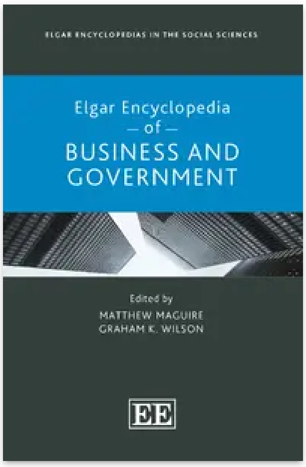

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Published: 08 Jan 2026

Print ISBN: 9781035307777

eISBN: 9781035307784

DOI: https://doi.org/10.4337/9781035307784

Pages: 334

Collection: Political Science and Public Policy 2026

26. Gig economy

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Definition and defining concepts

The gig economy refers to a new labour market in which workers are hired via internet platforms to provide a one-off service, known as a gig. The term 'gig' originally comes from the music industry, where it refers to a one-off live performance by a musician or band. Transferred to the gig economy, its meaning has expanded and now also includes temporary or short-term jobs or assignments for which the service providers are hired individually. In the gig economy, individuals are usually hired for specific tasks or projects, often via online platforms that bring them together with service providers or clients.

Empirically, the gig economy can be divided into four distinct segments (see Figure 26.1), depending on whether low or high skills are required to perform a gig, and whether the gig is performed on-site (i.e. at the requester's location) or online (i.e. at a computer). Initially, gig work focused on on-site tasks completed at the requester's location, such as ride-sharing, delivery or cleaning, transacted through platforms such as Uber, Airbnb or Deliveroo. This model later expanded to include online gigs performed on computers, such as translation, programming or content creation, through platforms such as UpWork, Fiverr and Freelancer. While on-site gig work often requires low skills, online gigs tend to involve more complex and specialized tasks that require high skills. A key feature of the online gig economy is its cross-border nature, where workers and requesters can be located in different, often distant, places. This global reach makes the online gig economy the first truly global labour market.

From a theoretical perspective, the gig economy is a two-sided market in which a platform sells its product (in this case, the intermediation of services) to two different groups: service providers (gig workers) and service demanders (gig requesters), whereby the participation of one group depends on the participation of the other. That is, the more gig workers supply their services through a platform, the higher the incentive for gig requesters to use that platform. And vice versa: a platform where hardly any gig requester asks for service jobs will struggle to attract gig workers to register their profiles and supply their services. Given that the respective supply and demand of the two groups are directly interdependent in a two-sided market, the prices charged to one group inevitably affect the other. For this reason, the revenue models of gig platforms are typically based on a system that directly or indirectly charges fees, commissions or subscriptions to both gig workers and gig requesters.

The key feature that distinguishes the gig economy from other labour markets and that makes it a new labour market in its own right is the intermediation by platforms, because platforms take on roles that in traditional labour relationships are performed either by the service requesters or the service providers. Such platform intermediation typically includes the matching of labour supply and demand, the quality control and payment of work. It is this intermediating role that makes gig platforms more than just bulletin boards on the internet. Importantly, this platform intermediation furthermore implies that the labour relationships arising from gig work become trilateral in nature between the service requester, the service provider and the platform. These trilateral labour relationships, in turn, distinguish the gig economy from traditional labour markets, where the responsibilities arising from the performance of work are assumed by either the service requester or the service provider, thus implying a bilateral labour relationship.

A variety of terms are used in academic and popular writings to refer to this new digital labour market, with the most common being *freelance economy*, *on-demand economy*, *sharing economy* and *crowd work*. These terms highlight that the (debates about the) concept of the gig economy can be understood along four dimensions, namely: (1) whether gig work is limited to jobs transacted through platforms or whether it also includes the off-line intermediation of service jobs; (2) whether gig work is provided only by independent contractors or also by workers employed by the platform; (3) whether gig work includes only the provision of labour or also the provision of assets; and (4) whether gig work refers only to paid services or whether it also includes unpaid jobs (Koutsimpogiorgos, Van Slageren et al. 2020).

These four dimensions make it possible to consider systematically whether or not a form of work qualifies as gig work:

Source: Own illustration.

Figure 26.1 The four sub-segments of the gig economy

Ad (1) In view of the defining characteristic of platforms for the gig economy, the traditional *freelance economy*, in which self-employed workers are hired directly by service requesters or placed via temporary employment agencies, is typically not regarded as gig work, because the labour relationships established in the traditional freelance economy are bilateral in nature.

Ad (2) It is furthermore debated whether service providers who are employed by platforms rather than working as self-employed freelancers should be considered gig workers, because this form of engagement implies two bilateral (rather than one trilateral) labour relationships: namely one between the service requester and the platform, and a second one between the platform and the service provider. The *on-demand economy* should therefore only be considered gig work to the extent that it involves a trilateral labour relationship between the service requester, the platform and a freelancing service provider.

