

Gig Economy: Challenges and Opportunities in India

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ABSTRACT

This paper examines the opportunities and challenges that come with the fast growth of Gig economy. Gig Economy is a way of working that is based on people having temporary jobs or doing separate pieces of work, each paid separately, rather than working for an employer. According to global freelancing and crowdsourcing marketplace Freelancer.com, India is one of the top countries in the world where gig economy culture is on the rise. India is witnessing top trends in Gig economy: Retired population is engaging in Gigs, Blockchain-based payment system, the emergence of Blockchain-based marketplaces, technology takes over hiring and established companies are hiring more contractual employees. Gig economy has various benefits for the economy, cushioning unemployment, improving labour force participation, stimulating demand, and raising productivity. Consumers and organizations could benefit from the greater availability of services and improved matching that better fulfils their needs. It also comes with a lot of challenges: It bids down wages. It makes working lives episodic. It displaces risk on to ordinary people, a source of growing stress and mental ill health. Gig work does not come with pensions, sick pay, holiday entitlement and parental leave. Mortgage companies are wary about lending to people with insecure work. The paper also discusses the recommendations for government, individuals and companies to help them leverage the benefits of Gig economy.

Key words: *Gig Economy, Fourth industrial revolution, independent work, Blockchain*

I Introduction

The world has already entered the era of fourth Industrial revolution, in which computers and automation will come together in an altogether a new way, with robotics connected remotely to computer systems equipped with machine learning algorithms that can control the robotics with minimum human support. (Marr, 2016) The digital revolution is creating radically new approaches that revolutionize the way in which individuals and institutions engage and collaborate. The fourth industrial revolution brings with it exciting possibilities, new solutions to global challenges, and employment opportunities for jobs that have yet to be invented. At the same time it comes with the potential for technological unemployment that drives downward pressure on income security and social agency while society adapts to the new normal (Martin, 2017) As entire families of work activities get increasingly automated, the implications on the global economy are manifold – changing nature of work, job roles being re-defined, a certain class of job roles becoming redundant leading to growth in new occupations and new roles. These changes are ushering in a new age of learning – continuous, agile and on-the-go, both urgent and imperative for the current workforce and the emerging pipeline of talent.(EY report) These momentous changes has led to establishment of Gig economy where people are engaged in jobs that do not require 9 to 5 commitment i.e. people engage in independent work.

After developed countries, this trend is emerging in India also. Faced with demographic advantage, technological advancements, expansion of digitisation, the very definition of labour is evolving. The overall job landscape in the country is evolving rapidly. Current job surveys that focus on employment in the traditional sectors no longer provide an accurate representation of job creation. Growth of e-commerce and technology-based sectors is leading to the creation of new job ecosystems, which are becoming a large sources

of employment. Informal employment in sectors such as infrastructure and retail is extremely large and continues to rise. (EY report)

The popular concept of work as a traditional 9-to-5 job with a single employer bears little resemblance to the way a substantial share of the workforce makes a living. Millions of the self-employed, freelancers, and temporary workers—as well as individuals renting out rooms on Airbnb, driving for Uber, or selling goods on eBay—are part of a significant trend that we call “independent work.” (Mckinsey 2016) This way of working is referred to as Gig economy.

Cambridge dictionary defines Gig Economy as ‘a way of working that is based on people having temporary jobs or doing separate pieces of work, each paid separately, rather than working for an employer.’ Gigs’ are piece of work or tasks done for different clients over a stipulated period. With the growth of e-commerce and start-ups, Gig economy and freelancing is growing at a fast rate in India. In order to reduce the costs of keeping a permanent employee, firms are preferring freelancers or contractual workers.

