

# Challenges and Opportunities in the Development of GIG Economy in India

Dr.M.Sateeshnadha Reddy,

Academic Consultant, Dept. of. Econometrics,  
Sri venkateswara University, Andhra Pradesh, Tirupati-517502.

## ABSTRACT

*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. This paper examines the opportunities and challenges that come with the fast growth of Gig economy. Instead of working for an employer, workers in the gig economy take on temporary employment or perform discrete tasks that are paid independently. India is one of the top nations in the world where the gig economy culture is expanding, according to the global freelancing and crowdsourcing marketplace Freelancer.com. Top trends in the gig economy are being seen in India, including the use of gigs by the retired population, blockchain-based payment systems, the growth of marketplaces, technology taking over hiring, and more contractual hires by existing businesses. The gig economy benefits the economy in several ways, including reducing unemployment, boosting labour force participation, increasing demand, and improving productivity. Both consumers and businesses may profit from more service availability and better service matching that more effectively meets their demands. It also has several drawbacks, such as lowering salaries. It creates episodic working lives. It shifts risk onto regular people, which is a source of rising stress and mental illness. The benefits of pensions, sick leave, paid holidays, and parental leave are not included with gig labour. Mortgage lenders are hesitant to make loans to people with unstable employment. The study also examines suggestions for the government, people, and businesses to assist them capitalise on the advantages of the gig economy.*

**Key words:** Fourth Industrial Revolution, Gig Economy, Autonomous Work, Unemployment and Block chain

## 1. INTRODUCTION

The fourth industrial revolution has already begun; in this era, computers and automation will be combined in whole new ways, with robotics connected remotely to computer systems using machine learning algorithms that can control the robotics with the least amount of human assistance. (Marr, 2016) The digital revolution is spawning radically new methodologies that are revolutionising how people interact and collaborate. The fourth industrial revolution opens up intriguing possibilities, innovative approaches to pressing global issues, and career chances for yet-to-be-created positions. While society adjusts to the new normal, there is also a risk that technological unemployment may put downward pressure on wage security and social agency. 2017 (Martin) The global economy will be affected in a variety of ways as entire families of work activities become more automated, changing the nature of work, redefining job roles, and making some classes of job roles redundant, which will spur the emergence of new occupations and roles. A new era of learning is being ushered in as a result of these changes; it is continuous, nimble, on-the-go, and urgently necessary for both the existing workforce and the developing talent pipeline. The EY report Due to these profound shifts, the gig economy has emerged, where people work part-time or non-traditional hours.

Following wealthy nations, India is also seeing the emergence of this trend. The basic notion of labour is changing in response to demographic advantage, technology improvements, and growth of digitization. The nation's employment environment is changing quickly. The traditional sectors of employment are no longer the primary focus of current job surveys, which no longer accurately reflect job creation. New job ecosystems are developing as a result of the expansion of e-commerce and technology-based industries, and they are quickly becoming significant sources of employment. There is a significant and growing amount of informal employment in industries including retail and infrastructure. (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 also prefers 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 Pay pal 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. (Pro school 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 market places 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, 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.

## 2. REVIEW OF LITERATURE

In their paper, "**Future of Jobs in India: A 2022 Perspective**," Ernst & Young (EY) looks closely at five industries: IT/ITES, retail, financial services, textile & apparel, and auto. It examines the effects of three main factors: demographic shifts, globalisation, and the uptake of exponential technologies by Indian businesses. It adopts a well-informed perspective on the future based on theories created through secondary research and their confirmation by professionals, business titans, and academics through direct interactions. According to the report, how India reacts to the unavoidable impact brought on by the interaction of three main forces – globalisation, demographic shifts, and the adoption of Industry 4.0 exponential technologies by Indian companies – will define the future of jobs in India in 2022. These three's combined effect. These three main forces are anticipated to have a disruptive effect on industries like IT-BPM and BFSI, but relatively less on core manufacturing industries like textile and leather.

**Kathuria R, Kedia M, Varma G, Bagchi K, Khullar S (2017)** in their article "**Future of Working a Digital Era: The Potential and Challenges for Online Freelancing and Micro working India**" evaluates the expansion of micro work and online freelancing in India, a chance to work independently and on a temporary basis made possible by the emergence of web-based platforms that connect talent with companies. Online Freelancing and Micro work 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 maximizing 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 up gradations are targeted towards simplifying the use of platforms for clients and freelancers.

