



EXECUTIVE SUMMARY

A DIVERSE SET OF INDIVIDUALS AND MICROENTERPRISES GENERATE their livelihoods through digital platforms, that are growing fast in emerging markets and developing economies (EMDEs). Mediated by digital platforms, *platform work* encompasses a wide range of economic activity, but is mainly split between *platform workers*, who are individuals selling their labor and services and *platform sellers*, that are enterprises selling goods. Many platform workers and individual platform sellers, who operate relatively low-cost microenterprises, belong to low or lower-middle income communities.

Drawn from CGAP's in-depth qualitative and quantitative research across five countries, this paper's insights focus on the potential for financial services to support platform workers and sellers in leveraging the opportunities and mitigating the risks emerging in platform work.

Platforms are changing the nature of work for low-income communities

To engage in platform work, workers and sellers must generally be digitally savvy, literate and possess smartphones and digital financial accounts. The growing mobile connectivity and account penetration in the largest cities within EMDEs has spurred many from the informal or semiformal economy to turn to platforms as a source of work. Most platform workers are male, and most have some college education. Women workers are a minority and prevailing gender norms often determine their place in the economy.

Platform workers and sellers are a *small*, but rapidly rising proportion of the labor force in most EMDEs, especially in markets like India, Indonesia, Mexico, and Colombia, among others. They often work on platforms while retaining other income sources. They join platform work because features such as real-time matching with demand portends better opportunities and access to larger customer base. Close to 75 percent of workers and sellers

surveyed say they earn more on platforms than they used to; and close to 70 percent say they earn above the minimum wage.

Alongside mainstream platforms, many workers also enroll with digital labor aggregators that supply labor to large platforms, businesses, and private customers. In addition to selling on e-commerce platforms, sellers conduct digital sales and marketing on social media and chat platforms like Instagram and

WhatsApp. Also, in addition to large e-commerce platforms, smaller, more local platforms are also emerging that systematize different aspects of sales for artisans and small sellers.

As digitization of informal or semiformal labor is taking place in various ways on platforms and through digital aggregators, it is becoming challenging to assess the size of the platform economy. With its growth slated to continue, platform work will continue to influence the future of low-income livelihoods.

Workers and sellers value many aspects of platform work but face challenges

A worker's skill set, access to capital, and gender strongly influence the type of platform work they can access. Type of platform work is, in turn, the single greatest determinant of the type of experience workers are likely to have in the platform economy, including the opportunities and challenges they are likely to encounter.

Platform workers and sellers value many aspects of platform work, especially its flexibility, clear definition of work, and timely payments. For women, the flexibility is especially helpful in balancing their home and work life. Compared to offline jobs, the defined nature of each job (or "gig") allows some women to improve their bargaining power vis-à-vis customers. By circumventing the social and professional networks that often distribute work, platforms also help women access opportunities in male-dominated sectors.

"We decide our timeslots when we want to work. We can take care of our family and other personal things. Time flexibility is most important. So we don't have to accept work at night. If you want to take a holiday, you can take it."

— U.P., beautician, female, 50 years old, Mumbai, India

However, platform work does come with significant challenges. Getting started and growing operations on a platform often requires a substantial investment in skills and equipment such as cars, tools, or other supplies. This can be a difficult barrier for low-income workers to overcome and may limit their entry and growth.

