The Impact of Supply-side Subscriptions on the Gig Economy

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Abstract

Two-sided gig economy platforms face persistent challenges in retaining a reliable supplier base, aligning service provider availability with customer demand, and mitigating moral hazard. One emerging response is supply-side subscription models, where providers pay a fixed fee in exchange for reduced commissions and priority access to jobs. We study the equilibrium impact of such a model using data from a major Indian at-home services platform that shifted from a pure commission scheme to a two-part tariff in one focal category, while maintaining commission-only pricing in five control categories. The new scheme combines a monthly subscription fee with a lower per-job commission and preferential assignment for subscribed providers. Using a census of transactions, assignments, subscription choices, and provider histories, we construct weekly market-level aggregates for 36 city--category markets over 58 weeks and estimate the impact of the program with a synthetic differences-in-differences design. All outcomes are analyzed at the market--week level. The subscription program induces substantial supply-side sorting: the active provider base in the treated category shrinks by roughly 50\%, as less loyal providers churn following the program's introduction. At the same time, provider-related outcomes improve in aggregate: the share of active providers increases by about 9.5 percentage points, deliveries and revenue per provider rise by roughly 35--36%, and the incidence of jobs with extra payments---a key moral hazard margin---declines by 7.7 percentage points, while average service ratings remain unchanged. On the demand side, the platform raises prices and experiences a moderate decline in job requests and fulfillment, leaving total platform revenue in the treated category approximately unchanged. Overall, supply-side subscriptions can reconfigure the provider base toward more committed providers and improve behavioral outcomes, even when they do not increase short-run platform revenues.

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