

Empowerment Potential in Gig Economies for Lower Income Strata

Ditya Thapar

Center Point School International

DOI: 10.46609/IJSSER.2024.v09i10.054 URL: <https://doi.org/10.46609/IJSSER.2024.v09i10.054>

Received: 7 October 2024 / Accepted: 22 October 2024 / Published: 30 October 2024

ABSTRACT

The growth of the gig economy is directly related to the expansion of digitalization and internet facilities due to the convenience of connecting firms and employees online. The growth of this economy has had an impact on the reduction of unemployment.

The methodology used is a mix of qualitative and quantitative analysis. Data utilized are from government sources. Preliminary data indicated that 56% of new employment being generated in India is by gig economy companies across the blue-collar and white-collar workforce. The study looked into balance sheets and other financial data of Uber and Swiggy.

The growth of this sector involved the understanding of cost-effectiveness for the employer as well as the employee working on a contractual or temporary basis. It was found that the important factors were whether the economy is developed or developing, additional income or primary income, and the education and skill set of the employee. Employment opportunities have increased and this could be the future for countries like India, where the demographic dividend could be effectively utilized. This sector's problem is ensuring that workers are not being exploited.

The paper will analyze the increasing importance of the "Gig Economy." How important are these economies in solving issues like employment for both developed and developing economies? Is this an alternative to the 'Formal Employment' type of model for economies? How far does employment in this sector help empower the workforce? Does it address the gender inequalities that exist in all economies? How important is this sector as an addition /alternative to the informal sector of developing economies? These and many such questions will be attempted in the course of research.

1. Introduction

The term Gig economy was coined by the former New Yorker editor Tina Brown in 2009.

A gig economy is a free and global market where companies and independent workers establish short-term and on-demand professional relationships that are both flexible and skill-based. The reason that it's called a free market system is because the demand and supply are completely market-based and depend on the areas where there is increasing demand as the economy progresses. It is short-term because no benefits are provided to the employee concerning health, provident funds, or any other social securities normally part of an employment norm in a formal sector type of factory system.

This system allows the employer and the employee to decide on whom to engage and for what length of time without any permanent commitment. It is called 'Gig' because it can be related to a term defined by musicians meaning that they were engaged for a specific period only.

Figure 1: Image of a 'Gig Economy'



Source: <https://www.socsci.ox.ac.uk/>

The advantages of this type of economy enable organizations to get the exact manpower they require as per the project they have undertaken leading to a reduction in cost. This type of employment is for both highly skilled individuals and those who could be more skilled.

The advantages for the not-so-skilled are that they improve their skills by working on the job and the highly skilled have an opportunity to be employed on a rolling basis as and when a project comes on depending on their skill. It is also possible that both the above manpower can work on more than one project at any point in time. It is also possible for them to pick up a job along with their permanent employment.

2. Definition

2.1 Developing and developed economies

Developed economies can be defined as countries with a higher dependence of the labor force on the manufacturing and services sector and a higher per capita income level. Conversely, in developing countries, a major portion or section of the labor force is dependent on the agricultural sector. These economies require the growth of the manufacturing sector in a way that labor from the agricultural sector is gainfully employed. They have lower per capita income levels as compared to Developed Countries.

The term Industrialization refers to a transformation away from an agricultural- or resource-based economy, toward an economy based on mechanized manufacturing.

Moreover, the World Bank uses Gross National Income (GNI) as a way of measuring where the economy stands in terms of total economic activity. GNI includes GDP with net income received from abroad.

Along with being a service sector-dominated country, the characteristics of a developed economy include high-income levels, advancement in technologies, a high human development index, longer life expectancy at birth, and a well-developed educational system.

The characteristics of a developing economy consist of dependence on the primary sector, high unemployment rates, high population growth rates, insufficient infrastructure, dependency on foreign aid and debt, and an underdeveloped industrial base.

