Gig Economy and its Impact on India

Kahkashan Khan

Assistant Professor, Centre for Management Studies, MMMUT Gorakhpur
Email: kahkashan17@gmail.com Mobile No. 9565275702

ABSTRACT

India is a nation which is having one of the largest demographic dividends of the world and the hottest market with increasing disposable income of the people. Business world today is enjoying a transition phase and India is also not let unaffected by these waves of change as men is getting replaced by machines, brick and motor companies are replaced by e-commerce firms, generation Y is entering into the workplace, old skills are replaced by new skills and how can one forget about digitalization. Similarly sparing your entire work life with same employer is the thing of past. A latest trend in employment is working on your terms.

So, it is the time to replace the old pattern of employment with on demand employment/ free lancers, will it ease the employee-employer or it will lead to labour problems in India. So, can gig economy be the solution to this problem of the employers.

KEYWORDS: - Gig Economy, Demographic Dividends

*Corresponding author:

Dr. Kahkashan Khan
Assistant Professor,
Centre for Management Studies,
MMMUT Gorakhpur
Email: kahkashan17@gmail.com Mobile No. 9565275702
INTRODUCTION

India is one of the top countries in the world where gig economy culture is on the rise. The 'gig' or 'shared' economy has become a trend globally and this is characterised by temporary positions and on-demand contracts with independent workers. "India is one of the largest demographic dividend with large no of people are working as a freelancer or on demand workers."

The 9-5 grind, Monday morning blues, appraisal jitters and nosey colleagues are gradually turning into things of past in India. Today the country’s workforce is all for the Gig economy. Gig economy is churning out a large number of solopreneurs and micro-entrepreneurs. With the launch of various platforms giving financial security to gig economy professionals such as students and moreover professionals are opting for gig economy after leaving their permanent job. Over a period of time, there will be more & more full-time Gig Professionals and organisations will also have 30-40 percent of their jobs assigned to them, informs Ajay Sharma. Founder, Flexiorg & Get Me Expert.

Within the past 3 decades, globalization has increasingly interconnected the world, and has manifested with an increase in people interaction around the world involving sharing of ideas, cultures, goods, services and investment. Globalization induced labour displacement is a consistent phenomenon that drives labour sinks and labour redundancies occurring simultaneously over the globe – thus putting pressure on organisations globally to innovate in order to move up the value chain.

As workers will lose jobs to automation, time taken to re-skill and rehire will further depress wages. This frictional employment (of those in between jobs) will further add to the unemployment figures. In a radical situation of unemployment, Gig Economy Profession is emerging as a promising employment solution for unemployed students, experienced professionals, less educated workforce, retired, and women who quit the jobs for family responsibilities. Several factors are pushing the requirement of gigs, including consolidation of some industries; more women trying to balance home and profession; retired people seeking ways to stay independent and graduates looking for flexibility and the I-am-my-own-boss feeling.

Vulnerable employment has now paved it’s way into the gig economy. Replacing full-time employees with freelancers and independent contractors is the new mantra. In developing countries, such as India, we take pride referring to a gig economy simply because now even the advanced economies have finally caught up with us. But, doing gigs is what almost 77 percent of Indian workers have been doing all along, for many years. It is also what about a third of Brazilians and Chinese workers are still doing. While the West refers to it as “pay check-to-pay check”, we used to call it hand-to-mouth work, and to most, we still do.
While freelance work does bring about a certain level of flexibility, it comes at a steep cost; besides low pay, there are no paid holidays, no sick leave, no pension, no safety net of any sort. This type of labour market may work best when young, but it does not foster a secure base for family building. It however, may not be a socially sustainable employment in the long run.

OBJECTIVES OF THE STUDY

- Understanding the gig economy and its intrinsic working.
- Realising the factors for growth in India
- Impact of this trend on human resource management.

UNDERSTANDING GIG ECONOMY

Gig is slang for a live musical performance. Originally coined in the 1920s by jazz musicians, the term, short for the word "engagement", now refers to any aspect of performing such as assisting with performance and attending musical performance. The phrase “gig economy” was coined at the height of the financial crisis in early 2009, when the unemployed made a living by gigging, or working several part-time jobs, wherever they could.

In an economy marked by the volatility and uncertainty of corporate layoffs, downsizing, digital disruption, retail consolidation, and new shopper behaviour new trends are emerging in the marketplace. Increasingly, short-term assignments, consulting work, and freelance assignments are giving birth to a new way of working called “The Gig Economy.”

‘Gigs’ are nothing but tasks done for different clients over a stipulated period. There is no obligation to be part of the same company and do the mundane work. With the proliferation of online businesses, e-commerce, and start-ups, the Gig-economy or freelancing is growing at a rapid scale in India. Full-time employees are heavy on the pocket for entrepreneurs; hence on-demand professionals or contractual workers are the preferred options.

