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THE IMPACT OF COVID 19 ON THE GIG ECONOMY IN AFRICA

An opinion paper

The rapid advancement of technology and internet penetration has seen regular independent contract work evolve to produce some of the biggest technology companies of our era, making up what is known as the gig economy. Although there are different schools of thought around what truly defines the gig economy, they all agree on the precarious nature of the work and how it affects workers. The gig economy is described as a free and global market system where organizations and independent workers engage in short-term and on-demand work arrangements that are both flexible and skill-based. Varying definitions of the gig economy have emerged, differing mainly on emphasis. Some focus on the *nature of the work*, others on work arrangement while others center on legal classification.

The gig economy is also alternatively referred to as the *platform or on-demand economy*. Often, the gig economy is confused with the informal economy in Africa mainly because it hardly contributes taxes. There are also clear distinctions between gig work conducted online, e.g. data entry (online gig work) and gig work facilitated by digital means, e.g. drivers and artisans (offline gig work). The latter is more prominent in Africa as indicated below.

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Unpacking the gig economy in Africa

Whenever the gig economy is mentioned, seasonal workers, Uber/Lyft drivers, on-call workers, etc. come to mind for most people. In 2019, the online gig economy in Kenya was valued at *US$109 million* and employed about *36,573* workers while the offline gig economy had *5.1 million* workers and was valued at *US$19.6 billion*. In the same year, the global gig economy churned out *US$204 billion in gross volume* and is expected to grow to approximately *US$455 billion by 2023.*

In Africa, *3.5 million* people have used Airbnb listings and African hosts have earned a sum of over *US$400 million* since the company's launch on the continent. In South Africa, Airbnb generated about R8.7 billion *(US$678 million) between June 2017 and May 2018*, creating around *22,000 jobs.*

Undoubtedly, the gig economy has created many jobs and income flows for both the employed and unemployed because of the flexible nature of the jobs or 'gigs'. However, *researchers* lament that the true size of the gig economy in its present state is difficult to quantify. In the U.S., the figures can range from *15 million* self employed workers to *57 million* freelancers. As can be seen, this is not a challenge peculiar to Africa, but, we can extrapolate from available data to get a picture of what could be. A recent study established that an estimated *4.8 million* workers gained some income from gig work in seven of the eight countries under study.

A report by the International Labor Organization (ILO) stated that *86 percent* of total employment in Africa is in informal employment. It is not clear, however, what proportion of this figure can be accounted to the gig economy. Strikingly, there is a job deficit in Africa of between *6.3 to 8.3 million* each year that needs to be filled and the gig economy exhibits potential to cover a substantial amount of this job deficit. More work will need to be done on both the policy and entrepreneurial sides to realize this milestone.

Notably, the gig economy is slightly different in Africa. Gig work is more pronounced and recognized in some African countries than in others. More often than not, gig work is bundled together with informal work. This lack of policy clarity presents three challenges in the COVID-19 context – how to differentiate and select recipients of government released safety nets, how to distribute these and how to have this critical data available and in a usable format. This illustrates the need to redefine what gig work means in the African context

Like many other sectors of the economy, the current COVID-19 pandemic has affected the gig economy too. What we know now is that there has been a surge in the demand of some services (e.g. the supply and delivery of essential items) and a total disruption of others (e.g. shared rides and shared accommodation). However, the gig economy has its own shortcomings that make it easier to baulk under pandemics.

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Challenges faced in the gig economy

Despite gig work being spread across the globe and operating under different economic and political contexts, the challenges and opportunities faced across geographies are more similar than they are different. Literature is replete with evidence of the precarious nature of gig work. Gig workers do not have access to benefits such as medical insurance, established minimum wages and access to collective bargaining like their formally employed counterparts. *Due to erratic schedules* and income, they end up working very long hours to make more money, which puts their safety and health at risk. Sadly, this income is quickly eroded by operational and other unexpected costs which they foot by themselves.

Most gig workers have a high exposure risk to contagions due to the nature of their work. Gig workers are also vulnerable to algorithmic exploitation and abuse. When they miss work they lose income and, as if that's not enough, their ratings get distorted on the algorithm-based platforms. Gig workers have to make uncomfortable tradeoffs between flexibility and job security.

African gig workers have additional issues to contend with. They face discrimination on racial lines on global platforms and often have to go through an intermediary to get 'gigs.' Again, these intermediaries offset their level of income.

