Transitions into and out of the gig economy

Adolfo Fuentes[1][2] and Ricardo González[2]

Abstract: The gig economy has transformed global labor markets, yet its dynamics in emerging economies, where informal labor is prevalent, still need to be explored. Furthermore, there is limited knowledge of how gig work interacts with traditional employment sectors and unemployment. This article analyzes the transitions between gig work, traditional employment, and unemployment in Chile, an emerging economy with significant informal employment. Using longitudinal data from Chile's National Employment Survey from 2021q1 to 2024q1, we use probit models to analyze transition probabilities between these three states. We find gig jobs generally serve as transitional roles rather than long-term employment solutions, with substantial turnover and frequent shifts to traditional employment. Individuals in part-time roles or working for smaller companies are more likely to transition into gig employment, whereas those in more stable jobs are less inclined to shift. Additionally, those in informal jobs tend to enter and remain in the gig economy. The study also shows that individuals with higher education are more drawn to gig work, indicating a labor market segmentation that could deepen income inequalities. These insights highlight the dual role of the gig economy in providing temporary relief from unemployment and informality while presenting challenges of stability and long-term job security. Finally, we situate our findings within the existing literature and discuss the broader implications for labor regulation in Chile and similar contexts.

---

[1] School of Economics, University of Edinburgh
[2] LEAS at School of Communication and Journalism, Universidad Adolfo Ibañez

1. **Introduction**

The burgeoning gig economy has radically transformed global labor markets, offering a new paradigm characterized by flexibility, digital intermediation, and on-demand work (Graham and Woodcock, 2018; Vallas and Schor, 2020). The irruption of this sector certainly has affected the labor dynamics, i.e., how individuals make transitions between jobs and unemployment, with past research showing that participation in the gig sector increases when unemployment increases (Huang et al., 2020). However, this increase in participation is only temporary, and workers tend to leave the gig sector when better opportunities appear, which has generated a narrative that gig jobs are aimed as short-term alternatives for unemployment (Newlands, 2024).

Despite its rapid growth and the significant attention it has garnered in developed economies, the dynamics of gig work in emerging economies still need to be explored. This gap is particularly relevant given that informal labor is a longstanding feature of developing economies (Perry et al., 2007; Contreras et al., 2008; La Porta and Shleifer, 2014). Research has shown that gig jobs often mirror the informal sector characteristics (Aleksynska, 2021; Fuentes and González, 2022), creating a link between gig economy jobs and informal labor. This connection shapes labor dynamics in these markets, yet it has not been sufficiently explored in the literature.

In this article, we bridge these gaps by exploring how individuals transition into and out of the gig economy using longitudinal data from Chile's National Employment Survey. We analyze the transition probabilities between traditional employment, gig work, and unemployment, assessing the implications of these transitions for labor market dynamics. By focusing on Chile, an emerging economy with significant informal employment, we provide insights into whether the gig economy acts as a bridge to stable employment (Weber et al., 2021) or exacerbates the insecurity associated with informal work (Arriagada et al., 2023).

Our findings suggest that while offering some stability, gig jobs typically serve as transitional roles rather than long-term career solutions, marked by significant turnover and frequent transitions to traditional employment. Notably, individuals in part-time or less stable conventional roles are more likely to transition into gig employment. In contrast, those in more stable jobs are less inclined to make this shift. Moreover, those in informal jobs are more prone to enter and remain in the gig economy. This pattern underscores a lack of long-term security in gig employment (Arriagada et al., 2023). Conversely, the low transition rate from unemployment to gig work points to substantial barriers, such as skill mismatches, limited access to technology, or insufficient awareness of opportunities within the gig economy (Livingstone & Helsper, 2007; Dutton & Blank, 2014; van Deursen et al., 2017; Shaw et al., 2023).

This study makes several contributions to the literature on the gig economy, particularly in contexts of pervasive informal employment, challenging the notion that it only contributes to employment precarity (Gray & Suri, 2019) and showing its potential as a stepping stone for those looking to escape the instability of informal work. Additionally, our findings suggest that

individuals with higher education are more likely to engage in gig work, supporting previous studies (Shaw & Hargittai, 2018; Gray & Suri, 2019; Hoang et al., 2020; Newlands & Lutz, 2020; Shaw et al., 2023) and indicating a segmented labor market that could deepen income inequalities. These insights are relevant for policymakers to ensure the gig economy's role in enhancing, rather than undermining, employment quality in emerging economies with significant informal labor markets.

The rest of the article is organized as follows. Section 2 reviews past research and presents our hypotheses. Section 3 provides an overview of the Chilean labor market context. Section 4 describes the data used in our study, followed by the statistical analysis in Section 5. Finally, Section 6 situates our findings within the existing literature and discusses their implications for the gig economy in Chile and other emerging economies where labor informality is pervasive.

