
The Gig Economy Giant: Investigating the Socio-Economic Impact of Freelancing on Pakistan's Youth

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DOI: <https://doi.org/10.70670/sra.v4i2.2374>

Abstract

The emergence of the gig economy has made youth employment opportunities available in developing countries. Pakistan has one of the highest segments of youth in the world and has become an important player in the global economy by consistently being one of the top freelance-exporting countries. This research paper will examine the socio-economic effects of freelancing in Pakistan based on income, skill gain, employment flexibility, social identity, gender, and other economic transformation indicators. This paper combines qualitative case studies with literature in order to conduct a multi-method research study. This study shows that the economic benefits of freelancing through Pakistan include foreign earnings, decreased unemployment, and the development of entrepreneurship skills. However, it has also led to unsteady income, digital inequality, and labor precariousness. The study also shows that the limited infrastructure, inadequate payment gateways, and restrictive government policies have prevented the freelancing sector from fully developing its economic potential in Pakistan. The study has therefore proposed a set of policies acknowledging existing frameworks of human capital theory, labor market segmentation, and the digital economy in order to address the gaps within the entrepreneurship education system in Pakistan and assist various digital economy partners to diversify and develop economic systems to help empower youth.

Keywords: Gig Economy, Freelancing, Pakistan, Youth Employment, Digital Labor, Socio-Economic Impact, Human Capital

Introduction

The emergence of digital technology, platform capitalism, and the gig economy has completely changed the world of work during the twenty-first century. The gig economy has changed the nature of work and how individuals interact with work worldwide. The gig economy is understood to be one characterized by short-term contracts or freelance work as opposed to permanent jobs. Digital marketplaces such as Upwork, Fiverr, Freelancer.com, and Total connect millions of workers in the sharing economy, enabling participation across previously economically and geographically constrained boundaries. (Alturkey, 2024) ¹

¹ Akhtar, S. (2022). Freelancing as an income generation strategy for urban youth in Pakistan. *Journal of Development Studies Pakistan*, 8(2), 45–67.

Given its demographic trends, Pakistan is well-suited to understanding the socio-economic impact of youth freelancing. With 64% of the population younger than 30 (State Bank of Pakistan, 2023) and a youth unemployment rate of 11.4%, Pakistan must urgently establish economically productive avenues for its demographic dividend. This is recognized in the state-level commitment to freelancing through the 2023 Freelancing Policy and the Pakistan Software Export Board's (PSEB) investments in digital skills. Freelancing ranks Pakistan among the world's top five countries for exporting freelancing, with over \$400 million freelancing income as recorded by Payoneer's Global Freelancer Income Report (2023).²

This market dominance is apparent when considering the numbers, but the impact that freelancing has on the social and economic status of the clientele (mostly Pakistani youth) remains absent from academic discourse. The majority of studies online regard freelancing from an economic standpoint and ignore the social, the structural, and the psychological interrelations of impact on an individual or a household. This paper attempts to fill the gap by giving an extensive review of socio-economics that includes economic and performance data, and the social and institutional variables.³

This field remains largely unexplored, and the specific research questions informing this study are (1) what are the main positives and negatives to freelancing for the youth of Pakistan? (2) What is the impact of freelancing on the social, and more specifically the gender, structures and identity of the youth in Pakistan? (3) What are the obstacles to uptake that remain in the structural and social systems that negatively impact the development potential of freelancing? (4) What are the constraints of policies that cause an economic disincentive, and, at the same time, allow for the inherent social disincentives to exist?

This paper examines the theoretical and empirical literature on the gig economy, youth labor market, and freelancing in the Global South, the analytical framework and research methods provides a detailed analysis and discussion of findings in the economic, social, and structural dimensions.

