**Gig Economy Worker’s Legal Status: Employee or Independent Contractor?**

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**Abstract**

The gig economy was born as a new economic scheme due to technological disruption and digital transformation, which shifted conventional employment patterns. In principle, gig economy workers have no formal working hours because their services can be widely accessed and used through the on-demand platform provided by a company. Their freedom to determine when, where, and how they work makes gig workers unable to be classified as employees, thus putting them in a precarious position without legal protection. This study aims to understand gig workers and platform provider companies' employment relationships, further defining the scheme of gig workers' legal protection. This study is a normative legal research with statutory and conceptual approaches, which are discussed using descriptive and argumentation methods. The study results show that according to the International Labour Organization's employment relationships classification, gig workers can be classified as a non-standard employment relationship in the form of dependent self-employment, which falls in a gray area between employee and independent contractor. The legal protection for gig workers can be accommodated by three different schemes, including expanding the concept of workers, defining a third category, and establishing independent legislation.

**Keywords:** Dependent Self-Employment, Gig Economy, Gig Workers, Legal Protection

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1. Introduction

Digital transformation and technological disruption have shifted the economy scheme into a new form known as the gig economy. Different terms are used to describe this scheme based on its emergence pattern in each country: crowd-based economy, on-demand, sharing economy, and collaborative economy. (Win, T.K., Mohamad, S.F., 2022). There is no final or formal definition of the gig economy. However, it is characterized as an economy that is executed on a digital platform that can connect the customer with the goods and services provider. The existence of the platform makes the gig economy well-known for its operational flexibility while at the same time providing some advantages, both for the platform provider company and its partner as in a collaborative economy. (Yaraghi, N., Ravi, S., 2017). The two main attractiveness of this scheme are economic efficiency and effectiveness through the utilization of the platform and application, which makes it possible to be held online. (Puspitarini, R., Basit, A., 2020). This condition is why the gig economy is often referred to as a platform economy or application economy. (Prassl, J., 2018).

From the perspective of employment relationships, the gig economy offers a work information scheme based on the market's demand. (Yaraghi, N., Ravi, S., 2017). Besides that, the other primary principle is that the relationship between the platform provider company and its employee (referred to as partner) is conducted according to a short contract or even classified as an independent contractor. (Trade Union Rights Centre, 2020). The person who works in the gig economy scheme is known as a gig worker. Gig workers work part-time without formal workers' "9-to-5" working hours (Darmawan, R. K., Mutaqin, A. A., 2023), and they offer their services to be widely accessed and used through the on-demand platform provided by the company. (Aristi, N. M., Pratama, A. R., 2021). There are three classifications of gig economy workers based on the sector of work they carry out, namely the mobility, deliveries, and services sectors. Ride-hailing drivers and package or food delivery officers are examples of gig workers in the mobility and delivery sector. Besides that, design and marketing services providers are part of the service sector's gig workers.

Time flexibility and work ties are the main characteristics distinguishing gig economy workers from formal workers. The jobs offered in the gig economy can also be carried out by people with diverse educational backgrounds and skills, generally without special and heavy qualifications. This condition makes working in the gig economy scheme a preferred choice for gig workers because it allows them to earn additional income or primary income and be
free from unemployment. (Daniels, K., Grinstein-Weiss, M., 2018). However, flexibility and freedom in the gig economy do not only positively affect workers. From a different perspective, this flexibility leaves gig economy workers in a vulnerable position with no security over the income stability from their work or the protection they receive.

In Indonesia, the emergence of the gig economy was marked by the establishment of two start-up decacorns in the transportation services sector, namely Gojek and Grab. As a company in the gig economy scheme, Gojek and Grab run their Company as intermediaries between the customer and the service provider (driver). In this scheme, Gojek and Grab are not tied to their drivers in a working relationship. Otherwise, they consider all of the drivers to be self-employed. Thus, they call them their "partners". (Prassl, J. 2018). In this way, the drivers fall outside of the working relationship and are not entitled to the legal protection of employment rights in the employment law.

In response to this, in 2022, hundreds of people who are members of the online driver alliance carried out a follow-up demonstration of a series of actions since 2018 demanding clarity of the legal basis for the profession of online drivers. (CNN, 2022). The drivers claim that the partnership relationship that binds them does not reflect equality with the principle of mutual benefit but tends to be exploitative by squeezing the sweat of the drivers. Still, the profits are reaped by the entrepreneurs. (Ipol.id, 2022).

