

Platform Workers and Financial Services: Emerging Findings and Insights

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April 2021



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This work was funded in whole or in part by CGAP. Unlike CGAP's official publications, it has not been peer reviewed or edited by CGAP, and any conclusions or viewpoints expressed are those of the authors, and they may or may not reflect the views of CGAP.

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Key Messages

- The number of platform workers in most countries is still **small but growing rapidly**, signaling a shift in the labor market. Particularly in Africa, the future of work does not seem to be in formal employment but in people working multiple gigs that are 'somewhat formalized' through the use of platforms
- In developing markets, platform work is often an **improvement over informal work** which is can be plagued by low productivity, protection and access to capital. Platform workers enjoy **flexibility and autonomy** and many cite higher incomes
- However, platform workers **still lack the protections** available through formal employment. The **Covid crisis has highlighted the increased vulnerability** of most platform workers, including the lack of sick leave and health insurance. There are increasing calls for platforms to provide **decent work**, including a fair income, security and social protection
- **Gender insights are still limited**, with women particularly benefiting from the increased **flexibility and expanded opportunities** but also often relegated to **lower paying work** segments
- **Demand remains a key challenge** for platform sustainability in developing markets, where the percentage of the population that can afford consume platform services is still low
- **Financial services** could help platform workers **capture opportunities and mitigate some risks**. Platforms gather a lot of data on workers which can allow them (often through partnerships) to offer credit and insurance, enabling workers to purchase assets and capture more opportunities. Portable benefits across platforms could help workers find stability and a safety net.
- Although many platforms offer financial, there is **limited evidence** on how these work and how they have impacted **workers' livelihoods or platform growth and profitability**. The evidence of sustainability and **profitability for FSPs** is also limited
- **Policies** around the digital economy and platform business models are **still being shaped**. There is a sense of urgency for stakeholders to act soon but enacting regulation without the necessary information could lead to unintended consequences

Key definitions

Digital platforms create value by facilitating exchanges between groups



Digital platforms are technology enabled business models that create value by facilitating exchange between two or more participant groups.

These platforms don't make or own the goods and services being exchanged, instead they host markets that allow people who have things and people who want them to find and interact with each other.

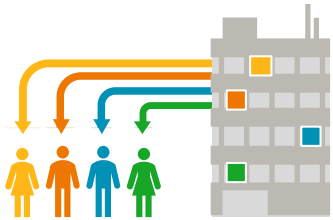
Digital platforms are powered by **platform workers**. These workers execute focused and time-bound activities, selling products and/or providing services, which usually happen outside of a traditional employer-employee relationship. They leverage digital platforms to access customers and to receive payments for goods sold or services rendered.¹

Although digitally enabled gig work is growing fast, the majority of gig work still happens outside of platforms

Many gig workers are finding work via digital platforms, but not all gig work is platform work



Gig workers undertake focused and time bound assignments. This work happens outside of the traditional constructs of an employer-employee relationship and is also known as contract or freelance work. Gig work has long been a common form of work in emerging markets.



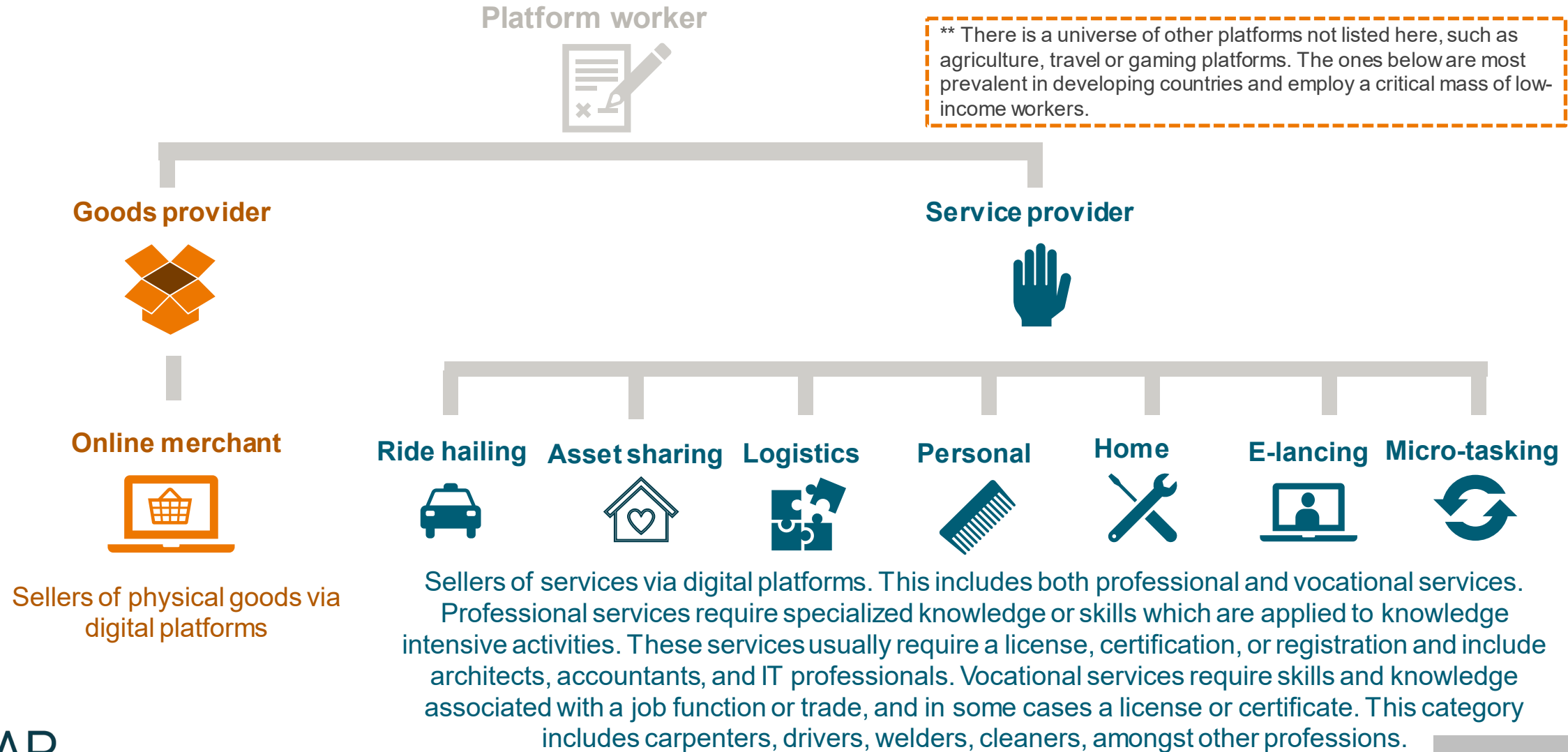
If **gig work** is enabled by technology or tech-enabled business models like platforms, then it is **platform work**. These platforms enable gig workers to tap into a broader market of work opportunities, make their work experience and performance visible, and in some cases negotiate higher wages for work. Gig work can also be sourced and conducted without the aid of technology or digital platforms but the opportunities for workers to find and bid for work will be limited to their network.

