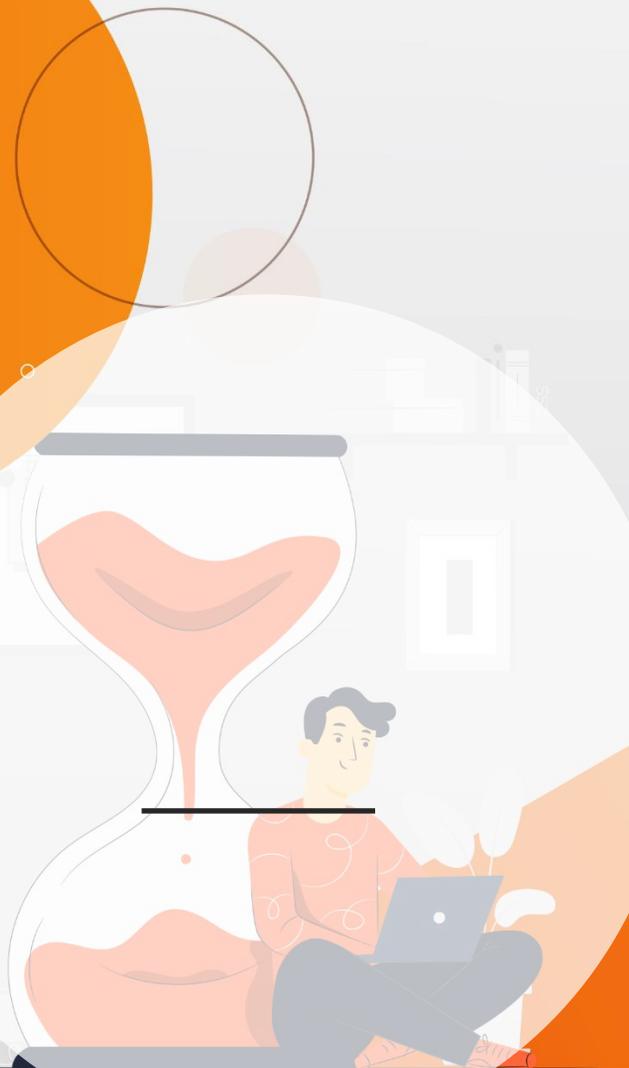
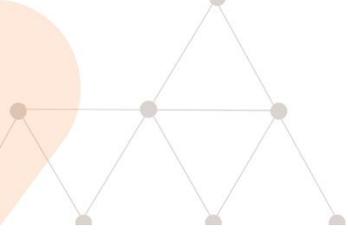


The rising **GIG** **Economy** OF INDIA



Knowledge Partner





Foreword

The Gig economy refers to a temporary contractual job or freelance work that a person may take, on a project-to-project basis, for which the payment is made once the task is completed. It is a globally rising phenomenon with 36 per cent of U.S. workers or close to 57 million Americans engaged in it. India meanwhile has around 15 million freelance workers engaged in projects in different fields of the Gig economy.

Due to the COVID-19 pandemic, economies across the world nosedived, with the pandemic bringing with it changes to almost all spheres of human life, the Gig economy being no exception. However, unlike the downside effect faced by most sectors, the pandemic had a positive effect on the development of the Gig economy, accelerating its progress by many years, despite a dip in the initial days due to the imposition of the lockdown. Companies like TeamLease.com reported a 12 per cent rise from pre-COVID times in the demand for Gig workers. It also made companies and people pursue new working models that saw an increased focus on Gig set-ups.

As widely known, India has been seeing declining rates of female labour force participation and the pandemic only worsened the situation. However, the Gig economy has proved to be a viable option for many women, with work from home and other newer work models conducive to working women

gaining momentum and acceptance.

