Pros and Cons of China's Platform Economy

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Abstract: The situation of people telecommuting and online-working/studying has become the new norms, and it encourages the platform economy in China to develop to a new level. In this circumstance under global epidemic, quite a few industries take advantage of people voluntarily or involuntarily relying on digital media and shift their business focus mainly on digital platforms. Therefore, a innovative economic model is born. China's platform economy offers a new possibility of living a digital life during COVID-19; furthermore, the deeper meaning reveals as promoting China's economy by analyzing its pros, and through understanding the cons to obtain a more complete system.

Keywords: Platform Economy; Gig Economy; Network Effects; Two-Sides Market; Ride-Hailing Platform

Introduction

Seppo Poutanen and many other researchers indicate the platform economy as the "birth and development of multi-sided market", and it "have direct and/or indirect network effects"[1]. These platforms established on digital media become the agencies to connect merchants and customers. The demands and offers are gathering together. Although the size of labor force in the platform economy is lower comparing to other mature industries, it is a revolution of the traditional economy. Hence, the platform economy clashes with incumbent business inevitably. The development digital media brings new forms of working; while it challenges the traditional work mode, it still has many unsolved dilemma.

1. Literature Review

1.1 Gig Economy

Based on all Artificial Intelligence and digital economy, the labor which is being mediated and organized by platform-based services is constantly growing. A new type of the economy appears called "gig economy". According to Milosevic D. et.al., the gig economy refers to the engagement of labour in temporary and occasional jobs[2]. Basically it differs itself from the traditional working mode; it is more like a part-time job which has flexible working time, not limited in one place, and it relies on the Internet to find and connect to costumers. During the pandemic period, gig economy has become one of the main economy to raise the GDP in China. Gig economy belongs to free-market system, and the advantages of it are offering great freedom and flexibility of transaction; however, there are still many existing problems such as insufficient welfare.

1.2 Network Effects and Two-Sided Markets

According to Hinz et.al., network effects describe "the situation where buy the presence of many sellers attracts more buyers to the market (e.g., eBay) and vice versa[3]. As users increase, the value of itself increases.

Platform economy is a two-sided market which owns "an intermediary provides a platform for interactions between two distinct customer populations"[3]. There are two groups of users having different roles and complementary functions. Two-sided markets have indirect network effect since one group of users would affect the other group of users. For traditional marketing, the transaction is one-directed and set the price due to the cost of merchandise. However, for two-sided

markets the pricing needs to be considered relating to the other group of users.

2. Pros of Ride-Hailing Platform

Unless the taxis, ride-hailing platforms abandoned the traditional way of hailing rides such as standing on street and randomly pulling up; instead, it held a new era of hailing rides on cell phones by using digital media. Online searching for rides and payment are well-combined with offline riding experiences. While people start to build social live on digital media, ride-hailing becomes more and more popular in current society. Modern people have a stronger sense of boundaries and prefer distance with others. Ride-hailing platforms allow users to send requests for immediate rides or booking rides in future time with several clicks in the app rather than randomly waiting for rides on the street or making phone calls to the taxi company. It gives users a comfortable zone for communication. Passengers do not need to directly contact the drivers since the app would send a request to drivers once it receives the demands from passengers. Since the requests are not unidirectional and drivers who are nearest can all receive the request and choose to accept or not. Due to its convenience of hailing rides, it raises the efficiency of traveling and reduces the indeterminacy.

Ride-hailing platform satisfies the needs of traveling in remote area. Traditional taxis concentrate in downtown and some busy areas, and it is comparably difficult to get rides in remote area. Additionally, taxi drivers commit a shift system, and they need to change shift at a certain time of a day. It causes around the shifting time taxis are in shortage. Ride-hailing platform solves this problem since the drivers are all individual, and there is no fixed time to be on and off duty; ride-hailing drivers are allowed to decide what time and how long they wish to work. There is a great convenience for people in most regions to travel no matter they are prosperous or not.