Ad (3) Irrespective of the underlying labour relationships, there are different opinions as to whether gig work is limited to the provision of pure labour or also includes the provision of assets, such as subletting one's home (e.g. through the platform Airbnb). While this distinction may seem straightforward at first sight, it is de facto difficult, because the provision of labour typically requires assets and, respectively, the sharing of assets also involves some labour. For example, a gig programmer (hired through the platform freelancer.com) needs a laptop to write the requested code. Similarly, a tenant who rents out her apartment through Airbnb also needs to provide reception and cleaning services. The gig economy thus refers to those situations where income from gig work is chiefly generated through the provision of pure labour, whereas the *sharing economy* refers to situations where gig income is chiefly generated though the provision of assets.

Ad (4) Finally, conceptualizations of the gig economy differ in whether they consider only paid or also unpaid tasks as gigs. Since gigs are usually considered work, their remuneration is a defining characteristic, so that unpaid tasks or voluntary work can hardly be considered gigs. *Crowdwork*, where larger tasks are divided between and completed by several workers, can be considered gig work as long as each individual is paid for completing their task. Work contests in which only the winning team receives a financial compensation are not gig work in a strict sense.

Taken together, gig work thus includes paid, one-off service tasks that are transacted by platforms and carried out by freelancing contractors.

Historical development

Historically, the emergence of the gig economy can be seen as the culmination of three longer-term trends: digitalization, the flexibilization of the labour market and the increasing financialization of the economy. In the late 20th century, technological advances, particularly the widespread use of PCs and the internet, laid the foundations and began to change the nature of work. These technologies enabled more flexible work arrangements and the rise of remote work. Companies began to outsource non-core functions, increasing the demand for temporary and freelance work. Labour market reforms in many countries throughout the 1990s and 2000s encouraged greater contractual flexibility, making short-term employment and flexible work forms more prevalent, though with varying degrees of worker protection across national economies. Since the 1990s, the flexibilization of traditional employment, coupled with the rise of the internet in general – and platforms like Craigslist and Elance in particular – has opened up new online opportunities for freelancers to find work, paving the way for the gig economy.

The gig economy as we know it today began to take shape in the first decade of the new millennium with the emergence of digital platforms such as Uber and TaskRabbit, which for the first time directly connected workers with requesters of various services, from ridesharing to household tasks. Financialization and the rise of venture capital played a crucial role in shaping the gig economy's growth. Investors seeking high returns fuelled the expansion of digital platforms, often subsidizing gig platforms with large injections of capital to prioritize market dominance over short-term profitability. The rapid rise of many platform companies was made possible by aggressive funding rounds from venture capital firms, which allowed these platforms to scale quickly and outcompete traditional service providers – with Uber being the most prominent example. Founded in 2009 and launched in San Francisco in 2010, Uber's app-based model revolutionized ride-hailing by connecting users with drivers via smartphones, bypassing traditional taxi regulations. By leveraging venture capital funding, Uber expanded rapidly across cities and countries, despite legal and regulatory challenges. By July 2015, Uber was valued at $51 billion, making it the world's most valuable startup.

The economic recession of 2008 and the global financial crisis that followed fuelled the development of the gig economy, as high unemployment rates prompted many to seek alternative income sources in gig work. As a result, the gig economy expanded rapidly in the 2010s, with the emergence of platforms such as 99designs (2008), freelancer.com (2009), Helpling (2012), Lyft (2012) and Deliveroo (2013). These platforms diversified gig work opportunities, covering ever more areas and industries such as design work, programming, cleaning services, transport and food delivery. The proliferation of smartphones and mobile apps made it increasingly easy to access gig opportunities.

In the early 2020s, the lockdowns in many countries during the COVID-19 pandemic further accelerated the growth of the gig economy, as widespread job losses led many to turn to gig work as a source of income. In addition, companies whose CEOs had typically been less open to digital innovation were now forced to explore the possibilities related to remote work. As a result, demand for delivery services and remote, online gig services in particular soared as people sought to minimize face-to-face interactions. More recently, advances in automation through artificial intelligence continue to shape the gig economy. New technologies offer opportunities for increased efficiency and new types of gig work, but also present challenges such as job displacement and the need for digital literacy. Ongoing legal and policy discussions aim to balance the flexibility of gig work with the need for fair labour practices.

