

Gig Economy - The Road, the Race, and the Reform!

Authors: Ashmita Godara¹, Simran Swain²

Affiliations:

¹*Ashmita Godara, BA (Hons.) Economics (IInd year), Hansraj College, University of Delhi, New Delhi, India, godaraashmita@gmail.com*

²*Simran Swain, BA (Hons.) Economics (IInd year), Hansraj College, University of Delhi, New Delhi, India, simranswain820@gmail.com*

Mentored by: *Dr. Anurag Kakkar, Department of Economics, Hansraj College, University of Delhi, New Delhi*

ABSTRACT

“A gig economy is a labour market that relies heavily on temporary and part-time positions filled by independent contractors and freelancers rather than full-time permanent employees.” It bridges the gap between permanent traditional jobs and being unemployed. The initial mentions of the term “Gig Economy” were found during the recession when most workers were losing their jobs and hence had to rely on temporary jobs. The sector currently seems very lucrative for workers, corporations, and the economies, like India, battling with slow and jobless growth. Meanwhile, it struggles with high chances of a crash down on the workers’ front. To protect their interests and utilise the potential of the gig economy to the fullest, there is a need to introduce concrete rules and regulations to reduce the possibility of an economic downturn. In this article, first, we try to analyse the prominent challenges on the way and suggest some policies to safeguard the interests of the workers and formalise the sector, which would help unleash the potential of the blooming Indian Gig Economy.

Keywords: Freelancing, Formalisation, Skill Development, Job Security, Gender Equality

Gig Economy - The beginning of a new order

Since the industrial revolution in the late 1700s, work culture has evolved over the centuries with the changing lifestyle choices and job preferences. As the workforce favors an exit from the “9 to 5-5 Days a week” culture to “Work when you want, where you want, and how you want”, freelancing or the “Gig Phenomena” is on a rise. The Gig Economy took off, during the unprecedented shift to the online adoption of working conditions in the grappling Covid-19 lockdown, owing to mass adoption and deeper penetration of internet connectivity. Post-lockdown, the world has witnessed increasing advocacy for healthy work-life balance and feasible regulations in traditional jobs. Consequently, we are witnessing a change in the labour market order in the form of a blooming ‘Gig Economy’, which exhibits minimal barriers to worker entry.

Their addressable customer market is booming, and we bet all of us have for sure consumed their services, at least once. Whether it’s the high-on-demand 10-minute delivery services, the feasible websites we place orders at, or the easily navigable apps, the economy has traversed from the limited specific white-collar to blue-collar profiles. The initial prominences were relevant amongst specific on-demand job profiles, like cleaning, handiwork, shopping, cooking, driving, and landscaping. Over time, platformisation has spread across profiles, like project-specific consultants, logo/content design, web design, and many more.

Digital platforms have successfully replaced the middlemen of the traditional hiring cycles, to connect freelancers with adept job providers. It equips the job-seeker with task ownership, flexibility, preferred number and type of projects, the freedom to choose their quantum of earnings, and thus,

the ultimate work-life balance. The 'Open Talent' economy has enabled job-seekers with multiple income streams, a portfolio of clients, and greater financial security. When asked, 69 percent of workers, who were also parents, favoured the gig jobs because of flexibility. Also, in times of recession, when full-time jobs are scarce, the gig economy acts as a bridge and provides much-needed employment. (Donovan et al.,2016). This economy witnesses an equally positive response from the service providers, which can be attributed to the reduced overhead costs (especially in the non-core sector), prudent ways to meet short-run fluctuations in their product demand, low or no training costs, smoother project deadlines and an upskilled workforce.

Thus, the blooming Gig Economy promotes a symbiotic relationship where both the service seeker and the service provider have equal freedom to look for options that cater to their specific needs.

Gig Economy - A melting pot of opportunities

The size of the global gig economy is expected to grow by a 17% CAGR and generate a gross volume of ~\$455 bn by 2023. In 2018, a gross volume of almost \$204 bn was generated by the digital gig economy from customers worldwide.

