



## IS GIG ECONOMY A HIRE GROUND?

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### ABSTRACT

*Today's employment landscape has changed tremendously. The rapid growth of internet based market platform has changed or reformed the relationship of workers with their employers. Growth in numbers has led to a decline in opportunities, those that are available are either not satisfactory or are temporary. The severity of the Great Recession and sluggish pace of growth that has followed has left many workers either in part time or temporary jobs, generating less reliable streams of income. More and more workers are shifting to the on-demand economic pattern of survival. On one side where this pattern has improved the work-life balance, on the other side it has increased turnover thereby making workers vulnerable. The focus of this paper is to show both, the benefits and the loss that the workers, employers and the economy is possibly facing due to the emergence of such changes.*

*Keywords: on-demand economy, shared economy, freelancers, contingent work, gigs.*

### 1. Gig Economy- Meaning

The trend toward a gig economy has begun. Beneath the clear cyclical improvement in the labor market there still lurk tremendous secular changes in today's employment landscape. Among them is the rise of nontraditional work arrangements, i.e., the "gig economy." Also sometimes referred to as the on-demand or shared economy, gig work reflects the more flexible and/or fragmented work arrangements of many in today's labor market. A gig economy is an environment in which temporary positions are common and organizations contract with independent workers for short-term engagements.

The word 'gig' is borrowed from the music industry refers to all sorts of flexible employment. In other words employment of a short duration, this is also known as contingent

labour or temp labour. It gives the worker a freedom to work various jobs, workers no longer hold a long term fixed job rather they carry on gigs for a specified period of time.

Gig work could take a variety of forms. In one aspect, it marks the departure of working directly for a company, and a worker may instead become an independent contractor who is “self-employed.” Traditional freelancers or independent consultants would fall under this dimension of the gig economy, reflecting their ability to choose which “gig” to take on. Temporary workers could also be considered to be employed on a gig basis, even though they are employed directly by a company, as their contracts have a finite end where they will have to move on to the next job. Part-time work marks another move away from traditional employment. For the majority of part-time workers who choose to work limited hours, part-time work offers flexibility; for involuntary part-timers, it reflects weaker earnings and limited career opportunities compared to a full-time job. Finally, gig work could be a compilation of any of these job structures. Workers with a traditional full-time job may choose to moonlight with smaller side jobs or piece together part-time jobs to work the equivalent of a full-time job.

**Figure 1 Division of Freelance Economy<sup>i</sup>**

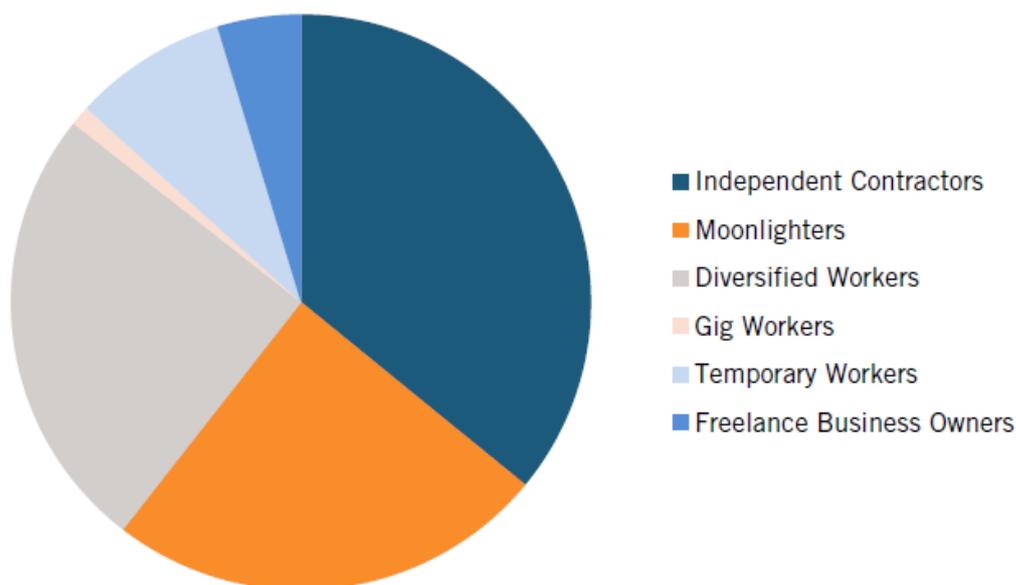
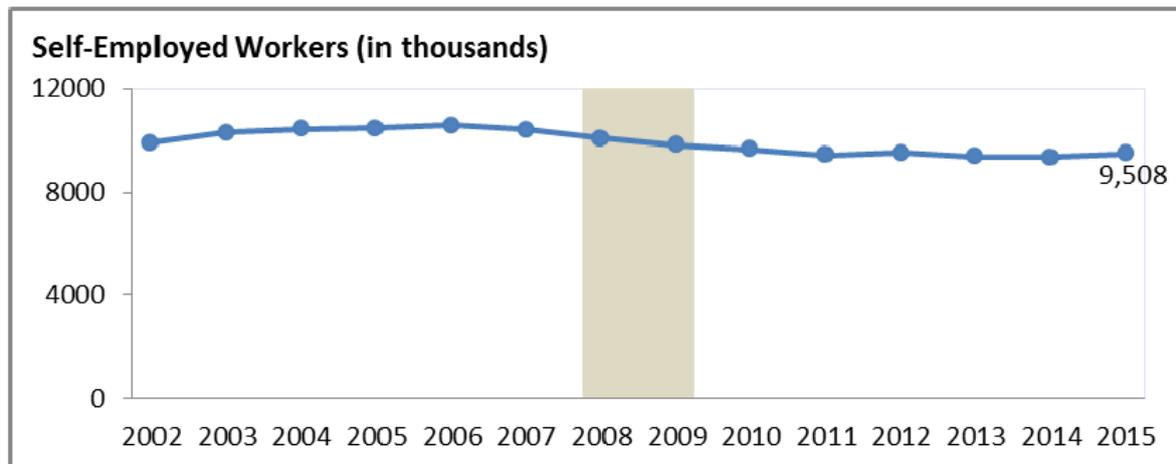