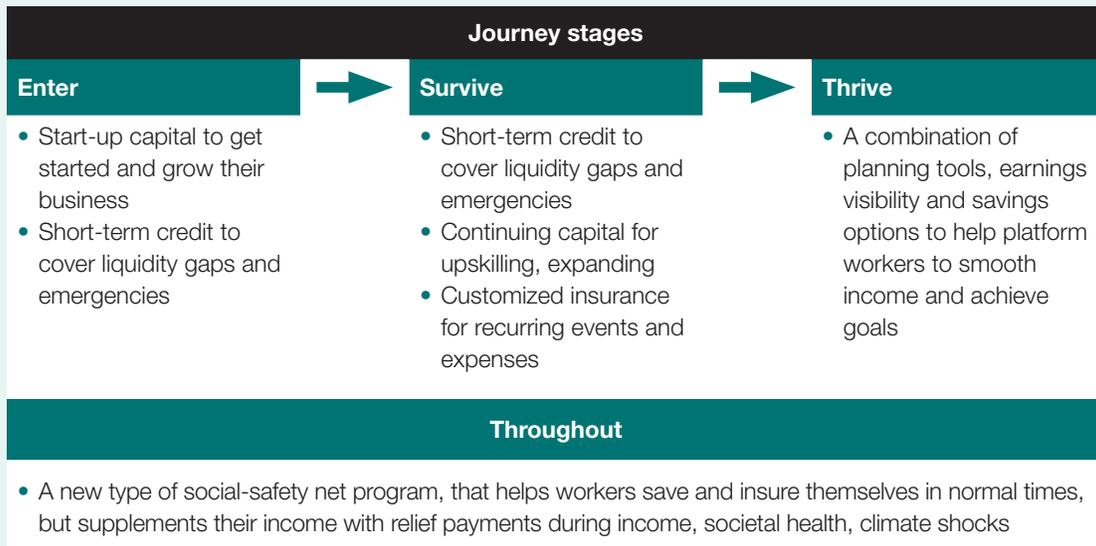
Approximately 60 percent of platform workers surveyed said it was easier to cover expenses and achieve financial goals since joining platform work — with little variation by sector or gender. But overtime, workers say unpredictable and volatile income is a key challenge and is especially pronounced in sectors with lower skills differentiation, such as ride-hailing services. A sudden rate decrease becomes even more of a challenge when workers carry vehicle loans or other debt.

Limited growth prospects are also a common challenge. Forty-five percent of workers believed they did not have access to the capital to improve their skills which would lead to higher pay.

Various types of platform work carry unique challenges. CGAP’s research focused on five types of platform work: ride hailing, delivery, personal and home services, e-lancing, and e-commerce. Delivery work has notoriously long hours and difficult working conditions. “E-lancers” (freelancers who work electronically with a global set of clients) often face incidents of fraud and challenges getting paid. Sellers sometimes struggle to fulfill customer requests or to manage the logistics and costs associated with platform work.

The COVID-19 pandemic has had varying effects on platform workers. Some were forced to halt their work. Early on, others found themselves on the front lines, delivering crucial groceries, food, and essential items while much of the population stayed inside during lockdowns.

Financial services needs at different stages of platform work



Source: CGAP synthesis of primary research

Financial services can help workers and sellers overcome common challenges and capture new opportunities, yet services that leverage platforms and their data are scarce and untested

Though digitally savvy, most platform workers and sellers are only partially financially included. Most have bank accounts, but few relied on formal credit or insurance, which they said are unavailable without formal employment, a registered company (specifically sellers), or collateral. As a result, they often pay into savings groups, take informal loans and access other informal savings mechanisms to support themselves in times of need.

Upon entry into the platform ecosystem, workers must invest in tools and skills while sellers need capital to launch their business. As workers and sellers establish themselves, they must cover liquidity gaps and emergencies between jobs and sales as they continue to expand their skills and the resultant opportunities. To thrive in the world of platform work, they need to smooth volatile income, build assets, and plan for the future. Lack of access to credit or investments is a significant constraint for growth in the platform economy. In fact, 52 percent of women and 40 percent of men surveyed said they did not have access to money for investments that could help them grow their income on platforms.

Throughout the various stages of platform work, they must manage risks such as illness, injury, or income interruption — many of which would be covered by the state or employers if they worked in traditional formal employment. Yet only 7 percent of male and 20 percent of female platform workers and sellers said they have insurance.

To make platform work more sustainable, governments and platforms could together consider new types of social safety net programs for independent workers, in light of the significant expansion of the digital economy.¹ These programs would help workers save, insure themselves during normal times, and supplement income with relief payments during shocks.

Financial services, designed with these needs in mind, can help workers and sellers capture opportunities and mitigate risks inherent in this work. While most platforms do not intend to convert independent workers into employees, the platform worker/seller relationship still holds the potential to enable improved financial offerings for them. Indeed, the direct relationship platforms have with workers, real-time data on worker earnings, and digital distribution channels are prompting early experiments in this area. But since these nascent services are only viable in markets with mature digital payments infrastructure, they are not yet widely available.

