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# Balancing Flexibility With Social Security: Exploring Solutions for Job Transition Between Being Employed, On a Platform, and Self-Employment

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**Social security for the self-employed and platform workers**

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# Introduction

- The rise of self/informal employment in recent years has led to new business opportunities and income sources for many workers.
- According to the ILO, the number of online web-based and location-based platforms rose from 142 in 2010 to over 777 in 2020.
- A similar trend is observed in Malaysia, with the emergence of various online platforms and mobile apps such as Grab, Foodpanda and Freelancer.
- Since 2014, the Ministry of Communications and Digital and MDEC have verified over 140 gig economy platforms in Malaysia. The platforms cover a range of industries including e-hailing, p-hailing, healthcare, automotive, domestic services, creative and professional services.
- This growth in gig and platform workers is primarily driven by rising demand for greater flexibility and improved work-life balance, as well as the lack of suitable job opportunities in the formal sector.
- However, ILO research in 2021 indicates that platform workers often lack adequate social protection. Only 40% have health insurance, less than 15% have protection against work accidents and unemployment, and only about 20% have protection for old age, thus leaving them vulnerable.

# Main Drivers of Self Employment and Gig Economy Growth in Malaysia

- 1.** Rapid growth of the services sector.
- 2.** Indicative of an increasingly liberal economic environment.
- 3.** Technological disruption.
- 4.** Flexibility.
- 5.** Entrepreneurship development (opportunity vs necessity).

## Who is Self-Employed?

- *“Those who worked on their own account or with one or a few partners or in cooperative, hold the type of jobs defined as a "self-employment jobs." (i.e. jobs where the remuneration is directly dependent upon the profits derived from the goods and services produced.)”*
- Self-employed workers comprised of four sub-categories (ILO, 1993):
  1. Employers;
  2. Own-account workers;
  3. Members of producers' cooperatives and
  4. Contributing family workers
- Examples: business owners, independent contractors, freelancers, etc.



## What is Platform Work?

- *“the matching of the supply of and demand for paid labour through an online platform”* (Eurofound, 2018).
- Categories of platform work:
  1. Platform-initiated
  2. Worker-initiated
  3. Web-based contest



## Types of Platform Work

- There are two broad types of platform work: online web-based and location-based (in-situ).

### Online web-based

Online web-based platforms enable workers to undertake work from any location, at any time. It makes remote work possible across borders, supplying services such as software development, text translation, graphic design, data entry, and image review for social networks.

### Location-based (in-situ)

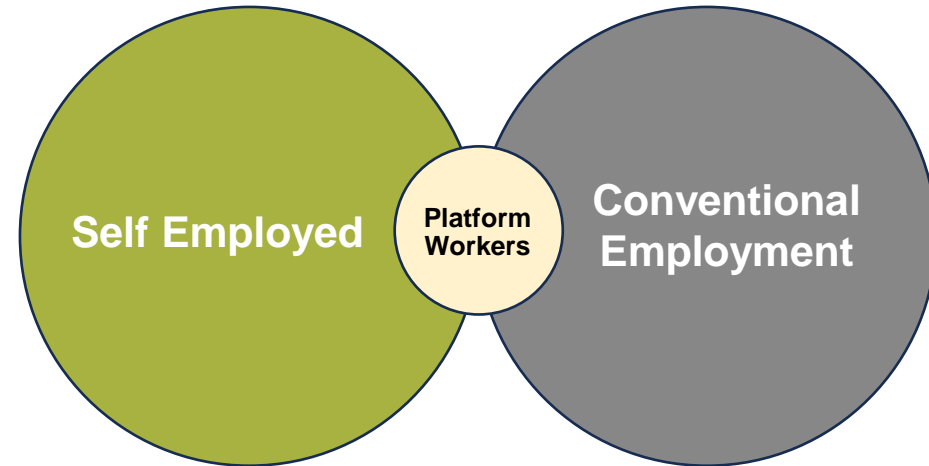
Location-based platforms require workers to be located in a specific area to provide services such as deliveries, transport, and personal care. In-situ platforms are traceable, while the workers supplying their services online are scattered worldwide.