Youth is also preferring to engage in ‘independent work’. A steady flow of work, flexibility, learning opportunities, and better work-life balance are the main factors why many are ditching corporate jobs and opting to do Gigs. A study by Paypal has revealed that one in four freelancers belong to India and 41% of Indian freelancers have seen growth in the past one year. Another industry report says that Gig economy in India has the potential to grow up to \$20-30 billion by 2025. (Proschool online)

Independent work has three defining features: a high degree of autonomy; payment by task, assignment, or sales; and a short-term relationship between worker and client. Independent work is rapidly evolving as digital platforms create large-scale, efficient marketplaces where workers connect with buyers of services. While this digital transformation unfolds, several other forces may fuel growth in the independent workforce: the stated aspirations of traditional workers who wish to become independent, the large unemployed and inactive populations who want to work, and increased demand for independent services from both consumers and organizations. (Mckinsey, 2016)

According to global freelancing and crowdsourcing marketplace [Freelancer.com](https://www.freelancer.com), India is one of the top countries in the world where gig economy culture is on the rise. According to EY report, India is emerging as the third largest online labour market. Online Labour Index survey 2016 shows that India-based employers represented 5.9% of all projects/tasks posting for online labour of which 45% were for software development and technology projects. This trend suggests the changing nature of employment in the IT-BPM sector. Thus, this paper examines the opportunities and challenges that come with the fast growth of Gig economy.

II Review of Related Literature

Kathuria R, Kedia M, Varma G, Bagchi K, Khullar S (2017) in their work “**Future of Work in a Digital Era: The Potential and Challenges for Online Freelancing and Microwork in India.**” assesses the growth of Microwork and Online Freelancing in India, an opportunity to work independently and temporarily by the rise of web-based platforms that are pairing talent with businesses. Online Freelancing and Microwork have evolved as rewarding prospects of what is primarily India’s informal labour market. Along the continuum of rudimentary to complex business processes, the digitally enabled labour force finds opportunity for employment and maximising productivity. The study finds out that online platforms are constantly innovating to increase participation of freelancers in this steadily expanding ecosystem, including training facilities that ready its users for technological developments. Platforms have also acknowledged teething issues related to payments, bidding and navigating websites – algorithmic upgradations are targeted towards simplifying the use of platforms for clients and freelancers.

Tyagi, Akansha (2017) in her paper “**GIG Economy and Its Impact on India**” The study discusses the scenario of independent workers in Indian context. It also examines the regulatory restrictions impacting independent workers and the impact of gig economy on Indian Labour market. According to the study the concept of gig economy will bring the three challenges: Legal or Regulatory Uncertainty, a Corporate Culture Unreceptive to part-time and Contingent Staff and lack of Understanding among Leadership. The study recommends **having a mix traditional job descriptions into skills-based gig workers, revamping employee policy assessments and evaluations and bringing effective reforms in their labour laws.**

Mckinsey Global Institute. (October, 2016). In their report ‘**Independent Work: Choice, Necessity and the Gig Economy**’ reveals that 20 to 30 percent of the working-age population in the United States and the EU-15, or up to 162 million individuals, engage in independent work. This is based on analysis of existing data as well as an extensive MGI workforce survey across six countries. According to the report, Independent work has three defining features: a high degree of autonomy; payment by task, assignment, or sales; and a short-term relationship between worker and client. The report discusses the benefits that Independent work could have for the economy: cushioning unemployment, improving labour force participation, stimulating demand, and raising productivity. Consumers and organizations could benefit from the greater availability of services and improved matching that better fulfills their needs. Workers who choose to be independent value the autonomy and flexibility. Despite its benefits, independent work involves some trade-offs. There is more work to do on issues such as benefits, income security measures, access to credit, and training and credentials. Some of these may call for policy changes; others could be solved by innovators and new intermediaries.

Ernst & Young (EY) in their report ‘**Future of jobs in India: A 2022 perspective**’ examines five sectors in detail (IT/ITES, retail, financial services, textile & apparel and auto). It analyzes the impact of three primary forces – globalization, demographic changes and the adoption of exponential technologies by companies in India. It takes an informed view of the future based on hypotheses developed through secondary research and their validation by experts, industry leaders and academicians through primary interactions. According to the report, the future of jobs in 2022 in India will be determined by the country’s response to the inevitable impact created by the interplay of three primary forces - globalization, demographic changes and the adoption of Industry 4.0 exponential technologies by Indian industries. The impact of these three primary forces is expected to be disruptive on sectors such as IT-BPM and BFSI and relatively lower on core manufacturing sectors such as apparel and leather.