For many Gig workers, the lack of a legal framework around the Gig economy meant the absence of social security such as minimum wages, hours of work, and other benefits. These fears were allayed as part of the Code for Social Security, 2020 with the government bringing Gig workers under the ambit of the Social Security Code in the Budget 2021 announced by Finance Minister Smt. Nirmala Sitharaman, placing India on the list of few countries to provide such rights.

This ASSOCHAM-Primus report is an attempt to understand the Gig economy, focusing on the impact of COVID-19 on the Gig segment in India. It presents the means to address the challenges and pursue the opportunities created by the pandemic to enable a forward-looking work culture that results in large-scale employment, income generation and fuels the ambitious national goal of becoming a 5 trillion-dollar economy by 2025.



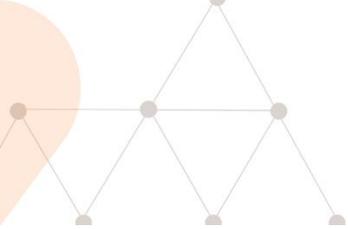
Vineet Aggarwal

President,
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Secretary General,
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Introduction to Gig Economy

The Gig economy is a free market system in which temporary, flexible jobs are commonplace and companies bring on independent contractors and freelancers instead of hiring full-time employees for short-term projects. A Gig economy encompasses all platforms that hire independent contractors, consultants, and workers in different sectors, such as information technology, content creation, social media marketing, communications, food and beverages, and other creative fields such as art and design.

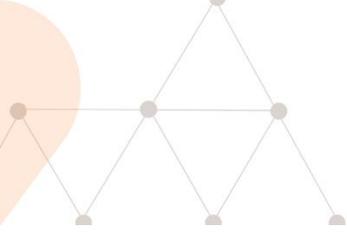
The Gig economy can be categorised into low, medium, and high-skilled ecosystems. The medium to high skilled jobs are mainly those that can be delivered by a Gig worker without any physical operation required like freelancers, independent consultants, direct contract employees, etc, which could be considered as white-collar jobs. Whereas the low-skilled jobs offered through various work-on-demand platforms and aggregators require a physical operation to complete their tasks, which could be considered blue-collar jobs. The sudden rise in Gig employment due to the influx of aggregators is primarily seen in low-skilled jobs.

Compared to a traditional workplace and timings of a regular 9-5 job, Gig workers get the freedom to work for several employers at the same time while retaining their independence. Further, they have the freedom to decide their remuneration, as well as the choice to pick the projects that suit them best. A Gig economy holds benefits for employees as well as companies. For workers, there is the flexibility to work when you want, on what projects you want to be associated with across geographies (where possible), while for organisations a flexible workforce helps them manage costs according to the demand, while still utilizing relevant skills.

While the concept of a Gig economy is fast catching on, there remains significant potential for it to grow further. Today, India is among the fastest-growing Gig economies in the world with the increase being driven in part through government initiatives such as Start-up India, Skill India, and Digital India, among others.

¹Economic Survey 2020-21: India's Gig economy now among largest in the world, Economic Times, 29 January 2021

²India's 70% companies have used Gig workers in 2018, says report, Business standard, 2 March 2019



The Landscape of Gig Economy in India

While developed economies such as the United States have been early adopters of the Gig economy due to higher rates of digitization, and economic development, India has emerged as one of the largest markets for Flexi staffing in the world due to the wider adoption of e-commerce and online retailing according to the Economic Survey 2020-21.¹

A worker engaged in income-earning activities outside of traditional, long-term employer-employee relationships and enters into formal agreement with on-demand companies and services clients of those companies.

The majority Gig workers are interfaced through technology platforms unlike traditional unorganised workforce, which is crucial distinguishing factor between Gig and unorganised workers. General accepted notion of Gig workers are independent contract workers, online platform workers, freelancers who are hired for a targeted project/task requirements and usually remunerated post delivery of the project/task.