Literature Review

The Global Gig Economy: Theoretical Foundations

Researchers have used some theoretical constructs to explain the gig economy. Human capital theory (Becker 1964), which explains that education and training are investments that improve productive capacity, can be connected to freelancing, as platforms provide newer avenues where individuals can obtain and/or apply skills outside the traditional education system. On the digital economy and human capital interrelation, Autor (2015), argued that technological advancements create an imbalance in demand of labor that skills fit and that of other labor which emerges with the organization of work. This is a framework that explains the nature of platform-based freelancing.⁴

Labor market segmentation theory (Doeringer & Piore, 1971) provides an added perspective as it distinguishes primary labor markets as the stable and well-paying jobs from the secondary labor markets as the jobs that are flexible and insecure. The gig economy as contended by many,

² Aneesh, A. (2006). *Virtual migration: The programming of globalization*. Duke University Press.

³ Arif, M. (2021). Algorithmic power and Pakistani gig workers: A critical examination of platform labor dynamics. *South Asian Journal of Business Studies*, 10(3), 289–308.

⁴ Autor, D. H. (2015). Why are there still so many jobs? The history and future of workplace automation. *Journal of Economic Perspectives*, 29(3), 3–30. <https://doi.org/10.1257/jep.29.3.3>

Standing (2011), has birthed a new class, the 'precariat', a socio-economic group that is characterized by constant job insecurity, lack of benefits, and absence of a professional identity. This is especially true as regards the Pakistani youth, as they engage in freelancing mostly without social protection, health insurance and pensions.⁵

The more positive interpretations, especially those based on the self-determination theory (Ryan & Deci, 2000) and entrepreneurship theory, point to the positive outcome of freelancing such as self-actualization, flexibility, and autonomy. Authors and scholars such as Kittur et al. (2013) and Horton and Chilton (2010) argue about the impact that crowdworking and other online labor platforms have on widening the access to the global market for the workers in the peripheral economies, in order for them to compete for the valuable contracts that were formerly the privilege of workers in the developed countries.⁶

Digital Freelancing & Developing Economies

The link between the practice of digital freelancing and its implications in development economics is a growing domain of study. Graham et al. (2017), in the first study of its kind, researched online labor in Southeast Asia and Sub-Saharan Africa, and showed that while such platforms created genuine opportunities for income, the majority of workers were unable to participate on an equitable basis because of a multitude of structural imbalances — such as internet accessibility gaps, an imbalance of power between clients and workers, and barriers to entry for first-time freelancers. So, too, in Heeks (2017) study, did the positive 'digital development' prospects for the Global South conceal the dark side of the platform capitalism employed by the international digital labor companies.⁷

The study of South Asian labor markets has addressed the issue of the digital divide for the Global South and more specifically, for South Asia, and especially for that region's youth, whose employment prospects are even more severely constrained. Aneesh (2006), for example, studied the Global South Indian IT professional's navigation of the Global Value Chains, and Mirchandani's (2012) study on the cultural labor required to adjust to the demands of Western clients, also resonated with the experience of most of the Pakistani freelancers who also have to do cultural and communication work in addition to the technical services that they provide.

Freelancing in Pakistan: Current Studies

The body of research on freelancing in Pakistan is small in comparison to other countries, but it is slowly growing. Sheikh and Raza (2020) analyzed freelancing among university graduates in Lahore and Karachi, and reported that for most graduates, freelancing was a secondary occupation, while primary employment was gained through more traditional means. Khalid & Shafiq (2021), investigated women freelancing and in the context of more liberal workplace policies, showed that while international websites did provide opportunities for women to work

⁵ International Labour Organization. (2022). World employment and social outlook: Trends 2022. ILO.

⁶ Khalid, A., & Shafiq, M. (2021). Gender and digital labor: Women's experiences in Pakistan's freelancing economy. *Gender, Work & Organization*, 28(5), 1874–1892. <https://doi.org/10.1111/gwao.12678>

⁷ Horton, J. J., & Chilton, L. B. (2010). The labor economics of paid crowdsourcing. In *Proceedings of the 11th ACM Conference on Electronic Commerce* (pp. 209–218). ACM. <https://doi.org/10.1145/1807342.1807376>

from home, the existing restrictive social customs combined with a lack of mobility still inhibited women's full participation in utilizing the opportunities available on the digital labor platforms.⁸ Reports from governments and organizations provide essential empirical data. The Pakistan Telecommunication Authority (PTA, 2023) indicated, as of 2023, 54.3% internet penetration across Pakistan, although the rural-urban divide persists. PSEB (2022) estimated more than 1.6 million Pakistanis engaged in freelance work, with a significant contribution to the country's foreign exchange. Regarding earning potential, Akhtar (2022) argued that the most skilled, formal freelancers, on average, make between \$200 to \$800 a month. Arkhtar argued this value is higher than most formal sector income in the country.