As digital media develops more and more mature, the group of ride-hailing drivers grows bigger and bigger. Besides the development of digital media, epidemic is another important reason for people committing the careers of platform economy. From 2019 until today, COVID-19 has affected the economy deeply. In the period people are under self-quarantine or district lock-down, all companies decide to shift the offices online. When COVID-19 put a pause in the global economy, workers have to face workload reduced or unemployment. Under this circumstance, the part-time job like ride-hailing driving becomes popular. Firstly, it does not require systematic hiring process or training, and the way of becoming a recognized driver on ride-hailing platform is comparably simple. After the platform confirm the identity and background of the driver and eligible driver license, the driver is able to give rides. Thus, many people choose to drive on ride-hailing platform in their spare time in order to increase their income.

There is one common feature of all the careers from platform economy, that is the transparent experience. Users can always check the comments from other customers who use the service. This is a motivate mechanism since higher-rate drivers are more welcomed, lower-rate drivers would be warned by platform and have less assigned passengers. Both drivers and passengers value their rates so they would be actually careful about the service and manner. The problems of traditional taxis like refusal, detour, and poor attitude are greatly reduced in ride-hailing platforms. At the same time, platform would set the price higher for the drivers who would offer more considerate services, and the passengers who need higher-standard services can be satisfied.

During the pandemic period, people are required to respond to the national policy while traveling. Once the official government media account announces the tracks of confirmed cases, it needs people to all check on their own tracks to see whether they are being overlapped with the announced tracks. Traditional taxis cannot satisfy this need unless checking the payment history which could be very inconvenient. On ride-hailing platform, each record of hailing rides and information of drivers and cars is laid out one by one according to date. Also, the platform allows passengers to share the route with contacts or call police with one click in the app, the safety is well secured.

3. Cons of Ride-Hailing Platform

Welfare is something that people value a lot when looking for a job. Big companies would buy their employees all types of insurance to secure their physical/mental health, the situation of losing the job, getting injured, getting married, and the life after they retire. In above situations which affect employees to continue their regular work, the insurance would give

them basic life secure. However, for people who work as drivers on ride-hailing platform, they do not have this kind of security. The drivers are not forming the employment relationship with the platform, instead, it is the partnership. Thus, the platform is not responsible for purchasing insurances for the drivers. Not only the insurance for people, but also for the cars are not taking care by the platform either. In 2021, Tencent News reported that many insurance company refused to renew the insurance for cars which are used for ride-hailing driving because the loss ration of ride-hailing cars have raised in past years, and that may straightly cause insurance company to lose money[5]. As much insurance cases become more and more frequent, insurance companies start to classify the ride-hailing as high-risk policies. As a result, many insurance companies began to refuse to cover ride-hailing services.

The regulation of ride-hailing platforms is one topic that society cares a lot about. Since this is a new industry comparing to taxi driving, many related laws and regulations are not too complete. There is a situation that ride-hailing platform drivers wish to avoid commission of platform so skipping the platform. This action does not only harm the profit of platform, but the safety of drivers and passengers are not secured any more. Also, for the rides which are not from standard taxi company neither contracted with ride-hailing platforms, they are called "unlicensed taxi" and not allowed to commit passenger transport.

4. Case Studies and Existing Problems

The labor of platform economy has been increased in recent years due to people's life gradually shifting online during pandemic period. Careers related to digital media have already become most popular careers in current society, and many people start to consider working as a whole-time job. However, other than the cons which already mentioned above, there are still some existing problems.

The ride-hailing platform does not have as much power to manage these drivers since their work is individual and very free. Since the cars using or ride-hailing are mostly private cars, it is impossible to install web cameras on platform's behave unless the drivers want to. Without the real-time supervision, platform has to rely on driver's and passengers' feedback if judging a conflict between two sides.

