

# Does the emergence of gig economy widen social inequality



*The close research on Meituan and DiDi*

Linda Fu 20854

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# Introduction

Gig economy, which also called as sharing economy, appeared since the global recession in 2008 (Schor & Fitzmaurice, 2015). The original term for these platforms—collaborative consumption—was popularized by a management consultant (Botsman & Rogers, 2010) and emphasized the phenomenon of “idle capacity.” In west, technology platforms such as Airbnb and Uber were created to match the supply and demand of temporary services at a time when a large number of unemployed people looked for temporary jobs to supplement their income. In general, the gig economy consists of gig workers, platforms and service recipients. In this research, the only focus is online gig economy. The rapid development of Internet technology and mobile terminals has created a powerful platform, significantly improving the efficiency of the distribution of temporary work, and expanding the audience and scale of the gig economy. In China, the most prominent gig platforms are 美团 (Meituan) , 饿了么 (Elema) and 滴滴出行(Didi) which are the most prominent attendees in Chinese gig economy and almost shape their own monopoly especially in the Apps. Some western countries have stepped into the age of sharing economy earlier than us and has experienced some problems such as racial inequality. China, which got on the train of digitalization later, tried it best to catch up the trend of this wonderful period of capital expansion. In the first-tier cities (Beijing, Shanghai, Guangzhou, Shenzhen), both the number of online gig workers and consumers soar in recent years. According to the Annual Report on the Development of China's Sharing Economy (2019) released by the Ministry of Information Technology and Industrial Development of the State Information Center, the number of participants in China's sharing economy in 2018 was about 760 million, and the number of service providers was about 75 million, an increase of 7.1% year on year. The number of employees on the platform was 5.98 million, up 7.5% year on year. In 2019, the total number of food delivery riders in China exceeded 7 million, and the total number of online ride-hailing drivers exceeded 30 million (Wen Xiaoyi, 2020). However, there are many inequalities within the development of sharing economy. In recent years, there are many news about the Although there are some differences between foreign inequalities and Chinese inequalities, the nature of the problem are almost the same. The platforms raise the issue of the restructuring of labor

relations in a neoliberal era, particularly in terms of rising precarity and the risk shift from firms to workers (Hacker, 2008; Kalleberg, 2013; Scholz, 2013; Standing, 2011). For gig workers, it is hard to define their role. In reality, gig economy workers are simply called "workers." But generally, a worker is a person who is financially dependent on an employer, rather than an employee who is indirectly employed or has no regular working hours. Self-employed people run their own businesses and have a large number of customers. Independent workers in the gig economy, therefore, fall somewhere between corporate employees and self-employed workers. Many research have shown that this ambiguous identity of these gig workers is the reason of most of inequalities. This new identity means that they do not signed a formal labor contract, do not enjoy unemployment insurance, workers' compensation, pension, maternity leave and other benefits. When labor disputes occur, it is also difficult to protect rights. According to Alana, although freelance apps may have raised wages of some people, they've forced every new worker who signs up into entering a global marketplace with endless competition, low wages, and little stability (Alana, 2018). In this essay, I should note that my focus is in Shenzhen. As I only conducted the research in Shenzhen, all my conclusions are only suitable within this city. And the aim of this research is to test the existence of social inequalities brought by online freelance apps (Meituan and Didi), and to discover what are these inequalities.

## Three scenarios emerged from the gig economy

The book *The Gig Economy* written by Diane Mulcahy shows three considerations about the gig economy: "job creator", "labour controller" and "instability producer".

### **- Job creator**

The gig economy platform, as a new pattern of matching labor supply and demand with the help of a digital technology platform, benefits from the unprecedented increase in people's connectivity or interconnection brought about by the Internet, which also adds important new elements to the existing labor market. The gig economy has improved the efficiency of matching workers with businesses and consumers, creating alternative employment paths

beyond traditional jobs. The application of new technology not only reduces the cost of finding a job for workers, but also greatly reduces the searching time and makes it easier for workers to find a job. The skills, physical strength, knowledge and time of workers do not need to rely on the traditional form of enterprise organization, and individuals can become independent service providers, thus greatly enhancing the incentive effect of workers to obtain employment income through the platform. However, others question whether the gig economy is a "job creator" or a "job reservoir." The rapid growth of the gig economy, thanks to technological change, may be an illusion, but the real recession and poor job market are the main reasons for the gig economy's growth, a phenomenon known as "labor market lag." In countries with high unemployment, such as Spain and Greece, gig economies are more developed. Not only that, the gig economy's "job creation" is largely based on "job loss" in the real economy, but it also masks the polarization and poor quality of employment.

