

# The Coming of Age of India's Gig Economy



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India has witnessed dramatic growth in the gig economy in the last few years. The country has seen the emergence of successful gig work platforms – all pointing to the tremendous opportunity that the gig economy represents. The transaction value of the volume of work carried out by gig workers in India could be worth around \$250 billion. Construction, manufacturing, retail, and transportation and logistics account for more than 70 million of the expected on-demand jobs in India.

A little over 3 million individuals make up India's thriving gig economy. The growing smartphone and Internet penetration and emergence of platforms for delivering services have given a big fillip to the gig economy in the country, much to the convenience of the Indian urban consumer: scheduling a ride to work, hiring a professional cleaner or ordering a meal is only a few clicks away.

According to a report by the Boston Consulting Group and Michael & Susan Dell Foundation, India's gig economy, which has gained momentum with the growth of startups and Internet companies such as Zomato, Swiggy, Ola, Uber, Urban Company, Flipkart, Amazon, and Dunzo, has the potential to service up to 90 million jobs in India's non-farm economy alone, transact over \$250 billion in volume of work, and contribute an incremental 1.25% (approximately) to India's GDP over the "long term". The four largest industry sectors – construction, manufacturing, retail, and transportation and logistics – could alone account for over 70 million of the potentially "gigable" jobs.

For the millions of young adults finishing school and college each year, the gig economy provides a jumping-off point for their careers. The gig economy is also a viable option for women to re-enter the workforce in large and meaningful ways. With 85% of India's workforce employed through the informal sector, the use of technology platforms lends a degree of formality and drives greater transparency of labor demand and supply.

Talking about the coming of age of India's gig economy during the pandemic, Nirmal Parikh, founder & CEO at Apna mobile app, says, "Covid-19 has transformed the work, workforce, workplace, and work culture and established a next normal. The future of the next normal is definitely dominated by the gig economy. In the last one year, with the rise of work-from-home jobs, gig work is becoming very normal for organizations and even frontline workers are getting used to splitting time across different jobs to make ends meet. Today, the gig economy is a free and global market, where companies and contractors set short-term and on-demand

professional relationships for skill-based tasks. The Associated Chambers of Commerce & Industry of India (ASSOCHAM) stats convey a positive projection for the gig economy increasing to \$455 billion by 2024 at a 17% CAGR. The government has realized the impact of gig workers in the Union Budget 2021 and will thereby create provisions for them towards social security among others."

In the past decade alone, the advent of the now ubiquitous ridesharing apps and delivery platforms have brought terms such as "flexible work", "gig work", and "sharing economy" into the mainstream. Employers (both large and small) are also recognizing the value of these platforms to improve efficiency and increase demand for their services. Transport, logistics, and home-based services have seen rapid growth. We see significant potential for further adoption in labor-intensive sectors like construction, manufacturing, and functional roles.

## Gig Economy: an Old Concept in India

Gig work is not a new concept in India. It has always existed in various forms in the country's informal economy. The urban and rural areas of India have always had the equivalent of gig work – from temporary farm workers and daily-wage construction laborers to household help. A sizeable part of the gig economy still operates through word-of-mouth and personal networks. Today's gig economy can be regarded as an evolution in the way work and workers are sought out, contracted, and compensated. Technology has brought many services to our mobile devices, and gig platforms have been quite successful in meeting existing and new consumer demand.

These gig platforms have created many jobs in the areas where they operate, but there is a great need for formalizing and organizing India's gig economy. A comprehensive plan for unlocking the full potential of this economy is still missing.

## India's Gig Economy – Most Visible Spaces of Activity

In industry sectors, a sizeable number of responsibilities and job-roles has traditionally been task-based and fulfilled by temporary labor. Specifically, the construction industry operates largely with on-demand informal labor which is typically provided through a network of labor contractors and other third-party connections.

TABLE

## Most visible spaces of activity & key players

| Most Visible Spaces of Activity     | Key Players                                     |
|-------------------------------------|---|
| Personal transport                  | Uber and Ola                                    |
| Last-mile delivery                  | Swiggy, Zomato, Delhivery, Dunzo, and Foodpanda |
| At-home personal services           | Urban Company, Housejoy, Handy, and Mr. Right   |
| At-home nursing                     | Portea  |
| High-skilled and professional tasks | FlexingIt and Upwork                            |

Source: Compiled by the author

There is frequent use of on-demand workers for personal services such as drivers, appliance repair and maintenance, renovation, and minor construction work in Indian households as well.

Recent reports and studies indicate that half of all Indian gig workers are in industries such as software and technology. They identify strategy, technology, and marketing as the top three skills in demand for around 50% of projects with startups, large corporates, and professional services.

What are the most visible spaces of activity in India's gig economy? They have been in personal transport, last-mile delivery, and at-home personal services. The [Table](#) above gives the most visible spaces of activity in India's gig economy and key players in them.