The sector-specific growth in developed countries is mainly due to higher rates of digitization, economic development, disposable income, adept labour laws, and a higher inclination toward work independence. According to a report by the McKinsey Global Institute, digital platforms for labour could increase US GDP by 2.3% as well as its full-time equivalent employment by 2.7% by 2025. Out of all the respondents, 85 percent of gig workers will prefer to engage in gig jobs in the next 5 years instead of the traditional full-time roles according to MetLife's 17

Annual U.S. Employee Benefit Trends Study 2019.

The driving factors in developing countries are majorly demographic, given the large number of workers seeking opportunities to employ their talent/ skills. India, today, ranks 7th in the talent pool of graduates in science and engineering, and witnesses a rise in the need for supplemental income, high unemployment amongst the urban youth, the increasing cost of living, growing aspirations of the workforce, and changing mindsets of women engaged in homemaking. India stands at the 5th position in terms of flexi-staffing only after the US, China, Brazil, and Japan. According to a recent report by Niti Aayog, the size of Gig workers in our economy is expected to expand to 23 percent by 2030, along with a shift from medium-skilled to high-skilled profiles. Similarly, Oxford Internet Institute's "Online Labour Index" states, India leads the global gig economy with a 24 percent share of the online labour

market, 37 implying an increasing number of people working as gig workers.

The gig economy opens doors to a whole lot of opportunities both on the micro and the macro front. As mentioned earlier, it helps people to find jobs in difficult times and even earn a passive source of income while working full-time somewhere else. The Indian economy presently witnesses jobless growth, where the GDP is rising but leaving employment growth much behind. In such scenarios, gig jobs help in catering to the unemployed sections of the workforce. It also helps in distributing the wealth more equitably because more and more people are now taking up smaller tasks than one big entity taking it up as one huge piece of work. The flexibility of time and place to work helps in improving the gender gap in employment status. Empirically, it has been established that freelancers, who work from home have more productivity and work more than traditional officegoers. Hence,

the overall productivity of the economy increases.

According to the Brookings Institute, since the labour markets in developing countries remain largely informal, the gig economy can be a digitization of informality. “In developing countries where labour markets are more informal, the gig economy has been the de facto standard for some time”, the Institute reports. The change is not the type of work, but the way work is secured—through apps and various platforms instead of word-of-mouth or paper flyers.

Gig Economy - The roadblock and path ahead

With the accompanying growth of the economy, the workforce has equally diversified, underlining the need for prompt action to safeguard the interests of all the participating segments. Given the prefatory stage of the Gig-economy in developing

economies, and particularly India, it is crucial to introduce advanced regulations and necessary reforms to limit any sort of exploitation across the employed workforce.

The gig workers are at a disadvantage when compared to the traditional work profiles in terms of multiple assurances and protections, such as overtime payments, unemployment insurance, maternity and paternity leave, minimum wage rules, health insurance, disability insurance, employer-sponsored retirement plans, workers’ compensation for injuries, paid sick leave, and the ability to engage in collective action. Employment regulations like the Wagner Act of 1935 and the Fair Labour Standards Act of 1938 came into existence a long time ago and a lot has changed since then, especially how the terms like “employee” and “employer” are seen in the workplace. This evolution of the perceptions of the terms and the working relationship over time has led to a crucial

regulatory void in the system. Hence, companies use the loopholes to escape product-market regulation, competition policy, tax and labour-market policies. Issues such as social security benefits, income-security measures, and training and credentials can serve as the regulatory valve in the formalisation of 'Platform Economy'.