The gig economy working practice is found in numerous occupations; for example, individuals perform tasks and companies provide platforms for work as taxi-drivers, food deliveries, goods courier, cleaners, creative designer, web developers and many others. While recent economic and technological shifts have enabled or eased finding and delivering such work, in reality, musicians, actors, artists, and other professionals have long been working on work assignments without really being in any employment. With the advent of gig economy such talent can look for relevant gig opportunities right from the comfort of their house using simple technology tools that have reached these towns. This alters the socio-economic fabric of these towns and also enables organizations to tap into talent pool much wider than earlier. Also it allows you to choose the kind of
work you want to do, the people you want to work for, and of course, your working schedule which you want to follow.

In India job creation is not expected to pick up pace in 2017 and 2018 as unemployment rises slightly, representing a near stagnation in percentage terms. Unemployment in India is projected to increase 17.8 million to 18 million next year. The slowdowns in both regional and global economies, organizational downsizing and cost-cutting have contributed to the rise of professionals opting for Gig Economy Jobs. More and more businesses and professionals from across the world are leaping into the gig economy that though allows a new set of work options and flexibility to generation ‘Y’.

A gig economy is a work environment where organizations hire temporary workers or freelancers instead of full-time long-term employees. Independent or gig work consists of income earning activities outside of traditional, long-term employer-employee relationships. Globally, growth in freelancers is expected to be one of the most significant employment related trends over the next couple of decades. The gig economy is often discussed along with other working and economic practices enabled by digital technology, including the sharing economy and the platform economy. The nature of the current gig economy is vast and diverse. This makes it extremely difficult for any one particular solution or regulation to work effectively and efficiently.

Gig economy includes consulting and contractor arrangements, part-time jobs, temporary assignments, freelancing, side gigs and on demand work.

**GIG ECONOMY GROWTH IN INDIA**

Though freelance working is not a new concept, it is seeing tremendous evolution in terms of client mix, hiring pattern, project delivery and payment terms. In India, the gig economy has picked up pace over the past three-four years. In 2016, consulting firm PwC launched Talent Exchange, a first-of-its-kind marketplace that connects independent talent with short-term work opportunities at the firm. Professional services firm Ernst & Young, too, has a database of a few hundred freelancers whom they hire regularly for various projects. Several IT firms like TCS, Infosys and Microland also regularly hire independent consultants at all levels for multiple projects. As per gig jobs study, some of the top paying gig jobs in India, Content Writing, Translations, Creative works, Recruitment, Sales, Digital Marketing, Branding, SW development, Architecture, BIM, Accounting, Data Analytics, Consulting, Counselling are typical Gig jobs.(Tandon)
While piecework has long been a staple of low- and middle-income work, this new version involves workers from many socioeconomic levels. The defining characteristic of gig economy businesses is that they offer online applications to connect individuals seeking services with those providing services, and do not consider themselves to be service providers. The services themselves can be entirely online, such as photo tagging or completing surveys or offline, such as providing housecleaning or transportation. (journal for occupational and environmental medicine) It’s a trend that has been fuelled by internet start-ups, as the shared economy model of the gig economy helps start-ups save hiring costs such as paying employee benefits. “A majority of talent managers are leveraging gig workers in their teams and departments to drive efficiency, innovation and competitive advantage,” says Padamadan of KellyOCG.

10 million freelancers are currently housed in India. Most of the freelancers reported in the report work on web and mobile development, web designing, internet research, and data entry, indicating clearly that Indian freelancers are likely to engage in technology-enabled IT work. According to World Bank report, ‘Jobless growth’, published in April 2018, India would need 8 million jobs every year to keep the employment rate constant as India’s unemployed number is increasing by 1.3 million every month. With an estimated 56% employment in India generated via
gig work and an estimated growth rate of 25-30 percent per annum, gig workers could help fill the gap in the market for junior and mid-senior level roles. *A study by Paypal has revealed that one in four freelancers belongs 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.*

Dr G P Rao, HR Expert, Founder, GPR HR Consulting informs, observing the potential of Gig Economy Profession said, “The government has extended the facility of hiring workers on fixed-term employment to all sectors for improving the ease of doing business for players intending to hire people for completing specified projects, tasks and orders. Earlier it was allowed only for apparel manufacturing sector as per the Industrial Establishment 1946, however, very soon a new law for Fixed Term Employment is expected to be announced.”

