue to grow.

Figure 4. The growth rate of job postings on one of the largest digital labor platforms for 2016-2020, by region

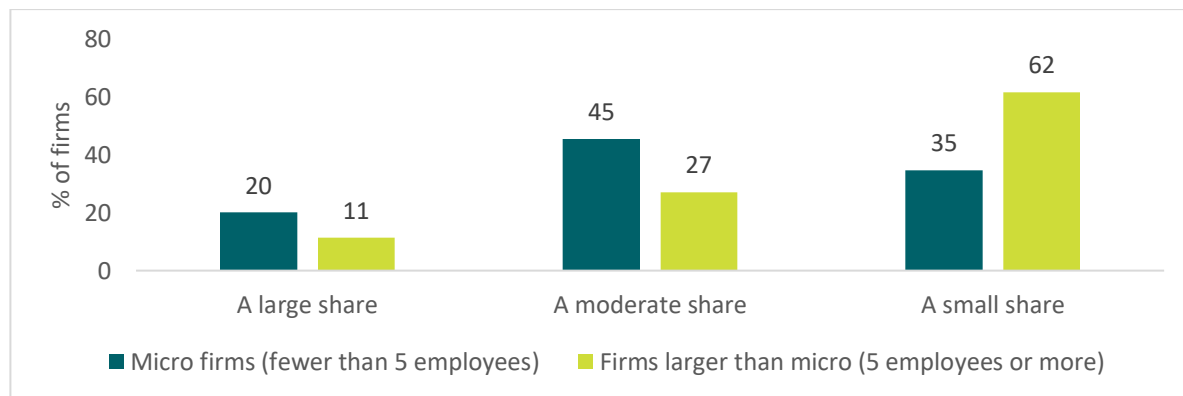


Source: Authors' illustration based on data shared by the OLI team.

2.2 MSMEs drive the demand for gig work

Micro-, Small and Medium-sized Enterprises (MSMEs) drive the demand for gig work and outsource a larger share of their work through platforms, as compared to larger businesses. The World Bank survey of firms found that MSMEs tend to outsource a greater share of their work through online gig platforms.⁷ This is also confirmed through interviews with platforms including Freelancer, Apna, Findworka, Hsoub, AI7Arefa, Onesha, Wowzi, and others, with MSMEs being the platforms' main clients.⁸ Gig platforms can be particularly appealing to MSMEs and startups, as access to skilled professionals at competitive rates with the flexibility of hiring for specific tasks can prove to be highly beneficial during the initial phases of establishing a business. Smaller businesses also outsource a larger share of work through platforms compared to large firms. Based on perceptions of survey respondents, 20 percent of micro firms (with fewer than five employees) that hired gig workers over the last year outsourced a large share of their work through platforms, 45 percent a moderate share, and 35 percent a small share. The equivalent estimates for firms with five employees or more are 11 percent, 27 percent, and 62 percent, respectively. Micro companies were also more likely than larger ones to say that the share of work outsourced through online platforms increased over time. Furthermore, micro firms outsourced tasks more frequently. For example, 34 percent of businesses with fewer than five employees hired gig workers every week or more often, compared to half as many larger firms. Although large firms are less likely to hire gig workers than MSMEs, large firms are also contributing to the overall demand by experimenting with platform adoption as part of their sourcing strategy.⁹ For instance, Philips, a Dutch multinational company, has created its own platform called the Philips Talent Pool, which maintains a pool of vetted freelancers who are familiar with the company.¹⁰ Similarly, Twago Talent Pool¹¹ creates and manages bespoke gig labor platforms under the brands of its corporate clients, and SAP Fieldglass offers its customers total management of both external and internal workers.

Figure 5. Perceived share of work outsourced through online gig platforms, by firm size



Source: Team's survey of firms hiring through digital labor platforms, 2022.

Note: The figure is based on respondents' self-perception as to what constitutes a large, moderate, and small share of work.

⁷ Datta et al. (2023).

⁸ Ibid.

⁹ Corporaal and Lehtonvirta (2017).

