



# Implications of Gig Economy

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**ABSTRACT:** The term “gig” denotes a temporary job or assignment. In a gig economy, temporary roles are prevalent and businesses engage independent workers for short-duration projects within a free-market framework. Gig workers encompass freelancers, independent contractors, project-based individuals and temporary or part-time employees. Gig apps and digital platforms frequently serve as intermediaries linking customers with gig workers. The emergence of a gig economy is a contemporary phenomenon influenced by several key factors, with two standing out- increased workforce mobility and growing remote work opportunities. With the rise of remote work facilitated by digital platforms, freelancers have the opportunity to take on jobs or projects from employers located anywhere in the world. Likewise, employers can choose from a larger and more diverse pool of talent when selecting the right person from a specific project, regardless of geographical constraints. This global marketplace fosters increased efficiency and access to specialized skills for both freelancers and employers. While the gig economy offers various benefits, it also presents significant drawbacks and creates numerous challenges for those involved. There is a need for regulatory measures and social support systems to address the challenges faced by the gig workers and ensure fair and equitable working conditions in the evolving labor market. This research paper highlights the implications of gig economy for both the businesses and the workers and suggests measures to tackle the associated challenges.

**Index Terms:** Gig economy, workers, digital platforms, challenges.

## I. INTRODUCTION

The Gig Economy comprises of that population of workforce engaged in livelihoods outside the traditional employer-employee arrangement i.e. independent workers and freelancers. In gig economy, independent workers are hired for temporary positions and for short-term commitments. According to the National Library Singapore (2022), “the term gig is a slang word for a job assignment that lasts for a specific period of time.” This term was used traditionally to refer to a performance engagement by the 1920s jazz musicians. Temporary work has been in practice earlier also but it is the unprecedented use of digital technology and apps especially since the outbreak of COVID-19 pandemic which has empowered gig workers to elevate their temporary jobs to new heights. Gig workers encompass individuals engaged in freelance work who receive compensation per task; independent contractors compensated on a contract-to-contract basis; project-based professionals; temporary employees hired for specific durations; and part-time workers contributing less than full time hours. It involves the trading of labor for compensation through digital platforms which actively connect service providers with clients on a temporary basis, with payment based on individual tasks. The primary drivers for engaging with gig economy platforms are typically the desire to earn extra income and the flexibility they offer in terms of work arrangements. The outcome of a gig economy yields cost-effective, highly efficient and adaptable services, providing consumers with a distinctive and rapid alternative to traditional, standardized

business models. Moreover, its operation exclusively via the internet makes it particularly appealing to younger demographics, contributing to its widespread popularity. As per the NITI Aayog Report (2022) on “India’s Booming Gig and Platform Economy”, it is estimated that the number of workers engaged in gig employment is 7.7 million which is expected to rise to the level of 23.5 million by 2029-30. Over the past 5 years, the gig economy has experienced a significant surge in popularity, becoming a prevalent method for individuals to supplement their income with a secondary stream of earnings.

The rapid growth in gig economy can be attributed to the emergence of technology as enabler in facilitating connections between gig workers and businesses. While the gig economy presents opportunities and flexibility for workers, it also brings forth concerns. Gig workers frequently lack traditional employee benefits such as health insurance, retirement plans and job security. Maintaining a reserve of idle workers to ensure flexibility in the economy comes at a cost, which firms often seek to shift onto the workforce and social welfare system. The distinction between self-employment and employment is crucial particularly concerning obligations like social security contributions and paid holidays. While certain workers like students may prefer flexible arrangements, evidence suggests that many low-wage, part-time workers desire more hours or, at the very least, predictability in their weekly schedules. This flexibility paradoxically complicates matters, as irregular schedules can hinder workers’ ability to arrange childcare, take on additional employment or maintain a regular social life.

## II. CONSTITUENTS OF GIG ECONOMY

The gig economy encompasses companies, workers and consumers and within it gig workers have diverse roles including:

- Freelancers paid per task
- Independent contractors working on a contract basis
- Project-based workers compensated by project
- Temporary hires with fixed term employment
- Part-time workers logging less than full time hours

Consumers turn to the gig economy for convenience, improved service or both as seen in ride-hailing services like Uber. Additionally, gig platforms meet consumer demand in areas with limited or costly services, exemplified by Airbnb expanding temporary accommodations where hotel availability is scarce. Gig jobs span various industries offering opportunities in fields such as accounting, administration, art, construction, education, writing, IT, media, project management, software development and transportation. Gig apps function as digital platforms connecting works to jobs and consumers to services, offering benefits from multiple perspectives: cost-savings and access to expertise for businesses, improved work-life balance and flexibility for workers and increased choices and convenience for consumers. However, challenges persist, including lack of benefits for workers, inconsistent income and limitations on career development.

## III. OBJECTIVES

- i. The objective of this research is to study the implications of gig economy in terms of its advantages and disadvantages for businesses and workers.
- ii. To suggest measures for addressing the challenges associated with gig economy.

## IV. RESEARCH METHODOLOGY

This study is based on secondary data collected through various websites such as google scholar, google books and reports of various govt. and non-govt. organizations.

## V. ADVANTAGES

### A. FOR BUSINESSES:

- i. **Economic-** Reducing cost and expenditure is viewed as a significant advantage of engaging in the gig economy. As businesses are able to hire remote workers, it diminishes the necessity for costly workspaces and expensive offices. Moreover, by employing freelancers, employers eliminate hefty expenses like employee benefits, retirement plans and paid sick leave.
- ii. **Easier availability of labor-** The gig economy offers a workforce that can be directly matched with companies, eliminating the need for intermediaries in the hiring process. This streamlines the task of finding individuals to fulfill specific job requirements, making the process considerably easier.
- iii. **Increase in output production through positive impact on workers' motivation-** In contemporary society, workers increasingly prioritize flexibility which fuels the growth of the gig economy. Those seeking additional income are drawn to roles offering unconventional work schedules. This flexibility directly influences employee motivation, fostering a positive relationship with productivity levels.

