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Institutional Balancing Mechanisms between Labor Flexibility and Workers' Rights Protection in the Platform Economy

Jingyi Liu *

School of Foreign Languages, Wuhan University of Technology, Wuhan, China

* **Corresponding author**: (Email: 2746806757@qq.com)

Abstract: The rise of platform-based employment has reshaped labor allocation and relational structures by enhancing flexibility while challenging rights protection systems built on stable labor relations. Using flexicurity, institutional balancing, and reregulation as the analytical framework, this study applies qualitative methods to examine the institutional tensions and balancing mechanisms between flexibility and protection in platform labor. The findings indicate that ambiguous labor identity, insufficient social insurance coverage, asymmetries in algorithmic governance and responsibility, and weak organizational capacity are the core dilemmas. To address these issues, the study proposes a multi-dimensional mechanism encompassing legal regulation, social security, platform responsibility, and worker organization, highlighting rule coordination and rights–responsibility matching as pathways to dynamic balance and offering theoretical and policy implications for platform labor governance.

Keywords: Platform Economy; Labor Flexibility; Workers'Rights; Institutional Balance; Governance Mechanisms.

1. Introduction

New forms of employment represented by platform-based work have rapidly developed under the impetus of technology and data, enabling efficient labor matching while reinforcing flexibility in working time, contractual relations, and responsibility allocation. However, this flexibility challenges rights protection systems built on stable employment relations, intensifying tensions between efficiency and fairness. Although existing studies address labor identity recognition, social insurance coverage, and algorithmic governance, they often focus on partial institutional elements and lack a holistic analysis of how flexibility and protection can be balanced within institutional frameworks. This study, drawing on flexicurity theory, institutional balancing theory, and reregulation theory, employs qualitative methods to examine the triggering mechanisms of institutional contradictions, key variables, and their interactions, with the aim of proposing feasible institutional balancing pathways and offering theoretical and policy insights for platform labor governance.

2. Theoretical Framework

2.1. Flexicurity Theory

Flexicurity theory was originally developed in the context of labor market reforms in Europe. Its central proposition is that flexibility and security in the labor market are not inherently contradictory but require compatibility through institutional arrangements. Flexibility refers to the openness and adaptability of the labor market in terms of employment forms, working hours, and contractual arrangements, whereas security concerns the stability and sustainability of workers' employment protection, income stability, social security, and career development. Traditional institutions often pursue efficiency or fairness in a unilateral manner, while flexicurity theory emphasizes balancing the two in order to avoid situations where improved labor market efficiency comes at the expense of weakened worker protections, or conversely, where strengthened protection undermines labor market vitality. In the context of the platform economy, the relevance of this theory becomes particularly evident. Platform-based work, characterized by gig-based arrangements, non-standard contracts, and decentralization, substantially enhances flexibility while simultaneously weakening social security coverage, legal recognition of worker identity, and collective bargaining rights (Liu, Qian, 2025). The resulting tension highlights the analytical value of flexicurity theory in understanding the conflicts between labor flexibility and workers' rights protection, and it provides a foundational framework for exploring their institutional reconciliation.

2.2. Institutional Balancing Theory

Institutional balancing theory emphasizes achieving coordination and stability among multiple institutional objectives through dynamic adjustment. Its basic assumption is that institutional operations simultaneously serve goals such as efficiency and fairness or growth and distribution, which are inherently in tension. Institutional balance is not a static equilibrium but a process of continuous adjustment shaped by multi-actor interactions and institutional tools. In labor relations research, the key issue is how to identify feasible pathways between market efficiency and social protection. Within the organization of labor in the platform economy, the challenge lies in sustaining market flexibility to safeguard innovation vitality while also ensuring basic rights protection for workers through legal institutions, social policies, and shared platform responsibilities. The adoptionof institutional balancing theory helps explain why reliance on either market mechanisms alone or state regulation alone is insufficient to resolve such tensions. It also highlights the need for multi-actor participation and incremental institutional innovation to achieve compatibility between flexibility and protection (Hu, Youze & Liu, Xiaoyan, 2024). Accordingly, institutional balancing theory not only provides an analytical lens but also points to potential directions for the institutional design of platform labor governance.