### Gig Workers in India

According to a report by the Boston Consulting Group and Michael & Susan Dell Foundation, "gig workers are not a homogenous group, but fall into one of eight distinct segments, depending on their skill level, life stage, and contribution to household income."

The segments are:

1. Purpose Fulfillers: hair and beauty professional, cook, and tutor. Jobs are chosen on the basis of flexible hours, nearby location, and safe work environment.
2. Aspiring Entrepreneurs: mechanic, technician, carpenter, and electrician. They seek job regularity or continuity and learning opportunities to master skill sets.
3. Ambitious Hustlers: data entry operator, telecaller, and Life Insurance Corporation agent. Determined to make a career in their current field of work, they aspire to growth in terms of

learning and rising in designation.

4. Hopeful Balancers: cab driver and auto driver. They want to earn good pay and look for salary growth potential and non-monetary benefits like medical, life or vehicle insurance.
5. Financial Contributors: domestic help and healthcare worker. They want to earn a good salary and save some money.
6. Financially Strapped Solo Earners: construction worker and food delivery agent. Their level of skill is low, and they want a good salary and regularity or continuity of job.
7. Earn to Burn: telecaller and data entry operator. Students fall into this segment. They want to earn a salary for discretionary spending.
8. Millennial Providers: food delivery agent, package delivery agent, and data entry operator. Students fall into this segment as well. They want to support their family and fund their own education; they look for jobs that pay well.

### Coronavirus-Induced Lockdown

The coronavirus-induced lockdown in 2020 hit gig economy workers – especially in the ride-hailing, delivery, and cleaning segments – the hardest. According to a study by *Flourish Ventures*, around 81% of them faced sharp declines in their incomes. Nine out of 10 gig workers were earning less than 15,000 rupees per month compared to one in 10 before the lockdown. Drivers of taxi aggregators were also severely hit by the lockdown, reporting up to 90% reductions in incomes. Workers of food-delivery companies reported a 75% decline and cleaning staff witnessed up to a 72% fall. Also, women gig-economy workers suffered a bigger decline in incomes than their male counterparts. Around 74% of women workers made less than 10,000 rupees compared to 65% of men.

The second wave of the Covid-19 pandemic in India, which started in the middle of March 2021, also had a huge impact on consumption and consequently on business. However, much to the relief of the people participating in the gig economy, India soon emerged stronger from the pandemic and started witnessing a rise in its gig economy. Today India is seeing an explosion of app-based service providers.

Varun Khaitan, co-founder of Urban Company, which is Asia's largest online home-service platform, says, "We are going to do more business than we did before the second wave. Pre-Covid consumption has fully come back and has doubled post-wave and is back to an all-time high. Over a few months from now, it will grow

more. Consumption is fully back. A lot of that is a function of our platform because we provide services at home. People consider it safer than stepping out of their home. Incidentally, more than 92% of our service partners have been vaccinated.

“Folks on our platform make one-and-a-half times or two times more money than they make elsewhere in the country. From pre-Covid days to post-Covid days, the interest to join Urban Company has grown much more than before, because the offline service sector has taken quite a beating. Many salons and repair shops have shut down, and individuals who used to work there have now, with urgency, moved to our platform. They are quite happy, and I don't think they will ever go back. You see, the entire economy is growing by leaps and bounds – thanks to platforms like Urban Company.”

### Dissatisfaction Among Gig Workers

The rising gig economy in India, however, fails to conceal the widespread dissatisfaction among the majority of gig workers. As work assurance is the most important job driver for gig workers, lack of job stability turns out to be the biggest source of dissatisfaction for most of them. Timely payment is another potent job driver for them. Many workers take up gig work to meet expenses like loan instalments and medical emergencies. Timely payments are, therefore, critical for them. Another key dissatisfier is lack of sufficient learning opportunities. A young data entry executive says, “I am earning decent money which helps me pay my education fees, party on weekends, and buy trendy clothes. However, I am not learning anything here, doing the same mundane task every day. I want to learn analytics and create dashboards. Such jobs are in demand now and I can build my career on it but here I do not get such opportunities.”

A majority of workers view gig work as a long-term opportunity and want regular increments. They regard regular increments as their top job driver at work. An Uber driver in Mumbai says, “I started driving for Uber in 2015; I used to earn in excess of 40,000 rupees a month as compared to 25,000 now. The platform should include a 10-15% surge fee based on my past performance and loyalty; instead, my earnings have reduced. With rising inflation, I cannot continue to support my family by continuing to work here.”

### Social Security Code

Although on-demand work has benefits such as convenience,

flexibility, higher unit pay, and greater efficiencies, it has also given rise to questions regarding minimum wage requirements, worker protection, and consumer rights.