The Gig economy in India has been on the rise for a while now. According to a report on the rise of the Gig economy in India, 70 per cent of respondents from the hiring side said they had used Gig workers at least once or twice for solving organizational issues in 2018 with nearly 45 per cent of the human resource (HR) heads surveyed wanting to hire a Gig worker to supplement skills of the existing workforce.² Further, a report 'The Future of Work is Anywhere - Gig Workforce' revealed that in 2018, men and women had an almost 50:50 split in the Gig economy against the traditional workforce where the ratio is about 70:30.³ At present, India has around 15 million Gig

workers engaged in projects in sectors like IT, HR, designing, among others.⁴

While currently, the Gig economy is most popular amongst the blue-collar workers in India, many white-collar professionals have adopted the Gig economy model as well, due to increasing demand in industries – project-specific consultants, digital marketers, logo/content design, web design, etc. The Gig economy is now expanding from less-skilled services to more skilled jobs not only in India but all around the world.

Technology has been a driving force behind the rise of the Gig economy and digital platforms have emerged as enablers of employment creation, with job seekers and job providers being able to connect a lot easier than before. Internet penetration and smartphone adoption are increasing at a massive scale with India only next to China in the usage of data. This has created a huge digital market that has seen consistent investments, both from abroad and within the country to companies venturing into this space, especially e-commerce. All major e-commerce players, food and cab aggregators, among others need services from Gig workers to run their operations and hire Flexi staff extensively, helping India to emerge as one of the largest countries for Flexi staffing in the world.

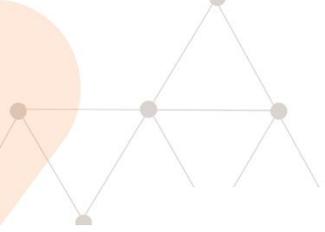
India needs to create millions of jobs to accommodate its growing workforce as millions enter the jobs market every year. The Gig economy is a useful channel to provide on-demand jobs, which can support the pace of employment generation significantly impacted by COVID-19.

¹Economic Survey 2020-21: India's Gig economy now among largest in the world, Economic Times, 29 January 2021

²India's 70% companies have used Gig workers in 2018, says report, Business Standard, 2 March 2019

³Gig economy on rise; 70% firms used Gig workers in 2018, Economic Times, 1 March 2019

⁴OPINION: Growth of Gig economy signals tectonic shift in the workforce, The Week, 10 December 2020



Gig Economy in India

India at present has around 15 million freelance workers engaged in projects in different sectors.

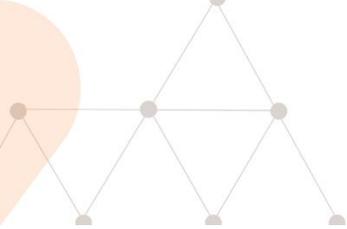


Indian cities with highest number of blue-collar workers related to Gig Economy



Average age of workers in Gig economy





Impact of COVID-19

While the concept of a Gig economy has been prevalent in India for a long time now, it's being embraced like never before due to the COVID-19 pandemic and the economic contraction because of it. The report presents the impact of COVID-19 on the whole Gig ecosystem. The scope excludes the larger umbrella of unorganized workers and focuses primarily on Gig and platform workers primarily from the Technology and services sector.

Impact of Lockdown

The impact of COVID-19 and the ensuing lockdown to mitigate health risks brought the global economy to its knees. The most adversely affected include the unorganised sector and Gig workers like cab drivers, delivery, and other platform workers who did not have any alternative means of livelihood, nor social security. While the moratorium in loan repayments provided people with a breather, limited income and dire prospects forced many people to return to their native places. Post the economy opening up, things have begun to ease up a little with earnings gradually increasing, though it continues to be below pre-lockdown levels. A report on Freelancing in 2020: An Abundance of Opportunities by Payoneer stated that while the COVID-19 pandemic brought a short-term slowdown in revenue growth for freelancers, growth returned to 28 per cent from May to June.⁵