More experimentation is needed to demonstrate the business and strategic reasons platforms would choose to offer financial services; to prove the value of worker data trails; and to establish cases of successful partnerships between platforms and financial services providers (FSPs) that create value for platforms and their workers. The potential for financial services to reach and help platform workers in the future depends on the strength of partnerships, the trust workers place in platforms, and how seamless and valuable financial services prove to be when offered through the platform channel.

1 “Social safety net programs” here refers to assistance programs that provide low-income and vulnerable populations with different kinds of protections, such as social security payments, pensions, etc., which may or may not be based on contributions.

Looking Ahead

Introducing financial services within the platform ecosystem can potentially benefit workers and platforms, yet the platform ecosystem is in early stages of development. Success depends on:

Platforms that promote innovation around the right product features and delivery mechanisms

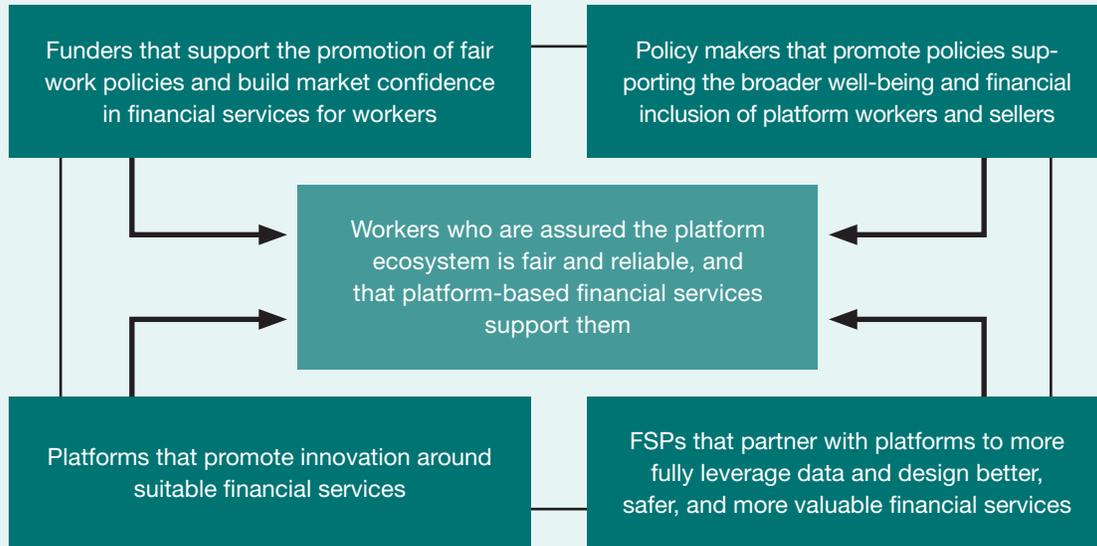
- Offering workers and sellers financial services represents a shift that can move platforms beyond simply acting as marketplaces of goods and services toward becoming ecosystems where they access and engage a range of services. To provide workers with the experience of being “users” or “customers” themselves, platforms would make structural and communicative changes to the way they look and feel.
- In their partnerships with FSPs, platforms must prioritize the right product features and delivery mechanisms for financial services to positively effect workers’ livelihoods and well-being.
- Together with FSPs, fintechs, and researchers, platforms must invest in greater experimentation around financial services that improve worker engagement, livelihoods, and well-being. Examples from CGAP’s research include:
 - Short-term credit that is responsibly tied to predicted earnings and covers periodic liquidity gaps
 - Loans beyond small credit advances for larger expenses in education and upskilling that are based on scoring of longitudinal work data
 - Insurance for big shocks that also incorporates upfront cash payouts for small health or equipment expenses
 - Automated savings tied to goals
 - Greater worker control over performance and work data

Platforms and FSPs that crack the code for successful partnerships

To enable the design and delivery of embedded financial services for platform workers, it is important to determine the nature of partnerships between platforms and FSPs. The following reinforcing aspects of partnerships require particular attention:

- **Fully leveraging platform data.** FSPs must analyze worker earnings data in some detail to make credit or insurance decisions, and platforms must allow FSPs to more fully, albeit responsibly, leverage this data to make their services more viable and accessible to workers.
- **Building better integrations.** Technological integrations between platforms and FSPs are crucial to increasing the effectiveness of financial services. Closer and deeper integrations that allows deducting automatic repayments and premiums, for instance, will be key to an FSP providing a more embedded user experience for workers.
- **Ascertaining viability.** Through continued experimentation, FSPs (particularly young fintechs innovating in the space) need to prove that leveraging platform data and platform rails leads to viable and safe provision of financial services. Other questions remain, including whether financial services must be tied to one platform or work across all. Impact investors and, to some extent, platforms themselves need to enable fintechs to conclusively answer these open questions in the future.

Catalyzing the platform ecosystem for better livelihoods and financial services



Policymakers that promote policies supporting the broader well-being and financial inclusion of platform workers and sellers

- Policymakers must work with platforms to ensure worker rights and well-being. Without worker trust that a platform's ecosystem is fair and reliable, there is unlikely to be trust and value in the financial services embedded within it.
- Alongside adequate data and consumer protection, policymakers must enable the creation of a mature digital payments infrastructure that allows financial services to be responsibly embedded within the platform ecosystem.

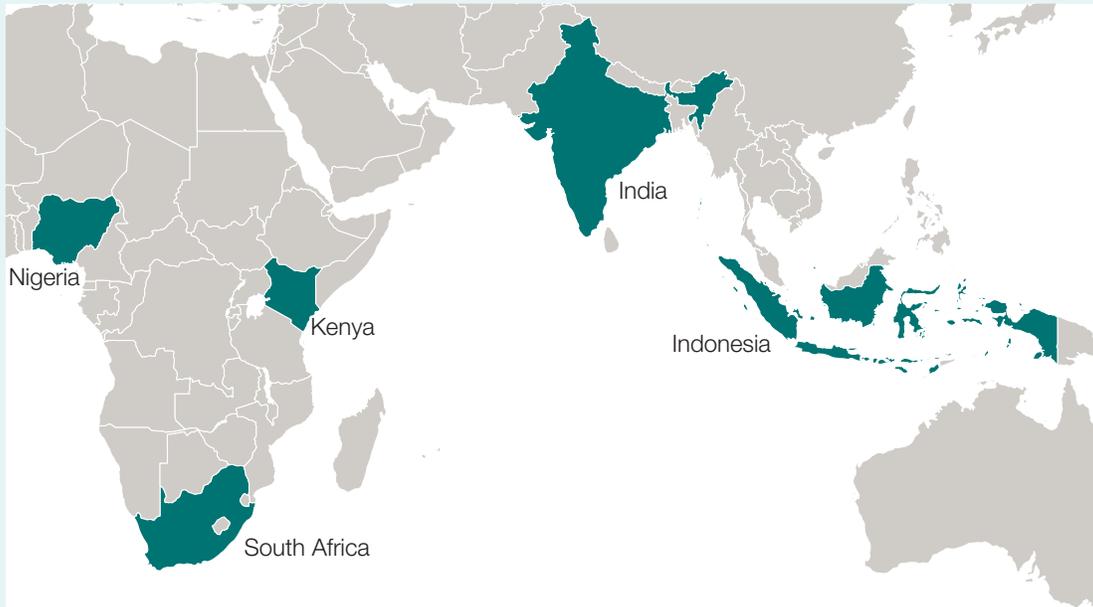
Funders that support the promotion of fair work policies and build market confidence in financial services for workers by sharing lessons that define the value of platform data and platforms as a delivery channel

- Funders can be key stakeholders in driving knowledge-sharing and action around the promotion of fair work and safety nets for platform workers and sellers. Their convening and influencing power can bring EMDE markets lessons on which policies work globally and expedite fair work conditions.
- Development finance can help fund experimentation and research on platform data trails that determines and defines value and builds market confidence. Lessons on what works need to be widely shared so financial and nonfinancial services can be expanded without the introduction of new worker or economic risks (see the following figure.)

