



COVID- 19 and India's Gig Economy

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Abstract:

The outbreak of the Covid-19 pandemic is an unprecedented shock to the Indian economy. The economy was already in a parlous state before Covid-19 struck. With the prolonged country-wide lockdown, global economic downturn and associated disruption of demand and supply chains, the economy is likely to face a protracted period of slowdown. The magnitude of the economic impact will depend upon the duration and severity of the health crisis, the duration of the lockdown and the manner in which the situation unfolds once the lockdown is lifted slowly and steadily. The pandemic-induced remote working has blurred the age-old scepticism over the efficiency and dependability of contractual or part-time employees, with companies increasingly looking to hire gig workers. This paper is an attempt to describe the state of the India's gig economy and its effective spread in recent times.

Keywords: COVID-19, Indian Economy, Gig economy, Pandemic.

I.Introduction

We are in the middle of a global Covid-19 pandemic, which is inflicting two kinds of shocks on countries: a health shock and an economic shock. Given the nature of the disease which is highly contagious, the ways to contain the spread include policy actions such as imposition of social distancing, self-isolation at home, closure of institutions, and public facilities, restrictions on mobility and even lock-down of an entire country. These actions can potentially lead to dire consequences for economies around the world. In other words, effective containment of the disease requires the economy of a country to stop its normal functioning. This has triggered fears of a deep and prolonged global recession.

Beyond disrupting our lives, health, and social interactions, the pandemic has also severely impacted the livelihoods for millions of people – and especially those in low-income jobs. Traditional notions of work and workplace were upended, and new forms of work emerged as a result. That said, it is easy to forget that even before the onset of the COVID-19 induced lockdowns in India (and much of the world), they were already in a flux with the emergence of technology-enabled platforms and services. In the past decade alone, the advent of the now ubiquitous ridesharing apps and delivery platforms have brought terms such as ‘flexible work’, ‘gig work’, and ‘sharing economy’ into the mainstream. On-demand task-based work is not new to India – it has always existed in various forms in our large informal economy often operating through word-of-mouth and personal networks. Now with technology bringing many services to our mobile devices and fingertips, ‘gig platforms’ are meeting existing and new demand, while creating millions of jobs in the areas where they operate.

‘Gig economy’ is among the most widely used terms in the business world today. While gig work (which broadly comprises work delivered on-demand with little to no formal contracting) has been around for a long time, it has gained momentum recently with the success of platform-based companies like Uber (in ridesharing), Swiggy (in food delivery), and Urban Company (in personal services, home renovations and repair).

II. Rationale of the Study

The COVID-19 pandemic has altered the way businesses operate as many companies have realised the advantages of remote working on stressed cash flows. The pandemic-induced remote working has blurred the age-old scepticism over the efficiency and dependability of contractual or part-time employees, with companies increasingly looking to hire gig workers. Despite speedy penetration of the gig economy into specific areas, a comprehensive guide on its potential across all sectors of India’s economy was missing. It was in this context, that this paper tries to explore the gig economy’s potential and shed light on its dynamics and opportunities for action. The intent is to build a narrative that could equip leaders, policymakers, and platforms with the necessary data and insights to unlock economic impact via the platforms, while also creating livelihood pathways for low income workers.

III. Objectives of Research:

1. To understand the overall state of India’s economy in the backdrop of COVID-19.
2. To understand the growth potential of India’s gig economy.

IV. Literature Review

Today, thanks to the emergence of technology-enabled gig work platforms, over 200 million people are considered part of the gig workforce globally. Research studies have also indicated that participation in the gig economy is higher in developing countries (between five and 12 percent) versus developed

economies (between one and four percent); and most of these jobs are in lower-income job-types such as deliveries, ridesharing, microtasks, care and wellness.

As per a report by ASSOCHAM, India's gig sector is expected to increase to US\$455 billion at a CAGR of 17% by 2024 and has the potential to expand at least 2x the pre-pandemic estimates. In another estimate, India is likely to have 350 million gig jobs by 2025, presenting a huge opportunity for job seekers to capitalise and adapt to the changing work dynamics.

At present, India has a pool of ~15 million freelance workers staffed in projects across IT, HR and designing. In addition, India's workforce is growing by ~4 million people annually. And as most of them are young millennials, they are showing an increasing preference for gig contracts. This trend is expected to significantly impact gig economy in the near future.

India's workforce today is estimated to comprise around 500 million workers, of which around 210 million are engaged in the agriculture and allied sectors, and the remaining approximately 290 million in the non-farm sectors that include construction and real estate (62 million), manufacturing and utilities (60 million), retail (47 million), and transportation and logistics (25 million). Based on these inputs, we estimate that the gig economy has the potential to service up to 90 million jobs in India's non-farm economy alone, transact over USD 250 billion in volume of work, and contribute an incremental 1.25 percent (approximately) to India's GDP over the long term.

A 2020 survey by Flourish Ventures highlighted that ~90% Indian gig workers lost their income during the pandemic. While they earned >Rs. 25,000 per month before the pandemic, by August 2020, ~9 in 10 were earning <Rs. 15,000 per month and >33.3% were making ~Rs. 150 per day or less. Due to this lost income, many workers were forced to take drastic steps to make ends meet such as 44% borrowed, 45% reduced their essential expenditures and 83% used their savings.