The gig economy which is driven by digital technologies secludes those without internet access; hence, it is more concentrated in cities than in rural areas.

Exacerbated by the impact of COVID-19, an impending *oversupply of labor* is likely to further drive down wages in the gig economy. Also, where global companies threaten the existence of local players, gig workers are at risk of losing their properties and worse still, their lives, for example, past taxi turf-wars in *Johannesburg* and *Lagos* over Uber.

There are already raging debates on the continued disenfranchisement of gig workers due to *misclassification and information asymmetries* in the economy.

Challenges faced in the gig economy are not solely due to COVID -19; the pandemic has just amplified them. The pandemic has provided governments the impetus to act on policy reforms that recognize gig work and to put in place mechanisms to mitigate risks and obtain benefits from the economy. Policy solutions on various aspects such as taxation and labor issues are required.

The pandemic serves as a wake-up call for gig companies to further interrogate their business and sustainability models. The effect of the COVID-19 pandemic on the gig economy reveals three important aspects occurring at the government, corporate and individual level.

- *Government responses to manage the crisis through stimulus packages are more favorable towards firms and the formally employed, understandably so, since the two contribute significantly to the overall economy through taxes.*

- *Gig companies experienced varying levels of impact from the pandemic. Most gig companies suffered huge losses; some are facing demands for refunds while some are facing imminent closure. Yet, others like SweepSouth, a digital platform offering cleaning services based out of South Africa, pivoted and diversified their business offerings. Re-bounce for these companies post COVID-19 will likely follow this same trend, ceteris paribus.*

- *Tensions are rising over controversial business models that shift risk to the vulnerable workers. Inequalities in the society are also mirrored in the gig economy, mainly along gender and racial lines. This vulnerability results from tussles for power and profit on one hand and service and humanity on the other.*

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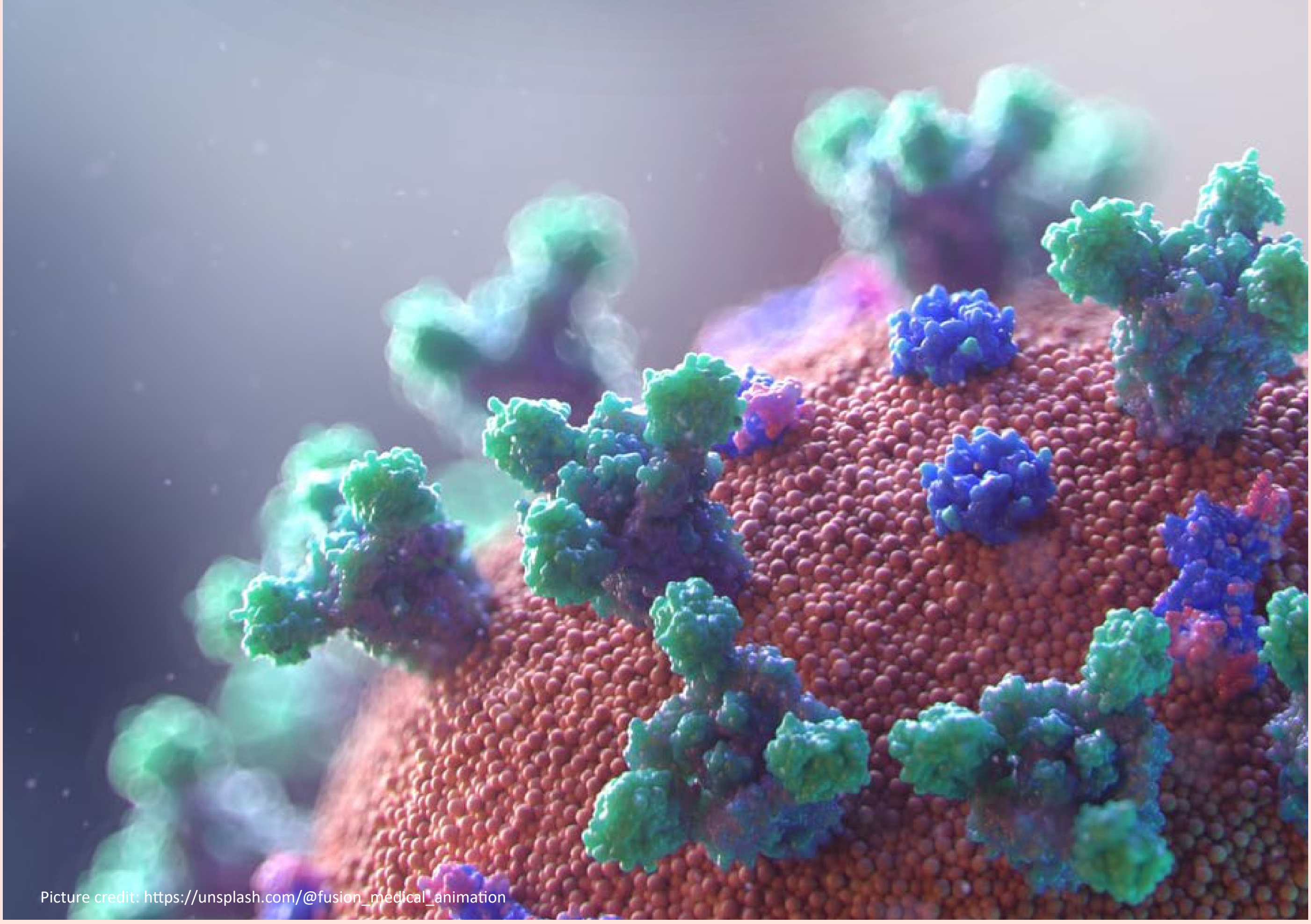
Interventions in the aftermath of COVID-19