2.3. Reregulation Theory

Reregulation theory emerged as a critical response to the phenomenon of deregulation, emphasizing that in the context of market liberalization and technological change, the weakening of existing regulatory frameworks often generates new risks and inequalities, thereby necessitating the reconstruction of governance mechanisms by the state, enterprises, and society. In the field of labor relations, reregulation theory reveals that when traditional labor law and social security systems fail to encompass new forms of employment, institutional innovation is required to re-establish the distribution of rights, responsibilities, and governance rules. In the context of platform labor, employment relationships are increasingly atypical and fragmented, with contractual arrangements between workers and platforms remaining ambiguous, thus reducing the effectiveness of existing regulatory frameworks (Ying, Xuyan, 2024). This institutional vacuum has generated new demands for reregulation, which entails legislative reform, policy adjustments, platform self-governance, and the involvement of social organizations to reconfigure the relationships among platforms, workers, and the state. The incorporation of reregulation theory not only explains the institutional gaps arising in platform labor but also provides theoretical support for analyzing how reregulation can enable a balance between labor flexibility and rights protection.

3. Tensions between Labor Flexibility and Rights Protection

In the platform economy, the contradiction between labor flexibility and workers' rights protection has structural roots. Flexibility is reflected in adjustable working time, spatial mobility, and contractual arrangements, lowering entry barriers for workers and reducing costs for employers. Yet this flexibility often depends on informalized labor relations and weakened institutional constraints, leaving workers' legal status ambiguous and limiting access to protections based on traditional contracts. Thus, flexibility and protection erosion emerge as interlinked outcomes.

The main deficiencies in rights protection appear in three dimensions. Labor law relies on stable contracts and subordination, while platform workers are classified as independent collaborators, excluding them from basic protections such as minimum wage and working time limits (Li, Haijian & Li, Lingxiao, 2022). Social security systems, built on standard employment contributions, fail to cover highly mobile workers as platforms evade responsibilities. Furthermore, fragmented governance leaves workers without collective bargaining power, weakening their ability to resist algorithmic control and reinforcing asymmetries in rights and responsibilities.

The core contradiction lies in the misalignment between institutional arrangements and platform governance. Platforms control labor processes through algorithms yet legally treat workers as independent, producing a gap between control and responsibility. State regulation has not fully adapted, creating institutional vacuums in contract recognition, social security, and dispute resolution. Combined with weak worker organization, this imbalance intensifies the tension between efficiency and fairness. Without effective balancing mechanisms, flexibility often undermines rights, while protective measures introduced without institutional innovation risk constraining efficiency. Institutional design that reconciles these competing demands is therefore essential to both understanding and reforming platform labor governance.

4. Case-Based Analysis of Institutional Dilemmas

The contradiction between labor flexibility and rights protection in platform work is not only a theoretical issue but also manifests in frictions across governance units. Comparative analysis of domestic and international practices highlights these dilemmas. In China, platform labor often relies on cooperation agreements rather than formal contracts, creating ambiguity in employment recognition and limiting labor law protections. Social insurance responsibilities are largely shifted to workers, while platforms act as intermediaries, producing asymmetry between control and responsibility. This improves efficiency in the short term but weakens long-term risk protection.

Internationally, disputes over whether platform workers should be classified as employees have led to divergent outcomes: some courts impose employer responsibilities, while others maintain independent contractor status, reflecting variations across legal and policy systems. Overall, workers remain in a gray zone between economic dependence and legal independence, platforms exercise control while evading responsibility, and state institutions struggle with regulatory delays. Such misalignments hinder equilibrium between flexibility and protection. Common policy responses—either strengthening employee classification or redesigning social security rules—face constraints of cost, enforcement, and conflicts of interest. For China, outdated labor law standards, limited social insurance coverage, and weak worker organization reveal significant gaps (Lou, Yu, 2021). Addressing them requires institutional innovation that promotes reregulation and systemic coordination, rather than mere transplantation or incremental adjustments.

5. Institutional Balancing Mechanisms

5.1. Legal Regulation

In platform labor, the lagging and overly rigid standards for recognizing employment relationships constitute a major bottleneck in legal regulation. By expanding the scope of labor law applicability and establishing a new recognition mechanism based on the degree of labor dependence, certain categories of workers can be brought under legal protection without negating flexibility (Chen, Yuting, 2024). At the same time, creating an intermediate legal category between employment and self-employment would allow workers with varying levels of dependence to access differentiated rights and obligations, thereby enabling more adaptive legal regulation.