Source: ILO, 2021a; LaSalle and Cartoceti, 2019

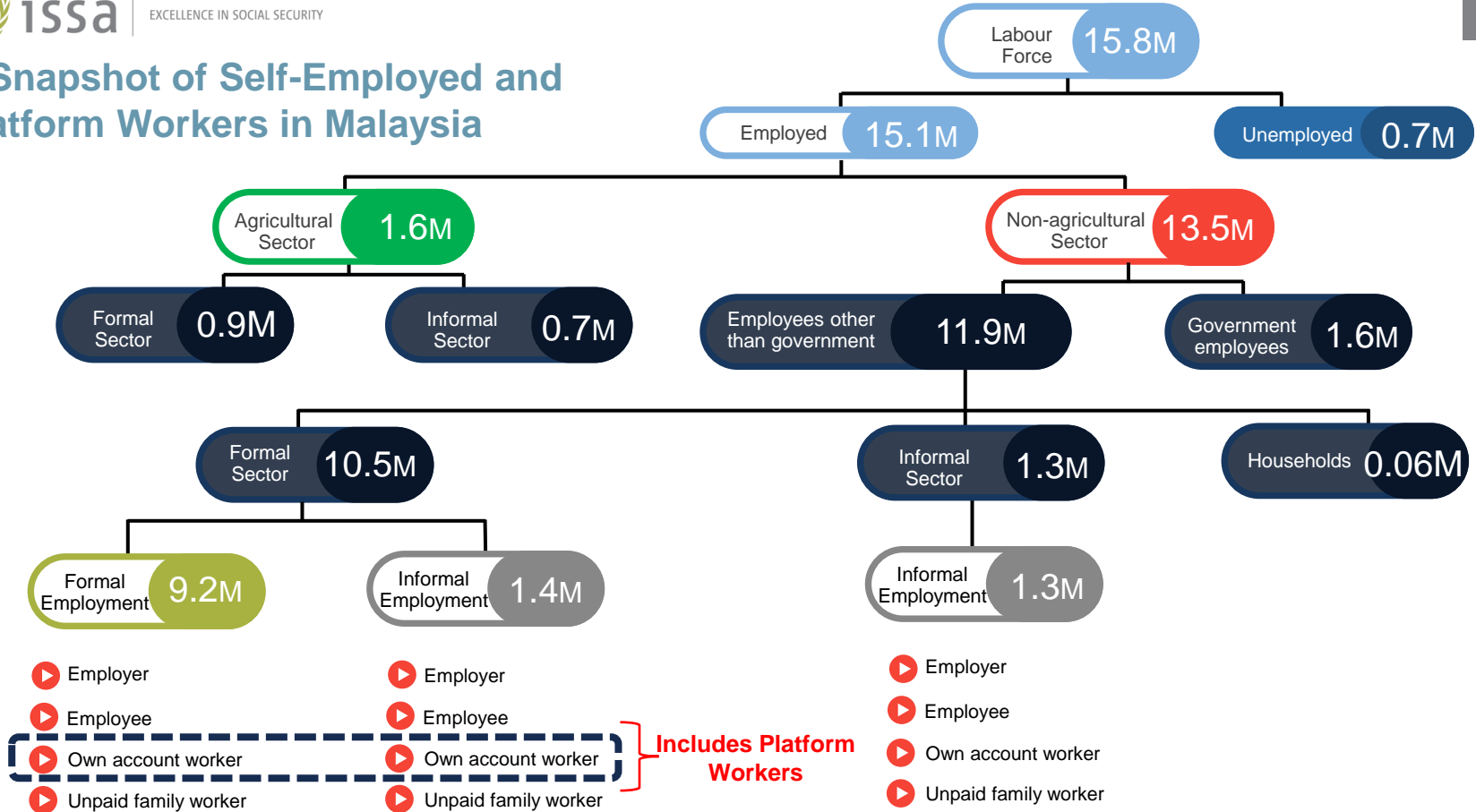
# Are Platform Workers Employees or Self Employed?

The unclear employment status of platform workers...

- Platform workers are often considered as self-employed due to lack of clear legislations.
- However, this classification usually leads to limited access to social protection.
- The ambiguity surrounding platform workers' employment status has also been the subject of legal challenges in countries such as the UK, Italy and Spain (e.g.: Uber v. Aslam, Farrar, Dawson UKEAT/0056/17/DA).
- Pros and cons:
  - Employee: good social protection coverage but lack flexibility.
  - Self employed: lack of social protection coverage but good flexibility (can contribute to an efficient labour market).