III India as Gig Economy

Gig economy in India is growing at a fast rate. Proschool Online discusses the top 5 trends that the Gig economy in India is witnessing:

(1) Retired population is engaging in Gigs: after retirement, many people are getting engaged themselves in contractual jobs as it provides them flexibility. People are even involved in reskilling themselves to be ready for new market place.

(2) Blockchain-based payment system: One of the biggest problem faced by the independent workforce in India is the payment issue. There is hardly any transparency in the amount and mode of payment received. Many centralized online marketplaces like Fivver, Upwork and Freelancer.com charge fees from the freelancers to the tune of 5% to 10%. Blockchains and cryptocurrencies are also being used for payment settlement.

(3) The emergence of Blockchain-based marketplaces: Digital market places are helpful in connecting freelancers with the employers. These marketplaces list new gig workers, help them put up their profile along with the reviews.

(4) Technology takes over hiring: Technology has made it possible for staffing agencies and companies to collect deep data on gig workers and evaluate it. Today, Artificial Intelligence helps recruiters to study the working pattern and capabilities of freelancers and match it with specific project need. With extensive data and analytics, companies will be able to choose the right kind of the worker for their projects.

(5) Established companies to hire more contractual employees: A survey by Flexing IT, an online marketplace for consultants, shows that in 2016, 50% of the demand came from start-ups, while 20% of the demand came from larger corporations. In order to reduce the costs, established firms are also looking for contractual workers.

Overall Gig economy in India is set to grow. According to an EY report, Indians are embracing various kinds of employment in an on demand/gig economy:

- Freelancing
- "Uber" models
- Entrepreneur/self-employment models within a job ecosystem of an ecommerce company
- Technology-enabled knowledge service provision in development sectors

The rise in Gig economy in India can be attributed to the three key megatrends (EY Report) that are driven by demographic change are:

- Rising middle-class
- High proportion of young population
- Increasing urbanization

IV Opportunities and Challenges

India is fast growing as Gig economy. Large English speaking population, and well growing IT sector has helped in developing environment of independent work and thus Gig economy. However there are Opportunities and Challenges that come with it.

Opportunities

Technological advancements and advent of Artificial Intelligence has huge potential to cause job destruction. It could be converted into an opportunity through online freelancing and microwork in which at least some percentage of the millions of new and young entrants to the labour force could find livelihood opportunities. It affords an opportunity to the vast pool of informal labour in the country, especially women. The flexibility offered by the platforms could fit in well with the demands of an evolving society that is looking for fulfilling and independent opportunities of livelihood that involve working some of the time. (Kathuria R, Kedia M, Varma G, Bagchi K, Khullar S (2017)) Independent work could have benefits for the economy, cushioning unemployment, improving labour force participation, stimulating demand, and raising productivity. Consumers and organizations could benefit from the greater availability of services and improved matching that better fulfills their needs. Workers who choose to be independent value the autonomy and flexibility. (Mckinsey 2016)

Some of the Opportunities and advantages are discussed as follows:

1. Reducing unemployment: India as a developing country is faced with challenge of providing employment opportunities to all. Gig economy has expanded the availability of jobs and improved labour force participation due to flexibility of timings.
2. Reducing cost: Employers can eliminate inefficiencies and lower costs by introducing a dual job market within their organisation, which is a combination of high paid commitment employees and lower paid freelance workers. Fortune 500 companies are now leveraging online freelance platforms to source specialised talent. Some Indian companies find that processes of conventional staffing do not always align with their operations. Case studies of Fortune 500 companies reported that while previously the teams determined what work was performed, work now determines the composition of the team. Moreover, while companies previously made a choice between freelancers and permanent employees, these options now coexist. (Kathuria R, Kedia M, Varma G, Bagchi K, Khullar S (2017))
3. More women can enter workforce: Facilitating embracing of the gig economy would also open new doors for more women to enter the workforce. Educated skilled women who are unable to continue a full time employment within the corporate world could leverage new ways of working to achieve relevant sources of income. This could also mark an important means to improve India's GDP. (EY report)
4. Flexible work arrangements: Many skilled workers are adopting independent work and flexible work projects as it gives them time for other important engagements like higher studies.
5. Allocate work to right person: With advent of Artificial intelligence, it has become possible for machines to choose right people for each profile. It can help in improving productivity of organisations.

