

Structural Shifts in Singapore's Gig Economy

How Regulatory Headwinds Are Rewriting Platform Unit Economics

Labor Contraction, Margin Compression, and the Future of Platform Work in Southeast Asia

ABSTRACT

The Southeast Asian gig economy is transitioning from a high-growth, VC-subsidized model to a mature, heavily regulated utility. In Singapore, the Platform Workers Act is permanently altering platform unit economics. Compounding this margin pressure is a looming contraction in labor supply, driven by the exit of degree-holding gig workers as regulations eliminate the "fast cash" appeal of platform work. This intersection of rising compliance costs and a shrinking labor pool is triggering margin compression, testing consumer price elasticity, and accelerating industry consolidation.

01 The "Graduate Rider" Phenomenon

To understand the coming labor supply contraction, we first need to examine **who** is actually driving for platforms like Grab and Foodpanda today—and why.

A "Waiting Room" for Displaced Talent

Graduates from Singapore's autonomous universities—NUS, NTU, SMU—overwhelmingly secure corporate roles upon graduation. But the picture is very different for Private Education Institution (PEI) graduates, where fewer than half land full-time permanent positions. For this cohort, the gig economy has functioned as a **temporary holding area**: a way to generate cash while waiting for a "real" job to materialize.

The Psychology of Relative Deprivation

This creates a painful friction. A degree holder earning ~S\$2,500/month as a private-hire driver sits well below the ~S\$4,500+ median starting salary for corporate roles. For these workers, platform participation is not a career choice—it's a **forced survival mechanism** driven by the need for immediate liquidity. The appeal has always been simple: fast, unencumbered cash with zero onboarding friction.

< 50%

PEI Grads in Full-Time Roles
Structural underemployment

~S\$2,500

Avg. Gig Worker Monthly Income
vs. S\$4,500+ corporate median

70,500

Platform Workers Covered
Under the new PWA framework

02 The Regulatory Catalyst: Platform Workers Act

For years, platform operators maintained artificially low costs through **labor misclassification**—treating workers as independent contractors to avoid employer obligations. That regulatory loophole is now closed.

What the Act Does

Effective 1 January 2025, the Platform Workers Act created a new **third category of employment** covering approximately 70,500 workers in Singapore. Platforms are now required to provide **work injury insurance** and make **Central Provident Fund (CPF) contributions** for their workers—obligations previously reserved for traditional employers.

Why This Kills the "Fast Cash" Appeal

By mandating CPF deductions from worker earnings, the policy immediately reduces take-home pay. This directly undermines the core value proposition of gig work for young graduates: **immediate, unencumbered cash**. As this "fast cash" advantage disappears, degree-holding workers will be strongly incentivized to shift back toward formal employment—where CPF deductions are already standard and total compensation is significantly higher.

REGULATORY HEADWIND MATRIX

Regulatory Headwind	2025 Status	2026 Status	Long-Term Target (2029)
Employer CPF Contribution	~3.5%	Scaling Upward	17% (Standard Rate)
Govt Transition Subsidy	100% Offset	75% Offset	0% (Fully Phased Out)
Per-Order Cost Inflation	Absorbed	+8–10%	Structural OPEX Increase

Source: MOM Platform Workers Act Implementation Guidelines (2025–2026)

03 The Margin Squeeze: Second-Order Effects

The core question for operators like Grab and Delivery Hero (Foodpanda) is straightforward: how do you manage a sudden margin squeeze in a high-inflation environment **while your labor pool simultaneously shrinks?**

The 2026 Cliff

With the government's transition subsidy dropping to 75% this year, both platforms' net operational costs and workers' out-of-pocket deductions are increasing at the same time. This dual pressure creates a "margin cliff"—a step-function cost increase that cannot be smoothed through incremental efficiency gains.

Key Data Point: A recent SUSS study highlighted severe financial precarity among gig workers, noting expense-to-income ratios of **112%**—meaning many workers are spending more than they earn. As mandatory deductions further erode take-home pay, the incentive to remain on-platform weakens dramatically.

Labor Supply Contraction

As mandatory deductions eat into take-home pay and degree-holding workers exit the "waiting room," the labor supply will tighten structurally. To maintain fleet sizes, operators will be forced to offer higher baseline incentives—further compressing already thin margins.

Demand Destruction Risk

Food delivery and ride-hailing are **highly price-elastic** services. As platforms attempt to pass rising costs onto consumers through higher fees, they risk meaningful demand destruction. Despite Grab's on-demand services contributing approximately S\$5.2 billion to Singapore's economy in 2023, sustainable profitability remains elusive across the wider sector. For context, Delivery Hero posted an adjusted EBITDA loss of €47 million in Q3 2024 alone.

04 Industry Consolidation and Market Exits

The rising cost floor created by these new worker protections is forcing a fundamental reassessment of long-standing growth assumptions across the platform economy.

Tier-2 Exodus

We are already seeing the first casualties. As of February 2026, **Deliveroo is exiting the Singapore market**. This is a clear signal: operators without dominant market share simply cannot absorb the compounding weight of rising

compliance costs and tighter labor markets. Expect further consolidation as the subsidy phase-out continues through 2029.

The Operational Pivot

To defend their shrinking margins, leading operators are pivoting hard away from subsidy-funded user acquisition. The strategic focus has shifted aggressively toward three vectors: **operational efficiency** (route optimization, dynamic pricing), **vertical integration** (cloud kitchens, grocery), and **autonomous logistics** (reducing structural dependence on human labor). The era of blitzscaling is over.

05 Conclusion: The End of "Growth at All Costs"

The new regulatory environment has fundamentally broken the “growth-at-all-costs” playbook in Southeast Asian tech. The gig economy is rapidly transforming from a decentralized, cash-rich side hustle into a heavily regulated sector with **utility-like margins**.

As institutional safeguards effectively convert platform work into a lower-yield endeavor, the “graduate rider” phenomenon will naturally self-correct—forcing a reallocation of educated human capital back into the traditional corporate ecosystem. For investors and operators alike, the message is clear: in Singapore’s platform economy, the rules of the game have permanently changed.

SOURCES AND FURTHER READING

- Ministry of Manpower (MOM): Platform Workers Act Implementation Guidelines (2025–2026)
- Delivery Hero SE: Q3 2024 Financial Reports and Earnings Call Transcripts
- Grab Holdings: 2024 Economic Impact Report & Singapore Market Share Data
- SUSS & Academic Research: Gig Worker Financial Precarity & Underemployment Metrics (2025)
- Channel NewsAsia / Straits Times: Deliveroo Exits Singapore Market (Feb 2026); The Graduate Rider Phenomenon

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