New mode of operations and growth

With all the COVID-19 regulations in place across the country, digital platforms devised new forms of services such as 'Contact Less' delivery, sanitisation practices in cabs, increased digital

transactions, among others. Some digital platforms were even included under essential services, enabling ease of access. All these developments led to an increase in the users of such platforms. The customer base of many online grocery stores grew exponentially, forcing many to go the extra mile to hire Gig workers, many of whom had returned to their homes. Traditional companies started offering home services and platform players started expanding scope due to the rise in demand, as most food delivery apps started offering groceries with tie-ups from brick-and-mortar set-ups. With more relaxation from the government, medicine delivery apps also saw a major boost. This could be one of the finest examples of turning a crisis into an opportunity through various digital platforms leading to business diversification and increased revenue with most companies now continuing to operate with the new diversified scope.

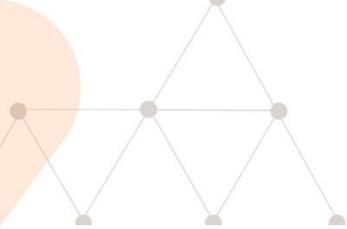
Gig/Platform Workers as COVID-19 Warriors

The frontline delivery workers earned the tag of COVID-19 Warriors, as they were out there while most of the restrictions for commoners were still in place, serving customers and helping the government in reducing the movement of people. While the mainstream health care and government workers were insured by government intervention, Gig workers largely remained untouched with any such social security during the pandemic, though many platform companies did appear to offer support to their Gig workforce. A few initiatives undertaken to support the workforce were opening

³Gig economy on rise; 70% firms used Gig workers in 2018, Economic Times, 1 March 2019

⁴OPINION: Growth of Gig economy signals tectonic shift in the workforce, The Week, 10 December 2020

⁵India is second-fastest-growing freelance market in the world, says report, Hindubusinessline, 11 September 2020



funds contributed both by customers and companies, waiving-off penalties for late delivery, additional tips, providing medicine toolkit, providing interest-free credit, etc. While these were welcome gestures, they were not satisfactory enough to provide social security as they lacked any legal obligation then.⁶

Job loss and Interim Support from Gig Economy

Due to the Pandemic, many SMEs and startups found it difficult to arrange working capital. Some trimmed their employee count, a few panicked and carried out mass lay-off and few had to wind up completely. Seeing the unprecedented situation, companies took unprecedented steps leading to the loss of thousands of jobs. Many medium, high-skilled professionals who were laid off, opted for Gig jobs as an interim measure to earn income while looking for jobs matching their actual skill set.

Through the period of the pandemic, it can be noted that COVID-19 positively affected the Gig economy across the world after an initial slump. The number of average daily tasks/jobs posted and filled on the platform economy has increased since the arrival of COVID-19.⁷ Many experts suggest that the COVID-19 pandemic would push more of the conventional workforces towards the Gig economy in India. For instance, on Teamlease.com, there was a 2.5X jump in demand for Gig workers compared to last year.⁸ With supportive government policies now in place, the Gig economy can not only help people tide over this difficult time till the pandemic subsides but can also provide an alternative and sustainable model to the traditional workplace going forward.

Gig Economy and Women Empowerment

The COVID-19 pandemic has been especially hard on working women, with thousands losing jobs and India seeing declining rates of female labour force participation (FLFP). However, the pandemic has also provided us with an opportunity to take women along the path of recovery & growth to create a more inclusive, equitable economy. The rapidly expanding Gig/platform economy of India can turn out to be a viable alternative for millions of women who lost jobs during the pandemic or are looking for opportunities to join the workforce. Flexible work arrangements provide a huge advantage when compared to working on fixed timings of 9-5 for many women already burdened with housework. For them, the Gig economy can help mitigate some of the barriers they face by enabling Flexi-work and allowing women to access new forms of employment opportunities through online labour platforms.