Figure 1 shows the division of the US Economy into various gigs as undertaken by the workers according to a report in the year 2015 (where diversified workers are same as gig workers). Most of the share of the economy is captured by the independent contractors followed by gig workers and diversified workers collectively. Figure 2 shows the change in self-employment from year 2002-2015. The change is neither alarming nor does it supports

rapid growth but it can be seen that there is a steady pattern that is followed throughout the years.

**Figure 2 Workers in unincorporated Self Employment 2002-2015**  
(Annual average of monthly estimates)<sup>ii</sup>



This shows that though that the rate of increase of self-employment, freelancers and gig employment is not alarming but is growing in a steady pattern. The outlook is changing and more and more people are opting these alternatives.

## 2. Why did the contingent workforce rise?

The rise of new forms of contingent work is being driven by both businesses and workers. There are few reasons businesses might promote such arrangements. First, some businesses, such as those experiencing short-run fluctuations in the demand for their goods and services, benefit from the flexibility in being able to hire workers on a temporary and contingent basis. Second, businesses seeking to reduce labor costs can turn to contingent relationships with their workers. For example, subcontracting relationships allow firms to obtain specialized skills held by outside contractors without incurring the attendant training costs and other investments. Third, some firms use contingent work relationships to meet capital market pressures on short-term performance and efficiency, noting that the announcements of layoffs are no longer viewed as signs of distress but rather as laudable improvements in efficiency, and that they are rewarded through higher stock prices for the firm.

While there are many potential explanations for why businesses and workers end up in contingent work arrangements, technology both enables these arrangements and makes them

more visible. In this digital age, the workforce is increasingly mobile and work can increasingly be done from anywhere, so that job and location are decoupled. That means that freelancers can select among temporary jobs and projects around the world, while employers can select the best individuals for specific projects from a larger pool than that available in any given area. This shows that Digitization has contributed directly to a decrease in jobs as software replaces some types of work and means that others take much less time. Moreover smartphone applications have connected consumers to service and goods providers more quickly and with greater ease, making such contingent work more salient to the casual observer.

Other influences include financial pressures on businesses leading to further staff reductions and the entrance of the millennial generation into the workforce. The current reality is that people tend to change jobs several times throughout their working lives; the gig economy can be seen as an evolution of that trend.