Challenges

A sector that holds promise is also fraught with challenges, both social and regulatory. The latter is only to be expected since online freelancing and microwork are a relatively new phenomenon with significant bearing on the functioning of labour markets. On the social side, a typically deep seated hindrance to growth is the general perception related to online freelancing. A stakeholder mentioned how freelancers were treated "second grade" to individuals with permanent jobs in the Indian society. The stability and security of a traditional "9 to 5" job is still seen to be a superior option among the older generation. This apparent stickiness in mindset can have adverse future effects on the freelance market. This perception is often reinforced by the irregularity in income for freelancers - in certain cases they have to go without work for several months (Kathuria R, Kedia M, Varma G, Bagchi K, Khullar S, 2017). The case against the gig economy is well known. It bids down wages. It makes working lives episodic. It displaces risk on to ordinary people, a source of growing stress and mental ill health. Gig work does not come with pensions, sick pay, holiday entitlement and parental leave. Mortgage companies are wary about lending to people with insecure work. Gigs are one-to-one relationships between the contractor and the contractee – easy to abuse and hard to monitor. They are also tricky environments, at least using conventional means, in which to organise trade unions. (World Bank, 2016)

V Recommendations

Recommendations for the companies

Gig economy has benefits for the individuals as well as for the companies. Companies should create the environment and HR platforms to involve with the 'independent workers' Companies can use the online economy approach to leverage the competencies of the potential laid off workforce: As the industries deploy

exponential technologies to address their inefficiencies and build more competitive business models, it is bound to slow down their hiring and lead to layoffs. Companies can set up counselling, mentoring and reskilling mechanisms to support the laid off workforce to develop them as gig/online workforce or entrepreneurs. Their existing competencies can be leveraged in servicing legacy systems. Their individual reskilling efforts can be supported through providing access to company training modules and their newly acquired capabilities used to support the companies resource capacity ramping and utilization strategies (World Bank 2016)

Recommendations for the individuals

In the dynamic work environment, individuals should keep on upskilling or reskilling themselves. Individuals have to realize that the current model of formal learning up to the age of 20 - 25 years and then working and experiential learning for the rest of our lives is gradually being upended. They need to take responsibility for making their own lives relevant and enriching in the new economy. They need to take advantage of the enabling ecosystem that the Government and the companies they work for are providing in terms of learning opportunities.

Embrace the online economy: It is imperative for individuals to realize that the age of working a quarter of a century in a company or a number of companies may be coming to an end. Tomorrow's work arrangement could be a combination of employee arrangements interspersed with gig working models. They need to understand the importance and evaluate the benefits of contractual labour/project based work arrangements. These new ways of working should be considered as relevant as any other type of employment and considered as the primary source of income. This would also have its impact on society, which values stability in work. (World Bank, 2016)

Recommendation for the Government

Government can play a significant role in reaping the benefits of Gig economy. It must remove barriers for regulating the market. Organisations should be given freedom to hire contractual workers. At the same time, it is role of government to safeguard interests of contractual and independent workers. Gig Workers and contractual workers must be given protection through minimum wages, maternity benefits and other welfare provisions just like regular workers. For the same, appropriate labour laws must be formulated. Tyagi, Akansha (2017) recommends having a mix traditional job descriptions into skills-based gig workers, revamping employee policy assessments and evaluations and bringing effective reforms in their labour laws. Government in collaboration of educational institutions and industry must generate pool of well trained workers. Basic IT skills and fluency in English will help generate employment in the world economy. India through its 'Skill India' program is working in this direction. Along with training programmes, raising awareness by running workshops and advertisements can motivate potential workers to upskill or reskill themselves to suit the needs of new technological requirements. Basic infrastructure like computers and the internet can be provided to potential workers along with basic training on how to register, get paid on online platforms.

VI Conclusion

In the new era of fourth industrial revolution, Gig economy is on rise and it has potential to bring huge amount of benefits for developing countries like India. Challenges can be converted into opportunities with the help of collaboration between Government, workers and educational institutions. Government policies and labour laws will go a long way in deciding scope of Gig economy in India. Individuals also must be ready for lifelong learning as they will have to upskill or reskill themselves in the changing environment.

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