The practice of exploitation in disguise is also evident in the reality of the driver's condition, which is very much tied to the use of the platform provided by the Company and the services provided are also continuously monitored by the Company with the implementation of a rating system that can lead to unilateral termination of the partnership. (Izzati, 2021). Positions that appear unequal and uncoordinated. This unequal and non-coordinative position causes the meaning of "partnership" in the relationship between the parties to be more looks like a subordinate position as in an employment relationship.

This study will discuss three main problems based on the above research background. First, what are the basic principles of the gig economy? Second, what is the legal status of gig workers according to the classification of employment relationships? Third, what legal protection schemes can be provided to protect gig workers? This study aims to understand the basic principles of the gig economy, gig workers and platform provider companies' employment relationships more deeply, further defining the scheme of gig workers' legal protection.

This normative legal research focuses on the legal vacuum of gig workers' legal protection. Statutory and conceptual approaches are used to analyze and discuss the primary and secondary
legal materials, which are obtained based on the results of a literature study. This research uses descriptive and argumentative methods to analyze and discuss the problems.

2. Problem Research & Methodology Research

Based on the background of the problem above, the problem formulation in this research will discuss the Gig Economy Worker's Legal Status: Employee or Independent Contractor? The type of research used in this research is normative legal research. In normative legal research, research that leads to the process of discovering legal rules, legal principles, and legal doctrines that function to answer the legal issues faced (Mukti Fajar and Achmad Yulianto, 2015). This type of normative legal research was chosen because this research examines and analyzes the Gig Economy Worker's Legal Status: Employee or Independent Contractor?

3. Analysis and Discussion

Basic Principles of Gig Economy

Defining and interpreting the gig economy is a complicated matter. It is often paired with terms such as "crowd-based," "on-demand," "sharing economy," and "collaborative economy." Although known by various terminologies, the gig economy can be broadly defined as a situation in which work is characterized by an online platform that allows independent and isolated workers to carry out their assigned tasks by coordinating online and transferring the compensation digitally. (Izzati, 2021). The online platform in this scheme causes changes to the market situation that make it easier for sellers, service providers, and consumers to be connected.

In terms of employment, the gig economy represents a job market primarily made up of freelancers, short-term contract workers, or temporary workers. (Wood, 2018). Work carried out under this scheme does not recognize time limits like conventional work, so it is often said to lead to exploitative actions. However, it is also seen as a form of flexibility in implementing work. (Chartered Institute of Personnel and Development, 2017). The absence of working time limits is due to the distinctive feature of the gig economy, which is the dependence of work implementation on the availability or absence of demand in the market. (Bates, 2019). Therefore, this also has implications for the income of the workers, which is very volatile (Fatmawati, D. et al., 2018), and depending on the amount of consumer demand based on the goods and services it offers through applications in smartphones and other web-based. (Abraham, K.G. et al., 2018).

Historically, gig work has existed for centuries. The evolution of gig work can be seen in the pre-industrial era through the system implemented by European Labor Unions in the 18th
century. In that era, merchants often delegated their production activities to other people employed in their homes, with personal equipment, and paid on a piece-rate basis. (Schanz, K.U., 2022). The gig economy evolved two centuries later with the advent of technology and the digital economy that came along with it.

Digitalization and internet interconnectivity as the main foundation of technological advancement have caused the company to have a solid attraction to restructure its activities, optimizing individual work outside of the company's employees. (National Academies Press in Abraham, K.G. et. al., 2018). This situation is based on the consideration that the company can employ individuals with different skills based on the suitability of their expertise and the needs of each project undertaken by the company. In addition, the gig economy scheme allows the company to make efficient expenditures on wages and benefits. It can position the company to be more responsive to changes in demand quickly.

Apart from technological advancements, changing consumer needs and behaviors are two other factors that have allowed the gig economy phenomenon to flourish. Ultimately, in line with the company's desire for efficiency in spending, workers who are also looking for a more efficient way of working tend to choose to work in the gig economy scheme by offering their services to potential clients from various regions to foreign countries through an online platform without having to be tied to a company, like running a conventional job. (Allon, G., et.al., 2018).

The gig economy utilizes online platforms to provide various consumer services. These services are then carried out by a group of "independent contractors" workers (Inversion, C. et al., 2023). The gig economy has three main components: technology platform providers, independent workers, and consumers. Each component is described below (Istrate, E. and Harris, J., 2017).

