

Stochastic Modelling and Computational Sciences

GIG ECONOMY – HR INFERENCES

Dr. Abhilasha Ambatipudi¹ and Dr. A. Ramakumar²

¹Professor, Thakur Global Business School (TGBS) Mumbai

²Sr. Professor & CTO, Thakur Institute of Management Studies & Research (TIMSR), Mumbai

ABSTRACT

The gig economy refers to the workforce of people engaged in freelance and/or part-time work. The basic principle of gig economy is hiring independent contractors and freelancers as an alternative to full-time employees. Gig workers are classified into platform and non-platform-based workers. Platform workers work utilizing digital platforms and online software apps. India's gig economy scenario has been growing with multiple fold.

According to research report, Indian gig economy workforce is one of the largest contributors to the global gig workforce. Since the gig economy works on the principles of short-term, flexible employment, it has changed the labor market significantly. As these workers are known as partners and not employees, HR practices are also not same as with full-time employees. This article discusses the current HR practices which are contributing to a successful gig economy.

Keywords: Gig economy, Gig workforce, Platform based workers, Non-platform based workers, HR practices

INTRODUCTION

The gig economy refers to the workforce of people engaged in freelance and/or part-time work. This imminent economy operates in a completely flexible environment where exchange of work force or labour and other resources through various digital platforms facilitate innovation and market evolution by buyer and seller matching.

Gig workers are classified into platform and non-platform-based workers. Platform workers work utilizing digital platforms and online software apps. Where casual wage workers, self-employed or own account holders who are working part-time or full-time in the various conventional sectors are treated as non-platform workers. The World Bank noted that six percent of the world's labor force is part of the gig economy.

The basic principle of gig economy is hiring independent contractors and freelancers as an alternative to full-time employees. It does not require a systematic schedule of 9 to 5 work hours and the work can be allocated on a temporary basis.

OBJECTIVES OF THE STUDY

- To know about the gig economy
- To understand the HR practices and implications of gig economy

METHODOLOGY OF THE STUDY

The aim of this research article is to find facts about gig economy and various HR practices pertaining to it. For this descriptive research methodology adopted. Information collected from various research journal articles, surveys, and policy studies.

DISCUSSION

According to McKinsey's 2022 American Opportunity Survey (AOS), there were roughly 58 million Americans—identified as independent workers, which was a significant increase of 27% from 2016's McKinsey study. Gig work has been preferred increasingly by the workers because of its flexibility and autonomy. This number is continuously increasing as more organizations adopt independent contract work in order to save time and money. According to this report, an estimation is that about one-third of the population is operating in some form of gig capacity in the US country.

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While coming to India's gig economy scenario, of course it has been growing with multiple fold. Thanks to the pandemic, which persuaded numerous organizations to go for flexible work cultures like work from home (WFH) etc. this helps gig workers find new opportunities in almost every existing employment. Industry statistics states that India has over 15 million freelancers working on various technology projects.

The Skills and Employment vertical of NITI Ayog's research report says that there were nearly 7.7 million workers working in the gig economy in the year 2020-21. This number is expected to go to 23.5 million workers by 2029-30. According to its estimation, there will be around a 6.7 % of the non-agricultural workforce and of a 4.1% of total livelihood in India. As the evolution of traditional nine-to-five work structure into flexible work structure, the number of gig partners who are working remotely is expected to increase by 50 percent in 2022.

According to ASSOCHAM report, India's gig economy is growing at a CAGR (The compound annual growth rate) of 17%. It also says that about 60% of companies in the technology industry are working with gig workers and 97% of these organizations want to keep their gig workers at the same level or hire more gig workers to conduct the business.

Gig economy – employment opportunities.