Governments and firms have contextually intervened to manage the effects of the pandemic on the gig economy. The level of intervention differs according to size of the gig economy in each environment and how significantly the gig economy contributes to the overall economy. In most cases here in Africa, the parent company is not a local entity and that presents a unique set of challenges altogether. Gig workers are sharing distressing narratives of how the pandemic has disrupted their lives. Although most of the responses shared below are COVID-19 related, interventions should be long-term in focus and broad-based so that they can be more effective against future shocks.



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Policy interventions

Many African governments have set aside some form of support for those out of employment though the support is not specifically targeted at gig workers. The government of South Africa will pay a grant of *R350* per month for 6 months to unemployed individuals and informal sector workers and *R500* until October for those on child support. The government of Malawi is disbursing *US$40* per month cash transfers, and Rwanda is *providing essential goods* to vulnerable households.

These were necessary stop-gap measures, but still, how can the gig economy become disaster -proof? Longstanding issues in the gig economy, such as low job security maintance and other unexpected expenses borne by the workers and lack of health insurance cover still need to be addressed. Some quarters suggest *adapting existing labor and business policies* to equally serve both the traditional and gig economy while others suggest the a*doption of the Fairtrade model* to the gig economy. There are, however, some notable developments already from elsewhere such as the *Taylor Review* in the UK and in the U.S., the *California Assembly Bill (AB5)* of January 2020 also known as the gig worker bill.

