Singapore's gig economy braces for 'complex' safety net rules
ASEAN's first protections for platform workers have regional implications

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SINGAPORE -- Tech companies in Singapore that rely on "gig workers" are bracing for higher costs, as they are being asked to fashion a stronger safety net for independent contractors. Companies and experts describe the new government regulations as complex, with difficult questions unanswered.

From late 2024 onward, a new set of rules in the city-state will require ride-hailing and food delivery companies to contribute to social security savings programs for workers, and compensate them for workplace injuries.

Following the release of recommendations by a government advisory committee, major platform operators like Singapore's Grab, Foodpanda and Indonesia's Gojek broadly welcomed the move to provide basic protections for gig workers in Singapore, of whom there are more than 73,000.

But accounts from the yearlong consultations, and the initial proposal on the regulations, underscore the difficulties authorities face in creating rules for a type of work that departs from the traditional model of full-time employment in favor of task-based work facilitated online.

Although the precise effect of the rules remains unclear, observers and industry players agree that platform services will likely become more expensive, adding further uncertainty to the still-unprofitable companies, which are also battling an uncertain economic outlook.

In a statement, food delivery service Foodpanda said measures should consider "potential trade-offs," such as higher costs that may have to be shouldered by consumers and merchants. Gojek said, "Driver-partners may experience lower demand for rides," affecting their income.

Ranjan Sharma, JP Morgan's head of equity research for Southeast Asia's technology, media and telecommunications sectors, told Nikkei Asia: "If delivery platforms are unable to pass on the higher costs, it could increase the likelihood of consolidation for the industry."

The pending regulation could have bigger implications for what has become a new lifeline for many countries in the region. Discussions could touch other industries, as work styles shift dramatically in the wake of the COVID-19 pandemic. More people are working remotely, taking multiple jobs and crowdsourcing online.

The Tony Blair Institute for Global Change, a nonprofit organization, estimates the gross transaction volume of gig economy platforms, excluding asset-sharing services like Airbnb, will reach $311.6 billion worldwide in 2023, double the figure in 2018. Asia saw the largest investment in these platforms, at $56 billion, almost half the global total, according to a 2021 report by the International Labor Organization.

"These new recommended measures to strengthen protection for platform workers in Singapore could lead to a gradual evolution of the gig economy in ASEAN," Sharma added, referring to the Association of Southeast Asian Nations.

Groundwork on the regulations began in August 2021, following Prime Minister Lee Hsien Loong's national call to protect vulnerable workers. In his National Day Rally speech last year, Lee said he was "especially concerned" about couriers working for services like Foodpanda, Grab and Deliveroo. "We must address the issues to give these workers more secure futures," he said.

According to Singapore's Institute of Policy Studies (IPS), food delivery drivers, including those working part time, reported earning a median monthly income of SG$1,925 ($1,430), less than half the country's median monthly salary last year.

What worried platform companies most, however, was how Lee described the workers: "Delivery workers are, for all intents and purposes, just like employees."

Many platform operators in Singapore, however, avoid treating their workers as employees. "That was the big elephant in the room," a senior executive told Nikkei Asia, referring to moves gaining momentum in places like California to grant gig workers employee status.

According to industry players, what followed was a long process for all stakeholders, with operators initially worried whether their voices would be heard.

Set up by the Ministry of Manpower, the Advisory Committee on Platform Workers was composed of people from the transport and trade ministries, as well as academics and senior executives from some of the biggest business associations. The platform operators, however, were not included.

Although the regulations aim to give more protections to gig workers, the committee initially focused mostly on food delivery platforms. After calls from companies in the industry, the committee began engaging with ride-hailing and courier services like Gojek, Tada and Lalamove.

It was a learning experience for authorities, who are in uncharted territory. "International developments and domestic consultations have shown that this is a complex and new area, with no established consensus or norms," the committee said in its final report.

One of the main challenges for regulators is the diverse backgrounds of the workers the rules are meant to cover, from their income levels and working hours, to the reasons they choose to do a particular type of work. And not all of them want to become employees.

According to the IPS study, 46% of the workers said they rely solely on food delivery jobs for their personal income, while 54% said they work part time, with some already working for a company full time and others working as freelancers or platform workers doing various jobs.

Spain became the first country in Europe to impose significant regulation on the gig economy. Platform workers there are now treated as full-time employees. This has resulted in major operators pulling out of the market.

If the regulation went too far, "The very thing that you're trying to protect could end up getting affected," said a senior executive with a Singapore platform operator.

In the end, the committee concluded workers should not be classified as employees, explicitly stating in their first recommendation that workers "enjoy more flexibility compared to employees," and this is what workers and companies "are keen to preserve."

Nevertheless, what observers and industry players see as one of the most challenging and "politically sensitive" issues is the obligation for workers and their employers to contribute to Singapore's national social security system.

Set up in 1955, the Central Provident Fund (CPF) is a compulsory savings program requiring all employers and employees to contribute a portion of full-time employees' monthly salary to a fund that can be used for retirement saving, buying a home or health care. Self-employed workers are exempt, except for the medical savings account.

Under the new regulations, platform workers under age 30 will be required to contribute to the CPF, with a choice to opt in for drivers above the threshold age. In other sectors, employees under the age of 55 currently pay 20% of their salary to the CPF, while their employers contribute another 17%.

Walter Theseira, an associate professor of economics at Singapore University of Social Sciences (SUSS) said the CPF requirement for gig workers is a "significant policy change."

"The policy concern is that without the change being made, and given the increasing popularity of platform work, there is a risk that many younger platform workers might find themselves unable to finance their homes or retirement in the coming years," Theseira told Nikkei.

But the recommendation has been met with considerable concern because the full contribution rate will total 37% of a worker's pay. Theseira added this would cause "significant changes to consumer prices, take-home wages and platform operating costs" adding, "It is not practical to implement this overnight, all at once."

The committee recommends that the government aim for the gig economy to match other industries after five years, starting with average increases in contribution rates of 2.5% and 3.5% annually for workers and platforms, respectively.

According to the IPS study, while over a half of respondents were keen for platform companies to make CPF contributions for drivers, but among those who did not support the idea, there were concerns that platform operators would take the contributions out of workers' earnings. In the trade-off between pay and benefits, 63% of riders chose to receive a higher income from food delivery work in exchange for fewer social protections.

With the initial recommendations laid out, authorities and industry players will hold more discussions to sort out the details. But operators are split on whether they can fully meet the recommendations by the suggested time frame, with many seeking gradual implementation of the new rules.

On the question of standard insurance, for instance, all workers will have basic coverage for workplace injuries, regardless of the number of hours they work or which platforms they work for.

A Grab spokesperson said this would require a trial of concept with a smaller group of workers across different platforms so operators and insurers can learn and adjust the product before providing it to all partners.

"It will also ensure an optimal and sustainable design, where implementation and operational costs are kept manageable," the spokesperson told Nikkei Asia.

There are also worries about which industries were excluded. In particular, street-hail taxis and third-party logistics companies were not covered under the recommendations. A Grab spokesperson said, "Excluding them will result in an unlevel playing field and may lead to price and market distortion."