Employment in this segment is growing very rapidly and will reach 200% by 2030 as quoted by Niti Aayog. The Gig economy is offering jobs to millions of unemployed youths both men women as well as elderly people. These people are attracted by the flexibility these jobs offer in terms of time as well as the hope of subsistence and naturally organisations for its low-cost and low-investment labour market. The best examples are Ola, Uber, Swiggy, Zomato, Urban Company, Zepto, Dunzo, BlinkIt and many more. These companies called themselves 'tech aggregators' / 'mediators' / 'facilitators and not employers.

It is observed that the white-collar job holders are also attracted towards gig jobs. The major reasons behind pursuing gig-work are opportunities to employ in different projects and of course the freedom available with being their own boss as they give preference for work empowerment and control their own professional lives with independent decisions and their own work schedules.

The Gig Economy Landscape: The gig economy is defined by short-term, flexible employment, and has changed the labor market. Freelancers, independent contractors, and temporary workers include a substantial portion of the worldwide workforce.

The gig economy dominates especially three industries - Food and Beverage Delivery Industry, Transport and Logistics Industry, and Personal and Homecare services Industry,

BCG's report- '*Unlocking the Potential of the Gig Economy in India*' which was based on extensive research summarizes that "the gig economy has the potential to serve up to 90 million jobs (roughly 30% of India's non-farm workforce), add up to 1.25% to India's GDP in the long-run and create millions of new jobs across all sectors of India's economy.

According to research report, Indian gig economy workforce is one of the largest contributors to the global gig workforce.

According to NITI Aayog's report in Gig and Platform Economy (June 2022), there is about 47% of the gig workers existed in medium skilled jobs, and about 31% in low skilled jobs. When we see the trend, the number of workers in medium skilled jobs is declining gradually and it is also estimated that that the domination of medium skilled workers would continue till 2030. In the same way, the concentration of workers in low skilled and high skilled jobs is increasing.

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Gig work needs a variety of skill sets to cater to a wide range of work. This may include ridesharing, food delivery, freelance writing, graphic design, consulting, home-cleaning, grooming and salon, massage therapy, appliance repair, home painting, disinfection and pest control, and many more.

Gig workers are represented as independent contractors rather than employees. They are responsible for managing their taxes, insurance, and other benefits, and they do not receive the same legal protections and benefits as traditional employees.

Advantages of Working in a Gig Economy

Gig economy has already showing various prospects in enhancing businesses and workers. These advantages include.

Cost-Effectiveness - Businesses can be conducted by hiring off-site workers which results in minimum cost in maintaining expensive and large workplaces. In addition, these workers as treated as independent contractors which completely eliminate expenses like employee benefit packages, retirement plans and paid leave.

Availability of labour force - Most of the recruitment can be done online and through social media, gig economy can find the workers who are a direct match for the work. One more advantage is it removes intermediaries in this process in finding the right people to complete the job by reducing cost.

The advantages for workers are the independence and flexibility available with gig working. They are independent contractors, and they work from their own spaces – it may be working from home in terms of teaching, writing content or driving their own car for Uber or Ola. In most cases, an assignment will be given to a worker with a deadline, but when they work is completely up to their discourse. So, they work any of the hours they desire. The gig economy is increasing drastically and obviously it is an attractive business market due to its absolute flexibility which permits individual workers to earn extra income at their convenience.

Disadvantages

As workers in gig economy are freelancers, commitment and loyalty issues arise. They may not give the required time to complete the job as if they were full-time workers. This apparently impacts organizational performance.

At workers' front they are not considered as employees resulting in not getting employee benefits. Isolation is another big drawback in the case of independent contractors. For some people it is a motivational factor, but for many people this negatively impacts their performance and their psychological health too.

HRM Inferences

The gig economy works on the principles of short-term, flexible employment which has changed the labor market. Freelancers, independent contractors, and temporary workers now make up a significant factor of worldwide gig workforce.