**Tyagi, Akansha (2017)** addresses the situation of independent workers in the Indian setting in her thesis "**GIG Economy and Its Impact on India**". Additionally, it looks at the regulatory limitations that affect independent contractors as well as the effects of the gig economy on the Indian labour market. The report claims that the concept of the gig economy would present three difficulties: Legal or regulatory uncertainty, a corporate culture that is unwelcoming to part-time and contingent workers, and a lack of leadership understanding. The report suggests combining standard job descriptions with gig workers who are paid based on their talents, updating employee policy assessments and evaluations, and bringing about successful labour law improvements.

According to the McKinsey Global Institute's report, "**Independent Labor: Choice, Necessity and the Gig Economy**," published in October 2016, 20 to 30 percent of people in working age in the EU-15 and the United States, or up to 162 million people, engage in independent work. This is based on evaluation of current data as well as a thorough MGI workforce survey conducted in six nations. The research claims that independent employment is distinguished by three characteristics: a high degree of autonomy; payment by job, assignment, or sales; and a brief working relationship with the client. The research explores the advantages of independent work for the economy, including how it could reduce unemployment, increase labour force participation, increase demand, and boost 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.

## 3. INDIA AS GIGECONOMY

India's gig economy is expanding quickly. The top 5 trends in India's gig economy are covered by Pro school Online:

1. Retired population taking up gigs: Due to the flexibility that contract work offers, many people after retirement start working for themselves. To prepare for the changing market, many are even involved in reskilling.
2. Block chain-based payment system: One of the biggest problems 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%. Block chains and crypto currencies are also being used for payment settlement.
3. The emergence of markets built on the block chain: Online marketplaces are useful for connecting employers and freelancers. These online marketplaces list new gig workers and assist them in creating their profiles and reviews.
4. Technology replaces hiring: Staffing firms and businesses may now gather and analyse detailed information about gig workers. Today, artificial intelligence (AI) aids recruiters in analysing the working styles and skills of independent contractors and matching them to specific project requirements. Businesses will be able to select the

best kind of employee for their projects with the help of significant data and analytics.

5. More contract workers should be hired by established businesses, according to a survey by Flexing IT, an online marketplace for consultants. In 2016, start-ups accounted for 50% of demand, while 20% of it came from larger businesses. Established businesses are also searching for contract labour to cut costs.

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: like Freelancing, "Uber" models, Entrepreneur/self-employment models within a job ecosystem of an ecommerce company and Technology-enabled knowledge service provision in development sectors. The rises in Gig economy in India can be attributed to the three key megatrends that are driven by demographic change are one is Rising middle-class, second one is High proportion of young population and last one is Increasing urbanization.

#### 4. OPPORTUNITIES AND CHALLENGES

India's gig economy is expanding quickly. An environment of autonomous work and the Gig economy have been developed thanks to the large English-speaking population and the rapidly expanding IT sector. However, it also brings with it opportunities and challenges.

##### 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 micro work 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:

- a. 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.
- b. Cost-cutting: By creating a dual job market within their organisation, which combines highly compensated commitment employees and lower-paid freelancers, employers can get rid of inefficiencies and cut costs. Today, Fortune 500 organisations use internet platforms for independent contractors to find specialised skills. Some Indian businesses discover that the procedures for traditional staffing are sometimes out of sync with their business needs. According to case studies of Fortune 500 businesses, work now defines the team's makeup rather than the other way around, as was the case in the past. Additionally, businesses no longer have to choose between hiring permanent staff or freelancers; instead, both alternatives are available. (Kathuria R, Kedia M, G. Varma, Bagchi K, S. Khullar) (2017)
- c. Facilitating acceptance of the gig economy would also create new opportunities for more women to enter the workforce. In order to find appropriate sources of income, educated, talented women who are unable to perform a full-time job in the corporate world may use new working methods. This might also represent a significant step in raising India's GDP. (EY report)
- d. 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.
- e. 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 health. Gigwork does not come with pensions, sick pay, holiday entitlement and parental leave. Mortgage companies are wary about lending to people with in secure 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 organize trade unions. (World Bank,2016)

#### 5. RECOMMENDATIONS

##### (i) 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 counseling, mentoring and deskilling 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)

**(ii) Recommendations for the Individuals:**

In the dynamic work environment, individuals should keep on up skilling 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).

**(iii) 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 description 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 up skill 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.

## 6. CONCLUSIONS

The gig economy is growing in the new era of the fourth industrial revolution and has the potential to benefit developing nations like India greatly. Collaboration between the government, employees, and educational institutions may turn challenges into possibilities. The extent of the gig economy in India will be greatly influenced by governmental policies and labour laws. People must also be prepared for lifelong learning because they will need to upgrade or reskill themselves in response to the changing environment.

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