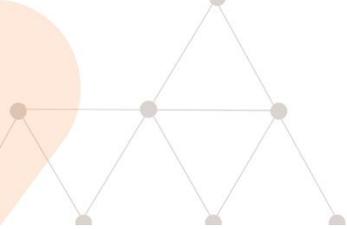
Through initiatives announced in the Budget 2021 such as the decision to allow women to work in all categories as well as in night shifts, backed by suitable safeguards will give another boost to the Gig economy in the country. Further, efforts to help formalize the Gig economy will make it more attractive for women to enter the Gig workforce.

While there remains a significant gender gap in today's workforce, women's participation in the freelance industry has been slowly gaining momentum over the last few years. Currently, women's overall workforce share in most countries is still lagging, but women are making strides in several fields.

⁶The Personal and Social Risks That India's Food Delivery Workers Are Taking During COVID-19, The Wire, 12 April 2020

⁷The impact of Covid-19 on Gig economy, Tandfonline, 30 December 2020

⁸COVID-19 prompts workers, corporates to adopt Gig economy, Economic Times, 18 October 2020



According to Freelancer Income Report 2020, most women freelancers in India have clients based in the United States with average work times of 2-2.5 hours.⁹

Paradigm Shift in IT Employment

The Gig economy in countries like the United States and the United Kingdom have reached a fairly mature stage where over time, recruiters and employers became used to a concept of a mobile workforce, while in India, the traditional workforce model remained dominant till the onset of COVID-19 pandemic, even as flexible jobs and Gig-based employment were growing. In this regard, the COVID-19 pandemic has accelerated the process by almost a decade with employers and employees becoming more comfortable with the idea of working from home and having a more flexible workforce than ever before. A report 'Freelancing in 2020: An Abundance of Opportunities' by Payoneer stated India ranked as the second-fastest-growing freelance market in the world and witnessed a 46 per cent increase in new freelancers from Q1 to Q2, 2020. While the COVID-19 pandemic brought a short-term slowdown in revenue growth for freelancers, growth of 28 per cent was witnessed during the May-June period.¹⁰

We are witnessing a paradigm shift in the way companies are run across the globe. Employers are rethinking the traditional way of running businesses since the onset of the pandemic. In India, the size of firms are shrinking, which is giving rise to a large number of start-ups specialized in taking up non-core activities on a contractual basis.

Increasing digitization has meant that remote

working options have become a more viable option for many companies. More and more companies are working on developing dedicated policies for Gig tech workers and piloting projects with freelancers, as remote working gains wider acceptance.

Most big IT companies have begun to adopt the new hybrid work model with many even planning to make work from home (WFH) permanent for the majority of their workforce in the coming years.¹¹

This increasing use of technology also leads to the creation of new job profiles and a business's need to look for qualified talent. It is possible that in the coming years, instead of hiring outright for various positions, companies may reach out to talent on a more project-like basis.

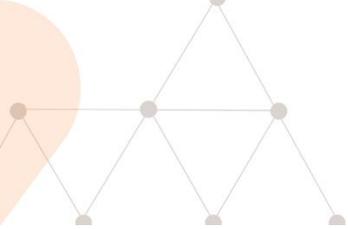
The change in the work model accommodating more WFH and freelancers has a few positive externalities:

- a) It will encourage more people to shift their base to tier 2 & tier 3 cities or their native cities, decongesting the metro cities.
- b) It may encourage more women to take up jobs.
- c) It will help to allay fears of data security for major offshore clients, where large firms were able to display and operate 100% remotely.

⁹A study reveals one in five Indian freelancers is a woman, Economic Times, 7 February 2021

¹⁰India is second-fastest-growing freelance market in the world, says report, Hindubusinessline, 11 September 2020

¹¹Post COVID-19, IT firms pilot Gig working models, plan dedicated WFH policies, Moneycontrol, 5 February 2021



Legal Framework for Gig workers in India

“For the first time globally, social security benefits will extend to Gig and platform workers. Minimum wages will apply to all categories of workers, and they will all be covered by the Employees State Insurance Corporation,” Finance Minister Sitharaman said in her 2021 budget speech.