Gig economy is a term that is often used to describe an emerging **shift** in the North American labor market, during which workers are moving from full-time employment to contract and freelance work, also known as gig work. Company hiring practices are driving this shift. A critical mass of gig workers within a labor market is often termed a gig economy.



Gig work spans sectors and geographies. It includes a wide array of work categories, both professional and vocational, from drivers to carpenters and coders. Gig work has been a prevalent form of income generation for individuals across emerging economies. These workers are increasingly shifting online.

There are multiple types of platform work. These seem to have the biggest potential for low-income workers



Platform workers who provide services (1/2)



Ride hailing: Workers that leverage digital technology to connect to passengers and offer transportation services, often with a car or motorcycle that is owned or rented.¹ The rides offered by workers are location based, and on-demand. Digital platforms are most often used to connect workers to their passengers.



Asset sharing: Workers who leverage digital platforms to lease or rent their assets for a pre-set duration of time. These assets could be their homes, their vehicles, and even their clothes.



Logistics: Workers that support the delivery of physical goods, emerging from orders made via digital platforms. These workers are usually hired as contractors by the digital platforms, and heavily rely on technology to execute their work, and deliver their goods. Food delivery is also considered a logistical service.



Personal: Workers that utilize technology to offer individuals cosmetology and related personal grooming services This includes barbering and hairdressing, massage therapy, facial treatments amongst other services.



Home: Workers that leverage technology to undertake repair and maintenance services within the home environment. This includes plumbers, gardeners, cleaners, carpenters, painters, and electricians.



¹ In some cases, workers may also be paid as drivers by those owning the car or motorcycle vehicle.

Platform workers who provide services (2/2)



E-lancing: Workers that offer their professional services on digital platforms to secure a greater volume of assignments, market themselves, use secure payment systems and vet potential clients. This includes web designers and developers, graphic designers, and business consultants. Virtual laborer is another common term used for e-lancer.



Micro-tasking: Workers that complete small, simple tasks that require human judgment and can usually be completed independently over the Internet. A series of repetitive micro tasks often times compose a larger unified project of micro-work. An example of a micro task could be identifying road signs in pictures, which might be necessary for a project improving self-driving cars or completing surveys which inform a broader market research effort.



Informal and MSEs selling goods are also an importance segment of platform workers



Online merchant: Sellers that leverage digital platforms to market and/or sell their goods and expand their customer base beyond their physical community. Online merchants can sell domestically and internationally. These can range from individuals or micro-entrepreneurs to large companies.



E-commerce platforms connect online merchants to markets of buyers. E-commerce refers to the buying and selling of goods or services using the internet, and the transfer of money and data to execute these transactions. Ecommerce is often used to refer to the sale of physical products online, but it can also describe any kind of commercial transaction that is facilitated through the internet.¹

Social commerce, a subset of e-commerce, leverages social networking platforms such as Facebook, Instagram, WhatsApp and Twitter to promote and sell products and services.

¹ This category can include individuals, micro and small enterprises, and medium and large companies leveraging platforms to sell goods. CGAP's focus is on the individuals and micro and small enterprises.

CGAP is interested in how financial services can enhance platforms as a 'decent' livelihoods strategy

What is Decent Work?