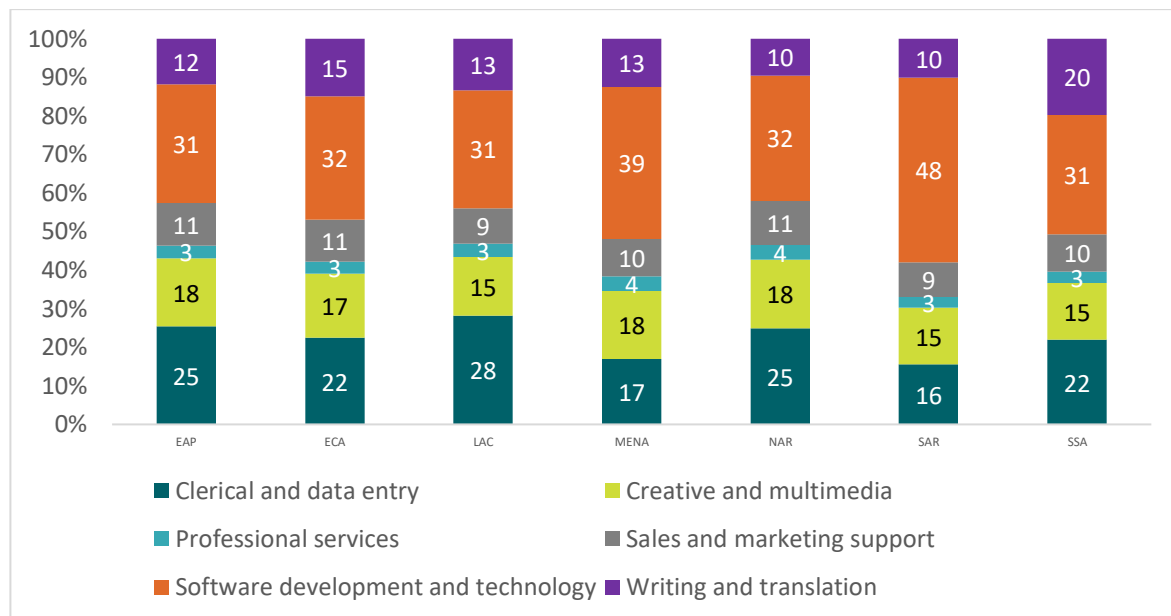
¹⁰ For more information, see <https://philips.talent-pool.com/>

¹¹ For more information, see <https://twago.talent-pool.com/>

2.3 Software development and technology are the most demanded tasks

Software development and technology related tasks dominate the market share of demanded gig work, with more than one third of all posted tasks belonging to that category in 2022.¹² Software development and technology-related tasks jobs are followed by clerical and data entry tasks (23 percent of all tasks posted), creative and multimedia (17 percent), writing and translation (12 percent), sales and marketing support (11 percent) as well as other professional services (3 percent) (see figure 6). These trends are relatively stable across the world regions, except for MENA and SAR where the share of IT tasks among all tasks outsourced is even higher than elsewhere. In addition, in SSA writing and translation appears to be more popular than in the other regions, likely due to the prevalence of multiple African countries speaking European languages (e.g. French firms contracting micro-workers in French-speaking African countries, such as Côte d’Ivoire).

Figure 6. Demand for online labor, by type and region



Source: Authors' illustration based on OLI data.

The market share of clerical and data entry jobs in digital labor platforms has increased by more than 8 percentage points between 2017 and 2022. The increase is likely related to the artificial intelligence boom. By contrast, the share of creative and multimedia as well as software development tasks among all tasks outsourced to gig workers dropped between 2017 and 2022.

The types of tasks posted may differ based on firm size. According to the survey, the self-employed are more likely to hire gig workers for business and professional support as well as sales and marketing support. On the other hand, large firms with more than 100 employees are more likely to demand online microwork, a trend seen in previous studies.¹³

The firm size may also influence the type of platform firms use, specifically whether it is a regional or global platform. Regional platforms connect employers and workers from one specific region (e.g., SoyFreelancer and Workana in LAC), while global platforms span several