India did not have a specific legal framework for Gig workers until recently when the new Code for Social Security, 2020 was notified by the Government of India, which defines the term Gig worker as, “a person who performs work or participates in a work arrangement and earns from such activities outside of traditional employer-employee relationships”.

This formal recognition of Gig workers has come at the right time as the role, scope, and adoption of the Gig Economy is increasing like never before due to the disruption created by COVID-19 in how companies operate. Bringing it under the ambit of law has brought relief to a large segment of the Gig workforce.

Gig Worker Registration on Central Portal

The Code also mandates for compulsory registration of both Gig workers as well as platform workers on an online portal to avail benefits under the Code which shall be specified by the Central Government. However, this registration is subject to fulfillment of certain conditions, namely:

- a) The worker has completed sixteen years of age but has not attained the age of sixty years.
- b) The worker has worked for not less than ninety days during the preceding twelve years.

- c) The worker has submitted a self-declaration electronically or otherwise in such form and in such manner containing such information as may be prescribed by the Central Government.
- d) Every eligible unorganized worker, Gig worker, or platform worker shall make an application for registration in such form along with such documents including Aadhaar number.

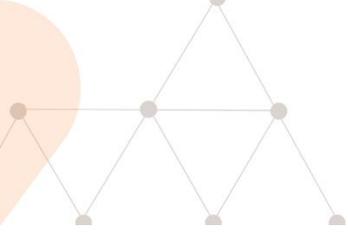
Social Security Benefits

The specifics of the benefits brought out in the code are as listed below

- a) life and disability cover;
- b) accident insurance;
- c) health and maternity benefits;
- d) old age protection;
- e) crèche; and
- f) any other benefit as may be determined by the Central Government.

Further, the government has proposed to establish a Social Security Fund, which is to be managed by the State government following the prescription of the Centre. The aggregators engaging the services of Gig workers are supposed to contribute to this fund about 1-2 percent of their annual turnover or 5 percent of the wages paid to Gig workers, whichever is lower.

Though many stakeholders have welcomed the move, there are apprehensions due to a lack of clarity on guidelines for adoption and implementation.



The Way Forward

While the Gig economy offers a wide spectrum of opportunities owing to its mode of operation, many challenges remain in presenting the Gig economy as a viable alternative.

Digital Ecosystem: While India is seeing rapid growth in Internet penetration across the country, it still has a long way to go in bringing high-speed internet to all parts of the country. In rural areas, Internet penetration and speed remain low which is one of the few essential things required for the growth of the Gig economy. Schemes like Bharat Net aim to solve this problem and once fully implemented can further catalyze the digital ecosystem.

Data Security: For many IT firms, the issue of security is a major challenge as clients especially from Banking and Financial sector do not prefer remote operations. The Pandemic response has shown that it is possible to facilitate 100% remote operations. Companies have to showcase the highest security standards and protocols for clients and gain their confidence through successful pilots. The thought process needs to change from a blanket ban to assess the feasibility of accommodating Gig/freelancers.

Safety of Gig workers and Customers: Reports of Gig workers getting assaulted by unruly customers and visa-versa is not very uncommon. At the beginning of the lockdown, there were reports of many delivery persons being harassed for being outdoors with many communities denying them entrance for making deliveries. Companies need to own up to responsibilities for such

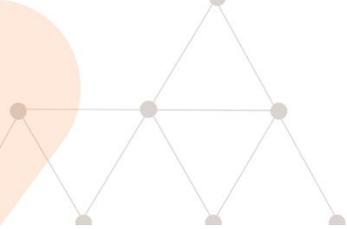
incidents, emphatically handle and resolve them as per the law. The collateral obligation will encourage companies to formulate stringent mechanisms to prevent such mishaps.