Research Methodology

This paper is based on demand-side research with platform workers and sellers about their livelihoods and financial lives, combined with supply-side research on platform-based financial services; and a literature review of existing insights on the topic; and in-depth interviews with platforms, sector-support organizations, and FSPs.

The five markets covered in CGAP's demand-side research



Demand-side research with platform workers and sellers

CGAP commissioned Dalberg Design to conduct primary research with platform workers and sellers to better understand their work and the way financial services can support their livelihoods. Between January and June 2021, Dalberg captured different worker journeys by conducting 237 mobile-based surveys, 95 in-depth online interviews, 70 community interviews, and 59 WhatsApp conversations and photo and video exchanges.

The research had three objectives:

1. Document workers' and sellers' experience within the platform ecosystem
2. Understand workers' and sellers' platform livelihoods and financial lives
3. Uncover opportunities for financial services to improve workers' and sellers' livelihoods and well-being

Sample description of Dalberg's design research with platform workers

Sample characteristics of platform workers and sellers	HCD	Community-led	WhatsApp	Survey	Total	Total percentage
Women	38	28	29	95	190	41
Men	57	42	30	142	271	59
Ride hailing	28	18	16	109	171	37
Logistics and delivery	30	19	10	68	127	28
Personal and home services	21	14	14	29	78	17
E-lancing	16	7	4	36	63	14
E-commerce	10	12	15	63	100	22

Source: CGAP/Dalberg research on platform workers, 2021.

HOW CAN FINANCIAL SERVICES SUPPORT PLATFORM WORK?

Understanding the experiences of women platform workers was also a cross-cutting focus. In total, 40 percent of research participants were women; insights about female platform workers are highlighted throughout the paper. For a more detailed analysis, see the paper’s companion reading deck, “Women in the Platform Economy: Emerging insights.”

Research took place in five countries that were selected based on a literature review and desk research on locales where platform work has steadily grown (see Figure 3). Platform workers and sellers who participated in the study came from five sectors of platform work. CGAP chose work sectors that were most dominant in these markets and where workers were likely to be drawn from low- or lower-middle-income communities. The five sectors included:

- **Ride hailing.** Customized rides requested online (e.g., Uber, Ola, Grab, Gojek [now Goto]).
- **Delivery and logistics.** Transportation of goods from source to predefined destination, requested online (e.g., Uber Eats, Jumia, Amazon, Flipkart).
- **Personal and home services.** Services related to daily living, beauty, and care or home services such as installation, repair, and maintenance (e.g., GoClean, Urban Company).
- **E-lancing.** Freelance work contracted and carried out online (e.g., Upwork, Fiverr, Sejasa).
- **E-commerce.** Sale of goods online (e.g., Jumia, Amazon). (See Figure 4.)

Supply-side research

To complement our understanding of the livelihoods and financial lives of platform workers, CGAP commissioned BFA Global and Digital Futures Lab to assess financial services available to platform workers and how well these services met their needs.

Between March and August of 2021, through direct interviews and engagements with senior executives, BFA developed eight case studies of innovative partnerships between 8 fintech startups and 9 platforms to extend credit and insurance products to platform workers in India, Kenya and Uganda. Digital Futures Lab developed a detailed landscape of major financial services for workers in India through several rounds of in-depth, semi-structured interviews with 4 leading platforms and 5 of their financial service partners.

To supplement the assessment of these services, BFA Global also conducted direct research with close to 15-20 platform workers in India and Uganda each who were concurrently workers on platforms and customers of the FSPs. Digital Futures Lab also conducted direct research with 14 platform workers and 2 platform worker unions in India.

Literature review and interviews

To complement the supply-side assessment, CGAP conducted a literature review of publicly available insights and information on platform work, platform policy, and regulations in EMDEs and platform-based financial services. We also conducted 45 interviews with various platforms, experts in the platform ecosystem, and FSPs in the five markets included in the demand-side research: India, Indonesia, Kenya, Nigeria, and South Africa. The interviews contextualized demand- and supply-side learning and understanding of market readiness to serve platform workers and sellers.