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Platform firms must not exploit protection for platform workers for more profit

Transparency over how much of any price hike goes to workers will be needed.

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Delivery riders at Bishan Junction 8 shopping mall. The platform economy sprouted more than a decade ago, grabbed global attention, and is now firmly rooted in many economies. ST FILE PHOTO

For any developed economy, strong social protections for the labour force are vital enabling ingredients for growth.

Behind the buzz of economic activity in Singapore, the quiet provision of retirement security, medical insurance and workplace safety have underpinned the social compact of work. These arrangements ensure workers have the peace of mind to put their best foot forward and companies are incentivised to avoid exposing their workforce to unnecessary risks.

This safety net, woven together by the Government, employers and employees, is often overlooked in daily work, but can be a life-saver when companies go under, people are made redundant, or they suffer an ailment that puts them out of work.

For a long time, this social safety net for platform workers was lacking. Platform companies classified delivery workers and private-hire drivers as independent, freelance contractors rather than employees for whom insurance coverage and Central Provident Fund (CPF) contributions would be provided. They exerted huge control over the allocation, prices and terms of gigs, yet argued these workers were not employees as they had the flexibility to choose jobs and switch to other competitors. But because platform workers were a new form of employment and the numbers were initially small, regulations did not catch up with these platform companies.

Finally, things have changed, with the announcement by the Advisory Panel on Platform Workers of greater protections, including CPF payments and insurance, for this group of people.

A MOVE IN THE RIGHT DIRECTION

The platform economy sprouted more than a decade ago, grabbed global attention, and is now firmly rooted in many economies. The Covid-19 pandemic fed the demand for private transport, online shopping and food deliveries, and provided income for many who lost jobs during the pandemic over the past three years.

So it's little surprise the numbers involved have increased over the years. With more than 73,000 workers today, the platform economy in Singapore can hardly be regarded as niche and small.

As platform companies mature, so should protections for their workers. By requiring platform companies to provide workers with necessary baseline protections against workplace injuries, sickness and other accidents endangering their income, Singapore is closing an important employment policy gap. Media coverage of the dangers and volatilities in income faced by platform workers has shone the spotlight on the plight of this segment.

Platform companies also used to have an unfair advantage, as they did not have to provide health insurance or CPF contributions for these workers. Now, the playing field will be levelled, with such companies on a more equal footing with many traditional transport and delivery companies, who have been dutifully paying insurance costs and medical benefits for employed workers.

HIGHER PRICES THE NEW REALITY

Consumers may face higher prices for their delivered food, parcels or rides. This is not palatable in a high-inflation environment. But the current situation is not tenable for platform workers.

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A price increase is a small cost to pay for greater social equity. By the design of their roles, platform workers tend to be poor and less educated, with fewer transferable skills to move into other companies or industries.

Consumers understand the low prices are unsustainable. Ms Goh Swee Chen, chairman of the Advisory Committee on Platform Workers, mentioned a survey where 91 per cent of respondents were willing to pay more to offer platform workers better protection.

The median increase consumers were willing to stomach was 10 per cent more, which should be more than any resulting fare hike imposed by platform companies. This willingness to pay is surprising when consumers have to deal with rising costs of living, but it shows that most of us in Singapore are open to supporting platform workers, even if we may grumble when price hikes eventually arrive.

The changes are unlikely to slow down the economy. Platform companies may have to right-size their platform workforce, freeing up people to manpower-starved sectors like food and beverage and retail. Most app users, who may feel the pinch of the higher prices but can still afford it, will continue with consumption patterns that are hard to change.

MORE CAN BE DONE

Singapore arguably could have gone further to enhance protections for platform workers sooner and irrespective of age group.

It has been reported that the new policies will take effect in the latter half of 2024 at the earliest, and the CPF contribution rates will start from a lower point and take five years to reach similar levels as other sectors. Though the goods and services tax increase will kick in from next year, public consultations on this topic last year would have sufficiently primed businesses and consumers of the impending move to better remunerate platform workers. Could we not make these changes effective earlier?

Another worry is the discrimination platform companies might apply on the basis of age. The new requirements include compulsory CPF payments for platform workers below the age of 30 and an opt-in option for the rest. I worry that this will lead to platform companies shying away from hiring people under 30, just to avoid paying employer's contribution for CPF.

Platform companies may also lean towards onboarding and retaining workers less likely to opt-in for CPF contributions – those who need cash flow and are less keen to contribute part of their income towards CPF.

Yet we all know that opting into the CPF regime increases one's overall income as employers have to pay CPF contributions on earned wages and all CPF accounts earn interest. With higher CPF savings, people can also more easily afford a home, partake in the booming property market and build up a nest egg.

A solution is to make it a default for all platform workers, not just the ones below 30, to contribute to CPF, with the option to opt out should they choose so. Research by Nobel Prize winner Richard Thaler has shown such an approach could increase the rate of participation. When the United States changed their system of retirement savings from one requiring people to opt in to an opt-out regime, retirement savings contributions rose dramatically.

TRANSPARENCY IN PRICE RISES

As the moves are implemented, we should also watch for how platform companies will adjust prices. The added costs could be borne by companies or customers, but it defeats the purpose of the policy if workers' wages are cut just so prices are kept the same and the companies do not have to spend more. There is nothing stopping companies from capitalising on this rare excuse to profiteer.

Hence, in announcing price hikes, companies should be transparent in stating how much of the increase goes to the worker, and how wages and prices are adjusted for inflation. This will help us identify exploitative actors who use the new requirements opportunistically as a basis for raising prices sharply.

Overall, these moves are a step in the right direction for Singapore and tackle head on the challenges a growing platform economy poses to Singapore's social compact regarding work. Singapore's Silver Support Programme provides a modest retirement income for the bottom one-third of seniors unable to accumulate sufficient retirement savings due to low incomes during their working years. If CPF contributions for this lower-income group come in earlier when they are younger workers, as is the case now for young platform workers, we can potentially lower future government expenditure.

Singapore's moves in protecting platform workers could be a role model for other global economies grappling with the effects of the platform economy and searching for answers on how to shape platform work into equitable jobs. If platform work is here to stay, we need to protect our platform workers. Gripes of the costs aside, a stronger safety net can tackle the precarity faced by this group and enable them to save enough for the future should they continue in these roles.

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