The goals of developing and developed economies differ following their needs. The 5 main objectives of a developing economy are economic growth, low unemployment, stable balance of payments, controlled inflation, and reduced income inequality. Developed countries usually try to control inflation while maintaining economic growth as well as trying to encourage sustainable development.

Figure 2: Image difference between developed and developing economies



Source:<https://coredifferences.com/difference-between-developed-countries-and-developing-countries/>

2.2 Formal and Informal Sector

The formal sector or the organized sector refers to the segment of the economy that is monitored, controlled, and regulated by the government. Employees working in the formal sector have a formal contract, with guaranteed wages, secure employment, and other worker protections (eg-health insurance and fringe benefits). Workers are also free to form or join any trade unions.

On the contrary, the informal or unorganized sector (which primarily exists in developing economies) operates outside of the legal framework and is not regulated by the government. Workers in this sector are not entitled to any fixed working hours or a fixed job. There are various types of employment in the informal sector such as home-based employment, casual labor, and freelancers. The workers are also discouraged to form or join any trade union in this sector. Moreover, the firms are not liable to contribute taxes to the government.

Urban areas are highly developed regions with improved infrastructure, many job opportunities, high population density, and jobs concentrated in the secondary and tertiary sectors. On the other hand, rural areas are underdeveloped regions with lower job opportunities, lower population density, and poor living standards and are dominated by the primary sector.

Figure 3: formal and informal sector



Source: <https://www.hcorealestates.com/next/>

2.3 Empowerment

Employee empowerment can happen on different organizational levels and the most common segments include ;

- Empowerment on an organizational level
- Empowerment on the managerial level
- Empowerment on an individual level

Women's empowerment is across three areas ;

- Intrinsic (Power within)
- Instrumental (Power to)
- Collective (Power with)

Empowerment in economic terms refers to having access to necessary resources and opportunities, generating a stable income, and achieving financial independence. This is aimed to be provided to people from disadvantaged backgrounds. They should be allowed to make informed decisions that lead to a higher standard of living. Empowerment potential for low-income strata and the marginalized in the economy comes with the ability to earn money. For developing economies where the level of unemployment and poverty exists, all stakeholders (public and private) must work together to provide this empowerment to all the marginalized in

the economy. Employees who are empowered at work are associated with stronger job performance, job satisfaction, and commitment to the organization.

Public and private sector firms in India differ in terms of their structural aspects such as objectives, performance, and public visibility. Private firms prioritize profits as their performance measure while public firms emphasize substantive purpose. This focuses on political obligations along with service delivery. Research has indicated that traditional public sector investment in employees' well-being focuses on equal opportunity.

Private sectors emphasize performance-oriented human resource management practices that include compensation and benefits.

Self-employment and the gig economy are new areas where opportunities for obtaining employment and jobs exist.

3. Literature Review

Research that has been conducted concerning employee engagement in gig economies has brought out important key factors. These are ;

- Work flexibility
- Organizational support
- Work-life balance

With the increase in globalization and digitalization, there has been an increasing availability of the gig economic system concerning its employment and empowerment potential. In understanding the employment potential, both in developed and developing economies, it is important to realize the employment capability of both skilled and unskilled workers.

The option of a larger and larger number of individuals choosing to freelance and rely on temporary projects is a reality (opportunities given by the growth of the gig economy). This particular model of on-demand employment removes constraints on the freedom to choose when, where, and how to sell one's labor, resulting in individuals exercising greater decision-making power over their own working lives. The downside of this type of employment is the lack of long-term security, precarious legal and economic status, and income uncertainty.

This leads to such workers having less institutionalized resources to stand up against the dominating arbitrary power which is a characteristic of employers in this system. The unique challenges that such an economy creates are factors like self-identification and motivation (Berger 2019). Besides this, the other challenge is the feeling of belongingness and engagement,

as these are important aspects of a work environment directly impacting the productivity of the employee. Working in this sector means that the rights and protection enjoyed by a typical employee such as minimum wage, sick pay, and protection against unfair dismissal do not exist (Albin and Adams-Prassl 2016) However, freedom and flexibility are important positives of the gig economy (Cano et al. 2021)

Employers need to address factors like increased productivity, retaining and attracting talent, mental and emotional well-being, innovation and creativity, and relationship and network building.