Decent work means opportunities for everyone to get work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration. It is also important that all women and men are given equal opportunities in the workplace. A continued lack of decent work opportunities, insufficient investments and under-consumption lead to an erosion of the basic social contract underlying democratic societies: that all must share in progress.

- UN SDG 8

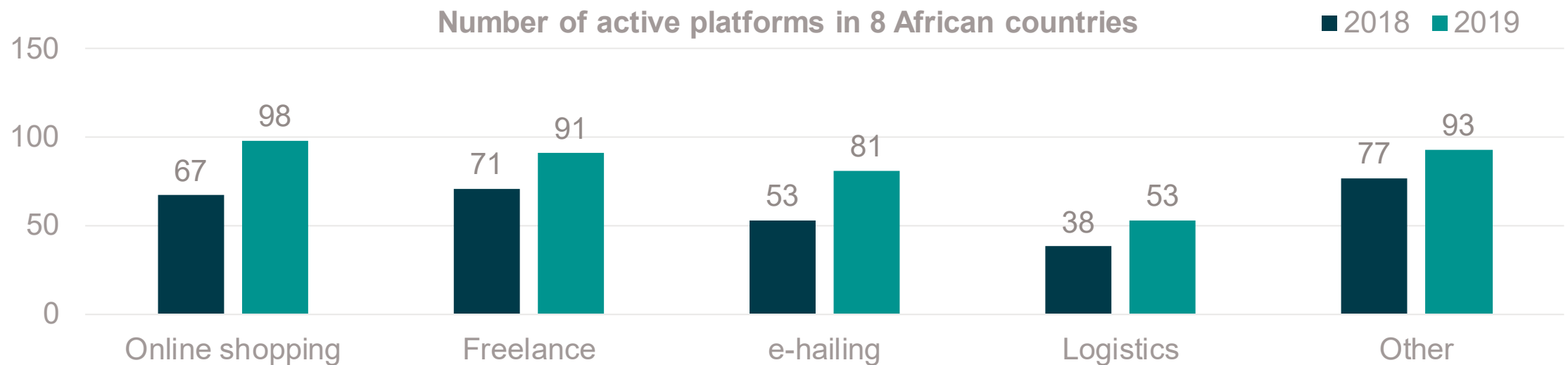
Context

Technology is changing the nature of work and platform work is becoming increasingly relevant

- Technology has been increasingly **changing the nature of work**, both opening up new opportunities and making some work obsolete
- Technology and **increased connectivity enables access to new markets** and supports digital worker's mobility. For e-commerce and e-lancing workers connectivity can mean access to international markets and higher prices
- **Platforms are leveraging technology** and algorithms to **more effectively connecting supply and demand**, offering a better experience which can lead to **market expansion**. For example, ride-hailing platforms did not just replace traditional taxi services but significantly increased the use and size of the local transportation markets
- With the increased use of technology the amount of **digital data has grown exponentially**. These digitized records are making **gig work more visible**
- The increase in available data can bring **multiple benefits but also expose vulnerable segments to new risks**. There is an increased sense of urgency but **regulation is still nascent and limited**

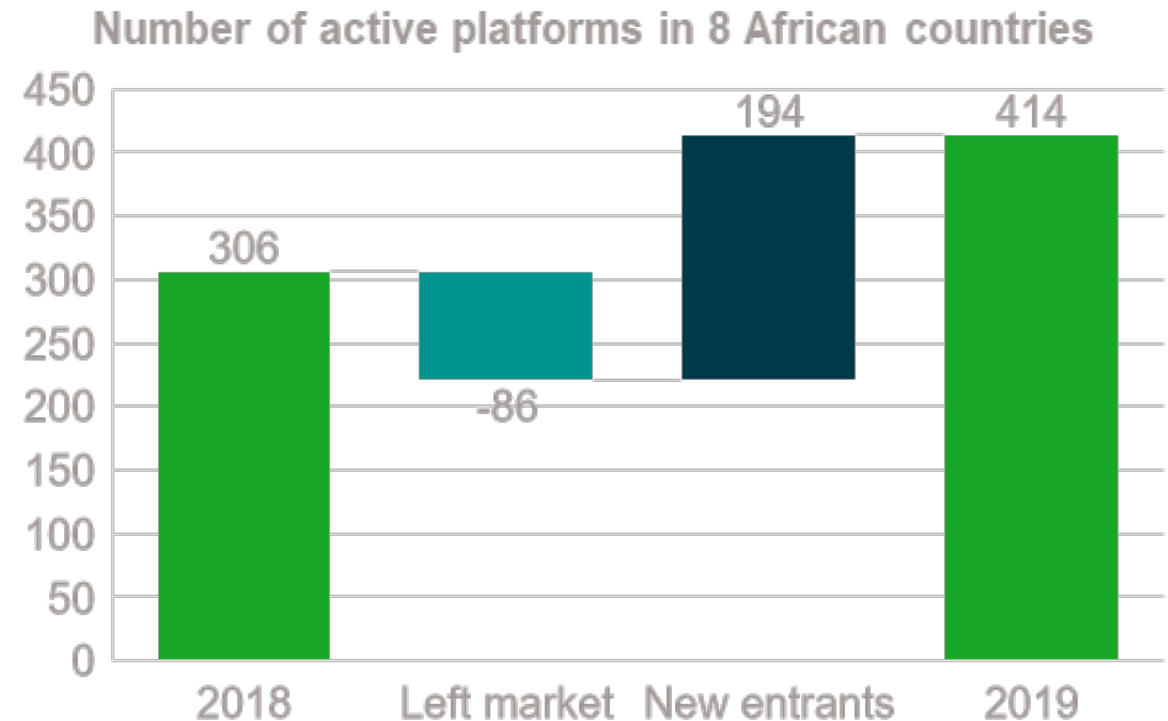
Platforms have been growing fast, both in size and number