¹² <http://onlineabourobserver.org/oli-demand/>

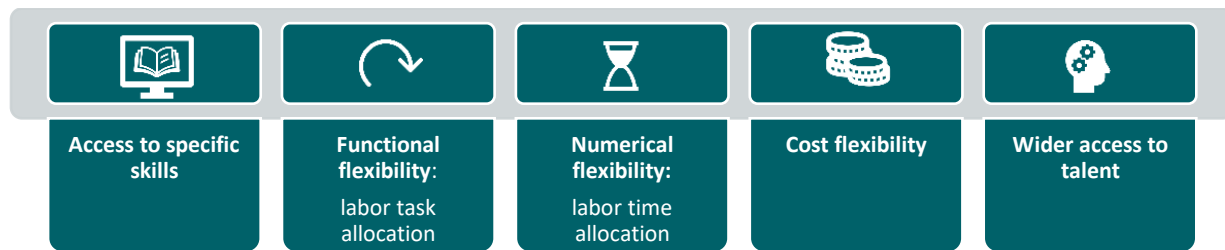
¹³ Kuek et al. (2015).

regions (e.g., Fiverr).¹⁴ Micro firms more often turn to global platforms to hire gig workers, whereas firms with more employees, particularly small firms, are on average more likely to utilize regional platforms. This is likely because as firms grow, they need niche skills that may be more readily available on regional platforms, such as influencers familiar with local markets.

The types of tasks hired may also differ based on the type of platform firms are hiring through. Firms hiring through regional platforms appear more likely to outsource IT, writing, business, and sales tasks, whereas firms hiring through global platforms are more likely to hire design-related tasks, data entry or administrative tasks. The reason for these differences could be linguistic and/or cultural: local language skills or awareness of the local context might be needed to write or sell to a particular audience, but not to enter data or to design a logo.

3 What motivates firms to hire gig workers?

Figure 7. Firms' key motivation for hiring online gig work



Access to specific skills is the main reason firms turn to platforms. More than half of firms surveyed reported that their motivation for hiring online gig workers was because specific skills not available in-house were needed at the time (see figure 8). Online freelancing platforms allow firms to access workers with diverse skill sets, cultural backgrounds, and work histories. Instead of seeing talent and knowledge flows from one firm to another as a threat, as is often seen in typical employment settings that seek to retain talent, online gig platforms enable firms to make strategic use of these knowledge and talent flows (e.g. hiring online gig workers that are simultaneously working for several firms), allowing firm to accumulate knowledge, innovate, and adapt faster to corporate needs and changes.¹⁵

Flexibility in labor task and time allocation is a key factor driving demand. Online gig platforms offer firms with flexibility that takes up different forms. Functional flexibility allows firms to allocate different types of tasks across the available workforce. For instance, they can hire specific online gig workers to develop their website, another gig worker to write a SEO-optimized blog, and develop their social media strategy in house. On the other hand, numerical flexibility enables them to hire gig workers for short-term assignments to meet fluctuating labor demand. For instance, the report survey showed that 84 percent of firms hire gig workers for tasks that last up to one month, and 96 percent for tasks that last up to six months.

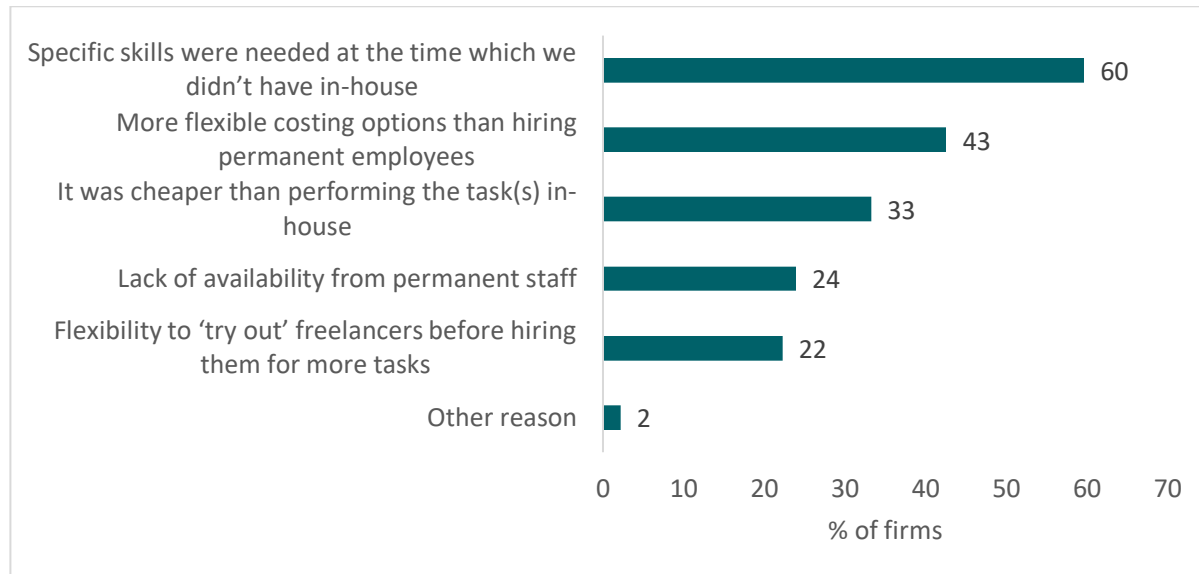
Cost flexibility (or financial flexibility) is another reason for hiring through online gig platforms. Work offered through online gig platforms provide variable pay rates and flexible costing, allowing firms to choose more or less expensive services. Roughly a quarter of all surveyed firms said that they started hiring gig workers because online platforms provide more