The constraint of development across countries

The Gig economy has witnessed skewed growth across developed and developing segments of the world population. The supply of freelancing services is usually met by low-income nations (India, Philippines, etc), while the demand is usually met by high-income/developed economies. Freelancers in the USA get 75% of their gig work from local clients, whereas in developing nations freelancers get about 90% of their gig work from overseas clients. Since the workers in the USA work for their local clients, their

hourly wages are empirically higher than their counterparts in other nations, leading to a phenomenon of '*Labour arbitrage*' of cheap labour. Thus, it has become significant for developing nations to incentivize their local companies to diversify their workforce using freelancers. A suggestive way to achieve the goal stems from the *issuance of social responsibility certificates for local firms*, as an incentive. The certificates can then be used in assessing the annual performance of the firms and rating them, just as they are now done on the ESG parameters.

The invidious domestic divide

Even the domestic growth stats, confirms *uneven growth across regions in India*. Haryana, Madhya Pradesh, Andhra Pradesh, Gujarat, and Telangana have the most opportunities in terms of growth for the Flexi-workers. Some areas are very well-informed about the whole concept and some don't even know such a thing exists. Issues such as the lack of unity and a

common union for such workers aggravate the exploitation of gig workers. Thus, it is significant to shoulder the “*Platformisation of the Gig Economy*”. A common platform for all the workers would help to pool common concerns, create a conducive environment for onboarding projects, fund support, and incentives, spread awareness about recent developments in the labour policies, and financially empower the segment.

Unequal gender representation

The Indian Platform workers' economy is diseased by *gender discrepancies in onboarding work projects*. While the economy presents a sincerely lucrative opportunity to include women in the workforce with work-from-home and easily accessible opportunities, it is alarming to witness their under-representation, followed by high attrition rates. Higher exit rates among women can be attributed to their income being in the distressed category. Once the untoward financial

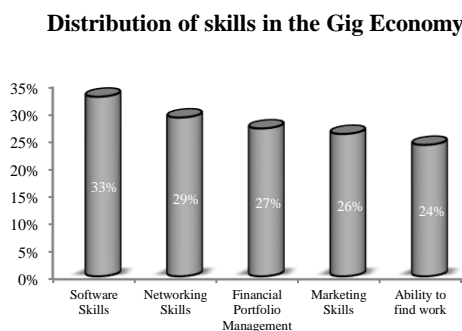
constraints improve, it has been observed women usually exit from the firms, claiming to focus on their household wellbeing. The glaring dissimilarities are underlined by the unequal access to technology by women and men. According to National Family Health Survey-5 data [from 2019-2021], only one in three women have used the internet for the first time, compared to more than half of men. Women need to work harder to build a reputation online though they get two-thirds of the wages of their male counterparts (Barzilay & Ben-David, 2016). The government can enter into *partnerships with Civil Society Organizations* to sensitize women about the available opportunities and facilitate their access to finance and assets. Special focus should be given to upskilling women by encouraging their enrolment in ITIs, STDC (Skill Training and Development Centres), National Skill Development Corporation (NSDC) and similar institutions. The NGOs and women-run SHGs could also

encourage and promote financial awareness amongst women, using a gig work culture.

Skill under-development of our workforce

The skewed growth across economies, regions, and workforce segments, relies on *uneven and unequal skill development and infrastructural opportunities*. Optimized fee, show-casing experience, and certifications and using the feedback can help the freelancers to come out as a brand. (Barzilay & Ben-David, 2016).

Figure-1: Distribution of skills in Gig Economy



Source: Warner, 2020

India, under its *Pan-India incentive of Skill India*, can roll out specific courses and compact modules across its centres, specifically for high-on-demand skills

amongst freelancers. As depicted in the attached figure (Warner,2020), software development (33%), marketing skills (26%), management of financial portfolios(27%), and networking(29%), are specifically on a rising trend. Furthermore, to ensure the consistent flow of income stream, can provide the workers who successfully complete their module after assessment, with skill badges. The assigned *Skill badges* can further be integrated with platforms to certify acclaimed individuals and help them locate better projects. Just as in the case of professions like lawyers or doctors, freelancers can be given the above-mentioned skill badges so as to assure the client of their proficiency can give them better bargaining power and help them formalise their portfolio.