- The **7 largest companies** in the world are platforms or have a platform as part of their business: Apple, Microsoft, Amazon, Alphabet, Facebook, Tencent and Alibaba
- Platforms that have been successful **grow faster than traditional companies** and the majority of unicorns are platforms
- Across 8 countries **Africa**, the number of active platforms **grew by 37% between 2018 and 2019**. The monthly user base has grown by 18% in the same period. **66%** of total platforms, are **focused on services** ¹
- The Indian e-commerce market is expected to grow from \$38.5 billion in 2017 to \$200 billion by 2026. India's e-commerce revenue is growing at an annual rate of 51%, making it the highest in the world. In Indonesia, **e-commerce and ride-hailing** (including food delivery) are the **fastest-growing** sectors contributing USD21B the internet economy ²



However, platforms face challenges to achieve profitability and scale

- It took Amazon 6 years from IPO to make a **minimal profit**. Uber was the largest IPO of 2019 but lost \$8.5 billion that year and is expected to post a **loss** in 2020 as well
- Given the **significant scale required** to achieve profitability, business is particularly challenging for new platforms operating in smaller markets
- In Africa, lack of **demand is a big challenge**, since much of the population doesn't have the disposable income to regularly purchase the goods and services that platforms offer
- "Incredibly hard to square the challenge of getting people on and **trained and ensure quality control** on razor thin margins" Paul Breloff, CEO of Shortlist
- Although there is significant growth in the number platforms, we also see **significant churn**, with **28% of platforms active in Africa in 2018 dropping out** of the market. For the e-hailing segment, this number rises to 38%¹



Platforms are increasingly adding financial services, especially in developing markets

- In emerging markets, where a **significant part of the population does not have access or is not an active user of traditional financial services**, platforms have prioritized this more than in other markets
- The first financial service many platforms offer is payments, as **digital payments** offer significant benefits to their operations and they have not been able to leverage an existing card infrastructure like in developed markets
- As a second step, platforms have been offering **credit, both for buyers and for sellers/workers**. In a context where access to credit is limited, extending credit can boost platform activity both by allowing buyers to buy larger ticket items and by enabling workers to acquire inventory and necessary tools
- At a regional level, **Latin America and Asia have moved faster than Africa**. Mercado Libre has long offered payment through Mercado Pago and has expanded the FS offer to include buyer and seller credit as well savings and investing products
- Led by China, where platforms set up large FS operations like Ant Financial (from Alibaba Group), **large platforms** like Grab and Go-Jek offer wallets and a **range of financial services**, often through **partnerships**
- Even in **Africa**, where platforms tend to be newer and smaller, a **third of platforms offer some financial service** according to research from i2i

Fair and decent work are emerging concerns, especially the imbalance of power between large platforms and workers

- **Flexibility and autonomy** are two of the most frequently cited benefits of platform work, however, the precarious nature of platform work also leaves workers **vulnerable to risks**
- Given the inclusion of **Decent work as one of the SDGs** (8), multiple organizations are focused on the issue highlighting the need for a new social contract, with a focus on human capital as much as economic development (WB, WEF)
- The **Covid-19 crisis has brought increased attention** to the fairness of platform work, as many workers saw their incomes plummet without safety nets while others became essential workers delivering goods to those staying at home
- The Fairwork Foundation, partnership with the International Labour Organisation (ILO), has been focused on assessing best and worst practices in the emerging platform economy. Based on their research, they have identified **5 core principles** to make platform work decent work:
 - **Fair Pay**: decent income that considers work-related costs and hours worked, on time payment for all work
 - **Fair Conditions**: policies to protect workers from foundational risks arising from work, proactive measures to protect and promote the health and safety
 - **Fair Contracts**: Terms and conditions should be transparent, concise, and always accessible to workers
 - **Fair Management**: Documented due process for decisions affecting workers, ability to appeal decisions
 - **Fair Representation**: documented process to voice concerns, right to organize in collective bodies
- Research by Julie Zollmann conducted with 530 Kenyan ride-hailing drivers showed **79% believed it to be dignified work**

Covid-19 has significantly impacted platform workers, who lack the same protections as salaried employees