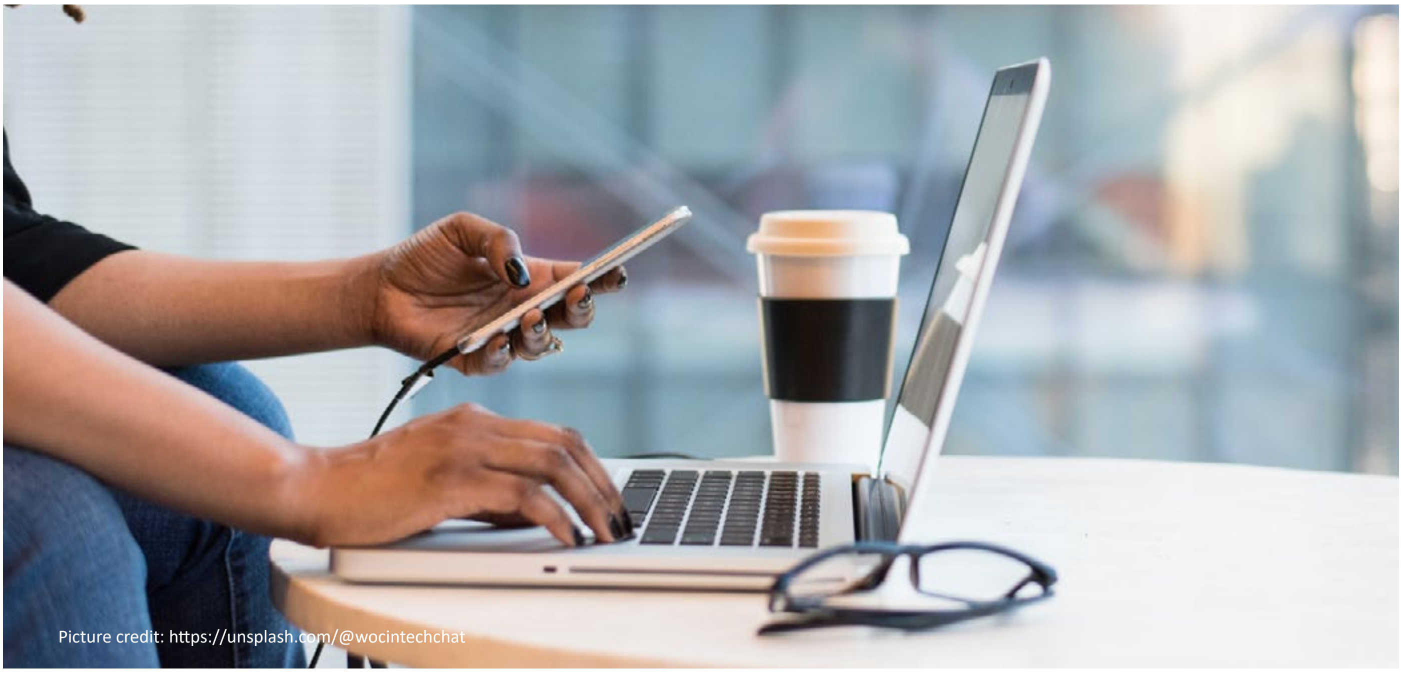
Corporate Interventions in the aftermath of COVID-19

SweepSouth established a fund to incentivize workers under isolation or quarantine to stay at home. The *US$642,000* fund, pooled from impact investors and crowd funding, is giving weekly payments to SweepStars for the foreseeable future until COVID-19 is reigned in.

Sendy is a logistics start-up with offices in Kenya, Uganda and Tanzania. The company is offering its workers equipment and safety and health training. Sendy has also partnered with local insurance players to protect its drivers. *Lynk*, a Kenyan start-up with about *1,000 informal workers* registered on its platform and a customer base 3,500 strong, is also conducting health and safety training and providing protective gear.

Vaya Africa is a passenger transport and logistics as a service company in 14 African countries. It launched a relief support arm in Zimbabwe to distribute *medical deliveries* and *essential materials* to the vulnerable as a humanitarian act.

The pandemic has not spared the major gig companies. By May 2020, Uber had lost *80%* of its business and laid-off *14%* of its workforce.