2. Literature review and hypotheses

With its promise of flexible and instant jobs open to all, the gig economy holds the potential for a truly inclusive workforce. While this concept may lead one to believe that the gig economy should, in theory, incorporate all kinds of people, past research has shown that this is not the case. Gig economy participation heavily depends on digital skills, particularly internet-related skills (van Deursen et al. 2017; Shaw and Hargittai 2018; Hargittai and Micheli 2019). Shaw et al. (2023) found that higher levels of education and internet skills predict greater participation in gig work, suggesting that those lacking these skills may find it difficult to sustain employment in the gig economy. This reliance on digital competencies can create barriers to sustained participation, leading individuals to seek more stable employment options.

Additionally, past research has highlighted the precarious nature of gig economy jobs, which often lack the stability and security of traditional employment. For instance, the literature has identified concerns with unfair labor practices, unsustainable risks, and poor wages as significant factors driving workers out of the gig economy (Brewer et al., 2016). Furthermore, previous studies have shown that the gig economy tends to attract individuals seeking temporary or supplementary income rather than long-term careers, finding that many gig workers engage in this sector for its flexibility and immediate income opportunities, but these roles often do not provide long-term security or career advancement (Schor, 2017; Dunn, 2020). This transient nature of gig work, added to the fact that employers do not seem to value work experience in the gig sector, supports the expectation that individuals are likely to leave the gig economy for more stable traditional employment or face periods of unemployment (Newlands, 2024).

Thus, considering the inherent instability of gig jobs, their dependence on specific digital skills, and the temporary nature of gig work engagements, we posit the following hypothesis:

H1: Gig w*orkers have a high chance of leaving the gig economy, either to the traditional sector or to unemployment.*

Several studies have emphasized the role of gender in gig economy participation. For instance, research has shown that the gig economy offers flexible working conditions, which can be particularly appealing to women who often balance work with caregiving

responsibilities (Shaw & Hargittai, 2018). Moreover, Shaw et al. (2023) found that the gig economy could provide valuable opportunities for women, as it offers a degree of autonomy and control over their work environment. Additionally, prior studies suggest that women may face barriers in traditional employment sectors, such as gender discrimination and limited advancement opportunities (Hoang et al., 2020). These challenges can drive women towards the gig economy, where they might perceive fewer obstacles and more equitable treatment. Therefore, women are expected to be more likely to enter the gig economy than men.

Furthermore, the gig economy's flexibility, which allows for better work-life balance (Shaw & Hargittai, 2018), along with the greater autonomy and control it offers (Shaw et al., 2023), is likely to result in a lower probability of women leaving the sector. This contrasts with traditional employment, where rigid schedules and workplace discrimination might drive women out of the workforce (REF). Thus, based on these considerations, we hypothesize:

H2: *Women are more likely to enter and stay in the gig economy and have a more negligible probability of leaving it than men.*

Past research on gig economy participation has emphasized the importance of digital skills and educational qualifications in determining who engages in various online activities. Studies have shown that higher education and Internet skills predict higher engagement odds in gig economy platforms. For instance, Shaw et al. (2023) found that individuals with higher education levels are more likely to participate in platforms like Amazon Mechanical Turk and TaskRabbit. Similarly, Hoang et al. (2020) observed that gig economy workers are more likely to be well-educated. Given this context, we hypothesize:

H3: *Workers with college or technical studies are more likely to enter and stay in the gig economy and have a lower probability of leaving it than those who do not have tertiary education.*

Additionally, previous studies on the gig economy have focused on the United States (e.g., Smith 2016, Dunn 2020, Hoang et al. 2020, and Shaw et al. 2022). There is little consideration about whether the findings of this research are consistent with those that could be found in developing countries, mainly because of different contexts in the labor market, such as the presence of high levels of informality. Previous research indicates that the informal sector in developing economies typically offers less stable (i.e., the unemployment risk is higher) and lower-paying jobs compared to the formal sector (Bosch and Esteban-Pretel, 2012; Tansel and Acar, 2017; Dix-Carneiro et al. 2021; Haanwinckel and Soares, 2021). It also shows that those workers in the formal sector behave differently from those working informally, with the last ones having been more exposed to unemployment and also having longer unemployment spells which, in turn, generates negative feedback on those workers to keep taking informal jobs (Bosch and Maloney, 2010; Flabbi and Tejada, 2023). Thus, we expect:

H4: *Workers with informal jobs in the traditional economy are more likely to enter and stay in the gig economy, but gig workers with informal jobs are also more likely to go into unemployment.*