- Without labor protections and sensitive to swings in demand, platform workers are particularly vulnerable to shocks like COVID-19. The crisis has highlighted the **volatile nature of platform work** and the need for **stronger social safety nets**
- While **on-demand delivery** of goods and services (online shopping, groceries, logistics) has **surged**, other activity like **ride-hailing and home services has decreased** significantly resulting in a loss of income for many workers
- Fairwork foundation has reviewed 191 platforms in 43 high, middle and low income countries to assess Covid-19 response:
 - **Most platforms offer some policy** to protect workers from the financial, social, and physical effects of the pandemic
 - Only **10%** of platforms offer **pay loss** compensation, **30%** did not guarantee income but guaranteed **bonuses/incentives**
 - **Contactless delivery** is the **most widespread prevention policy**, contactless collection is less available. **60%** of platforms claimed to **provide PPE** (disinfectant or, less often, masks) but workers often reported problems receiving it
 - Around **half of the platforms** were providing **some sick pay** with amounts paid differing substantially across countries
 - Most platforms maintain workers are **independent contractors** even while taking on more aspects of the employer role
 - **Widening gap** between types of platforms, as **large platforms** have been able to set aside larger funds for health and safety measures than **smaller ones** and been able to switch to new markets, and diversify their portfolios
 - **Women** have been particularly affected by **drop in demand** (domestic work, beauty services) and more **childcare needs**
 - **Unclear future** as existing platform policies and government assistance packages start to come to an end
- **Financial services** offered by platforms **could play a significant role** during and after the crisis. **Flexible loans** that reflect the income volatility could help in the short term. **Insurance and savings** products could provide future safety nets

Platform workers

There is consensus that the number of platform workers is growing rapidly but challenges in defining and measuring it

- The **rapidly evolving nature** of platform works makes it challenging to measure and track over time
- BCG's cross-country survey reported that the **proportion of platform workers earning their primary income from platforms is increasing** in emerging markets with 5% in Brazil, 8% in India, and up to 12% in China
- i2i estimates 4.8 million platform workers exist across Ghana, Kenya, Nigeria, Rwanda, South Africa, Tanzania, Uganda and Zambia. This estimate implies **1%-3% of adults in these countries have earned some income from platform work**. Among service platforms ride hailing is the most prevalent
- Research ICT conducted in Ghana, Kenya, Nigeria, Rwanda, South Africa, Tanzania, Mozambique and Uganda and found that **2% of the working population engages in online work**
- Oxford Institute research has estimated that there are up to **40 million platform workers in the global south**, which reflects about **1.5% of the total workforce**. It estimates that there are 250,000, 30 million, and 2 million platform workers in Africa, developing Asia and in Latin America, respectively
- BFA estimates that out of an anticipated total labor force of more than 600 million by 2030 in Africa, between **30 million and 88 million will emerge as iWorkers**

There is limited evidence on the pathways to platform work, with limited scope of existing surveys

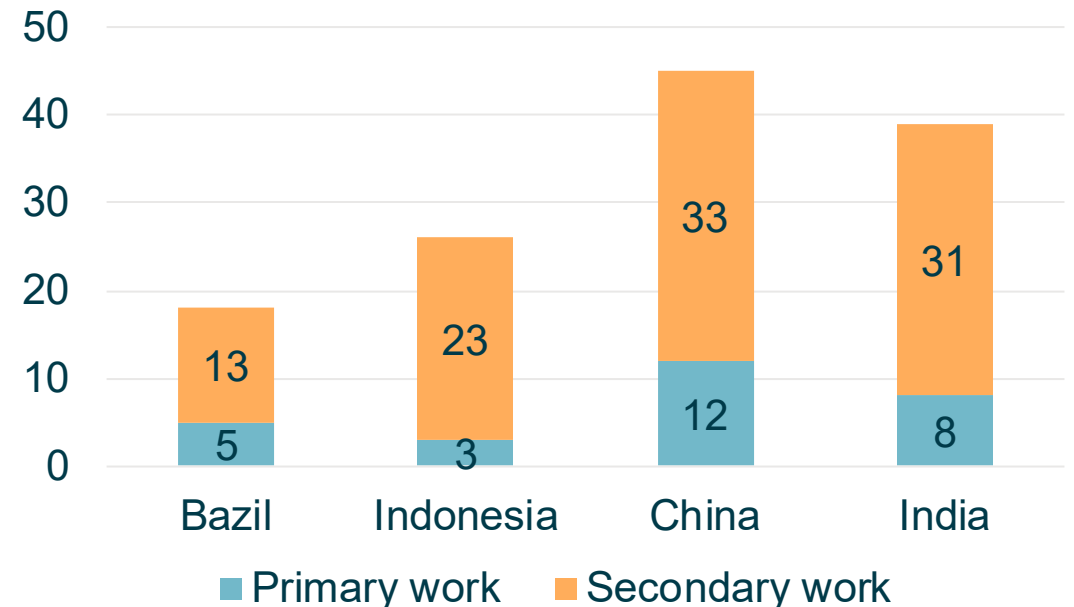
- Existing research indicates that many platform workers in African and Asian countries were **employed before joining** the platform economy but there are large differences across markets.
- When compared to developed markets, a **limited number of workers come from previous formal employment**, with this being higher in Asia and lower in Africa reflecting the market conditions.
- A 2016 qualitative research study conducted in India with 45 Uber and Ola drivers found that **92% were drivers before joining the e-hailing platforms**: some had a long history of driving different kind of vehicles for livelihoods; some were drivers for private taxi companies. The remaining 8% had shifted to these companies from a different profession
- Another qualitative study conducted in Indonesia found that before joining Go-jek, about **51%** of respondents worked in the **formal economy** and the remaining **49%** were engaged in the **informal economy**. An interview with Grab officials revealed that **38% of Grab Bike drivers** and **31% of GrabKios partners didn't have a job before** joining the platform