The type of relationship that the employee has directly impacts *work efficiency*. Work efficiency tends to be high for gig workers as given the flexible work-life balance that they choose, they tend to manage time more efficiently increasing the overall efficiency of the firm. (Riley,2017)(Hazarika,2019).

Critics of the gig economy like (Kalleberg 2009, Srnicek 2017) have indicated that the levels of freedom for the gig worker have high implications for the worker's health and well-being. Similar questions are being debated on the extent of 'freedom'.

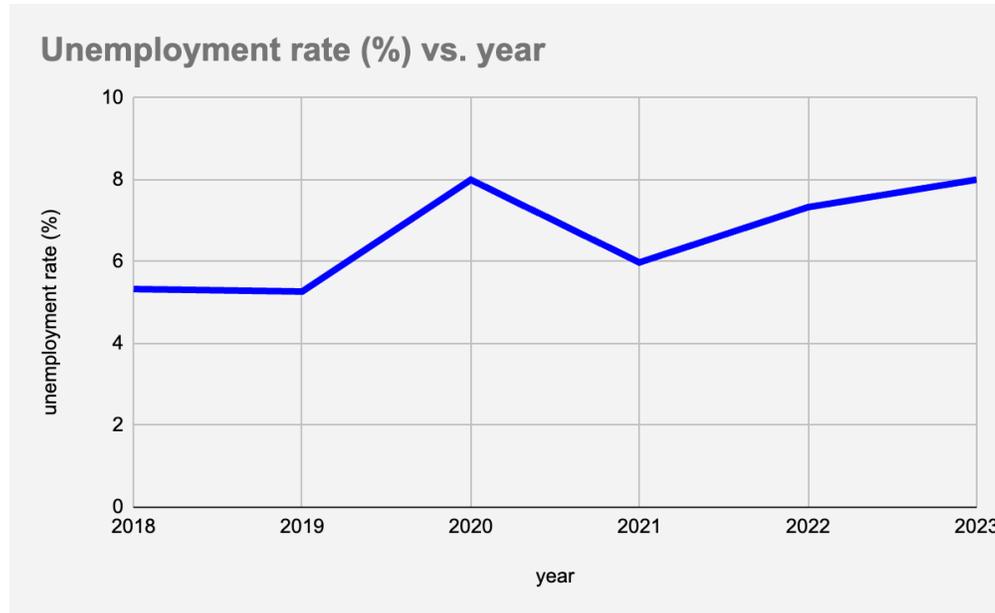
Most definitions of the gig economy are normally associated with online platforms example- Uber and Ola. They are also employed in delivery platforms like Swiggy and Zomato in India. All of these have developed due to the digitalization of the economy. Certain researchers have indicated that the gig economy is associated with a shift towards more 'precarious work'. This is a form of employment that is uncertain, unpredictable, and risky (Kalleberg 2009). It is the lack of social benefit that leads to the condition of vulnerability. "Casualization profoundly affects the person who suffers it: by making the whole future uncertain" (Pierre Bourdieu 1998).

Thus, given the rampant spread of the gig economy in both developed and developing economies there are both a positive and negative side to this system of employment. The possibility of such a system has risen because of increased internet and AI facilities that have helped the growth of the 'online' sector in the system.