### B. FOR WORKERS:

- i. **Independence-** Most gig workers' tasks consist of independent, self-contained projects, granting them autonomy to apply their skills and expertise without direct supervision (Manevska, 2023). Furthermore, freelancers have the ability to select clients and projects aligning with their interests and career progression leading to greater job satisfaction
- ii. **Augmentation in income-** Workers who leverage the freelance economy to boost their income often cite versatility as its primary appeal. Without being tied to a full-time employment contract with a single employer, individuals enjoy great control over their job schedules selecting only the gigs, tasks or shifts that align with their other commitments. For those with full time jobs seeking additional income picking up extra gigs during evenings or weekends is easily feasible (Anjaneyulu, 2024). Skilled professionals can steer their career trajectories by undertaking challenging assignments, thereby crafting a notable track record that paves the way for higher-level and more lucrative full-time opportunities.
- iii. **Flexibility-** Gig workers enjoy greater autonomy over their work schedules and compensation rates as they predominantly work for themselves. They can adhere to a traditional nine-to-five schedule or tailor their hours to suit their preferences. Moreover, gig workers often have the flexibility to work remotely, which is advantageous for those desiring to work from home, caring for family members or residing at locations distant from their clients.

## VI. DISADVANTAGES

### A. FOR BUSINESSES:

- i. **Lack of loyalty and commitment-** Unlike the enduring commitment often associated with traditional employment, gig workers commonly engage in short-term projects or assignments. The prevalence of freelancers moving from one project to another means that establishing long-term connections with employers or clients is becoming less common. With no obligation to any particular employer or client, gig workers prioritize their personal advancement over forging lasting working relationships.
- ii. **Ethical and legal issues-** The classification of gig workers as independent contractors rather than employees can pose legal and financial challenges for businesses. It can lead to violations of labor regulations resulting in potential fines and legal proceedings. It can also harm an organization's reputation, impacting its relationship with both gig workers and customers. Furthermore, it can trigger



disputes regarding workers' rights such as minimum wage, overtime pay and access to benefits, potentially tarnishing a company's image and eroding employee trust.

## B. FOR WORKERS:

- i. **Lack of job security-** The gig economy offers increased freedom and independence, but it comes with a significant drawback i.e. lack of job security. Unlike those in stable positions, gig workers often face uncertainty regarding when or if they will secure their next gig. This unpredictability can lead to financial instability and stress due to the absence of long-term contracts and reliable income.
- ii. **Legal challenges-** In gig economy, workers possess weak bargaining power, less labor and human rights and greater necessity for livelihood which forces them to take on such work (Tan et al, 2021). In the gig economy, workers lack the protections provided by traditional labor regulations. For instance, in August, 2022 over 100 employees in Bengaluru employed by the online food online and delivery service Swiggy staged a strike. Aligning with the demands of central trade unions for minimum wages, they advocated for Swiggy to provide them with a fixed monthly salary of Rs. 26,000. Similarly, in October, 2021, approximately 50 women employed by spa and salon services platform Urban Company demonstrated outside its Gurugram headquarters, protesting against unjust terms and conditions (Kain & Islam, 2022).
- iii. **Inconsistent income-** Workers in the gig economy must constantly seek out new opportunities and be prepared to adapt to changing circumstances within their current roles. However, not everyone finds success in this environment, many prefer the stability and security of traditional employment. Moreover, the gig economy is characterized by precarious work, leaving workers susceptible to layoffs, pay reductions and other job insecurities stemming from economic shifts, market dynamics and individual company decisions. Consequently, this instability can lead to financial uncertainty and anxiety among gig workers.

## VII. SUGGESTIONS

Improving the conditions of gig workers requires a multifaceted approach involving various stakeholders including governments, employers, platform companies and workers themselves. Here are some measures that can be taken:

- i. **Regulatory Protections-** Govt. can enact or update labor laws to extend protection and benefits to gig workers, such as minimum wage guarantee, access to health care, paid leave and unemployment insurance. Additionally, regulations can clarify the classification of gig workers to ensure they receive appropriate rights and protections.
- ii. **Collective Bargaining-** Facilitating collective bargaining or establishing worker cooperatives can empower gig workers to negotiate better pay, working conditions and benefits with platform companies or clients.
- iii. **Platform Accountability-** Platform companies can be held accountable for the treatment of gig workers by implementing transparent policies, fair algorithms and grievance mechanisms. They can also provide support services such as training, mentorship and access to financial tools.
- iv. **Portable Benefits-** Developing portable benefits systems that are not tied to specific employers can ensure gig workers to have access to health care, retirement benefits and other essential benefits regardless of their employment status or client base.
- v. **Research and Data Collection-** Conducting research and collecting data on the experiences and challenges faced by gig workers can enable evidence-based policymaking and industry practices to better address their needs.

## VIII. CONCLUSION

Urgent state-led actions are required to implement social security benefits and safeguards for gig workers. Government oversight of platform companies is essential to ensure accountability for any violations of existing laws aimed at protecting the rights of gig and platform workers in India. By implementing the suggested measures, stakeholders can work together to create a more equitable and sustainable gig economy that benefits both workers and society as a whole.

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