¹⁴ Datta et al. (2023).

¹⁵ Corporaal and Lehtonvirta (2017).

flexible costing options (e.g., ability to pay per task, per hour of work, per image tagged, etc.) compared to traditional employment. Although lower costs is not always the purpose of flexible costing,¹⁶ cutting costs remains an important factor for many firms: for 27 percent of survey respondents, getting a lower price is one of the main factors they consider when selecting a specific digital platform to work with. Furthermore, a survey of 200 US firms showed that more than 58 percent of mid-market sized firms¹⁷ and 66 percent of large firms mentioned cutting the cost of production as one of their main reasons behind hiring gig workers.¹⁸

Figure 8. Reasons for hiring gig workers



Source: Team survey of firms hiring through digital labor platforms, 2022.

Firms may also hire online gig workers to have a wider access to talent, which can help promote innovation. NASA and Harvard University teamed up in 2010 to create the NASA Tournament Lab (NTL), which consists of various open innovation platforms and competitions. From 2011 to 2020, NASA scientist, engineers, and others have launched more than 300 challenges and freelance/crowdsourcing projects through the NTL seeking creative solutions to real-world problems faced by NASA that covered technical areas like design and software development, as well as non-technical ones like graphics and videos. This success with freelancing platforms led NASA and Harvard to study open innovation further. They found that online platforms provided faster access to diverse talent, leading to cost savings for 80 percent of crowdsourcing projects, and meeting or exceeding the organization's expectations in 92 percent of projects.¹⁹ In 2015, NASA started the NASA Open Innovation Services (NOIS) program, bringing innovation into their core business through multiple vendors. NOIS2, launched in 2020, focused on technical solutions, data science, and more, using crowdsourcing methods. The public procurement process for NOIS2 involved two steps: pre-selecting 32 online platforms through a framework contract, and then having them compete for specific assignments. This approach

¹⁶ This is not to say that flexible costing always leads to lower costs. For instance, hiring influencers through Wowzi, a Kenya-based online platform for influencers, costs Coca Cola 20 percent more than media agency influencers. However, the return on investments is higher due to the variety of influencers that can be contacted through Wowzi's. For more information on Wowzi, see <https://wowzi.co/>.

¹⁷ Mid-market size refers to firms with an annual turnover of between 100 million and 4.99 billion USD, while large firms refer to those with a turnover of over 5 billion USD.