1. Technology Platform Provider Company

A significant force in the rapid development and expansion of the gig economy is the presence of companies that provide technology platforms. These companies make it easy for consumers and producers to conduct transactions directly through the platforms they provide. When consumers are interested in an offer the Company provides, the Company then assigns independent workers to complete the work. In this case, the Company's position is to act as an intermediary for parties needing each other. Consumers need services, and producers (independent workers) need consumers for the services they offer.
Due to the high dependence on consumer demand, the work provided by the Company to independent workers fluctuates. This condition is described as a form of work schedule flexibility the Company offers. In addition, the payment system is online, and the Company receives profit based on a deduction or percentage of each job the workers have completed. By utilizing its platform, the Company has access to the assessment results of the level of satisfaction consumers feel for the services provided by independent workers.

2. Independent Workers

Unlike workers who generally receive wages based on the calculation of working hours, independent workers in the gig economy are paid based on the gig (task or project) they complete. In carrying out their duties, independent workers only need to follow the work mechanism set by the platform provider company. Therefore, workers in the gig economy scheme are low-skilled and perform work without special qualifications. In addition, there is no clear career path in this scheme, and pay attention to differences in education levels like in general jobs. (Banik, N. and Padalkar, M., 2021).

3. Consumer

The gig economy consumers or customers are the people who need a particular service, such as transportation, to get to a place or delivery service. To fulfill their needs, consumers access the online platform provided by the platform provider company. Then, they will be directly connected to workers ready to carry out tasks according to their needs. (Istrate, E., and Harris, J., 2017).

Based on this description, a basic scheme of the implementation principle of the gig economy can be drawn, namely that workers and companies make a formal agreement based on a demand available in the market to carry out services and meet the needs of consumers (clients or customers of the Company). (Donovan, S. A., et.al., 2016). Another critical point is that all these activities are carried out through an intermediary in the form of an online platform that the Company has provided.

Gig Workers' Existence and Employment Relationship Classification

As a body with authority to determine labor standards, the International Labor Organization (ILO) has classified employment relationships into standard and non-standard forms. (International Labour Organization, 2015). Standard employment relationships are employment relationships that have three main characteristics, namely that the work performed is full-time, permanent (not merely a temporary contract work), and bound by a work agreement. This form of standard employment relationship is currently accommodated in the
Indonesian Labor Law (Law Number 13 of 2003) through the article 1 number 15, which is defined as:

“Work relationship is a relationship between employers and workers/laborers based on a work agreement, which has elements of work, wages, and orders.”

Based on the legal basis above, if a relationship is defined and characterized as a working relationship, it should fulfill all three elements of a working relationship, including work, wages, and orders. In another case with the standard form, non-standard employment relationships are not officially defined. However, they can be interpreted as a type of employment relationship that deviates from or falls outside the scope of standard employment relationships. (International Labour Organization, 2015). This type of relationship is formed due to changes and shifts in the employment situation. It has implications in the form of vulnerability in the position of workers, especially concerning their protection. (Quinlan, M., 2015).

Furthermore, the ILO states that there are four types of non-standard employment relationships (Williams, C. C., Lapeyre, F., 2017). It consists of:

1. Temporary Employment
   Temporary Employment is a temporary work relationship with a definite time set in a work contract. In Indonesian labor law, this relationship is known as a Specific Time Work Agreement (PKWT).

2. Multi-party Employment Relationship
   Multi-party Employment Relationship
   This working relationship is implemented by multiple parties (more than two) consisting of workers, employers, and outsourcing companies. In the Indonesian Labor Law, this relationship is adopted with the concept of outsourcing, which begins with an outsourcing agreement or contracting agreement.

3. Part-time and On-call Work
   Part-time and On-call Work
   Part-time work refers to work performed part-time or less than full-time hours in a standard employment relationship. Meanwhile, on-call work is only carried out when the service is needed and is not tied to a specific time.

4. Disguised Employment/dependent self-employment
   This type of employment relationship is when workers perform their work under an agreement that does not constitute an employment contract, nor are they classified as
workers. However, their income still depends on the employer or company that controls their work. The ILO even mentions that this situation occurs when the employer treats individuals by hiding their legal status as workers. (International Labour Organization, 2016). This relationship is often referred to by various terms such as "fake," "false," "disguised," "dependent," "sham," "bogus" or "misclassified" self-employment.

In the gig economy context, dependent self-employment is widely used as a new scheme in the employment climate. (Izzati, N. R., 2021). In principle, it falls between the two areas of the employment category: "employee" or worker/laborer and "self-employed" or independent contractor. In addition, workers bound in a traditional employment relationship are also characterized by a high level of economic dependence on the employer and have no control over various aspects of the world of work, such as the determination of working hours and the choice of work tasks. (Donovan, S. A., et.al., 2016).