Lack of employee benefits and social security

As the word of freelancing spreads from worker to worker, there has been an *uncertain air* around the credibility and

constant income flow offered by Gig Economy. To encourage gig workers, certain *traditional employee benefits* need to be introduced in the platform economy. Health insurance benefits, paid sick leaves, menstrual leaves for women, and strict work accident insurance policies for the firms relying on delivery services, serve as the significant few. As Spain is set to approve a landmark new law to declare its 8000 delivery rider workers as world labourers, it's significant to formalise the sector by introducing long-term benefit policies and retirement funds, varying across slabs of project commitment and duration of association of the workers with their clients/firms. But providing these benefits to every freelancer, a company associates with, can be very burdensome. Hence, some sort of regulatory criterion should be imposed for being eligible for the benefits. It can be either in the form of a minimum number of years or contracts of the relationship between the two agents or in the form of the value of the contract.

We also need to make sure that the gig sector doesn't end up in the same situation as the informal/unorganised sector. Since the gig economy is on the rise currently, if the government intervenes now, the sector can be shaped into a better, more lucrative and safe space for workers in the long run.

Lack of stringent laws for 'online labour'

Uncertainty of work and income received makes it a less preferable job to enter for a lot of people. Additionally, there is also an edge for the companies over the workers, especially in a country like India where the supply of labour is much more than the demand. Hence, exploitation is a very big possibility. To eliminate this risk, some provision of a minimum wage should be introduced based either on the level of skills, rating by the previous client, the number of contracts honoured to date or a uniform rate for all the workers in a sector. As seen in the case of companies like Uber and Ola, the drivers are paid very less for each ride, the government should see to it

that such things don't happen again and that the interests of the workers are secured. The workers should be given some annual allowance to sustain themselves against the business cycles. It will add a huge fiscal burden on the government, but some schemes like the already functional MGNREGA can be formulated for the gig workers. And for such a scheme to come to reality, collected data of the workers is a necessity.

Lack of formalisation of the Gig Economy

The lack of formalisation in the Gig Economy has led to issues of payment *protection* for freelancers after the successful delivery of work. The lack of security terminals has led to the exploitation of the workers at the grassroots level, even in the form of underpayments. To ensure working protocols, *legal contracts and platformisation of freelancing* (maintenance of the work details on the website) should be mandated, to avoid any payment espionage.

Lack of job openings for Gig workers

The *number of job openings for gig workers is unusually low* in corporate opportunities.

The trend can be attributed to maintaining the confidentiality of data and obtaining intellectual property of the products/services rendered by freelancers. The freelancers are at risk of working for several competitors at the same time putting their confidential information at a risk, as there is no "non-compete" clause in casual work arrangements. Hence, employing people on a short-term basis at crucial positions could be a cause for concern, and hence, profiles entrusting back-end tasks. A possible solution could be found in *legalising strict contracts with the contract workers, utilising firewalls, access control, and intrusion detection* to avoid uneven job openings available for gig workers and traditional workers.

Gig Economy - The Change rolls on

Since the gig economy is in a very nascent stage in India and is set to grow, it is critical to examine the shortcomings of the sector

and indeed favourable developments. This article examines the important roles of stakeholders in the gig economy and highlights how various factors affect the growth and importance of the gig economy in the Indian context. The gig economy offers many opportunities to gig workers and corporates but the sector mainly suffers because of the lack of a common platform and a union, job security and allied social security benefits. There is also a need to provide certifications/acknowledgements to the workers based on their skill proficiency. To tackle all the issues, the article has suggested some policies, like collecting the data of all the workers in one place, providing job security benefits, and formalisation of the sector.

The gig economy is here to stay, and the future will witness more gig work. It's crucial for the authorities to analyse the downturns and implement visible solutions for the better utilisation of the opportunities

presented to us in the form of this flexible work culture.

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