Past research in the economic literature has shown that on-the-job searching is crucial to improving workers' employment conditions, including increasing wages or reducing the risk of unemployment (Carrillo-Tudela and Visschers, 2023; Jarosch, 2023). The underlying mechanism to explain this is that those workers who are already employed have a better alternative value of not taking a job offer, and because of that, employers need to offer better conditions to them (Cahuc et al., 2006). Given this and the fact that the traditional sector exhibits higher wages and lower unemployment risk (REF), we hypothesize this:

H5: Gig w*orkers currently employed but still searching for jobs are more likely to transition to the traditional sector.*

Past research has studied the relationship between firm size and productivity, showing that more productive firms tend to hire more workers, offer higher wages, and be less vulnerable to economic shocks (Haanwinckel and Soares, 2021; Elsby and Gottfries, 2022). The rationale behind this is that the marginal productivity of workers is higher in these firms, enabling them to employ more people (Sedláček and Sterk, 2017). Therefore, employment in a large firm indicates stable employment with a relatively good income. Based on these considerations, we hypothesize:

H6: *Workers employed by big firms are less likely to enter the gig economy or unemployment.*

Another particularly relevant factor is the duration of an individual's unemployment. The economic literature has shown that individuals who have been through an unemployment spell often face income losses compared to their previous employment (Jacobson et al., 1993). The rationale used to explain this phenomenon is twofold. First, unemployment spells are associated with a loss of human capital (Bobba et al., 2021; Jarosch, 2023). Second, unemployed workers are in a weaker bargaining position compared to those who are employed, making them more likely to take riskier jobs and receive lower wages (Cahuc et al., 2006; Jarosch, 2023). Given that the gig economy typically offers low wages (Fuentes and González, 2024) and higher probabilities of unemployment, we hypothesize:

H7: *The longer the workers have been unemployed, the higher the probability of transitioning into the gig economy.*

3.   The Chilean labor market

From the first quarter of 2021 through the first quarter of 2024, the period under analysis in this article, the Chilean labor market included approximately 9 to 10 million workers, with jobs in digital platforms fluctuating between 1% and 2.3% of total employment (Fuentes and Gonzalez, 2022). The labor market was still recovering from the COVID-19 pandemic, especially at the beginning of this period. The pandemic significantly affected women's labor force participation, reducing it from 52.9% before the pandemic to 41.2% at the height of the crisis in May 2020, only returning to 52.9% by January 2024. Meanwhile, men's labor force participation increased from 69% to 72%. Overall, the national participation rate rose from 57.3% to 62.2%, adding approximately 1.1 million workers to the labor market. During this time, national unemployment rates for both men and women decreased, with the overall unemployment rate dropping from 10.4% in the first observed quarter to 8.3% in the last quarter.

As an emerging economy, Chile exhibits a significant presence of informal labor. The Chilean Statistics Office (INE) requires specific conditions on both the worker's side (e.g., access to the social security system) and the firm's side (e.g., registration with the Tax Office) for a job to be considered formal. Based on this definition, informality accounts for about 27% of total employment, rising from 26.7% to 28.2% during the study period. This rise in labor informality was observed in both genders, with men's informality rising from 26.1% to 26.9% and women's informality increasing more significantly from 27.6% to 30.0%.

The growth of digital platform work and difficult working conditions during the pandemic led to escalating conflicts between workers and platforms. This tension peaked in late 2020 with three significant strikes by delivery platform workers (Arriagada et al., 2023). These events prompted legislative discussions on digital platform work and gig economy employment, enacting Law N° 21.431. This law revised labor regulations to protect better digital platform workers, including limitations on working hours, minimum payment standards, and unionization rights.

However, the law defines a digital platform employer as an entity managing a system on mobile devices for a fee, excluding those using platforms like Facebook, Instagram, or WhatsApp for commercial activities. In Chile, 15% of digital jobs are tied to labor exchange platforms (e.g., Uber), while the remaining 85% are related to platforms for the sale of goods and services (e.g., Facebook) (Fuentes and González, 2022). Consequently, this law does not cover a significant fraction of gig economy workers, creating a legal distinction within Chile's gig economy.

4. Data and methods

We use the Chilean National Employment Survey (ENE) to study the dynamics of the gig economy. The ENE tracks households to collect a wide range of data, including demographic information and employment status. It targets individuals aged 15 and above across all urban and rural settings. Households are selected employing a two-stage, stratified probabilistic sampling design to ensure representativeness. Annually, the ENE encompasses a total sample of approximately 68,400 dwellings, interviewed face-to-face six times over 18 months with a rotational design to continuously refresh the sample. These data are collected by Chile's Statistics Office (INE).

To construct our dataset, we pool quarterly employment surveys from the first quarter of 2021 to the first quarter of 2024. Given the rotational design of these surveys, where each worker appears up to six times, we can effectively monitor transitions across different periods.