4. Methodology

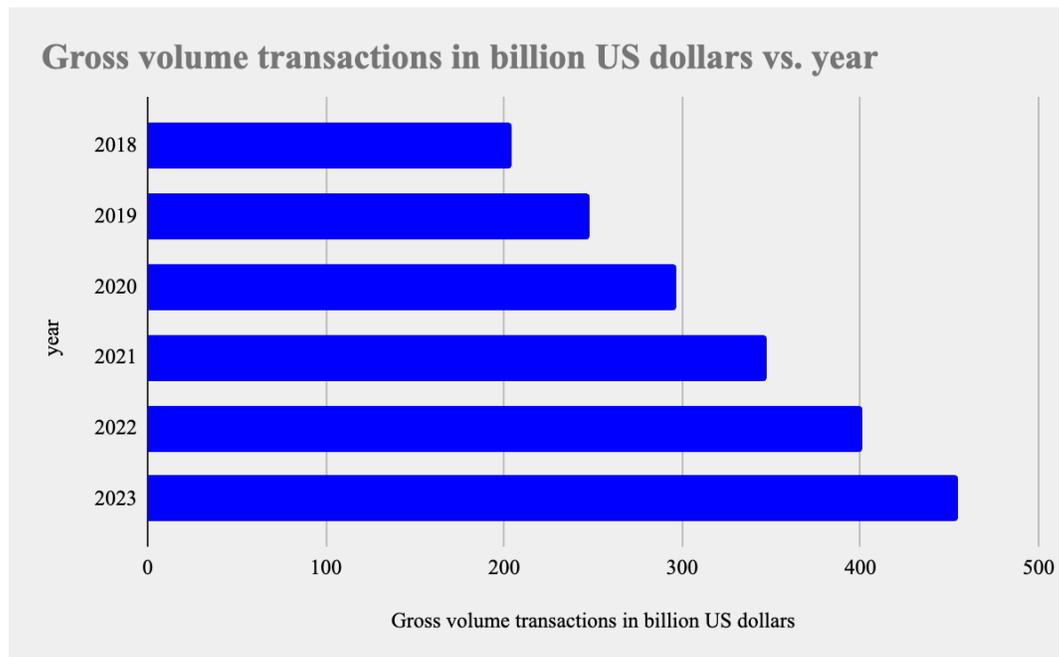
The methodology used is a mix one where quantitative and qualitative data have been studied to indicate the impact of the gig economy in both developing and developed economies. Case studies of Swiggy in India and Uber in the USA have been perused. The data was collected from government sources in India and the balance sheet of the respective companies, have been depicted in a graphical form such that an easy comparison is possible.