According to the survey, India stands to lose ~135 million jobs because of the pandemic and this is likely to push the full-time workforce towards the gig economy. Moreover, many laid-off employees are focusing on developing skills to avail freelance job opportunities and become a part of this burgeoning economy.

To further aid these gig workers, the government passed the 'Code on Social Security', which will provide workers with life and disability cover, accidental insurance, health & maternity benefits old age protection and others. Under this code, the central and state governments will primarily fund social security measures, with a nominal contribution (1-2% of their annual turnover) by the aggregator. Also, the contribution made by the aggregator/platform will not exceed 5% of the amount payable to gig and platform workers.

In addition, the code proposed to establish a 'National Social Security Board', which will supervise and formulate schemes for the well-being of gig and platform workers.

V.COVID-19 Pandemic and India

The world has witnessed several epidemics such as the Spanish Flu of 1918, outbreak of HIV/AIDS, SARS (Severe Acute Respiratory Syndrome), MERS (Middle East Respiratory Syndrome) and Ebola. In the past, India has had to deal with diseases such as the small pox, plague and polio. All of these individually have been pretty severe episodes. However the Covid-19 which originated in China in December 2019 and over the next few months rapidly spread to almost all countries of the world can potentially turn out to be the biggest health crisis in our history. Many experts have already called this a Black Swan event for the global economy.

India recorded the first case of the disease on January 30, 2020. Since then the cases have increased steadily and significantly. In order to curb the spread of the virus, the government of India announced a nationwide lock-down starting March 25, 2020 which continued for about two months. All non-essential services and businesses, including retail establishments, educational institutions, places of religious worship, across the country stayed closed during this period and all means of travel were stopped, aside from some inter-state transport permitted towards end April and early May to let migrant workers, stranded pilgrims, tourists and students return to their native places. At the time this was the most far-reaching measure undertaken by any government in response to the pandemic and till date remains the world's biggest lock-down in context of this disease.

Subsequently from end May early June onward the lock-down was gradually relaxed in a phased manner but continued in high-risk zones or 'containment' areas. This was required given the uneven spread of the pandemic across the country with some states like Delhi, Gujarat, Maharashtra, Tamil Nadu, West Bengal etc. reporting higher than average confirmed cases and also given the tremendous hardship that the nationwide lock-down had begun imposing on the overall economy.

VI. The Rising Gig Economy: Unlocking its Growth Potential

The digital economy has seen rapid growth over the last couple of decades, particularly driven by the pace of adoption of smart phones across populations in developed and developing economies. A recent report pegged the number of smart phone users in India alone at 500 million. This rapid digitization has also changed how we work and procure services, leading to the emergence of the sharing economy and the 'gig economy'. The gig economy benefits employers, employees, as well as the economy at large with gains extending beyond the traditional notions of convenience and on-demand availability and flexibility.

The long-term potential of the gig economy could comprise:

- Skilled and semi-skilled jobs (around 35 million) within industry sectors
- Shared services roles (around five million) like facility management, transportation, and accounting
- Household demand for services (around 12 million)
- Unskilled jobs (approximately 37 million) across various sectors of the economy

- The four largest industry sectors – Construction, Manufacturing, Retail, and Transportation and Logistics could alone account for over 70 million of the potentially ‘gigable’ jobs.

Gig economy will offer the collateral benefits to India’s economy as it can expand into a virtuous expansion cycle. These include:

- Enhancing the efficiency of large-scale discovery and fulfillment for labor and services.
- Aligning the economic incentives across employers and workers, thereby increasing earnings for workers while reducing ‘fixed’ costs for employers.
- Catalyzing economic recovery by providing labour on-demand even if employers remain tentative about hiring workers full-time.
- Expanding labor participation especially for women and students who may only be available for part-time work to supplement household income.
- Accruing collateral benefits associated with ‘formalizing’ labor markets including financial inclusion and social protection.
- Driving overall improvement in productivity by reducing idle and unproductive time.

Table 1: % of Companies Looking to Hire Gig Workers – By Sector

Industry	2020 in Percent	Future (2-5 years) in Percent
FMCG – Pharma	15	69
BFSI	32	56
Manufacturing	35	65
Technology & BPO	57	60
Services	47	76

Source: India Brand Equity Foundation, Knowledge Centre, May 2021

Even in the absence of such an ecosystem, the gig economy has continued to generate traction across multiple industry sectors. These gains have come from individual platforms and efforts replicating the information, service and data requirements needed to deliver gig offerings to a marketplace of employers and workers that continues to demand more. Such momentum is only indicative of the immense potential that the gig economy holds for India. Bringing together an ecosystem of platforms, services, public goods, and public policy can unlock the gig economy at scale, contribute to India’s growth, and create jobs and livelihood pathways for millions of low-income workers across the country.

VII. Conclusion

The gig economy has been on the rise and is expected to beat the pre-pandemic estimates due the expected influx of gig workers transitioning from full-time employment.

While the government has taken the initial steps to ensure social security of gig workers, the ‘Code on Social Security’ needs to be fine-tuned.

Further, all platform workers should be offered mandatory coverage under the Bharat Pradhan Mantri Jan Arogya Yojana, Pradhan Mantri Suraksha Bima Yojana and Pradhan Mantri Jeevan Jyoti Bima Yojana. This can be facilitated through the employer companies and will ensure employee protection; thus, guaranteeing a sustainable gig economy.

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