4.1. Dependent variables

We focus on the cross-sectional analysis of the probabilities from various employment states into and out of the gig economy. INE defines gig work as "an occupation that is carried out through a mobile application or web platform when it offers goods and services using exclusively or predominantly some means that involves remote contact with customers, either through the internet (web platform) or from a mobile phone (mobile application or app)" (INE, 2022). This broad definition captures the essence of gig work as employment that significantly relies on digital platforms for operation, including workers using delivery and

ride-hailing apps to others using Facebook, Instagram, or WhatsApp to sell services online. Aleksynska (2021) categorizes gig work into offline tasks (like delivery) and online services (internet-based sales) in Eastern Europe, similar to the definition adopted by Chile's INE. In this article, we define gig workers as individuals for whom gig jobs constitute their primary source of income. We exclude from this definition those individuals who hold traditional sector employment as their main job but engage in gig work as a secondary occupation.

For our analysis of the transition probabilities into and out of the gig economy, we focus on the first two observations of each individual, from t1 to t2. This approach allows us to maximize the sample size while minimizing biases that might arise from incorporating subsequent transitions (e.g., from t2 to t3, t3 to t4) from the same individuals into the dataset. [1] Furthermore, we exclude individuals who were inactive during any period to ensure the relevance and accuracy of our employment transition data. This approach yields a dataset comprising 133,501 respondents, resulting in 267,002 observations.

4.2. Independent variables

The independent variables in our models include demographic factors such as sex, age brackets, education levels, immigrant status, and region of residence. We also consider characteristics of previous employment, including the number of hours worked (categorized into brackets), informal job status, whether the respondent was the head of the household, the size of the respondent's company (also categorized into brackets), job-seeking behavior while employed, and the economic sector of the previous employer if the initial state was traditional sector employment or gig economy work. Table 1 provides descriptive statistics that illustrate the various characteristics of our sample.

Table 1: Descriptive statistics

	Traditional	Gig	Unemployment
Share	0.890	0.023	0.087
Variable			
Gender (Female = 1)	0.424	0.566	0.474
Age			
15-19	0.013	0.014	0.048
20-24	0.067	0.085	0.176
25-29	0.105	0.149	0.173
30-34	0.118	0.171	0.121
35-39	0.110	0.138	0.087
40-44	0.110	0.114	0.089
45-49	0.110	0.105	0.088
50-54	0.108	0.083	0.079
55-59	0.104	0.064	0.068
60-64	0.081	0.044	0.047
65-69	0.043	0.021	0.015
70+	0.031	0.012	0.007
Education			
Primary	0.176	0.077	0.126
Secondary	0.438	0.469	0.477
Tertiary	0.386	0.454	0.397
Immigrant	0.052	0.080	0.049
Working Hours			
0-10	0.043	0.118	---
11-20	0.072	0.162	---
21-30	0.086	0.165	---
31-40	0.100	0.140	---
41-50	0.612	0.241	---
51-60	0.047	0.084	---
61+	0.039	0.091	---
Informal job	0.289	0.608	---
Looking for a job	0.053	0.134	---
Main support	0.568	0.502	0.289
Months searching for job	---	---	17.029
Firm employees			
1-4	0.340	0.813	---
5-10	0.061	0.029	---
11-49	0.137	0.030	---
50-199	0.130	0.027	---
200+	0.333	0.101	---
Observations	111,774	2,903	10,969

5. Main results

5.1. Probabilities of transitioning into and out of the gig economy

Table 2 presents the probabilities of moving between three distinct states based on the first two observations of each individual after joining the panel, from t1 to t2: employment in a traditional sector (Traditional), employment via a digital platform (Gig), and unemployment (Unem.). Each cell in the matrix displays the probability of transitioning from one state (row) to another state (column) from one quarter to the next.[2]

Table 2: Probabilities of moving between three distinct states from t1 to t2

	Traditional	Gig	Unemployment
Traditional	0.946	0.015	0.039
Gig	0.656	0.290	0.054
Unemployment	0.556	0.018	0.426

Table 2 shows that transitions from traditional employment to digital platform roles are rare, with a probability of only 0.015, and the likelihood of moving from unemployment to digital employment is similarly low at 0.018. Within the digital sector, the stability is moderate as the probability of remaining in digital employment from one quarter to the next is 0.290, indicating substantial turnover.

In contrast, the transition from digital to traditional employment is relatively high at 0.656, suggesting that digital jobs are often temporary or serve as transitional roles. This is particularly significant as the probability of moving from a traditional to a digital job is higher than unemployment (0.556). This provides empirical support for the notion that the gig economy could serve as a beneficial stepping stone for unemployed individuals, facilitating their reentry into more traditional employment sectors.

Lastly, the probability of transitioning from digital employment to unemployment is 0.054, which, while relatively low, remains higher than the probability of entering digital work from unemployment at 0.018. This suggests that exiting to unemployment, though not the most common route, is more prevalent than entering the gig economy from unemployment.[3] Additionally, the likelihood of moving to unemployment from the digital sector (0.054) is higher than from the traditional sector (0.039), reinforcing the perception that digital jobs are less stable than conventional roles.