Workers rely on platform work to fill widely varying needs

- There are major differences in what workers need from platform work. Many – especially in developing countries – use **platform work as a full-time job**. **Others use it part-time** while they are in school or raising children. Others work a separate full-time job and use **platform work to augment income**. Some focus on one platform while others divide platform work across multiple platforms.
- JP Morgan found that most participants in the online **platform economy in the US** are active just a **few months a year**
- As platforms, FSPs and others do research and design products for platform workers, need to carefully examine assumptions about **how much workers rely on that platform as a primary source of income, protection and benefits**

BCG research conducted in Brazil, Indonesia, China and India showed that, on average, **less than 10% of workers count platform work as primary work but 25% count it as secondary work**. This is significantly higher than what the study finds for the developed markets analyzed

Use of platform gig work



The potential for more income, flexibility and autonomy seem to be some of the key benefits of platform work

- **Employment opportunities:** Caribou Digital notes that this is the most commonly cited opportunity of platform work. Platform work provides a livelihood for those who were previously unemployed
- **Flexibility:** The lack of pre-determined work hours and often location make platform work more flexible than the majority of work available in developing countries
- **Increased productivity:** Research conducted by Genesis Analytics argues that platform work increases productivity of workers and the labor force. Reducing customer search time and price negotiations contribute to this.
- **Reasonable Earnings:** Full-time developing country workers earn at or above a typical salary and more than they would from alternative possible employment. In comparison to local labor markets, payment may also be less delayed and more certain when undertaken via a digital platform.
- **Progressive formalization:** Digital platforms offer small, informal enterprises a progressive route to formalization. Individuals can start to offer services online and only take on formal advantages and obligations as they grow
- **Visibility of workers:** Platform work increases the visibility of workers and achievements related to work, for example, through digital records and customer ratings
- **Inclusion:** Given the online nature, platforms can reduce barriers of entry for some excluded customer segments. For example, the developing country participation rates for women undertaking platform work – while still below those for men – are well above rates more generally for non-agricultural work

Changes in demand and pricing as well as limited benefits are some of the key risks of platform work

- **Competition and price wars erode income:** A fight for market share can result in a pricing war that is detrimental for workers, especially for generic services like transport and food delivery, where platforms control pricing directly.
- **Limited demand:** There is no guarantee that jobs matching a worker's experience will arise on a platform, nor is there any guarantee that they will be successful in bidding for such work. Thus, the flow of work can be volatile and uncertain. In addition, for many workers there is an insufficiency of work: under- and unstable employment appear to be two main complaints of developing country workers
- **Long working hours:** The downside of the flexibility to chose working hours is that many drivers end up working long hours, especially as pricing has been reduced. Research in Kenya showed that drivers paying a loan on their car or renting the car were more likely to work long hours than those who owned their cars, as the additional expenses put pressure to maximize income
- **Lack of benefits:** The status of most platform workers as independent contractors rather than employees removes from them many labor rights and social protections. This, combined with changing prices and uncertain demand makes worker particularly vulnerable to shocks

Women platform workers face additional challenges but also particularly value the flexibility this work offers

- In Africa, women are, on average, **15% less likely to own a mobile** phone than men are, and **41% less likely to use the mobile internet** (Rowntree, 2019), which limits their opportunity to participate in platform work
- Research on women gig-workers in South Africa and Kenya¹ found the majority think platforms make it **easier to find work** (66%) and provides **more flexibility in working hours** (55%) but only 37% said it paid more on an hourly basis (40% said it paid less)
- Although many workers viewed gig work as more flexible and conducive to a manageable work–life balance than other paid work available to them, they were nonetheless still forced to **make difficult trade-offs** between their time-use, income-generation and caring roles
- Many workers identified **childcare as the biggest challenge** to their economic opportunities and work–life balance. They found a strong reliance on informal childcare, notably by family, neighbors and friends, but when such support was lacking, a sizeable share relied on high-risk strategies, such as leaving children alone or in the care of older children
- **Undervaluation of female-dominated professions**, like domestic work and cleaning, **leads to low pay** on platforms when compared to male dominated categories. There are **more mid-tier earning opportunities for men** with low education than women. Men have more options such as construction, motorbike driving, skilled technician work while women typically work as house help or run microbusinesses. This gap already existed in offline work and persists online
- **Safety and security**: Women workers are more susceptible to physical security and safety risks during journeys to/from gigs, as well as during ‘working time’. Additionally, privacy concerns can make women reluctant to create profiles on the platforms

Regulation affecting platforms is starting to emerge in some African and Asian markets