#### **- labour controller**

Many gig economy researchers use the labor control theory in the factory system to analyze the relationship between the platform and the workers. But the labor control means from the "Taylor system"<sup>1</sup> to the supply and demand control algorithm based on digital technology. With its precise analysis and control ability, the algorithm makes everything transparent, visual, intuitive and understandable. It constantly predicts and corrects the cognition and behavior of workers by optimizing the algorithm. Algorithms enable the platform to specify work rules in greater detail, such as the percentage of work that a worker must accept, the number of hours that must be provided, and the level of rating expected, giving the platform a clearer understanding of the labor process than the worker.

#### **- instability producer**

The Internet platform makes use of crowdsourcing technology and means to decompose and reorganize labor skills, eliminate labor skills and reduce labor costs. Digital platform to promote a new round of standardization and modularization at the same time, make the traditional labor outsourcing is more

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<sup>1</sup> it comes from a book written by Frederick Winslow Taylor who proposes the principles of scientific management. The end of the 19th century in the 20th century initial is popular in the United States and western European countries Its basic content and the principle is: scientific analysis the mechanical action of people in work, to develop the most economical and most efficient of the so-called "standard methods", strictly selection and training of workers, according to the characteristics of labor demand for workers, set the production procedures and the work quota,

common and deepening, combined with the digital information technology caused to de-skilled, around the world contributed to an increasingly large scale of industrial reserve army, provides capital with a limitless labour. It also opens the valves for the falls of the Labour market price, the instability of the Labour market risk is highlighted.

## Gig economy in Shenzhen

In this research, a semi-structured interview was conducted in a 2 weeks period. The subjects contains both Meituan riders and Didi drivers who are all full-time workers. Before conducting the interviews, I firstly mentioned to the subjects that they have the right to choose the answer they wanted to answer because some of the questions are relatively private and might influence their job.

Here are the questions I gave to the subjects:

### **1. Will the platform offer social insurance?**

The answer is quite surprising. In China, paying social insurance for employee is necessary and compulsory for a company. However, almost all the subjects I interviewed complained that they do not receive social insurance. One of the Meituan rider said that usually contracts were in duplicate, but he did not have a contract in his hand. In addition, he said that there were hidden rules on the contract which were shown in very small words. “It was impossible for me to notice that if I did not use a microscope to observe, but the first party just urged me to sign. Thus, I did not think too much of it.” Another Meituan rider said that his wife was by his side when he was signing the contract and she wanted to take a picture. However, the first party did not allow her to take a picture. “ It seems that we are in a passive situation”. The answers are also similar from those Didi drivers. “It doesn't have insurance for you, and you're not his employee, so what's the spirit of contract? It won't care if anything happen to you”.

The lack of social insurance is related to the nature of this working system which is prevalent in gig economy. In China, most Meituan riders and Didi drivers are working in a crowdsourcing working system which is very fuzzy, it

does not really count as enterprise employee, because it does not use an employment contract but a cooperation agreement, that employees have the right to decide whether to keep working or not. Employers can also decide whether to send orders or not and have the right to terminate a contract. Thus, this kind of working system cannot form a strong tie between employers and employees and a legal guarantee of employment.

## **2. Do you have a stable salary?**

Both Meituan riders and Didi drivers said that they can earn a stable salary if they work very hard. “ I can earn 4000-5000 if I got 30 orders a day”, one Meituan rider said. In addition, both Meituan riders and Didi drivers disclosed that even in the in the COVID-19 period, they still could earn a stable salary or even more. However, it does not take the unexpected situations into account. According to a Meituan rider, he was found to be in a poor health (he did not want to reveal what kind of disease he got) which lower his income directly. “ I would lose nearly 10 orders a day which means that my salary for a day will decrease nearly 100 yuan”. “ We don’t have a basic pay, so it is very dangerous for us to have any accidents”. For Didi drivers, they also have to pay 4600 yuan to the platform as car renting fee and all the maintenance fee have to pay by themselves. Thus, the salaries that remained are just enough to support their basic lives.