5.2. Cross-sectional analysis of transition probabilities

We use probit models to conduct a cross-sectional analysis of transition probabilities into and out of the gig economy from various labor market states. We incorporate fixed effects for quarter and year and their interactions to account for temporal variations. Our models employ robust standard errors. Table 3 shows the key results. Each column displays the marginal effects derived from probit models.

Table 3: Probit models of transition probabilities into and out of the gig economy

	Col 1: Trad. - Gig		Col 2: Gig - Gig		Col 3: Gig - Trad		Col 4: Gig - Unem		Col 5: Unem - Gig	
	Marginal effect	P>|z|	Marginal effect	P>|z|	Marginal effect	P>|z|	Marginal effect	P>|z|	Marginal effect	P>|z|
Female	0.005	0.000	0.042	0.058	-0.044	0.048	0.028	0.001	0.014	0.011
Age										
20-24	0.003	0.548	-0.020	0.845	0.016	0.876	0.011	0.446	0.006	0.619
25-29	0.004	0.389	-0.036	0.724	0.014	0.891	0.018	0.235	0.014	0.280
30-34	0.004	0.340	-0.005	0.959	-0.008	0.938	0.033	0.042	0.014	0.286
35-39	0.006	0.234	0.006	0.956	-0.015	0.884	0.041	0.017	0.016	0.252
40-44	0.002	0.648	-0.015	0.887	0.005	0.962	0.021	0.195	0.016	0.268
45-49	-0.002	0.621	-0.026	0.802	-0.001	0.994	0.014	0.376	0.017	0.243
50-54	-0.004	0.388	-0.001	0.994	-0.008	0.935	0.025	0.148	0.017	0.263
55-59	-0.006	0.185	-0.094	0.373	0.086	0.409	0.012	0.496	0.001	0.965
60-64	-0.008	0.069	-0.114	0.287	0.094	0.372	0.008	0.652	-0.001	0.935
65-69	-0.010	0.037	-0.083	0.481	0.050	0.671	.	.	0.056	0.182
70+	-0.015	0.002	-0.168	0.161	0.127	0.290	.	.	.	.
Education										
Secondary	0.006	0.000	0.055	0.134	-0.058	0.115	0.024	0.001	0.016	0.015
Tertiary	0.013	0.000	0.072	0.059	-0.069	0.074	0.040	0.000	0.024	0.002
Immigrant	0.000	0.937	0.003	0.929	-0.003	0.943	-0.022	0.014	0.014	0.281
Working hours										
11-20	-0.002	0.393	-0.034	0.342	0.030	0.414	-0.034	0.004	.	.
21-30	-0.005	0.048	0.008	0.832	-0.010	0.786	-0.011	0.434	.	.
31-40	-0.006	0.016	0.030	0.439	-0.043	0.275	-0.021	0.146	.	.
41-50	-0.010	0.000	0.050	0.190	-0.050	0.188	-0.027	0.040	.	.
51-60	-0.009	0.000	0.070	0.127	-0.069	0.135	-0.027	0.130	.	.
61+	-0.004	0.163	-0.002	0.960	0.000	0.995	0.015	0.521	.	.
Informal job	0.004	0.001	0.075	0.001	-0.074	0.002	0.017	0.082	.	.
Job search	0.001	0.394	-0.048	0.085	0.046	0.100	-0.004	0.625	.	.
Main provider	0.004	0.000	-0.017	0.408	0.026	0.210	-0.006	0.417	0.000	0.955
Number of employees										
5-10	-0.021	0.000	-0.060	0.312	0.071	0.236	-0.042	0.001	.	.
11-49	-0.026	0.000	-0.212	0.000	0.219	0.000	-0.058	0.000	.	.
50-199	-0.026	0.000	-0.123	0.038	0.137	0.019	-0.042	0.001	.	.
200+	-0.027	0.000	-0.044	0.244	0.053	0.164	-0.050	0.000	.	.
Months search	.	.	.	.	.	.	.	.	0.001	0.002
N		89,344		2,171		2,171		3,002		4,316

 Column 1 of Table 3 examines the transition probabilities for individuals moving from traditional sector employment to the gig economy. The analysis indicates a slight positive impact on females transitioning to gig employment. Moreover, having tertiary education significantly increases the likelihood of this transition, pointing to a preference within the gig economy for highly educated individuals. Conversely, individuals working more than 20 hours in the traditional sector are less likely to transition, indicating that gig jobs may appeal more to those in part-time or less stable roles. An informal job is positively associated with moving to gig employment, possibly viewing it as a more attractive option than their less secure traditional roles. Additionally, a negative association is estimated with employment at larger companies, suggesting that individuals in smaller firms—potentially with lower wages and fewer opportunities for advancement—are more inclined to transition to gig employment.