While it is easy to establish that the gig economy has grown substantially in relative terms, especially after 2008, it is less straightforward to determine its size in absolute terms. The reasons are two-fold: first, studies differ in the way they define gig work, how they determine its extent and the time period over which it is tracked. Some studies take a very broad approach, asking about all income that the respondents have ever earned through any digital platform (including second-hand sales and sharing assets). At the other end of the spectrum, studies take a narrow view by asking whether the majority of the most recent monthly income was chiefly earned from labour-related service work through gig platforms (ILO 2021: Chapter 1.3.2). Second, the gig economy is an extremely volatile labour market, with different trends across sectors. For example, while the supply of chauffeur gigs stagnated during the pandemic, the supply of delivery services increased threefold, while the supply of online gig services increased almost fivefold during the lockdown months of the COVID-19 pandemic (AppJobs Institute 2020).

It is therefore particularly useful to assess the size of the gig economy not only in absolute, static terms, but also in terms of its growth over time. To give just a few examples: by the end of the 2010s, around 5% of the active working population in developed economies regularly earned a substantial part of their monthly income from gig work (ILO 2021: Chapter 1.3.2), with the number of gig workers doubling between 2017 and 2021 (Online Labour Index 2020). The rapid expansion of the gig economy is also reflected in the increase in the number of gig platforms since 2010. Taking into account both online and on-site gig platforms, Crunchbase data shows that 777 platforms were active in January 2021, meaning that the number of gig platforms increased fivefold between 2010 and 2021 (ILO 2021: Chapter 1.3.1).

Regulatory scrutiny

The growth of the gig economy has been accompanied by several policy and regulatory debates, notably about (1) the taxation of gig work, (2) data protection, (3) the algorithmic management of gig workers, and – most importantly – (4) the labour rights and social protection of gig workers.

Ad (1) While collecting taxes from employees is straightforward, as employers may be forced to disclose wage payments to national tax authorities, taxing gig workers is more challenging. The reason is that data protection laws limit the ability to compel online platforms to share transaction data, especially when those platforms are based abroad. The classification of a gig worker as either an employee or an independent contractor thus determines her tax obligations (Pantazatou 2018). In this regard, the independence of workers when performing gig jobs is crucial, as it determines their tax status. If a gig worker is classified as a self-employed freelancer and the platform as a mere intermediary, gig workers must collect and pay value added tax (VAT). If gig workers are classified as employees and a platform as their employer, the latter must follow the applicable VAT regulations, while gig workers need to pay regular income tax. In the US, gig workers are typically classified as self-employed and taxed accordingly. In Europe, the issue is more complex because of the different labour classifications of gig workers across EU countries. The regulatory debate around taxation thus highlights the even more salient question, discussed in more detail below, of whether gig workers are to be classified as self-employed freelancers or employees.

Ad (2) Regulatory concerns about privacy and surveillance in the gig economy focus on the extensive collection, use and potential misuse of personal data. Gig platforms closely monitor workers' activities, tracking their locations, interactions and performance. This constant surveillance raises significant privacy issues, in particular, about whether workers have given proper consent to the collection and processing of their data and the transparency of the data collection process. In addition, existing regulations are often not stringent enough to protect workers, leaving them vulnerable to exploitation and discrimination based on the data collected. Regulatory frameworks are struggling to keep pace with technological advances, leaving gaps for companies to exploit. Therefore, there remains a need for comprehensive policies that ensure data protection and provide clear guidelines on data use.

Ad (3) Many gig platforms use algorithms to manage workers, in particular, to determine job assignments, rating and review systems and pay rates. In their capacity as algorithmic matchmakers, gig platforms thus have a significant and unilateral influence on the careers of gig workers. This is particularly true given that positive ratings and reviews have been found to be the most important determinant of gig workers' economic success (Herrmann, Zaal et al. 2023). However, not only do platforms have unilateral decision-making power over their matching algorithms, they can also design review algorithms at their own discretion – thereby influencing the ratings of gig workers. As a result, there is debate about the fairness and transparency of these algorithms, as well as the need for regulatory oversight to prevent discrimination and exploitation.

Ad (4) Of all the regulatory debates surrounding the gig economy, the labour status of gig workers is probably the most salient issue across Europe (for a more detailed discussion, see Koutsimpogiorgos, Van Slageren et al. (2020)), because the labour status of gig workers as employees or self-employed freelancers determines their social protection, working conditions, minimum wages and worker representation. The legal term used to describe gig workers therefore has important implications for the rights and obligations of gig workers and platforms. Furthermore, as mentioned above, the labour status of gig workers also has direct implications for their taxation.

The aforementioned shift from bilateral to trilateral labour relationships raises the question of whether gig workers should be classified as employees. Traditionally, labour relationships are established either between a requester and an independent contractor or between an employer and an employee – and are regulated accordingly in existing labour law. With platforms acting as intermediaries, this relationship becomes trilateral, involving the requester, the platform and the gig worker. Since platforms take on tasks that are traditionally performed by either the work requester (e.g. quality control or payment) or by the work provider (e.g. advertising their skills), the distinction between traditional employees and self-employed freelancers has become blurred in the gig economy (see Duggan, Sherman et al. 2020).