Workforce demographics: Gig workers are relatively younger (compared to non-gig workers) with age group 24-40 years, nearly one in four gig workers belong to the 18-23 years age bracket versus one in six among non-gig workers. Likewise, gig work tends to be more gender inclusive since no fixed time commitments are required, providing flexibility to women to pick up gig work without compromising on their household responsibilities. Educational qualification is another differentiating profile variable between the two worker groups, with gig workers being relatively less educated, i.e., – nearly one in three gig workers have not completed matriculation (10th standard), whereas the corresponding number among non-gig workers is only 20 percent.

Talent acquisition: Hiring gig and part-time employees does not require companies to go through all the processes like permanent employees. Many organizations are attracting the aspirants by leveraging multiple social media channels like Facebook, Instagram, YouTube & Twitter to display the culture in short videos and reels and also run ads to attract the talent. Here the crucial factor is modifying the HR strategies as gig workers prefer their work flexible and want autonomy. The most important thing to be considered is not only attracting but also retaining competitive top talent.

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Talent acquisition should be done in a timely and cost-effective way. For gig economy, recruitment should be swift, and it must be a matter of weeks if not days. Companies are offering various attractive policies - for example.

Amazon offers flexible work arrangements, focusing on skills and experience, and using online platforms for recruitment.

Urban Company offers its platform gig-workers a flexible incentive scheme to refer their peers to also become professionals.

Big Basket offers various programmes like engineering internship, summer internship and management training programs.

Training & Development

Training in terms of soft skills like Communication skills, Interpersonal skills, business skills like finances, managing for profits, time allocation, personal profit and loss statements and technical skills like customer service management and other marketing skills are much needed to be continued successfully in this field. This can be done through various training and development programmes conducted by organizations.

The learning goals of a gig worker are different when compared to a full-time job holder. Designing capacity building strategies in learning which suits the very functioning of the market helpful for getting immediate results. This can be achieved by conducting short-term and goal-oriented training programmes which are profitable for the organisation.

Urban Company is conducting training programmes of 3-4 days which comprise UC's standard operating procedure. This training is a combination of both hard skills and soft skills. (Hard skills related to the enhanced cleaning jobs and soft skills involve communication skills like how to talk with customers etc.)

Platforms are also collaborating with the National Skill Development Corporation (NSDC) and the Ministry of Skill Development and Entrepreneurship to foster a skilled workforce required for running gig economy.

For example - The platform Uber in 2016 with the partnership of NSDC started the process of "training, licensing, and financing" for the interested candidates before the onboarding programme. They also set up 'Uber Partner Support Centers' in Driver Training Centers affiliated with ASDC (Automotive Sector Development Council) to facilitate vehicle leasing, financing, and imparting digital skills for trained and certified drivers.

Performance Management:

Performance Management is a systematic evaluation of the performance of the worker. This assessment should be used for the betterment of the performance and motivate the worker over time.

The fact is that the measuring performance of gig workers is not same as the regular or full-time workers. The performance standards are different, which are mostly short-term and out-come based objectives.

For this, organisations are preferring alternative approaches like project-based assessments, client feedback and so on. Performance metrics too varied and should be developed to monitor and assess the performance.

In this process the food delivery app Zomato ranks the workers based on their performance under four hierarchical levels – Diamond, Gold, Silver, and Bronze. This helps the workers to find out their level of performance and go for the best. Obviously, the incentive system is always performance based and the target completion.

Rewarding performance - The central government passed the Code on Wages in August 2019, fixing the national minimum wage at Rs 178 a day. This was Rs 2 more than the minimum wage declared in 2017 and less than half the Rs 375 recommended by the expert committee that was created to determine the methodology for fixing a national minimum wage.

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The gig platforms are using a range of monetary benefits to further incentivize their workers' productivity. Monetary incentives for meeting targets, incentives attached to high customer ratings, overtime pay, and higher base pay during rush hours are some examples. Similarly, time-specific bonuses and incentives are also used to encourage retention of workers. Annual, bi-annual, and seasonal bonuses are using to maximize the productivity. Moreover, in order to improve the size of their gig workforce, platforms also provide existing workers with a referral bonus, which is to the tune of Rs. 1000-1500 for each successful referral.