# A Snapshot of Self-Employed and Platform Workers in Malaysia



▶ Employer

▶ Employee

▶ Own account worker

▶ Unpaid family worker

▶ Employer

▶ Employee

▶ Own account worker

▶ Unpaid family worker

Includes Platform Workers

▶ Employer

▶ Employee

▶ Own account worker

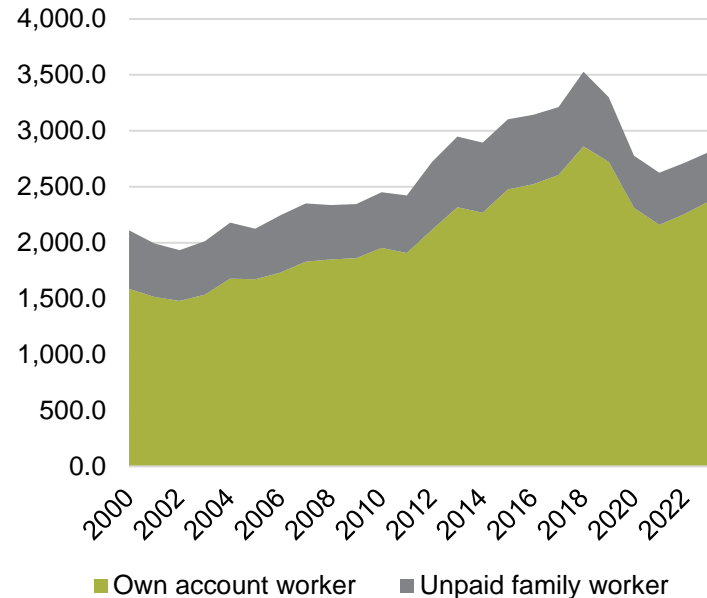
▶ Unpaid family worker



# Self Employed and Platform Workers In Malaysia

- According to DOSM, there are about 2.4 million own account workers and 580,000 unpaid family workers in Malaysia as of 2023.
- Own account workers represented 15.0% of total employed persons in Malaysia, second largest next to the employees' category (78.5%).
- The distribution of own account workers is primarily dominated by younger age groups (<35 years old: 38.5%).
- The gig economy has attracted a large number of youth. According to MOHE's Graduate Tracer Study, 5.6% of fresh graduates (more than 11,000) in 2022 chose to work as freelancers or self-employed.

Own account and unpaid family workers, Malaysia, 2000-2023 ('000)



- The gig economy market in Malaysia is estimated to be valued RM1.33 billion in the third quarter of 2023 (MDEC).
- Gig economy, with 1.03 million active gig workers and 150 gig platforms have been reported by MDEC as of 2021, compared to 2019 with 117 platforms and 333 thousand workers (MDEC, 2021).
- More than a million gig workers are currently working on various digital labour platforms registered with MDEC.
- It is estimated there are over 100,000 Grab drivers in Malaysia, with 20 million registered users in the country (Asian Labour Review, 2023).
- Foodpanda currently has more than 30,000 riders in Malaysia.

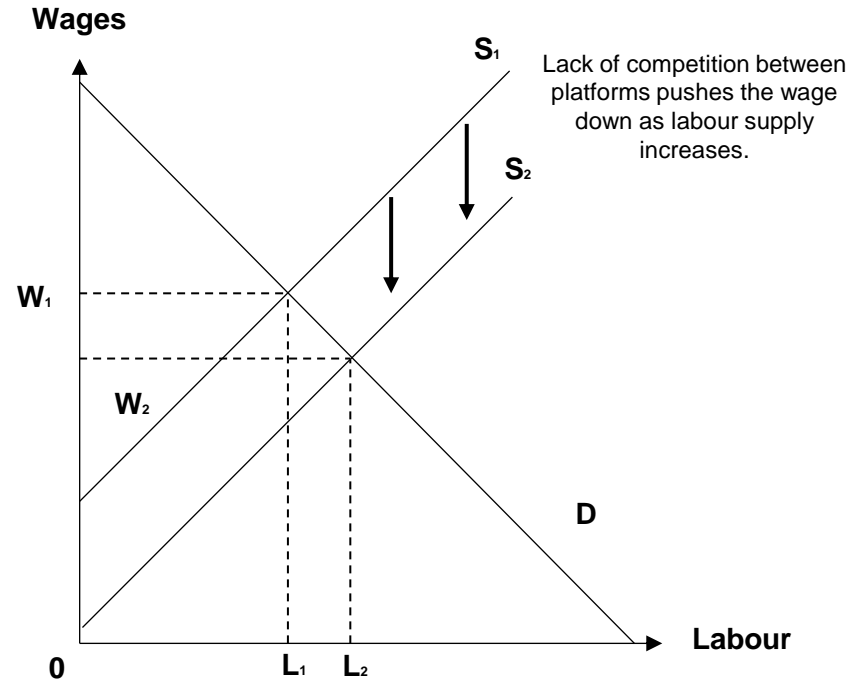
## Self Employment & Platform Work - Issues and Challenges