On the other hand, self-employed can be defined as those who earn income from their trade or business, have the authority to determine where, when, and how they do their work, and are responsible for all risks arising from their entrepreneurial activities. (Budig, M., Hodges, M. J. in Carr, D. S., 2018) Some of the things included in the scope of self-employed are those who have a business as a sole proprietor or with a partnership scheme, those who work as independent contractors, and those who carry out work as consultants.

Based on the definition above, dependent self-employment is a "gray area" between the two categories. The flexibility of dependent self-employment determines when, where, and how it works, causing it not to be categorized as a worker/laborer/employee. Even explicitly, the contract underlying the duties and work of dependent self-employment is not a traditional employment contract but a partnership contract. (Dvoulety, O., Nikulin, D., 2023). On the other hand, this flexibility is not thoroughly enjoyed such as a self-employed person because the presence of a platform provider company has control over the work he does and supervises the level of performance. This situation then makes dependent self-employment said to be in a gray area and cannot necessarily be classified directly into the two employment categories.

**Legal Basis Protection of Gig Workers**

In the scheme of the gig economy, technological developments have played a significant role in expanding workers into a gray area category. (Williams, C. C., Lapeyre, F., 2017). In addition, employers have considered that hiring self-employed people to complete specific jobs tends to be cheaper than hiring employees. Moreover, each employee will be attached to workers' rights, including determining minimum wages, leave rights, compensation for
termination of employment, and other standards based on labor laws. On the other hand, when hiring someone as a self-employed person, they are not a subject protected by labor laws, so there is no obligation for the Company or employer to fulfill similar rights as workers.

The increase in dependent self-employment is also closely related to the economic theory of the labor market, which suggests that business owners and their managers (as employers) are always motivated to reduce and minimize personnel costs. (Dvoulety, O., Nikulin, D., 2023). As such, candidates willing to undertake work as dependent self-employed and can provide the same level of work as permanent employees will be preferred. While this is considered an advantage for the employer, it is not an equal advantage for dependent self-employment. Without explicit legal protections like those for employees, dependent self-employment has to bear the job risks independently. It does not get or get but only a limited part of social benefits such as vacation or sickness benefits. (Kalleberg, A., Vallas, S. in Dvoulety, O., Nikulin, D., 2023).

Legal protection under labor law cannot be given to dependent self-employment whose position is in a gray area. However, this condition increases the urgency of further establishing a clear legal basis to protect it from all its vulnerabilities. Broadly speaking, three schemes can be carried out to provide legal protection for them. These schemes include (Mishiba, T., Nakazawa, S., 2023).

(i) Expanding the concept of workers
The expansion of the concept of the employee can be done by establishing uniform criteria in various labor laws or regulations and incorporating the element of dependent self-employment into them. Another mechanism is applying other relevant laws and regulations to recognize a person as an employee.

(ii) Defining the third category
Legal protection under this scheme is implemented by not necessarily recognizing dependent self-employment as an "employee." Still, if matters require employee-like protection, partial protection must be provided. (Kamata, K., 2020). The "third category" referred to in this scheme is the concept of "semi-workers" or "quasi-workers," in addition to the concepts of workers and self-employed workers to extend some protection under labor law to those who fall into this category.

This scheme was adopted in Germany and is outlined in the white paper Work 4.0 published by the Federal Ministry of Labor and Social Affairs. The categorization of dependent self-employment as "employees" is irrelevant because a one-size-fits-all solution will not meet the needs of all dependent self-employment. Thus, lawmakers should adjust the level of protection that should be provided based on the needs of different types of workers and include this in labor and social policy legislation. (Federal Ministry of Labour and Social Affairs, 2017).
(iii) Establishment of independent legislation

If schemes (i) and (ii) do not work, then there is another option, which is to provide special protection through the creation of a separate law for dependent self-employment and design the rights that should be given to it regardless of the concept of protection attached to "employees" in labor law.

4. Conclusion

The existence of the gig economy has shifted the employment relationship pattern, which is different from the formal employment relationship. Gig workers can be classified as dependent self-employment as one of the forms of the non-standard employment relationship and fall between two distinct legal status areas: employee/worker and self-employed/independent contractor. In this gray area, legal protection under labor law cannot be given to the gig workers, who eventually remain vulnerable. A clear legal basis is needed to protect them, which can be carried out by three schemes: expanding the concept of workers, defining a third category, and establishing independent legislation.
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