Also ride-hailing platforms trend to let the drivers take the main responsibility in any type of accident. In this case reported by Tencent news, there was the ride-hailing driver wanted to refuse a drunk passenger but got verbally attacked, then he chose to run them over[6]. Other than the 4 people who got injured in the accident, there are some passerby and 6 motorcycles were harmed as well. According to police's response, dispute and conflict between drivers and drunk passengers are countless for a long time, and the percentage of provoking incidents after drunk is 19%. This is also the most common instance of taxi drivers' refusal. However, as ride-hailing platform drivers, refuse passengers would cause punishment such as lowering the rate and paying the fine. By analyzing this case, other than impulsion of the driver, it is clear to see that drivers have few rights about about choosing passengers. On the other perspective, the platform is doing little on this type of accident. In the news report, it barely sees anything about what platform did. Either they give drivers flexible rights to refuse an unwanted order, nor they have any psychological training or anything preventing accident to happen before letting drivers be on duty.

Taxi drivers would have less this type of problem since they are deeply connected to their company, they have assessment due to their performance, there are at least two cameras in the car, and they have strict time to be on and off duty. Also they have the rights not to stop when they see anyone they do not wish to give ride to. When there are strict supervision, everyone's rights can be protected. The drivers would be more responsible due to strict rules.

Didi is one of the earliest rides-hailing platforms in China which established in 2014. It opens up a brand new door in China about ride-hailing and leads in business, even gives public transportation a new definition. However, Didi was accused of illegally collecting users' information and banned from the market and threatening national security. Although Didi has already turned into a listed company, it is still forced to quit the market. Privacy is always a concerned problem in digital age and global culture. The boundary between personalization and leaking privacy is getting more and more blurred. In order to calculate users' favors, the algorithm would collect many information to analyze. This is the basic logic of convenience offering by digital platforms, and it makes people choose between privacy and convenience; but sometimes the choices are

not offered. In 2019, Facebook was accused of illegally collecting users' privacy and selling the data to a hacking website[6]. According to the report, half a million users' private data have been posted on the hacking website. After shocking, people start to consider whether it is necessary to post every single personal data on social media platform if they are totally visible for everyone else. This is one of the biggest issues when industries in platform economy start to rise, because people know little about these new industries and they do not understand what they are facing.

Not only the drivers on ride-hailing platforms, the delivery men are facing the dilemma. The media platform which organizes labor is running and processing by algorithm. Algorithm does not think itself, and it is inflexible. It generates many absurd rules and pressure. There are many news about ride-hailing drivers, delivery men, and live-streaming KOLs, they are standing out and complaining about the heavy work load and lack of rest time. It tells us that the right of this type of labor which mediated by platform is not being guaranteed. The situation like a deliver man trying to catch time and get into car accidents is so common, not only because they are tying to make the most out of limited time, but the platform would give them punishment if they don't deliver in this strict time. It pushes them to save traffic time as much as possible to avoid negative comments or punishment. According to research[7], over 95% delivery men are working over 8 hours on weekdays. At the very first place, this amount of workload is unreasonable. It does not only represent delivery men, but also other labor who are being mediated and organized by media platform in platform economy. It tells us that when algorithm takes the most charge of the management, it may cause some inhuman situations, and some of the needs of who offers the services are not being well considered. As the gig economy develops, some people start to choose spend all their time on these types of jobs and turning part time into full time. And this appears more and more in the food delivery and ride-hailing. It is very urgent to solve their basic rights and secure.

COVID-19 gives platform economy a stimulation but also a strike. When people are under self-quarantined or district locked down, the life focus is forced to transfer on online platforms and all sorts of digital media. Not only for entertainment, but also for basic living guarantee. People rely on platform like Metuan and Elema to delivery groceries, and online shopping for life necessities. It helps platform economy develop and grow in a short time. When there are demands, there are supplies. Many labors on digital platform would take the risk and continue working. The work during the epidemic period is extremely difficult and dangerous. There are many cities report delivery men and courier getting COVID-19 because their working environment is very complicated and easy to get sick.

Conclusion

As platform economy becomes one of the key economy mode in current China, more and more people wish to get involved, however, Didi's rectify and reform shows that there are still many immature factors. To promote the development of platform economy, only focus on the epidemic period is not enough; instead of narrowing vision on a short-term development, it is necessarily important to carry out the policies and regulations which complying with the global digital media. In digital age, data and digital technology is the representation of national power. There are still unsolved issues and loophole that lawbreakers would take advantage of, as the same time of completing the platform economic service, participants' rights and profits need to be protected as well.

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