In most of the time, these gig workers have a stable salary if they do not have unexpected situations such as health problems, accidental injuries or vehicles damaging etc. Overall, these gig workers are actually work in a fluke mind. In addition, some riders mentioned about rainy days. They have a very wavering attitude towards rain. They love rain because orders increase in rainy days, but if it rains heavily, the system will be easily overbooked and they will be prone to accidents.

## **3. What is the threshold of entering this career?**

“Drive a car and read a map, that’s all you need”. Every subjects I interviewed said the same things. Most importantly, it does not require any educational background. The threshold of being a gig worker like this is extremely low. This

is the reason why there are so many people like to enter this industry. In addition, because of the Corona Virus, some people who could not return to work chose to become a Meituan rider or Didi driver.

#### **4. What did you do before doing this job, and what is the salary?**

One of the Meituan riders said that he used to work in a construction company in Guangxi. However, because of the COVID-19, being a Meituan rider is the quickest way to get a new job and the salary is relatively higher than other works he could find in a short time. A Didi driver said that he worked in a factory before but could only earn 2800 a month, so being a Didi driver in a first-tier city could earn more. “I have already get used to the high intensity of work, so being a Didi driver is actually suitable for me”.

Overall, most of the interviewees' original jobs were also relatively in low-level, and the salaries they earned are even lower than being a Meituan rider or Didi driver. None of the people I've interviewed so far have seen an “employment sinking”<sup>2</sup> which appears in some developed countries. However, all the subjects I interviewed who disclosed their original working places were all from third-tier cities before.

#### **5. How many hours do you work in a day?**

For Didi drivers, their working hours depends on their free will. For Meituan riders, they have to work at least 12 hours with no rest time. However, both Meituan riders and Didi riders wanted to try their best to get as more orders as they can. Thus, working over 12 hours is common to them. One Meituan rider said that he used to work over 2'o clock in the morning for one month.

#### **6. Do you have time to eat your meal or go to bathroom?**

It is hard for both Didi drivers and Meituan riders to eat their meal at time. For example, I ordered a cake at 2:30 pm, and the Meituan rider still not ate his

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<sup>2</sup> It means that some people in working class move into precariat due to the technology development. For example, some factories nowadays are automated production where many workers have to face the unemployment. Thus, those skilled workers have to attend the troops of un-skilled workers.



lunch. They also do not have time to go to the bathroom, especially for those Didi drivers. About 90% percent of the interviewees said that they have to suppress themselves for a long time. What is more, some of the interviewees reckoned going bathroom as a waste of time. In a long term, this unhealthy working mode will lead to numerous healthy problems such as urocystitis.

### **7. Why do you choose to work as a Meituan rider/ Didi driver?**

All the interviewees said the same things: “I can get a good salary”. According to a Meituan rider, “I always have things to do”. As of March 31, 2020, the number of monthly active users of Meituan Takeout was 374.457 million. This huge number of online users makes sure that those Meituan riders can receive enough orders. Even during the COVID-19, their orders were not decreasing but increasing. A Didi driver said, “If I did not register for this platform, will you feel comfortable to get on my car? If I just stop my car beside the road and ask you if you need a carry, will you get on my car?” What this driver said reveals a realistic problem that is the monopoly of Didi platform. Those who want to be ride-hailing drivers have to sign up for Didi. At the same time, when passengers need to take a ride, their first choice is Didi.

### **8. Will there be any training for you?**

“We need to attend the conference everyday at 10a.m. However, all the content about the conference is about the money deducting mechanism.” , a Meituan rider said. For Didi drivers, the answer was totally no. It is very dangerous if a company does not organize training to its employees. It means that these



Meituan riders and Didi drivers cannot employ their jobs as an opportunity to improve themselves as well as learning a new skill. When these gig workers have to end up their work because of problems such as poor health, it is hard for them to find other jobs in a short period, which will lead to a period of income gap.