- Platforms operate across **multiple sectors**; existing regulator are structures make it **hard to establish clear responsibility**
- Markets around the world are beginning to enact policies and regulations targeting the platforms directly especially **ride-hailing, e-commerce**, as well as other issues affecting platforms such as **taxation**, and **data privacy** and **consumer protection**
 - **Ride-hailing**: In Kenya, Nigeria, India and Indonesia relevant government entities have drafted regulations to license ride-hailing companies and cap commissions (e.g. 15% in Kenya, 10% in India). In Nigeria, the Lagos banned motorbikes and tricycles resulting in a job loss for platform drivers who can't afford a car
 - **Quality of work**: The proposed ride-hailing regulations in India, Indonesia and Kenya aim to put in measures to protect workers i.e., stricter safety measures for drivers, a cap on hours worked, obligation to use a reflector on the driver's jacket to increase visibility at night, and the use of technology to record location, direction, and speed of the bike to reduce accident risk
 - **E-commerce**: Stand-alone e-commerce policy was introduced in India (focuses on data localization, improved privacy safeguards and counterfeit products) and in Indonesia (focuses on improving governance of internet-based and electronic trading activities in addition to ensuring tax compliance)
 - **Taxation**: Kenya, India, and Indonesia have introduced policies to attempt to tax income generated on/by digital platforms. In Kenya, 1.5% digital services tax on income from the provision of services through platforms will take effect in Jan 2021
 - **Employment Status**: In Kenya, India, Indonesia and South Africa, platform workers are considered independent contractors. In Nigeria, Olatunji & Anor. v. Uber confirmed the status of Uber drivers as contractors but did not completely close the possibility future changes
- It is possible that while **protecting drivers** regulations could also **reduce revenue and affect growth, limiting opportunities**. PwC estimates that regulations in India could reduce e-commerce activity by \$46B resulting in corresponding job losses

Main evidence gaps on platform workers

1. Although there are **various estimates** on the number of platform workers, these are **not reliable**, particularly in developing markets. It remains an open question as to **how many people** are actually involved and **what proportion of the overall working population** those platforms represent
2. **Insights on workers and their experiences are ad hoc and piecemeal**, focusing on specific platforms or markets. A defining piece **across work groups and key emerging markets** in Asia and Africa that highlights opportunities and risks is missing
3. No data on **how financial services impact platform workers' livelihoods**, activity and income.
4. Very limited information on the **gender lens**. What aspects of platform work bring vulnerability for women? Both data and some focused design thinking would be useful.
5. Limited information **on pathways in and out of platform work** in developing markets and the opportunities for long term livelihoods

Platforms and financial services

Scale is a key element of platform business models

- Platforms create **value through network effects**. Network effects are the incremental benefits gained by an existing user for each new user that joins the network
- For platforms, value is a function of the number of connections while marginal cost is a function of the number of users, so **revenue grows exponentially with each new user**
- Because platforms need scale to achieve profitability, they need to **reduce friction to increase number of users and frequency of use**. The main ways in which platforms do this are:
 - **Improved matching**: Platforms help match supply and demand by aggregating and curating results. They make it easier for users to find each other and reduce search costs.
 - **Transaction facilitation**: Platforms enable exchanges by facilitating payment and transfer of goods/services. Sometimes, platforms act as an escrow, holding payments until a transaction is completed.
 - **Credibility and trust**: Platforms offer ratings and reviews to increase trust between parties. They define rules and standards and can provide insurance and claims resolution arbitration when these are not met by either party.
 - **Limiting user costs**: Imposing high fees introduces friction and limits scalability
- The ways platforms generate revenue varies but the main sources are: **transaction fees, subscription fees and advertising**. For service platforms, sign-up fees are most often only charged to workers, to simplify user experience.
- In developing markets, especially African markets, **demand is a critical challenge** to platform sustainability, as a significant part of the population can't afford platform services. A similar issue limits platform presence in rural areas

There are synergies with financial services that can support platform scale, growth and profitability



**E-Commerce
platforms**



**Service
Platforms**



**Social &
Communications**

Examples of Synergies with Financial Services for customer and workers

- Pay for product
- Increase seller working capital
- Increase buyer purchasing power

- Pay for service
- Increase provider working capital
- Insurance to boost buyer confidence, reduce leakage

- Promote stickiness/user retention
- Monetize data
- Spur informal social commerce

For service platforms, payments, insurance and lending to workers can boost platform activity

Digital Payments

- Although cash on delivery is an option in many markets, digital payments **simplify the user experience** when taking a ride or hiring a service. In food delivery, digital payments **reduce risk for the platform and working capital needs for the worker**, since payments need to be made at pick-up, before the food is delivered. Digital payments also can **reduce leakage in some services**, especially repeat services like home cleaning, by keeping the transaction online rather than moving the transaction offline to avoid fees.

Insurance

- Insurance increases **buyer confidence** and entices **more buyers to engage** with the platform. It also is valuable to workers, covering their potential liability. It can help **reduce leakage**: when the value of the insurance is bigger than the potential saving on platform fees, it reduces incentives to take transactions off the platform.

Loans to workers

- Access to credit enables workers to cover **costs of the service and purchase or replace assets**. For example, a ride-hailing platform does not make money when a driver is not driving because he or she can't afford a car repair. It can **enable more workers on the platform** by supplying starting capital. Having a **large network** of workers with good quality assets is a **competitive advantage**.