According to Amitava Ghosh in his *Gig Economy in India Rising* (Bilaspur, Evincepublishing, 2020), “Advertisers cunningly exploit gig workers amidst a scarcity of formal jobs by lowering the exchange price of services for the efforts put in by the gig workers. In the absence of any regulatory bodies to set a guaranteed earning on any gig job, it ultimately leads gig workers to remain at the beck and call of the advertiser... Gig workers are not covered under any Social Security Law of the land, as it is an unorganized sector; while the labour and employment laws cover only workers in organized sectors. They are deprived of certain mandatory social security benefits enjoyed by the formal employment workers like insurance and employee compensation, maternity benefit, medical benefit, disablement benefit, dependent benefit, provident fund, pensionary benefits, statutory bonus, gratuity, etc. Therefore, the future of gig workers is not protected like the workers in the organized sectors.”

“Currently, these workers are not covered under health, Employees' State Insurance, the Provident Fund (PF) or any other scheme as the gig economy is not yet defined as a way of life,” says Neeti Sharma, senior vice-president of TeamLease Services, a staffing company that provides human resource services to various industries. “Regulation will ensure fairness as well as accountability. When it is formalized, the gig economy will draw more professionals,”

The legal framework in India does not equate gig or platform workers with regular employees. The definition of a gig worker still remains unclear. Existing Indian jurisprudence refers to gig workers as independent contractors; and under the Code of Social Security Bill 2020, the term “gig worker” has broadly been defined as “a person who performs work or participates in a work arrangement and earns from such activities outside of traditional employer-employee relationships”. The code defines “platform work” as “an employment form in which organizations or individuals use an online platform to access other organizations or individuals to solve specific problems or to provide specific services in exchange for payment”. The code also points out that such workers may be provided with certain social security benefits as determined by the central government. These may include life and disability cover, accident insurance, health and maternity benefits, old age protection, crèche and childcare services, and a few other benefits.

Commenting on the Code of Social Security Bill 2020, Ghosh

writes: “While on the subject of the Code of Social Security Bill 2020, till the time it is converted to a full-fledged Act to guide and govern the social security aspects of the gig workers, the persons in the gig economy in India will suffer.”

### Budget for 2021-2022 – a Shot in the Arm for Gig Workers

Gig workers got a shot in the arm when the government decided to extend social security benefits. While presenting the budget for 2021-2022, Finance Minister Nirmala Sitharaman said, “For the first time globally, social security benefits will extend to gig and platform workers.” According to Sitharaman, the benefits proposed in the budget would include minimum wages and health cover under the Employees State Insurance Corporation.

“We are proposing to set up a portal to collect relevant information on gig workers along with building, construction workers and other such workers. The portal will help formulate health, housing, skill, insurance, credit, and food schemes for migrant workers... We will conclude a process that began 20 years ago, with the implementation of the four labor codes. Minimum wages will be applied to all categories of workers. They will all be covered by the Employees State Insurance Corporation,” she said. It is felt that the new measures will streamline the gig economy, transforming it into a more organized sector, which should help attract more talent in the coming months.

### Flip Side of Regulatory Framework

What would be the impact of the regulatory framework on platform-based companies? Answering this question, Anandorup Ghose, a partner at Deloitte India, said, “The bigger issue is that the more regulation you bring into the segment, the more the employers will have to pay for hiring gig workers. It’s a fine balance right now. The increase in cost will make some parts of the gig economy less attractive from the employment perspective. Let’s say, you bring in insurance benefits similar to the ones given to normal employees. As soon as you do that, the cost benefit will come down marginally. Now, if you give PF benefits to gig workers like the way you give them to normal employees, your cost-benefit will come down further. Regulation is important because fundamentally the biggest challenge in India has been to ensure that a person gets paid for the task that the person performs. The payment cycles can be just anything in a

formal sector as well... payment cycles could be very unsustainable. For it to happen in a structured manner, regulation is important... but regulation as long as it does not increase the cost of ownership or managing gig workers for companies.”

Sharing his thoughts on the impact that the regulatory framework can have on platform-based companies, Khaitan said that “It’s a positive thing: India will be one of the very few countries to actually legitimize gig in a very formal way and that will itself give a huge boost to the gig economy – from being sort of a semi-formal part of the economy to actually being a formal recognized part of the economy. It will increase trust on the side of consumers and we will get to see a lot more worker participation. It will also make platforms more responsible in areas where they are not.”

### Conclusion

The gig economy in India, which has immense potential for India’s economy and workers, has been rising by leaps and bounds. More and more people are depending on gig work for their primary income. India’s gig economy can serve up to 90 million jobs and add 1.25% to India’s GDP. However, the rise in the gig economy has not been able to conceal the widespread dissatisfaction among the majority of gig workers. There has been growing concern about whether employee benefits and retirement and pension facilities should be extended to gig workers. Much to the benefit of gig workers, the government of India recently proposed to launch a portal to collect relevant information about gig workers to formulate social security schemes for them and migrant workers. However, many gig-economy players feel that regulation would end up forcing employers to pay more for hiring gig workers. A rise in costs would make some parts of the gig economy less attractive and consequently decrease employment. In addition, gig in today’s India is largely limited to one kind of workforce. The country is not really going up the value chain in terms of looking at gig for middle or senior management. The government must see to it that gig expands to the white-collar management level.

**JS**

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