- **Structural Issue (Low-value added economic activities)**
- **Lack of Social Protection**
- **Pulling vs Pushing Factors in the Supply-Side of the Labour Market**
- **Temporary vs Permanent Employment**
- **Data Availability**

# The Dynamic of Labour Supply and Demand in Platform Work

## The demand-dominated market

- The growth of platform economy is good, because it suppose to increase the efficiency in economy.
- However, lack of competition between platforms (monopolistic) will lead to lower wages and low-value added activities.
- In the long run, the economic structure will be trapped in low productivity cycle.



## More than 200 Foodpanda riders protest over new payment scheme

By [Azzman Abdul Jamal](#), [Nisa Azaman](#) - September 30, 2019 @ 8:56pm



## Penunggang Grab himpun di ibu pejabat protes pemotongan kadar

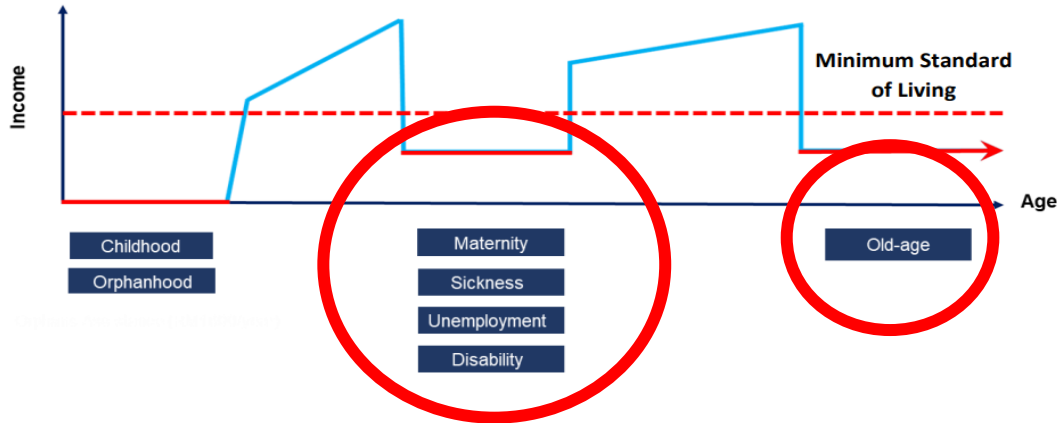
Maisarah Adila Hanafi & Nadjwatul Huda

Diterbitkan: Jan 19, 2024 9:01 PM · Dikemaskini: 10:41 PM