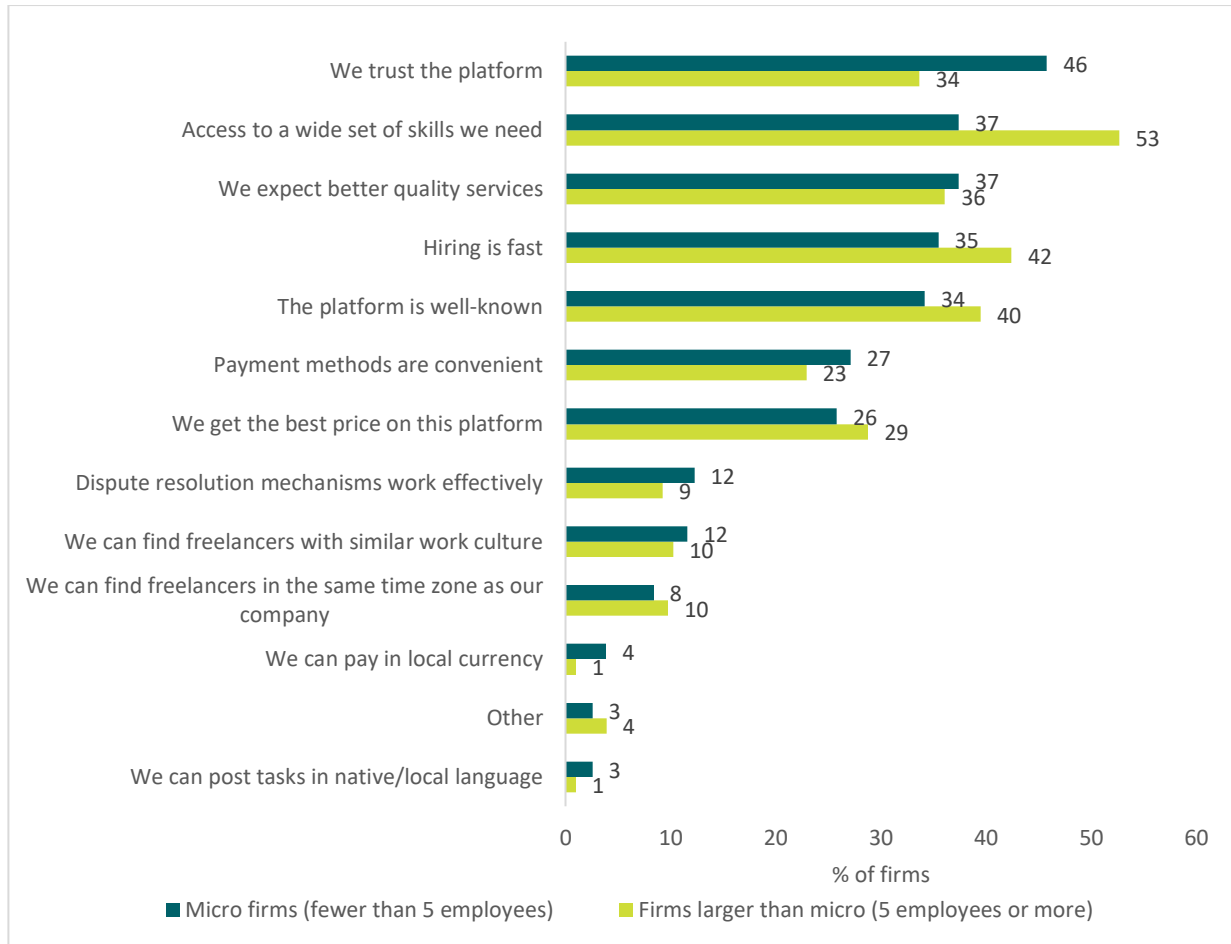
¹⁸ Ernst & Young (2018).

¹⁹ NASA (2020).

allowed NASA to access a vast pool of freelancers quickly. NOIS2 streamlined the procurement process, completing specific assignments in just 3-4 weeks, making it efficient for onboarding talent.