Dispute Resolution: With such a huge number of people employed by the Gig ecosystem, it will be common to have discontent. Companies need to identify and resolve issues before they go out of hand. A proper dispute resolution mechanism needs to be developed for stability and prevention of disputes.

Skill Development and Employment: Due to the nature of work, the majority of low-skilled Gig jobs do not offer career growth. One needs to constantly up-skill to avail better career growth within or outside their company.

There are many skill development initiatives run by the government and private entities, Companies and Governments can explore tie-ups for leveraging the same and facilitate employment and career growth.

Lack of Standard Practices: The Gig ecosystem currently lacks standard and transparent practices in its operations and needs to devise industry-wise standards that help them to complement each other and not act on predatory terms. For example: Currently, payment to freelancers is assured only on the completion of the project giving them a sense of financial insecurity. Introducing an effort-based payment system could help ensure continuity of income for the workers.



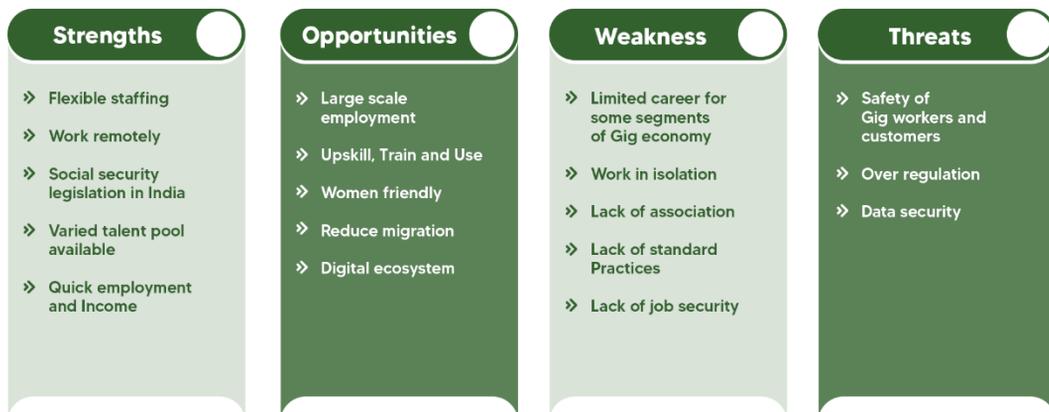
Regulation: It is natural for the government to regulate a sector that employs such a vast number of people. Any new policies or regulations must be developed in consultation with all stakeholders without leading to any hindrance in the out-of-the-box thinking that the Gig ecosystem offers. It should also offer leeway for the companies in implementing and adopting the regulations, as the whole Gig sector is experimenting and learning.

The inclusion of Gig workers under Social security is a welcome step, however, there are a few foreseeable challenges for both the government and employers as listed below that need clarity. Since the Gig ecosystem is so fluid, it will be very

critical to track the Gig workers' work profile to ascertain the eligibility to avail benefits. The online portal being envisaged by the Government should facilitate this and smooth data exchange between employers and tracking agencies.

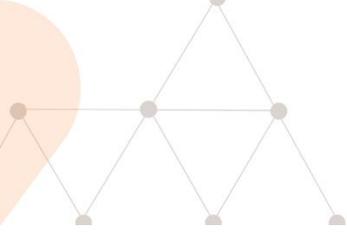
More clarity is required on the provisioning of existing schemes targeted for unorganized sector workers and whether they can be extended to Gig workers. If not, there should be a separate provision for Gig and platform workers.

SWOT Analysis



The Government has recognized the importance of the Gig economy in the aftermath of the COVID-19 pandemic and implemented policies that will aid in its development in the Budget. It is hoped that the government will continue to monitor the Gig economy and provide it with all available support as in these unprecedented times, the Gig economy provides a viable alternative to the traditional

model of working for not only employees and companies but to the government as well, providing it with an option that can help tackle the problem of India's huge working population and lack of jobs suitable for it. Hence, the proper development of the Gig economy can result in a win-win for all.



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