# Managing the Job Transition Smoothly

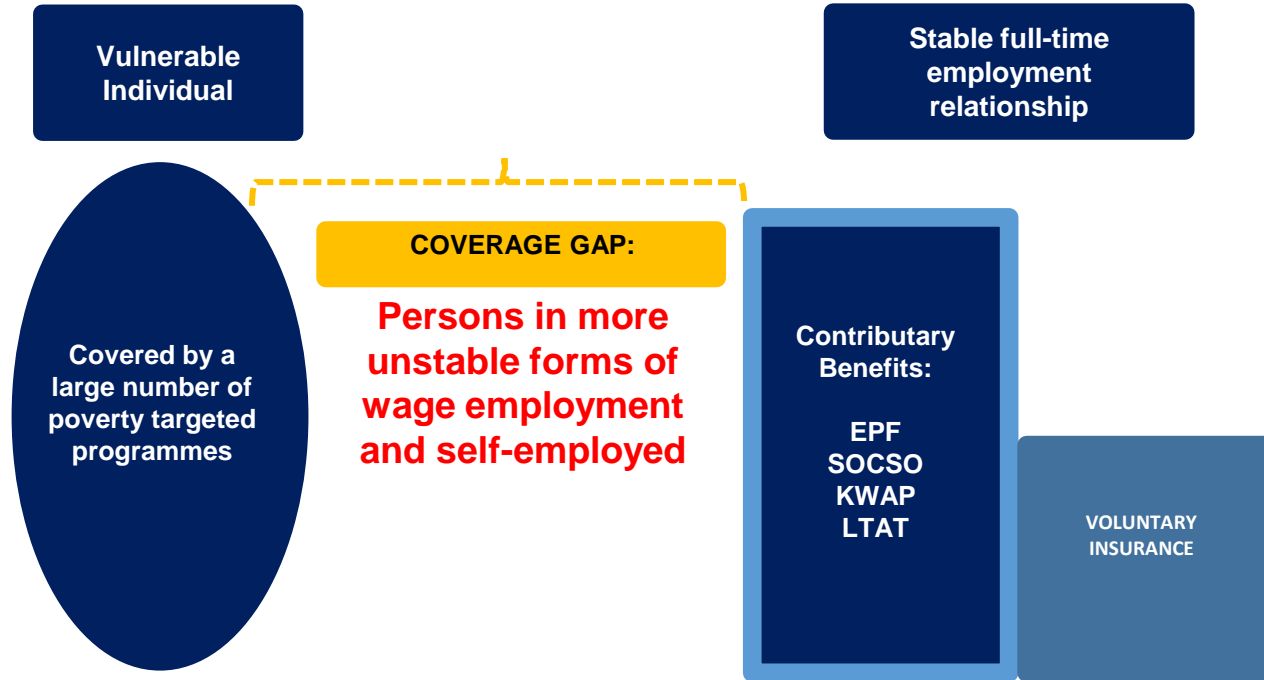


## Risks Throughout the Life Cycle



Source: SWRC (2023)

# Social Protection Coverage Gap



# Overview of Self-Employment and Platform Workers' Social Protection Coverage and Skills & Wages Level

Type of Work	Skills & Wages Level	Social Protection Coverage	
		Employment Protection	Old-age Protection
<b>Unpaid family worker</b>	Low skill, low wages	voluntary self-coverage	voluntary self-coverage
<b>Platform worker</b>	Low-, moderate-, and high-skilled & wages	voluntary self-coverage	voluntary self-coverage
<b>Professional freelancers (without platform)</b>	High-skilled work, high wages	voluntary self-coverage	voluntary self-coverage
<b>Traditional agriculture workers</b>	Low skill, low wages	voluntary self-coverage	voluntary self-coverage
<b>Petty traders</b>	Low to high skills and wages	voluntary self-coverage	voluntary self-coverage

Source: SWRC (2024)