HeyDeeDee, the delivery service has been providing with fixed deposits to improve retention for long serving women platform gig-workers.

Employee Engagement and Well-being: Another key area is employee engagement. Gig workers perform in the background of lack of belonging with the organization and colleague support generally we experience in the regular or full-time work environment. Fostering these requirements is particularly important. It can be done by effective use of various communication channels, recognition programmes and obviously inclusive policies.

Regulatory compliances

As the gig working system is complex, it presents challenges regarding legal and regulatory compliances. Following proper HR practices and contemporary labour laws, tax regulations and social security regulations of course ensure the rights of gig workers.

Social Security Code, 2020 passed by Indian government covering 250 million unorganized workers, including gig workers. With this these workers get expanded old-age pensions, health insurance, disability aids, and other benefits to all groups including gig, platform, and migrant workers. Finance Minister Ms. Nirmala Sitaraman announces that Such workers would now be covered by the Employees State Insurance Corporation (ESIC) (Union budget 2021-22)

The 2021 Union Budget proposes a portal that would collect relevant information on gig economy workers, who are working "outside the traditional employer-employee relationship". "The law on minimum wages would now apply to workers of all categories including those associated with platforms" (Finance Minister Nirmala Sitharaman).

Platforms as "aggregators" are defined as digital intermediaries or marketplaces for connecting service providers and users under the Information Technology Act. Under the Code, aggregators such as Zomato, Uber, and Ola would have to contribute between 1-2% of their annual turnover to employee social security accounts, which will be capped at 5% of the total amount payable to workers. "Every gig worker or platform worker... shall be required to be registered with Aadhaar, on self-declaration basis in the form on the portal, as specified by the Central Government." (rule 50(2) of the Social Security Code, 2020)

Indian Federation of App-based Transport Workers (IFAT), the All-India Gig Workers Union (AIGWU), an initiative of the Centre of Indian Trade Unions (CITU) rose as a direct riposte to the challenges created and developed by the rapid growth of the sharing economy and casualization of labour in India.

the All-India Gig Workers Union (AIGWU) has been intensively working to organize gig economy workers both the platform based like transport, logistics, hospitality and home services like beauty and wellness, cleaning, painting, carpentry, plumbing, electrical appliance repair, etc. AIGWU received support from All-India Information Technology and Information Technology enabled Services Employees' Union (AIITEU) helping it to expand its social media presence.

Succession Planning

In a gig economy work environment, the challenge in front of HR departments is frequent hires, exits, and rehires. This uncertainty of employment must be addressed and managed so that the recurring costs will be minimized, and the business work should go on. That is why a contingency plan and succession plan should always be ready especially for gig workers.

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Employee Retention

The classification of workers as “independent contractors” or “delivery partners” compounded by the lack of legal security and increasing unemployment are pushing the platform-based workers to work 12 hours a day on less than the minimum wage.

Employee retention is applying various policies and procedures so that the employees associate the organization for an extended period of time. Employee friendly processes help in creating an environment where individual workers also work at par with full-time employees.

CONCLUSION

Though the government is facilitating better work environment with their policies, still there is a huge gap to be addressed. Various challenges in this process are like providing adequate protection for gig workers. Although these are entitled to get minimum wages, it is not only enough. They need certain legal protection, policies, and opportunities like other employees protected under labour laws. This can safeguard the rights of gig workers and help curb labour disputes.

In the same way getting health benefits and leaves. It is advised to gig economy platforms to provide health insurance benefits to their workers to ensure their well-being and safety. These include coverage for medical costs, hospitalization, preventive care services such as regular health care services.

The gig economy is continuously reshaping and growing amazingly fast. To make this more successful, HR management plays a crucial role as without workers’ support and contribution it is difficult to sustain in the market. It is advised that organizations should formulate HR policies to adapt the changing needs of organizations and workers as well. Technology based and flexible innovative HR practices are crucial to successful HRM in the gig economy.

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