### **9. Have you think about your career longevity?**

After asking this question, those interviewees took a long time to think. A Didi driver told me that people who work as a didi driver are not well off, so they will try their best to earn as much money as they can. A Meituan rider said that he has a poor health and decided to be a part-time rider which can have more free time. However, at the same time, the salary will decrease. There are also some young interviewees said that they have not concerned about this question.

## **The social inequality**

Although gig economy contains workers who conduct high-leveled work, gig workers like Meituan riders or Didi drivers are still stuck in the social class of precariat. It can not be ignored that their number has been increasing year by year. Due to the development of technology, gig economy gradually rooted in the online platforms. For Internet platforms of gig economy, labor is the core resource, which is the key to determine their market size and profitability. The discussion of the gig economy in society is more about the emerging employment model, which has a huge difference with traditional employment model. On one hand, this is because the platforms need to organize and manage the scattered labor force systematically, so as to improve the efficiency and scope of supply and demand matching. On the other hand, this mode of employment needs to show its advantages over the traditional mode of employment, so as to attract a steady stream of labor from offline to online. Those platforms play a vital role of integrating three components that Diane Mulcahy mentioned about gig economy together—“job creator”, “labour controller” and “instability producer”.

After the interview, I have many thoughts about the word “instability producer”. It has a close relation with social inequality. For those full-time gig workers, they have to bear huge social pressure. First of all, they do not have insurance. They

can only cope with the complex and changeable market risks by themselves, and are in a state of lack of rights as a whole. They cannot enjoy the basic social welfare stipulated by the social security system, collective labor agreements and labor laws like regular employment. Secondly, their working hours are well above the legal standard which is 11 hours. Their overload working is also related to the “monopoly” of these gig platforms. Take Didi as an example, 10 years ago, Didi put a lot of money into various subsidies and welfare in order to attract more drivers and consumers. Suddenly, online taxi drivers have become a very popular career in the first-tier cities. At that time, online taxi drivers can earn 10000-20000 yuan a month. Thus, many people also give up their original jobs to become a full-time Didi driver. Nowadays, as the market share of Didi reaches 80% (Frost Sullivan, 2020), there are just a few welfare for Both Didi drivers and passengers. In addition, Didi company are charging more commissions from Didi drivers, so they have to work harder to earn enough salary. Thirdly, these gig workers are bearing discrimination in varying degree. The service industry always emphasizes that “customers are gods”. This slogan is perfectly suitable for Meituan. Meituan formulates a series of rules for riders in order to let the consumers enjoy the best services. For example, if a rider receives a negative comment, his salary will minus 100 yuan for one time. Consumers are empowered to have a stronger sense of contempt for the social class of riders. Thus, those Meituan riders have to try their best not to irritate the consumers. Finally, and most importantly is that these gig workers are hard to protect their own rights. Their work are scattered every day so it is hard for them to formulate a sense of collectivity. In addition, because most of them have low degree of education, it is hard for them to formulate a labor union to protect their rights.

What is said above are about the inequalities that individuals experienced. From a larger scale, which is from the society perspective, the over development of gig economy will lead to the polarization between the rich and poor. In practice, the platform economy pursues the highest profit and business performance through the low wage and low cost mechanism, and adopt a flexible employment way to reduce labor costs and avoid enterprise responsibility of labor relations. Enterprise value and profit distribution are inclined to shareholders. Shareholders and senior managers of enterprises have obtained a large amount of social wealth, while the wages of ordinary workers group in long-term

growth is slow. Thus, these gig workers are difficult to sustain themselves and the reproduction of family. They are gradually stepped into a poverty trap which widens the income gap between the capital owner and gig workers. The whole process can also be considered as the Matthew Effect.<sup>3</sup>

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<sup>3</sup> The Matthew effect of accumulated advantage, Matthew principle, or Matthew effect for short, is sometimes summarized by the adage "the rich get richer and the poor get poorer". [1][2] The concept is applicable to matters of fame or status, but may also be applied literally to cumulative advantage of economic capital.