Column 2 of Table 3 explores the likelihood of individuals currently employed in the gig economy continuing in this sector. The estimated model shows that women are more likely to remain in the gig economy, although this finding is statistically significant at the 90% confidence level. Similarly, individuals with higher education levels show a higher likelihood of continued employment in the gig economy, with significance at the 90% confidence level. Additionally, the model indicates that individuals previously employed in informal jobs are likelier to stay in the gig economy. This suggests that the gig economy may be seen as a preferable or more stable option compared to their former informal roles.

Column 3 of Table 3 delves into the transition probabilities for individuals moving from the gig economy to traditional sectors. The results indicate that women are marginally less likely to make this transition. Regarding age, we do not find any significant association. Additionally, the model shows that individuals previously employed in informal jobs are less likely to transition to traditional employment. This suggests that gig jobs serve as a buffer or an intermediary step for those seeking to escape the instability of informal work but not yet accessing traditional employment.

Column 4 of Table 3 explores the transition probabilities for individuals working in the gig economy transitioning into unemployment. The results indicate that women are more likely to transition into unemployment than their male counterparts. The model also shows that individuals with higher education levels are more likely to transition from gig work to unemployment. The results further indicate that immigrants are less likely to move from gig work to unemployment, suggesting that gig jobs may serve as an employment buffer.

Column 5 of Table 3 explores the transition probabilities for unemployed individuals transitioning into the gig economy. Specifically, being female markedly increases the likelihood of moving from unemployment into gig employment, suggesting that gig jobs may offer an accessible entry point for unemployed women. Additionally, individuals with higher education levels are more likely to transition from unemployment to gig employment, suggesting that higher education seems valuable in the gig economy.

6. Discussion and conclusions

This article explores how individuals transition into and out of the gig economy in an emerging economy characterized by significant levels of informality. We show that while gig jobs offer some stability, they are often temporary and characterized by substantial turnover. To the best of our knowledge, this is the first article documenting this dynamic phenomenon quantitatively within the gig economy of a developing economy.

Despite this bridge, the transition rate from unemployment to gig jobs remains low. Consequently, as shown in the literature, the low transition rate from unemployment to gig jobs might indicate substantial barriers such as skill mismatches, restricted access to necessary technology, or insufficient awareness of opportunities within the gig economy.

The explicit role of informality, pervasive in emerging markets, is a crucial aspect of our study. Our findings support the idea that gig economy labor relations incorporate gig workers into a precarious "new global underclass" (Gray and Suri, 2019) for at least two reasons. First, we find that individuals previously in informal jobs are more likely to enter and remain in the gig economy, suggesting that gig work may not substantially improve their employment stability or quality. This supports the idea of a precarious underclass, as these workers continue occupying unstable and insecure positions without transitioning to more stable, traditional employment. Second, the finding that individuals in gig work have a higher likelihood of moving into unemployment than into more stable traditional jobs could also be seen as supporting the concept of precarity, as it suggests a lack of long-term security and sustainability in gig jobs.

However, our findings also challenge the view that the gig economy merely contributes to employment precarity. The results indicate that gig jobs can serve as a stepping stone for

those looking to escape the instability associated with informal work. They provide certain benefits over complete informality and may even pave the way to more stable employment opportunities, although transitions back to traditional employment are comparatively less common. Furthermore, the attractiveness of gig jobs to individuals with higher education levels suggests that the gig economy can offer valuable opportunities recognized by those with significant human capital. This aspect challenges the notion of the gig economy solely as a trap for low-skill, precarious workers and suggests it also serves as a viable employment option for skilled individuals.

Thus, our results both support and challenge the notion that gig workers form a new precarious class. This underscores the importance of considering the diversity of experiences within the gig economy and the different trajectories that gig work can facilitate. Additionally, our results highlight the benefits of using a longitudinal approach, even from a cross-sectional perspective, to capture these complex insights.

Another novel aspect of our analysis is the investigation of how gig jobs relate to traditional employment, addressing the question of "how gig work relates to other employment" suggested by past research (Shaw et al., 2023). Rather than focusing on part-time gig workers, we examine workers whose main work is a gig job and their transitions into and out of the gig economy to traditional employment. We find that individuals working more than 20 hours per week in the traditional sector are less likely to transition to gig employment. This suggests that gig jobs are more appealing or accessible to those engaged in part-time or less stable roles. The flexible working hours often associated with gig jobs may attract individuals who cannot commit to full-time hours due to personal circumstances or preferences. Additionally, those in less stable traditional roles might view gig employment as a more desirable alternative due to dissatisfaction with their current jobs or the perceived benefits within the gig sector, such as autonomy or task variety. We leave the task of exploring this hypothesis to future research.