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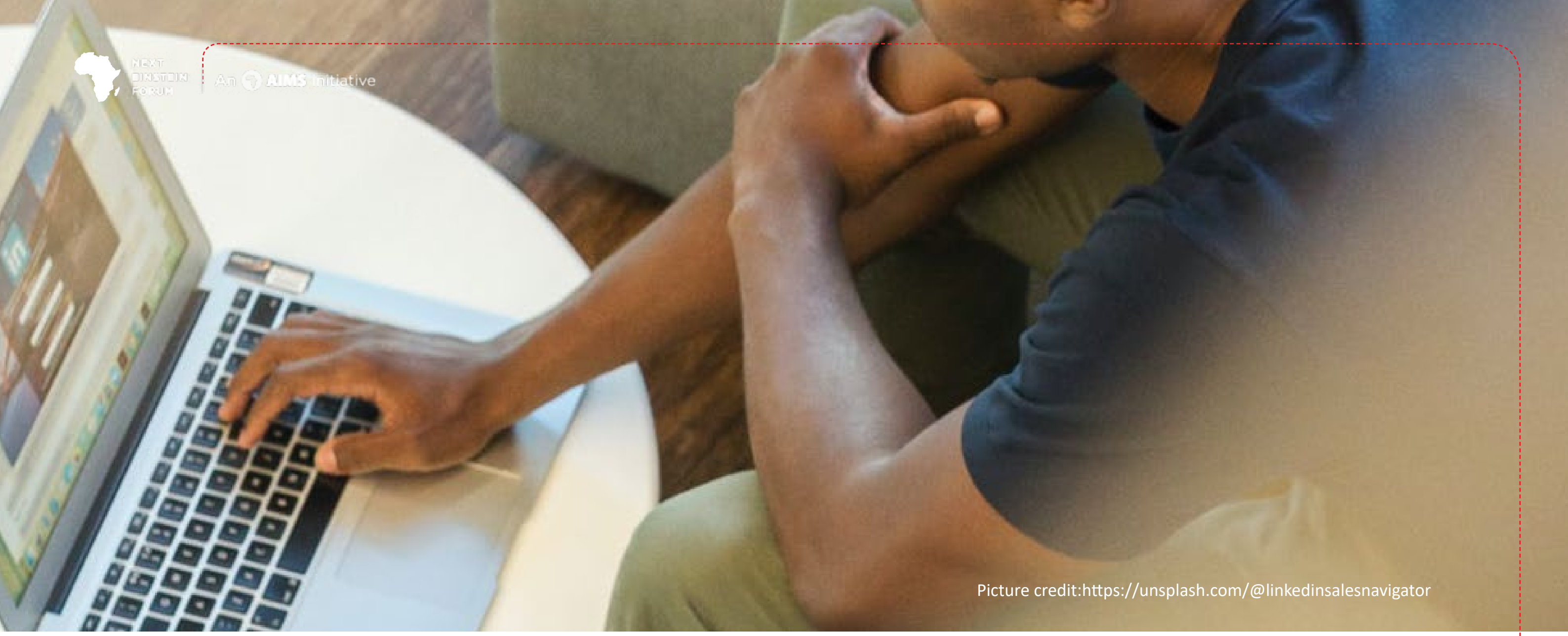
The Gig Economy post COVID-19

Whilst the pandemic may pass, the gig economy will remain. This economy will probably grow as the fourth industrial revolution sets. Notably, e-commerce and delivery apps thrived against the pandemic tide. Demand for gig work will most likely increase because of the high rate of unemployment from the closure of informal markets. Although formal sectors have also been affected, informal markets are more vulnerable to such ruptures. Also, the gig economy work offers flexibility. People in regular employment will likely consider taking up gig work to augment their earnings. Moving forward, an approach that addresses both symptoms and institutional and systematic concerns will be more desirable. The following recommendations are an excellent starting point.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1. Recognize gig work by law

It is essential to legally acknowledge that gig work exists and that it is different from formal and informal work and self employment. What would be the proper legal classification for gig workers in Africa? Legal recognition will avail state protection to African gig workers as the case is with their counterparts from other sectors.

2. Invest in infrastructure and human capital development

Better connectivity will enable more people to access and take part in gig work. Up-skilling and re-skilling of workers will increase their chances to get quality jobs and better pay. It is vital for African countries to facilitate the move up the human capital value chain from being mere labor providers to business creators.

3. Support local gig companies

The COVID-19 outbreak provides the impetus for African governments to support locally-grown gig enterprises and stimulate job creation. It is easier to derive revenue from gig platforms that are within local jurisdiction and also to work collectively with them to find mutually beneficial ways to support workers. African governments and other developing countries should put in place systems that enable the fair sharing of risks and benefits with global platform companies. Here, it is important to interrogate what a mismatch of priorities and stipulations between global platform companies and local governments would mean for both policy and the workers involved.

4. Ensure transparency on gig platforms' algorithms and T&Cs

The terms of engagement and algorithmic ratings on gig platforms need to be looked into. More transparency in the sector will help avoid disenfranchising workers based on race or geographical location and stop the exploitation and abuse of gig workers.

5. Support and fund research on the state of the gig economy in Africa

As it is, there is data paucity on the state of the gig economy in Africa, for example, the size of the gig economy in Africa at both the country and continental level, how much the gig economy contributes to the overall economy and the total amount of jobs produced to date and in the coming years. This calls for the development of robust data-driven knowledge ecosystems equipped with the requisite human capital and, digital tools and equipment within the continent. Strategic foresight will ensure that the continent derives maximum benefits from the gig economy.

It will take political will to change the form and format of gig work. Any significant changes in the gig economy post COVID-19 will largely depend on reforms taken at the policy level. Planning ahead of any future shock will provide more security to gig workers and position Africa for a bigger stake in the projected US$455 billion global gig economy by 2023

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