Despite the aforementioned gains and positive indicators, critiques of freelancing in Pakistan have begun to emerge. Zafar and Hussain (2023) detail the mental health repercussions of client dependency, income volatility and social isolation suffered by Pakistan-based freelancers. Arif (2021) argued platforms create a form of management that utilizes their asymmetrical algorithmic structures to place workers in high risk conditions, while the platforms utilize and capture the majority of the value. Together, these critiques and studies indicate that opportunities notwithstanding, Pakistan's freelancing market is high on structural and individual risks. Now, discussion and analysis will focus on the economic aspects of freelancing, particularly the income, opportunities, and risks.⁹

The most significant socio economic impact of freelancing in Pakistan is developing income generating opportunities, especially for the youth. In formal employment markets this has proven difficult to achieve. As demonstrated in this study, over the last couple of years, freelancing has opened pathways for income generation where formal employment markets have failed to provide at scale. Pakistan is estimated to have a 16% graduate unemployment rate (HEC, 2022) as formal employment markets struggle to absorb a significant number of educated youth amid an increasing mismatch of academic qualifications and labor market demands.

Foreign exchange contribution holds a special macroeconomic significance. Inflows of revenue from freelancing help improve balance of payments for Pakistan and work to ease long-standing current account deficits. The State Bank of Pakistan (SBP, 2023) reported a 26% year-on-year increase for the year 2022-23 for the exports of Information Technology and Information Technology Enabled Services, which include freelancing income channeled through legal means. Freelancers who earn in dollars are like micro-exporters, earning foreign exchange at the household level and furthering the economic endurance of the country.

Income volatility is the critical issue. Freelancing is irregular, and income is impacted by changes to the platform's algorithm, demand, seasonality, and competition in bidding. Zafar and Hussain (2023) reported 42% of Pakistani freelancers surveyed reported at least one month of earning \$0, which is especially dangerous for the youth who do not have family support to fall back on. The reality is worsened severely by the fact that the banks in Pakistan refuse to lend to freelancers since they do not have shooting pay slips and contracts.

PayPal's absence in Pakistan adds even greater pain to an already sad story. Pakistan's Ministry of Finance has said that, in the absence of PayPal's full services, many freelancers have been forced to rely on payment systems that provide suboptimal solutions, such as Payoneer, Wise,

⁸ Khalid, A., & Shafiq, M. (2021). Gender and digital labor: Women's experiences in Pakistan's freelancing economy. *Gender, Work & Organization*, 28(5), 1874–1892. <https://doi.org/10.1111/gwao.12678>

⁹ Heeks, R. (2017). Decent work and the digital gig economy: A developing country perspective on employment impacts and standards in online outsourcing, crowdwork, etc. (Development Informatics Working Paper No. 71). University of Manchester.

and even cryptocurrencies. These systems have high transaction costs, are difficult to operate, and often lead to losses. Roshan Digital Account and other payment systems, developed by the Ministry of IT and telecommunication, have attempts to improve the system of direct payments. However, significant systemic gaps remain. (Ministry of IT and Telecommunication (MoITT), 2022).

Impacts on the Economy and Worker Skills

Freelancing has huge impacts on the creation of human capital. For some members of the community, freelancing has given them opportunities to quickly create and expand their digital skills. For people (especially youth) in Pakistan, they can go to the international job market and gain skills in web development, content writing, digital marketing, data entry, digital design, and digital graphics. According to the survey, 68% of the freelancers surveyed by the Pakistan Software Export Board (2022) said they were learning new digital skills to complete their direct-client jobs. Many people in Pakistan have little or no formal project development and training skills, as many of the formal training programs offered by Pakistan's higher education institutions are often unaligned in vision and plan.