Another relevant finding involves gender-based differences. While past research finds a predominance of male workers in the gig economy (e.g., Hoang et al., 2020; Shaw et al., 2023), we find that women are more likely to enter and remain in the gig economy, especially from states of unemployment. This indicates that in the Chilean context, the gig economy may be serving as a more accessible or suitable employment avenue for women, who may prioritize flexible working conditions due to caregiving responsibilities or other personal commitments. However, our analysis also implies that the gig economy also subjects women to increased risks of instability and job insecurity as we find that women are more likely to remain in gig jobs than men, suggesting that while these roles provide necessary employment opportunities, they may also trap women in lower-quality, less stable job conditions. Moreover, the higher likelihood of women transitioning from gig work to unemployment underscores a vulnerability specific to this group, suggesting that the gig economy offers immediate employment opportunities and does not necessarily provide long-term job security or career progression.

Our study shows that transitions into and out of gig work are significantly influenced by education, among other variables, indicating that the gig economy tends to benefit highly educated individuals. Thus, our findings reinforce the conclusions drawn in studies

conducted in the U.S. and other countries and platforms, demonstrating a consistent pattern across different contexts.

Despite its contributions, our study has some limitations. First, the findings are specific to Chile's unique digital platforms and labor regulations. This may limit the applicability of our results to other countries with different economic conditions and regulatory frameworks. Further research is encouraged to explore these dynamics in other contexts. Nevertheless, our findings could be relevant to regions with significant informal work, such as Latin America and Eastern Europe. Second, our approach adopts a cross-sectional analysis, which, while insightful, may not fully capture the dynamic nature of labor transitions within the gig economy, which is characterized by rapid changes in employment statuses, as this article shows. Future studies should consider longitudinal methods to better track and understand these transitions and their implications for workers' experiences and career paths. Third, while our dataset comprises data from 133,501 workers in the Chilean labor market, the low prevalence of specific digital platforms limits our ability to conduct comparative analyses across various platforms. Since the Chilean National Statistics Office began collecting this data in 2020, future studies with more extensive datasets could enhance our understanding of the dynamics within and across different digital platforms.

In conclusion, while our study provides significant insights into the dynamics of the gig economy, it also highlights the need for targeted policy interventions. Policymakers must address the instability and precarity inherent in gig work to ensure that this emerging sector contributes positively to the broader employment landscape rather than exacerbating labor market challenges. By considering the diversity of experiences and trajectories within the gig economy, policymakers can develop strategies that support the immediate and long-term needs of gig workers, fostering a more equitable and stable labor market.

References

Aleksynska, M. (2021). Digital Work in Eastern Europe: Overview of Trends, Outcomes, and Policy Responses. *ILO Working Paper* 32.

Arriagada, A., Bonhomme, M., Ibáñez, F., & Leyton, J. (2023) The gig economy in Chile: Examining labor conditions and the nature of gig work in a Global South country. *Digital Geography and Society*, 100063.

Bobba, M., Flabbi, L., Levy, S., & Tejada, M. (2021). Labor market search, informality, and on-the-job human capital accumulation. *Journal of Econometrics*, 223 (2), 433–453.

Bosch, M, and Moloney, W. (2010). Comparative analysis of labor market dynamics using Markow processes: An application to informality. *Labour Economics* 17(4): 621-631.

Bosch, M, and Esteban-Pretel, J. (2012). Job creation and job destruction in the presence of informal markets. *Journal of Development Economics* 98: 270-286.

Brewer, R., Morris, M. R., & Piper, A. M. (2016, May). " Why would anybody do this?" Understanding Older Adults' Motivations and Challenges in Crowd Work. In *Proceedings of the 2016 CHI conference on human factors in computing systems* (pp. 2246-2257).

Cahuc, P., Postel-Vinay, F., & Robin, J.-M. (2006). Wage bargaining with on-the-job search: Theory and evidence. *Econometrica*, 74 (2), 323–364.

Carrillo-Tudela, C., & Visschers, L. (2023). Unemployment and endogenous reallocation over the business cycle. *Econometrica*, 91 (3), 1119–1153.

Contreras, D., de Mello, L., and Puentes, E. (2008). Tackling Business and Labour informality in Chile. *OECD Economics Department Working Papers*, No. 607. OECD Publishing. Paris.

Dix-Carneiro, R., Goldberg, P. K., Meghir, C., & Ulyssea, G. (2021). Trade and informality in the presence of labor market frictions and regulations (Tech. Rep.). *National Bureau of Economic Research*.

Dunn, M. (2020). Making gigs work: digital platforms, job quality and worker motivations. *New Technology, Work and Employment*, *35*(2), 232-249.

Dutton, W. H., & Blank, G. (2014). The emergence of next-generation internet users. *International Economics and Economic Policy*, *11*, 29-47.