**FACTORS LEADING TO RISE OF GIG ECONOMY IN INDIA**

1. **Retired population signing up for Gigs**

Freelancing is not just for millennial or Gen-X people anymore. For those who want to actively work even in their golden years and be financially independent, Gig economy is a boon. Retired population finds it hard to get re-employed due to various preconceived notions among employers or health factors. But with so much contractual work available today, retired professionals are re-skilling themselves and becoming job ready for new-age profiles. They can work on flexible schedules, earn well and keep up their health at the same time.

2. **Block chain-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, Up work and Freelancer.com charge fees from the freelancers to the tune of 5% to 10%. In other cases, the freelancer never gets paid. Block chain has come to the rescue in these cases. It is fast emerging as a mode of secure financial transactions wherein the fees are paid through crypto currencies. There is transparency in the payment structure and there is low remittance fee involved.

3. **The emergence of Blockchain-based marketplaces**

As mentioned above, freelancers connect with clients on marketplaces. India has its home-grown marketplaces also like Contentmart.com, Witty Pen or Engineerbabu.com. We will see more of these marketplaces in times to come, but what will set them apart from the current ones is strong technology-backing. Again, Blockchain will be widely used to streamline the process. Listing of new gig workers, allowing them to put their portfolio and current projects, as well as reviews from clients
and testimonials on block permanently. Not only this, Blockchain can also protect the intellectual property rights of the deliverable by codifying it and making it tamper-proof.

(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. Many online marketplaces have also come up with apps to match employers with the right contractors. Once the right resource is chosen, Data Science will dig deeper into their work location, the method followed by them, the frequency at which they take up work and their preferred mode of receiving fees. The company/recruiter preserves this data when they want to reconsider the same resource for other projects in the future.

(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. We expect, bigger players to also gradually warm up to the idea of gig workers for niche projects. Due to protectionism laws in the West, many IT companies in India are seeing thinner margins, hence they want to curb operational expenses. Therefore, these companies have started flexi-hiring to keep personnel costs low. A leading recruitment company expects flexi-hiring in IT industry to grow 53% by 2018. Meanwhile, the pharmaceutical giant, Dr Reddy’s has been actively employing interns and project-based consultants.

(6) Changing landscape

There has been a major slow-down in the global as well as national economy. While we do have high rate if growth the rate of unemployment is even higher. Although people are right now quite apprehensive of this trend we need to understand that in countries like India where unemployment is a major concern gigs are turning out to be a game changer. This will lead to new job opportunities where one gets to explore more, learn more and ultimately grow more.

(7) Pay parity

The gig economy is based on the fact the payment is based only on the job. The random factor such as sexuality, or office politics, or fraternity with the people at workplace has no major role in it. This has lead to a more clear environment, where-in people feel that they are remunerated adequately and also transparently.
THE EMPLOYER’S VIEWPOINT

From a business perspective, utilizing independent workers isn’t all about saving money anymore. HR professionals are also trying to revise their manpower planning which will include gig professionals -- not only for jobs at junior level, but also at mid-senior level where they need to carve out assignments. It’s also about finding the right people for the right tasks. The skills needed to manage temporary and full-time workers are communication and project management. Leaders should understand that gig economy is quite different from the regular traditional one. The manager need to understand how to extract the most out of their gig employees.

A few points to be focused on by manager are:

- Share clear parameters around the assignment
- Specify employees’ responsibilities
- Set hard deadlines
- Outline all deliverables

CHALLENGES FACED BY EMPLOYER

1. **Missing Social Benefits**

Most regular workers are likely to benefit from existing social welfare schemes like PF, ESIC and in some cases even employee stock option plans (ESOP) and other wealth sharing plans. Most gig workers today work on a fixed amount for a defined deliverable and have to take care of their long term wealth creation and even social security aspects themselves. This demands higher financial discipline from the workers and can also be a lack of stress for the gig worker.

2. **Unclear Legal Framework**

Current Indian labour laws do not consider gig workers. It is unclear if the gig workers are being treated as self-employed professionals what legal obligations this relationship generates for the employer and the employee. Various workplace related acts like maternity benefit, sexual harassment at workplace and others are also silent or unclear about if they are applicable to the gig workers.

3. **Talent Management**

Many organizations are still grappling with the use of geographically distributed teams working together using technology tools like Slack, Skype and similar other collaboration tools. In addition to this now organizations have to figure out how to supervise, manage and develop this additional layer of gig workers. Organizations will need to rethink the way they organize, supervise, control and discipline their gig workers as compared to their regular employees.
The above indicates some of the opportunities and challenges faced by organizations in responding to this growing trend

**The Employee viewpoint**

As a job seeker, exploring gig work opportunities in organizations can be a great way for one to build skills, relationships and stay relevant in this highly competitive job market. Gone are the days when employee can only hope to get a full time regular employment, now one can gig their way into many organizations. Gig Economy gives an employee what they need, flexibility, choice, work-life balance and good remuneration thus Gig Economy Profession is better than a stressful job.