Freelancing also develops an additional form of human capital by instilling an entrepreneurial mindset. Freelancers gain business skills such as cash flow management, client negotiations, and dispute settlements, and learn to set and defend rates. Such capabilities prepare individuals to become formal employees in the IT sector, digital agency owners, or entrepreneurial practitioners. A notable number of Pakistan's technology startups today have founders originating from freelancing, showing the significance of platform-based skill development at the ecosystem level. Freelancing has a social and economic impact in Pakistan, with changes in the structure of society and the economy. For the majority of Pakistani youth, especially those from the low and lower middle levels, freelancing provides an opportunity to climb the social ladder and obtain professional status. This can be achieved with an absence of elite universities, connections, or wealthy relatives. Instead, such opportunities have become accessible through global freelance platforms with client ratings. Participants seek recognition in meritocracies and want to escape social stratification.

Among freelancing's social impacts, gender dynamics present the greatest challenges. In South Asia, Pakistan has the lowest female labor force participation rates. Freelancing provides time-keeping and location-independent employment, which serves as a workaround to mobility and domestic constraints. This explains why in Pakistan, there is a high percentage of female freelancers in the fields of content development, graphic design, and virtual assistance, while web development and programming continue to be occupied by men (Khalid & Shafiq, 2021).

Freelancing has surely increased female participation in the economy, but it has not necessarily challenged the unequal gender systems. Often, women freelancers bear the dual responsibility of participating in the labor market while carrying out domestic tasks. Furthermore, many women carry out their activities with little or no family knowledge or approval. This limits their opportunity to skill themselves, meet with clients, and engage in professional networks (Arif, 2021). For gender challenging to be of a transformative nature, it is not enough to gain access to the platform but to challenge the social order that constrains women's agency to act as full economic actors.

The psychological and social well-being of young freelancers is another dimension that needs to be addressed. Researchers have documented social isolation as a major concern due to the nature of remote digital work and the lack of collegial relationships in the workplace. Plus, the responsibility of working on the platform results in poor ratings, difficult clients, and an unrelenting work cycle, leading to the occupational health issue of work-related stress. Zafar and Hussain (2023) report anxiety and burnout among freelancers in Pakistan, relative to those in the

formal sector. This raises important concerns regarding sustainable self-employment in the absence of reliable mental health support.

Structural and Institutional Barriers

Digital inequities often underpin social inequities. Many essential evaluative components of freelancing as a growing economic system in Pakistan remain unanalyzed. A large portion of rural Pakistan and almost all of semi-urban Pakistan's populations remain unable to access the freelancing labor market and become economically active due to the absence of an Internet and digital infrastructure. As opposed to the semi- and mainly rural regions of Pakistan, the urban regions of Pakistan, like Karachi, Lahore, and Islamabad, enjoy decent and easy access to Internet connectivity. While the digital gap gets wider, so too does the spatial gap of social inequities.¹⁰ The digital work skills of secondary and tertiary education school graduates have not been catered to by a school system in Pakistan's education, despite the fact that teaching and learning methods of digital economy skills have almost closed the gap of participation in freelancing. There is much social inequity in the ability of the school and university graduates to use English to communicate with overseas clients - urban residents with graduated family members have an advantage (Sheikh & Raza, 2020).

The digital economy has also lagged a great deal behind the world of doing business. The absence of both social and structural frameworks for organized labor in Pakistan creates an environment for isolation of representatives of external labor. The 2023 Freelancing Policy, designed by the Pakistani government, constitutes positive progress, but the lack of structural capacity and the absence of experienced personnel in the relevant ministries determine the outcomes of the policy.¹¹

Recommendations

Considering the above assessment, the following key stakeholder recommendations are provided: First, the government of Pakistan should construct rural and semi-urban broadband internet networks through public-private partnerships, spectrum policy adjustments, and low-cost, targeted subsidies for low-income families. Closing the digital gap is essential for equitable freelancing activities.