5.2. Social Security

The social security system is a crucial pillar for institutional balance. Traditional social insurance frameworks are premised on stable employment and struggle to cover highly mobile flexible workers. By introducing contribution mechanisms linked to income, lowering participation thresholds, and requiring platform enterprises to share responsibility for contributions, coverage rates can be expanded (Wang, Tianyu, 2022). Through fiscal subsidies and institutional integration, the state can gradually establish a universal system encompassing diverse forms of employment, thereby reconciling flexibility and protection within the domain of social policy (Xie, Zengyi, 2022).

5.3. Platform Responsibility

Platform enterprises play a central role in the organization of labor, and their governance responsibilities directly affect the effectiveness of institutional balance. In current practice, platforms often evade employer responsibilities by adopting the role of intermediaries, leaving workers' rights in a regulatory vacuum. Clearly defining platforms' obligations in areas such as labor protection, information transparency, and risk sharing can reduce asymmetries in responsibility and strengthen the alignment between platform governance and workers' rights protection (Yin, Zhentao et al., 2022). The fulfillment of platform responsibilities is not only a matter of legal compliance but also of social accountability, and its implementation will directly determine the sustainability of institutional balance.

5.4. Worker Organization

Low levels of worker organization are a key factor underlying the institutional dilemmas of platform labor. Workers in highly fragmented environments lack channels for collective bargaining and interest representation, weakening their bargaining position in institutional interactions. Expanding the role of trade unions and fostering new forms of labor organizations can enhance workers' collective action capacity, thereby injecting bottom-up power into institutional processes. This not only strengthens workers' rights protection but also contributes to the realization of institutional balance (Liu, Jiaxin, 2025).

5.5. Dynamic Pathways to Balance

Legal regulation, social security, platform responsibility, and worker organization do not exist in isolation but interact in the operation of institutions. Constructing a balancing mechanism requires coordination among multiple actors so that the dual goals of efficiency and fairness can be relatively reconciled in dynamic negotiation. The government assumes responsibility for institutional provision and oversight, platforms act as key actors in governance and responsibility sharing, and workers strengthen their bargaining capacity through organization. Together, these elements enable a reregulation process that produces dynamic equilibrium. In this way, the contradiction between flexibility and protection can be gradually alleviated and balanced through institutional innovation and multi-actor governance.

6. Conclusion

This study, set against the backdrop of the platform economy, focuses on the institutional contradiction between labor flexibility and workers' rights protection, and seeks to explore balancing mechanisms at both theoretical and institutional levels. By incorporating flexicurity theory, institutional balancing theory, and reregulation theory, the analysis demonstrates that flexibility and protection are not mutually exclusive, but require compatibility and coordination within institutional frameworks. Through the examination of domestic and international platform labor cases, the study further reveals that ambiguous employment recognition, insufficient social security coverage, the evasion of platform responsibility, and low levels of worker organization are the key obstacles preventing effective resolution of the contradiction, while institutional lag and fragmented governance exacerbate these difficulties.

In terms of theoretical contribution, this study integrates flexicurity theory with institutional balancing theory to construct an analytical framework for explaining contradictions in platform labor. It emphasizes the dynamic equilibrium between labor market efficiency and workers' rights protection and, through the lens of reregulation, underscores both the necessity and potential pathways of institutional renewal. This framework provides analytical tools for understanding the complexity of platform labor and offers theoretical references for future research. At the practical level, the study argues that achieving institutional balance requires multidimensional innovations, including extending the applicability of labor law, improving social security mechanisms adapted to flexible employment, clarifying platforms' governance responsibilities, and fostering worker organization in fragmented contexts. These measures are not independent but must interact dynamically to form institutional synergy, thereby enabling coordination between flexibility and protection.

With regard to policy implications, the study stresses that platform labor governance cannot rely on the actions of a single actor, but must instead be established through the sustained participation of government, platforms, and workers. The state must provide institutional supply and regulatory oversight through legal and policy frameworks; platforms must assume responsibility-sharing and governance transparency; and workers must enhance their bargaining capacity through collective action. Only through such multi-actor cooperation can labor market flexibility be preserved while ensuring the realization of fundamental labor rights, thereby supporting the sustainable development of the platform economy.

This study also has limitations. Given its reliance on qualitative research methods, the scope of case selection and access to materials inevitably constrain the generalizability of findings, and caution is required when extending its conclusions. Future research can proceed along two pathways: first, empirical testing based on measurable indicators such as degrees of dependency and levels of algorithmic governance; and second, cross-national comparisons to explore how reregulation pathways differ across legal systems and social policy traditions, thereby further evaluating the mechanisms and applicability boundaries proposed in this study.

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