The EU Treaties do not provide a uniform definition of a "worker" beyond the context of free movement (De Stefano and Aloisi 2018). As a result, the European Court of Justice developed its own definition of "employee", which is used by the European Commission for the "collaborative economy". According to this definition, an employment relationship exists when "for a certain period of time a person performs a service for and under the direction of another person in return for which he receives remuneration" (Judgment of the Court, 1986, C-66/85, *Deborah Lawrie-Blum v. Land Baden-Württemberg*).

This definition of an employee is based on three main criteria: subordination, completion of an activity and its remuneration. While gig workers typically receive monetary payment for the tasks they perform, thus fulfilling the second and third criteria, the issue of subordination is less clear. Gig workers are rated by those requesting the service and monitored by platforms for performance, with poor ratings leading to gig workers being banned from a platform without explanation. However, gig workers can often decide whether to accept requests and generally retain autonomy over their work and its payment. Depending on how factors, such as pricing or rating systems, establish a relationship of subordination, gig workers may thus be classified as independent contractors or as employees with the corresponding legal rights (De Stefano and Aloisi 2018).

A less frequently asked question concerns the conditions in which a gig worker is classified as an independent contractor, i.e. a self-employed freelancer – given, in particular, that independent contractors are not only those who do not qualify as employees (Koutsimpogiorgos, Van Slageren et al. 2020). The key issue here is whether an independent contractor has the same freedoms as an independent business. One restrictive aspect in this regard is that many platforms limit the number of accounts that gig workers can open per worker and the number of tasks to one at a time, thereby preventing them from expanding their business by reselling tasks to other gig workers or by hiring employees. This classification dilemma places gig workers in a legal grey area between employees and independent freelancers: they are economically dependent on the platform without the benefits of employee status, while at the same time bearing the risks of independent contractors without the associated economic freedoms.

The ambiguous status of gig workers often leaves it to national courts to decide whether a gig worker is an "employee" or rather a "self-employed" freelancer. This can lead to inconsistent rulings even within the same country. For example, in the Netherlands, after Deliveroo changed its hiring model from employment to self-employed freelancing in January 2018, the same court issued different rulings in similar cases involving Deliveroo riders. That is, the Subdistrict Court of Amsterdam initially ruled against a rider claiming employee status, but later ruled against Deliveroo's labour practices when the Dutch trade union FNV challenged Deliveroo's practices more broadly. The legal complexity surrounding the classification of gig workers' employment status has led to calls for clearer definitions.

To reduce the risk of gig workers being misclassified as self-employed freelancers and to ensure easier access to their rights as employees under EU law, the European Commission submitted a proposal for a new directive on platform work to the Council and the European Parliament on 9 December 2014. On 8 February 2024, the Council and the Parliament reached a provisional agreement, which was then endorsed by ministers at the Employment and Social Affairs Council on 11 March 2024.

With regard to the labour status of gig workers, this new directive on platform work introduces a rebuttable legal presumption. The latter means that the relationship between a digital labour platform and a person performing platform work will be legally presumed to be an employment relationship as soon as there are facts indicating a relationship of control and direction, in accordance with national law, collective agreements or similar practices in force in the member states. A digital platform may rebut this presumption. To do so, the platform must prove that the labour relationship in question is not an employment relationship. Importantly, it is up to the member states to define the modalities of such a legal presumption in their national law. From a procedural perspective, the presumption should simplify the process for platform workers to legally determine their employment status.

In addition to the legal status of gig workers, the new Platform Directive also regulates the use of algorithms for human resource management. Platforms use these algorithms to manage gig workers through their applications or websites. The new directive requires platform workers to be informed about the use of automated monitoring and decision-making systems. In addition, digital labour platforms are now prohibited from processing certain types of personal data. These include data on the emotional or psychological state of gig workers, their private conversations, data predicting trade union activity, data revealing a worker's race, ethnicity, migration status, political opinions, religious beliefs, health status and biometric data – except for authentication purposes. Importantly, algorithmic management systems now need to be monitored by qualified staff who are specifically protected from unfavourable treatment. And human oversight is also required for important decisions such as account suspensions.

According to Pierre-Yves Dermagne, Belgian Deputy Prime Minister and Minister for the Economy and Employment, the new directive on platform work "is the first-ever piece of EU legislation to regulate algorithmic management in the workplace and to set EU minimum standards to improve working conditions for millions of platform workers across the EU".

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