A lot of the financial services being offered by platforms are the result of partnerships

- Although limited evidence exists, there are multiple ways in which offering services in **partnership with a platform can benefit financial service providers**:
 - **Lower customer acquisition costs** by accessing platform worker and customer base
 - **Lower operational costs** through leveraging the platform's digital infrastructure
 - **Access to large amounts of standardized data** about potential customers that can be used to automate credit reviews, lower costs and increasing predictive power
 - Access to data on **revenues and assets in a digitized and verified form**, which is particularly relevant for thin file customers and those traditionally excluded from formal financial services
- However, there are also **multiple challenges limiting the proliferation of partnerships**:
 - **Lack of awareness or evidence** of the opportunities and risks associated with serving this segment
 - **Poor product fit** between financial institutions' existing products and what platforms (and their workers) need
 - **Lack of agility** of FSPs to develop **new products** and to adapt **technology and operational models** to partner with platforms
 - **Uncertainty of the sustainability** of some platform business models, especially in smaller and lower income markets
 - **Limited experience** of platform workers with financial services, many of whom have **traditionally been excluded** from access to formal financial products
 - **Use of cash** vs digital payments limiting operational efficiencies and complicating collections of credit products

Financial services could also support worker livelihoods and help mitigate some of the risks

- **For workers, there are many potential benefits** of having access to financial services through platforms:
 - Improved **livelihood opportunities** through the ability to purchase necessary **assets and working capital**
 - **Potential career paths** from just providing a service to owning assets and employing others
 - **Improved ability to face shocks and smooth income**, particularly relevant for platform workers facing variable income
 - Due to synergies, platforms could provide financial services at a **lower cost**
 - Low income and traditionally excluded workers could **gain access to formal financial services**
 - Opportunity to **develop a credit history** that could then enable access beyond products offered by the platform
 - **Tailored and contextualized credit offers** (e.g., specific working capital needs) enabled by platform data could better service this segments specific needs
 - Fully **digital, streamlined** delivery embedded in platform can simplify access, reduce time and paperwork needed, and make services more accessible to those with limited financial literacy

However, there are significant risks to consider regarding the role of financial services

- There are **significant risks** that workers face and still very limited evidence:
 - There is still very **limited evidence** on whether and/or which of these **potential benefits actually materialize**
 - There is some evidence that **credit responsibilities can lead to overwork** due to the need to generate additional income
 - **Uncertainty about future prices and demand** makes taking on longer term obligations (like credit for big tickets assets vs working capital) risky and potentially unprofitable
 - There are **data privacy concerns** and potential for exclusion of vulnerable segments given large amounts of data help by platforms
 - **Limited financial literacy** can make workers **vulnerable to predatory pricing**, for example, through unfair insurance premiums
 - **Lack of FSP experience** serving this segment can lead to **poor product fit** and limited tailoring, especially in the early stages of partnerships
 - **Longer term products**, like pensions and savings, are more complex or difficult to monetize and are **less likely** to be offered

Examples of services platforms offering financial services



- A ride-hailing platform in South Asia offering other services such as food delivery. In addition the platform offers financial services such as payments, credit and insurance. In Indonesia they offer:
 - **Payments and Lending:** Co-owns OVO digital wallet which allows easy payments, P2P lending, consumer credit
 - **Insurance:** Free **personal accident insurance** for drivers and riders, **free income loss coverage** for earnings lost due to illness or injury, **life and critical illness insurance**, **pay-as-you-go insurance** allows drivers to pay for insurance only when they are driving



- Home and personal services platform operating in Kenya
- Offers tradespeople on the platform **starter loans** with repayments conditioned on income earned from the platform
- A **12-month insurance coverage** for 400 independent contractors on the platform to protect and safeguard workers from bodily injuries, accidents, medical or death expenses that may result from their work on the platform.



SweepSouth

CLEAN HAPPY HOME

- Home cleaning services platform in South Africa
- Offers Access to **basic financial literacy**, **savings training** and **low-cost bank accounts** as part of onboarding
- Offers **life and disability cover** through partnerships



Main evidence gaps on platform workers on financial services and platforms

1. Limited data on **how offering financial services for platform workers affects platform activity, retention and profitability.**
2. Anecdotal evidence on the **potential profitability of financial services** for platform workers which would incentivize FSPs and FinTechs to focus on this segment.
3. Although the **need for financial services to protect workers in the longer term** (e.g., pensions) has been articulated, the conversation is nascent with limited insights or proof points.
4. Limited evidence on potential negative effects of offering financial services and **product design principles** to mitigate these.
5. Anecdotal evidence on the **role that financial services can play in supporting quality of work** and providing meaning **career growth opportunities**

Bridging evidence gaps

CGAP is conducting qualitative research with platform workers across five countries (India, Indonesia, Kenya, Nigeria and South Africa). We will build future work on a strong understanding of platform workers and the risks and opportunities they face in their everyday lives.

CGAP is also conducting in-depth case studies of existing financial services targeting platform workers and their value propositions.

However, addressing these evidence gaps will require support from funders, development partners and platforms themselves.