Gig opportunities as a way for an employee to get a diverse work experience and build multiple skills. By considering gig opportunities he/she can get more flexibility around their work schedules and are likely to report higher job satisfaction. As a gig worker you are also likely to be more independent, highly disciplined and more in control of skills and passions you pursue. A mid-career dilemma is a very common thing but you can climb out of this stuck-in-a-rot feeling by transferring to gig economy jobs which can prove to be a very promising solution.

1. **Flexibility**

   For employees, flexibility is one of the biggest draws of on-demand work. The availability and prevalence of freelance opportunities at the tips of employees’ fingers reveals options in flexibility that a few years ago were minimal. It’s now possible to work from home while supporting younger children, pursue a passion project part time while bringing in enough cash to pay the bills, and take as much time off to travel as a given situation allows.

2. **Options**

   With low barriers to entry and endless opportunities for freelance employment (and more popping up daily) literally at their fingertips, employees’ biggest hurdles to joining the on-demand workforce is often determining which freelance employment opportunities are the best fit for their lifestyle, skill-set, and time. Employees can take inventory of their interests and skills (whether or not they have a degree to prove them) and specialize in and become an expert at the freelance opportunities that appeal to them and best complement their skill sets and assets.

3. **Safety Cushions**

   Gone are the days of a mad scramble to find a job-any job-if traditional employment falls through. Now employees have higher quality, varied options for stop-gap employment (that may well turn into a long-term situation by choice for many). Rising options for on-demand, gig-style employment can take some of the stress out of job searching, by giving employees a sustainable cushion of income and allowing them to take their time finding the best fit for new employment.
4. **Inconsistent Income**

The benefit of on-demand platforms that support low barriers to entry comes with an inherent drawback for employees: low barriers to exit.

5. **New Costs**

While at first the employees may think that its more lucrative a deal than their regular jobs, one need to understand that there are various cost associated to it that need to be borne by the employees like

- Cost paid to online platforms
- Cost of maintenance of your equipment
- Health benefits are not paid
- No more fringe benefits from employer

Contractors may find that costs like health insurance and other work-related expenses have a significant impact on their net take-home pay. The cost-benefit analysis might look good at first — and less rosy when all costs have been accounted for.

6. **Fewer Protections**

Employers aren’t required to negotiate with contractors on contract terms, and they are freely allowed to take action against contractors who go on strike. Wages can be changed without notice, and minimum wage laws do not apply. While contract work carries greater risk than traditional employment in ways (most notably in the lack of employer-subsidized benefits and unpredictability of work), the benefits of independence and options are compelling enough that the number of employees who either embrace the gig economy full-time or moonlight to supplement traditional employment are growing—and rapidly.

**CRITICAL ANALYSIS**

The thorough study of the topic and the various survey associated to it have lead to few key-points which summarises the gig economy in Indi and also gives an inkling of where this trend will go.

- The gig economy is growing at a fast rate and will grow at exponential rates in near future.

The online labour markets are proving a boon to the millenials as they are constantly online and find it a more easier way to look for jobs

- Job satisfaction is no longer a minor factor at jobs, rather it is the make or break point of jobs now. A recent survey has published its report on why professionals are so ready to switch jobs, and job satisfaction was a major reason with 45% of weightage.
Managers need to adapt to the changing environment, as they are responsible to ensure that the gig workers give their max efficiency to the organisation. This is only possible by ensuring proper and adequate inclusion. This leads to a feeling of belongingness and loyalty in the gig workers, which has for long been the major reason against gig performers. They are always supposed to be elusive of the organisation, its culture, values etc.

There is need of defining regulations to ensure that the gig economy doesn’t turn into a harassment tool in the hands of either the organisations or the managers, or employees in general.

CONCLUSION

The gig economy has always been around. Its not that a new concept in Indian labour markets. The only change is that right now its growing and infiltrating into the upper echelons of the organisations. Its influencing the traditional methods and changing the work culture altogether. There is need to adjust and allow this trend to grow, for it will forge new areas and opportunities for people.

While the gig economy is thriving at a fast pace it will never be able to replace traditional methods completely, just because in India people are more concerned about job security and peer pressure. But the current statistic also point that, the future of gig in India promises to be challenging, exciting and rewarding. Its not a passing trend but a way of employment and whether we like it or not we need to adapt to it. While some HR managers despise it, they need to understand that, the steps that we take today will go a long way in ensuring that we reinvent ourselves and be future-ready.

REFERENCES