## Pulling vs Pushing Factors in the Supply-Side of the Labour Market

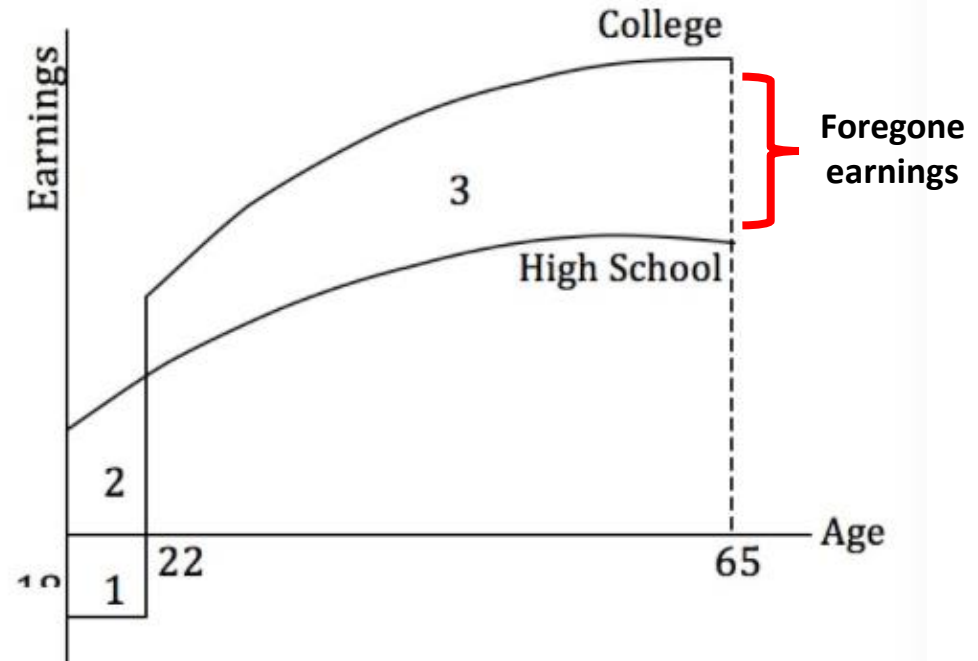
- Some individuals may choose to enter self-employment or platform work voluntarily, due to its flexibility and income opportunities (pull-factors), particularly if they feel they already have adequate experience in the formal employment.
- The above situation can be beneficial to the labour market as the flexibility in the platform work can lead to higher value added to the economy, which eventually increase efficiency and productivity.
- However, some people, such as fresh graduates and marginalised groups, might be pushed to become self-employed or platform workers due to a lack of formal employment opportunities available for them. Not good, pushed down productivity.

## Temporary vs Permanent Employment

- Individuals who enter the platform work with an intention to work temporarily may find their skills become obsolete over time.
- Examples:
  1. Fresh graduates entering platform work upon graduation, may face difficulties as they try to enter the formal employment later on.
  2. Middle aged workers entering the platform economy after losing jobs (e.g.: due to technological disruption, etc.) or in-between jobs.

## Platform Work from the Human Capital Theory Perspective

- Gig and platform work may seem as a lucrative career choice for younger individuals.
- Although platform economy provide work flexibility and income opportunities, some of it are low-skilled jobs and lack social protection coverage.
- There is a high opportunity cost for younger individuals who chose to work as platform workers, instead of furthering their studies.
- This situation will also disrupt the future supply of skilled labour in the country.



Source: HESA (2018)

## Almost half of SPM students from 2021 session chose not to further studies, says Fadhlina

By GERARD GIMINO, RAHIMY RAHIM, JUNAID IBRAHIM and TEH ATHIRA YUSOF



NATION

Wednesday, 24 May 2023  
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Photo: Bernama

KUALA LUMPUR: Some 180,680 SPM students from the 2021 school session chose not to further their education, the Dewan Rakyat was told.

Education Minister Fadhlina Sidek (pic) said this was based on data from the eProfil Kerjaya Murid (ePKM) system, adding that the number comprised 48.74% of the intake.

## For some school-leavers, university no longer the destination of choice

Youngsters who decide against attending university say they can still contribute to society in many ways.

Nur Hasliza Mohd Salleh December 31, 2022 9:00 AM 3 minute read



Visitors stop by an information booth at a job fair organised by the international trade and industry ministry in October.

- Advertisement -

Each day, Nurul Aifaa Shahbudin starts the morning by attending a two-hour online class on coding for beginners.

This has been her routine for a year now, since completing her Form Five studies in 2020.

Just In

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## Data Availability

- Insufficient data to estimate the number of platform workers.
- Overlapping data of platform workers/freelancers by agencies.

# Policy Recommendations

## Labour Market

1. Pro- productivity measures to promote a competitive labour market.
2. Need proper and adequate legislation to ensure decent work (i.e. adequate salary & social protection coverage) for platform and gig workers.
3. Proactive job-matching by public employment services (PES) to reduce mismatch.
4. Enhance upskilling and reskilling mechanisms.
5. Promote competition in the platform industry.

## Social Protection

1. Compulsory tax identification.
2. Mandatory EPF for platform workers.
3. Improve registration for contributory schemes. Reduce administrative hassle.
4. Enhance data availability on platform workers and sharing between agencies.
5. Strengthen financial literacy.



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# Q & A



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