Second, all universities, vocational schools, and secondary schools should revise their curricula to incorporate and emphasize digital literacy, English language skills, and practical digital competencies (such as coding, design, and digital marketing). This should include greater collaboration, integration, and outcome quality assessments of partnerships with Coursera, Google's Certificates programs, and the PSEB's DigiSkills initiative.

Third, the State Bank of Pakistan and Ministry of Finance must create ad hoc financial products for freelancers, such as income-stabilizing savings accounts, micro-credits with alternative methods of credit assessment (like earnings for an accredited platform), and a tax policy to legitimize freelancing income, which does not impose excessive compliance costs.

Fourth, Pakistan should employ continuous diplomatic and regulatory activities with international payment infrastructure to facilitate PayPal. In the meantime, the government should reduce the

¹⁰ Graham, M., Hjorth, I., & Lehdonvirta, V. (2017). Digital labour and development: Impacts of global digital labour platforms and the gig economy on worker livelihoods. *Transfer: European Review of Labour and Research*, 23(2), 135–162. <https://doi.org/10.1177/1024258916687250>

¹¹ Doeringer, P. B., & Piore, M. J. (1971). *Internal labor markets and manpower analysis*. D. C. Heath.

costs of and simplify transactions through alternative digital payment systems, and consider temporary regulated digital currency systems to facilitate digital cross-border payments.

Fifth, gender-oriented freelancing proposals are needed that provide training for women as well as the tools and resources to create a workspace that incorporates devices, legal education about contracts, and support for social structures. Awareness campaigns designed to enlist male relatives and community leaders are likely to change social attitudes that impede women's engagement in digital work.

Sixth, a rudimentary social protection framework should encompass health protection, including maternity leave, and extend to women freelancers that meet the registration requirements. The social protection systems and National Socio-Economic Registry can be leveraged to broaden coverage for this vulnerable group of workers.

Seventh, multilateral social dialogues should be developed with freelancers from Pakistan to create an understanding of the inequities of algorithms, the unfairness of fees, the disproportionality of disputes, and the systems that ultimately exclude workers from developing countries. The ILO framework of Decent Work for informal platform workers can be employed to negotiate.

Conclusion

For Pakistan, the entrepreneurial drive to become a global leader in freelance services is much needed, and it illustrates the determination of its youth who are willing to adapt to a radically evolving work environment. To an otherwise economically disenfranchised population of young people, freelancing has been able to advance the multiple paths of economic growth, foreign exchange, and human capital. The gig economy, in this case, is a true developmental opportunity; it is a digitally available work resource in an economy where formal jobs are simply an indictment of a coordinated effort to create zero jobs.

Freelancing as a solution to youth employment in Pakistan may receive uncritical praise, but it has its limitations and casts a shadow on other significant social injustices and structural deficits, as well as welfare concerns that may dampen its developmental capacity. Systemic challenges facing the country as a result of freelancing include, but are not limited to, income instability, digital exclusion, regulatory uncertainty, gender-related challenges, and mental health problems. Addressing these challenges requires determined and sustained action.

Within the context of Pakistan, human capital theory, labor market segmentation, and digital economy scholarship explain the contradictions inherent in freelancing outcomes across the youth population. Access to digital infrastructure, the quality of education and social networks, the gender of the individual, and the strength of institutions are factors that define the connection between participation in digital platforms and social outcomes. For an impact to be sustainable and equitable, there should be collective efforts to address these factors on multiple fronts: governance, education, finance, and civil society.

For the socio-economic impacts of freelancing to be addressed in a region and gender disaggregated, country specific, and within context of the evidence, future studies should prioritize the use of primary data, and develop large scale surveys and studies that address relevant socio-economic issues. Lessons to inform policy development for Pakistan can be gained when looking beyond the other top freelance-exporting countries like Bangladesh, India, the Philippines, and Ukraine. Pakistan's development in the 21st century is dependent on its participation in the global gig economy.

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