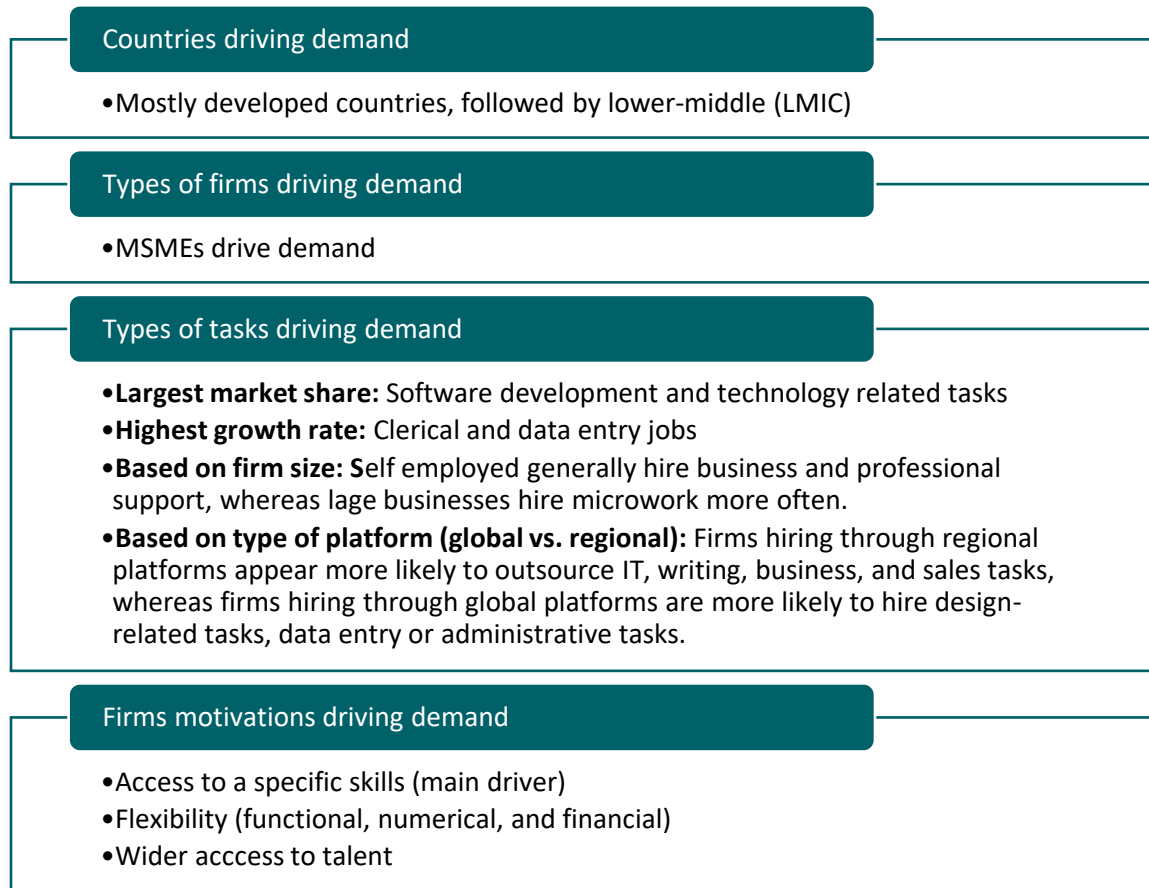
Motivations for hiring gig workers may vary based on firm size, with smaller firms valuing trust with the platform more than relatively larger firms. While access to specific skills was the most mentioned reason for starting to hire gig workers among both small and large businesses, the survey results showed that trust in the platform was the most important consideration among micro firms (with 46 percent choosing this option) compared to larger firms (34 percent). Micro firms also placed more value on whether platforms had convenient payment methods (4 percentage point gap between micro and firms larger than micro firms), as well as effective dispute resolution mechanisms (3 p.p. gap). This need to trust the platform and the importance of convenient payments among micro firms is likely due to the scaling limitations micro firms may face in their local context. Particularly MSMEs and startups attempting to establish a new business could be more risk-averse, making platforms that are trustworthy and that have secure conflict resolution mechanisms particularly appealing.

Figure 9. Reasons for choosing specific online platforms, by firm size



Source: Team survey of firms hiring through digital labor platforms, 2022

Figure 10. Summary of key drivers of demand for online gig work



4 Conclusion

The gig economy in developing countries is seeing remarkable growth, and the trend shows no signs of slowing down. This rising trend reflects the globalization and digitalization of the labor markets, all of which are contributing to the changing nature of work. This growth in demand has implications for how firms hire talent for business processes and needs, especially for MSMEs and startups that can leverage these platforms' flexible costing and access to a wide range of talent to meet their business needs in the most productive and cost-effective way. With online gig work set to explode in the next few years, especially as AI keeps pushing companies to hire microworkers, monitoring trends in demand will be key to understand firms' needs for specific tasks and skills, and the role that these digital labor platforms may play in providing firms with flexible and diverse talent options. Analyzing these trends will help inform the design of appropriate policies and regulations, including training programs to equip workers with the right skills, provide a level playing field to disadvantaged populations, and design ways to protect workers.

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