### 3. Advantages

- Businesses save resources in terms of benefits, office space and training. They also have the ability to contract with experts for specific projects who might be too high-priced to maintain on staff.
- A gig economy can improve work-life balance over what is possible in most jobs. Instead of a round-the-clock, full-time work load, workers can choose projects in conjunction with other demands on their time. This could serve to boost labor force participation for students, parents, or otherwise retired workers. Similarly, the gig economy could help reduce underemployment, as freelancers and self-employed workers can more easily find additional customers and other workers can find side jobs to top up hours. Ideally, the model is powered by independent workers selecting jobs that they're interested in, rather than one in which people are forced into a position where, unable to attain employment, they pick up whatever temporary gigs they can land.
- Underemployment still remains high, which could be driving workers to pick up an extra job to make ends meet. Gig economy has changed the landscape of employment, shifting it more towards self-employment.
- The digital revolution is responsible for peer-to-peer exchange and on-demand services for today's customer. And because these platforms provide layers of trust, brand and expertise on demand, the need for specializing is reduced. For example: Almost anyone

with talent can become a part-time hotelier through Airbnb or an artisan retailer on the side through Etsy. Any reasonably competent driver can morph into a provider of commercial transportation by plugging into Uber or BlaBlaCar.

- Providers don't have to commit to full days of work. In the gig economy, the lines between personal and professional become increasingly blurred. With the right mindset, you can achieve a better work-life balance.
- Starting a new business has generally been an all-or-nothing proposition, requiring a significant appetite for risk. There are benefits to dipping your toes into the entrepreneurial waters by experimenting with a few gigs on the side.
- The social inequality, concentration of wealth will shift from few big entrepreneurs to millions of micro entrepreneurs when freelancing is promoted throughout the world.

#### 4. Disadvantages

- A person is his own boss when working as a freelancer. But there's also something empowering about a steady pay cheque, fixed work hours and company-provided benefits. It's harder to plan your life longer term when you don't know how much money you're going to be making next year.
- The latest generation of specialised labour platforms also raises the spectre of greater social inequality. We've now got apps through which providers will park your car (Luxe), buy and deliver your groceries (Instacart), and get you your drinks (Drizly). There's a risk we might devolve into a society in which the on-demand many end up serving the privileged few.
- In the context of an already existing digital divide among well-off and low-income groups— who may or may not have access to expensive broadband connections at home — a broad technology landscape that's shifting into a world of haves and have-nots. Only the groups that have access to high speed internet connection can avail the benefits of online on demand services. There also exists various groups those hardly have any knowledge about the services.
- These jobs generally confer few employer-provided benefits and workplace protections. This stands in contrast to traditional employer–employee relationships that often come with manifold assurances and protections, such as overtime compensation, minimum wage protections, health insurance, disability insurance, unemployment insurance, maternity and paternity leave, employer-sponsored retirement plans, workers' compensation for injuries, paid sick leave, and the ability to engage in collective action.

- Technological developments occurring in the workplace have come to blur the legal definitions of the terms “employee” and “employer” in ways that were unimaginable when employment regulations like the Wagner Act of 1935 and the Fair Labor Standards Act of 1938 were written. The evolution of the work relationship over time has led to important regulatory gaps.
- Gig work leads to a less reliable source of income and benefits which could impact consumer spending and saving. Traditional collective bargaining does not work with temporary labour. Temporary or contract workers pose a threat to the organized system of labour. Rules of protection of labour relating to job security, working hours, wages etc does not apply to gig economy. So, who and how will the labour be protected from exploitation.
- Temporary workers provide an important source of hiring flexibility for companies, but an elevated share of temporary workers suggests a lack of willingness to commit to hiring permanent employees. It also shows that there is a constant decline in the availability of secured jobs in the market.

## 5. Conclusion

Even though the gig economy still looks small at present, its significant growth potential has important implications for the labor market and broader economy. Flexibility may be a key draw for many workers to the gig economy, lifting labor force participation and topping up incomes, but it is also likely to present challenges for workers who seek the benefits and income stability of traditional work arrangements. So, it can be concluded that gig economy is in its making phase. There is a lot of shaping needs to be done which can make it or break it.

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<sup>i</sup> Horowitz, “Freelancing in America 2015 Report”; Harris and Krueger, “Modernizing Labor Laws.”

<sup>ii</sup> **Source:** Bureau of Labor Statistics (BLS), Current Population Survey (CPS), Table A-9 (Historical Data), at <http://www.bls.gov/webapps/legacy/cpsatab9.htm>. The December 2007-June 2009 recession is shaded in gray. Recession data are from the National Bureau of Economic Research (NBER), <http://www.nber.org/cycles.html>.