Elsby, M. W., & Gottfries, A. (2022). Firm dynamics, on-the-job search, and labor market fluctuations. *The Review of Economic Studies*, *89*(3), 1370-1419.

Flabbi, L. and Tejada, M (2023). Are informal self-employment and informal employment as employee behaviorally distinct labor force states? *Economic Letters* 231, 111278.

Fuentes, A. and González, R. (2022). Radiografía a los trabajadores de plataforma digital. Documento N°6. LEAS UAI.

Graham, M., & Woodcock, J. (2018) Towards a fairer platform economy: introducing the Fairwork Foundation. *Alternate Routes*, 29 242–253

Gray, M. L., & Suri, S. (2019). *Ghost work: How to stop Silicon Valley from building a new global underclass*. Eamon Dolan Books.

Haanwinckel, D., & Soares, R. R. (2021). Workforce composition, productivity, and labour regulations in a compensating differentials theory of informality. *The Review of Economic Studies*, 88 (6), 2970–3010.

Hargittai, E., & Micheli, M. (2019). Internet skills and why they matter. *Society and the internet: How networks of information and communication are changing our lives*, *109*(2), 109-124.

Hoang, L., Blank, G., & Quan-Haase, A. (2020). The winners and the losers of the platform economy: Who participates?. *Information, Communication & Society*, *23*(5), 681-700.

Huang, N., Burtch, G., Hong, Y., & Pavlou, P. A. (2020). Unemployment and worker participation in the gig economy: Evidence from an online labor market. *Information Systems Research*, *31*(2), 431-448.

INE. (2022). Estadísticas Experimentales: Plataformas digitales.

Jacobson, L. S., LaLonde, R. J., & Sullivan, D. G. (1993). Earnings losses of displaced workers. *The American economic review*, 685-709.

Jarosch, G. (2023). Searching for job security and the consequences of job loss. Econometrica, 91 (3), 903–942.

La Porta, R., & Shleifer, A. (2014). Informality and development. *Journal of economic perspectives*, 28 (3), 109–126.

Livingstone, S., & Helsper, E. (2007). Gradations in Digital Inclusion: Children, Young People and the Digital Divide. New Media & Society, 9(4), 671–696.

Newlands, G., & Lutz, C. (2020). Fairness, legitimacy and the regulation of home-sharing platforms. *International Journal of Contemporary Hospitality Management*, *32*(10), 3177-3197.

Newlands, G. (2024). 'This isn't forever for me': Perceived employability and migrant gig work in Norway and Sweden. *Environment and Planning A: Economy and Space*, *56*(4), 1262-1279.

Perry, G., Maloney, W., Arias, O., Fajnzylber, P., Mason, A., & Saavedra-Chanduvi, J. (2007). Informality: Exit and exclusion. World Bank Publications.

Schor, J. (2020). *After the gig: How the sharing economy got hijacked and how to win it back*. Univ of California Press.

Sedláček, P., & Sterk, V. (2017). The growth potential of startups over the business cycle. *American Economic Review*, *107*(10), 3182-3210.

Shaw, A., Fiers, F., & Hargittai, E. (2023). Participation inequality in the gig economy. *Information, Communication & Society*, 26(11), 2250-2267.

Shaw, A., & Hargittai, E. (2018). The pipeline of online participation inequalities: The case of Wikipedia editing. *Journal of communication*, *68*(1), 143-168.

Smith, A. W. (2016). Gig work, online selling and home sharing.

Tansel, A., & Acar, E. Ö. (2017). Labor mobility across the formal/informal divide in Turkey: Evidence from individual-level data. *Journal of Economic Studies*, *44*(4), 617-635.

Vallas, S., & Schor, J. B. (2020). What do platforms do? Understanding the gig economy. *Annual Review of Sociology*, 46, 273-294.

Van Deursen, A. J., Helsper, E., Eynon, R., & Van Dijk, J. A. (2017). The compoundness and sequentiality of digital inequality. *International Journal of Communication*, *11*, 452-473.

Weber, C. E., Okraku, M., Mair, J., & Maurer, I. (2021). Steering the transition from informal to formal service provision: labor platforms in emerging-market countries. *Socio-Economic Review*, *19*(4), 1315-1344.

---

[1] Our findings are robust to the use of alternative transitions, such as from t2 to t3, t3 to t4, and so on. However, these analyses involve a smaller sample size, which in turn leads to reduced statistical significance.

[2] It is important to note that this table illustrates the transitions we aim to explain through our model in the next section, rather than representing the actual transition rates in the economy during the period, as the latter would require the use of all available data.

[3] It is important to note that the absolute number of unemployed individuals exceeds that of gig workers, leading to a larger net flow of individuals moving from unemployment to gig work, despite the lower probability.