Figure 4: Graph showing the unemployment rate in India from 2018-2023



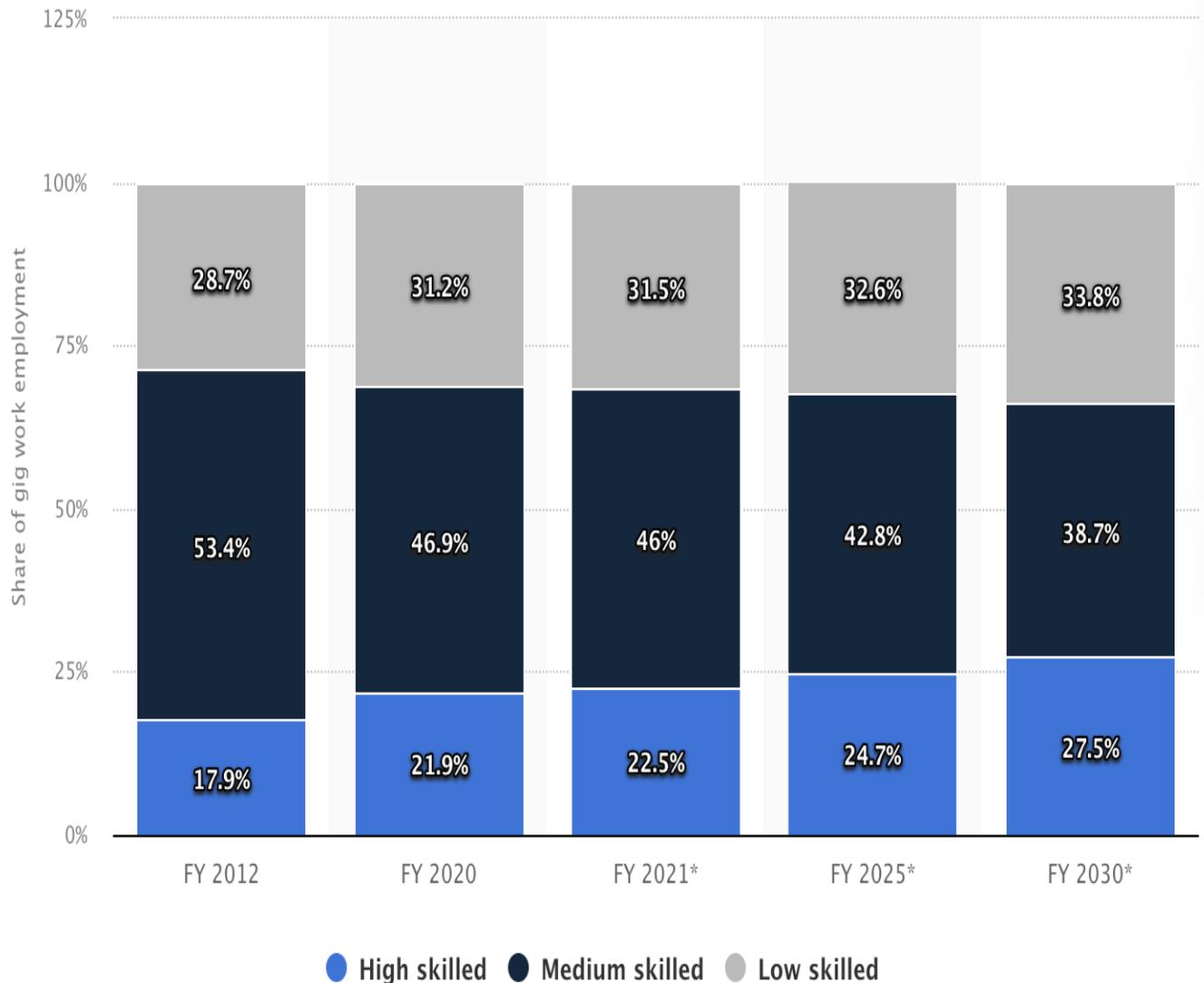
Source: Own source

Figure 5: Gross volume transactions of gig workers (Worldwide) from 2018-2023



Source: Own source

Figure 6: Distribution of workforce divided into primary, secondary, and tertiary sectors in India



Source: <https://www.statista.com/statistics/271320/distribution-of-the-workforce-across-economic-sectors-in-india/>

All the above images indicate the growing influence of the gig economy in both developing and developed economies. Figure 6, in particular, indicates that this economy is an opportunity for mid-sized skilled workers. This graph indicates that there is a tendency for the primary workers in India to take advantage of this new sector, as an alternative source of employment. In

countries like India where the primary aim is to gainfully employ the independent workforce any new sector that can provide jobs is always a welcome developer.

5. Looking at the gig economy as an alternative to the formal sector in India.

Figure 6 is an extremely good indicator of the influence of the gig economy in the Indian scenario. The emphasis is on jobs being available for mid-skilled workers. The influence on the primary sector is increasing but not drastically. According to the Niti Aayog report, this sector is booming in India and the gig workforce is expected to expand to 23.5 million workers by 2029-30 from 7.7 million in 2021. This increase would use up the independent workforce and act as a demographic dividend for the Indian economy. This sector is different from the formal sector in the manner that it does not provide security and other standard measures concerning the workforce. The gig workers are classified as ‘partners’ rather than employees and undercut labor costs for the employers. As most of these activities are low-income and low-productivity, they take place in the informal sector that does not require any particular skill or knowledge, and requires minimal investment in tools and assets.

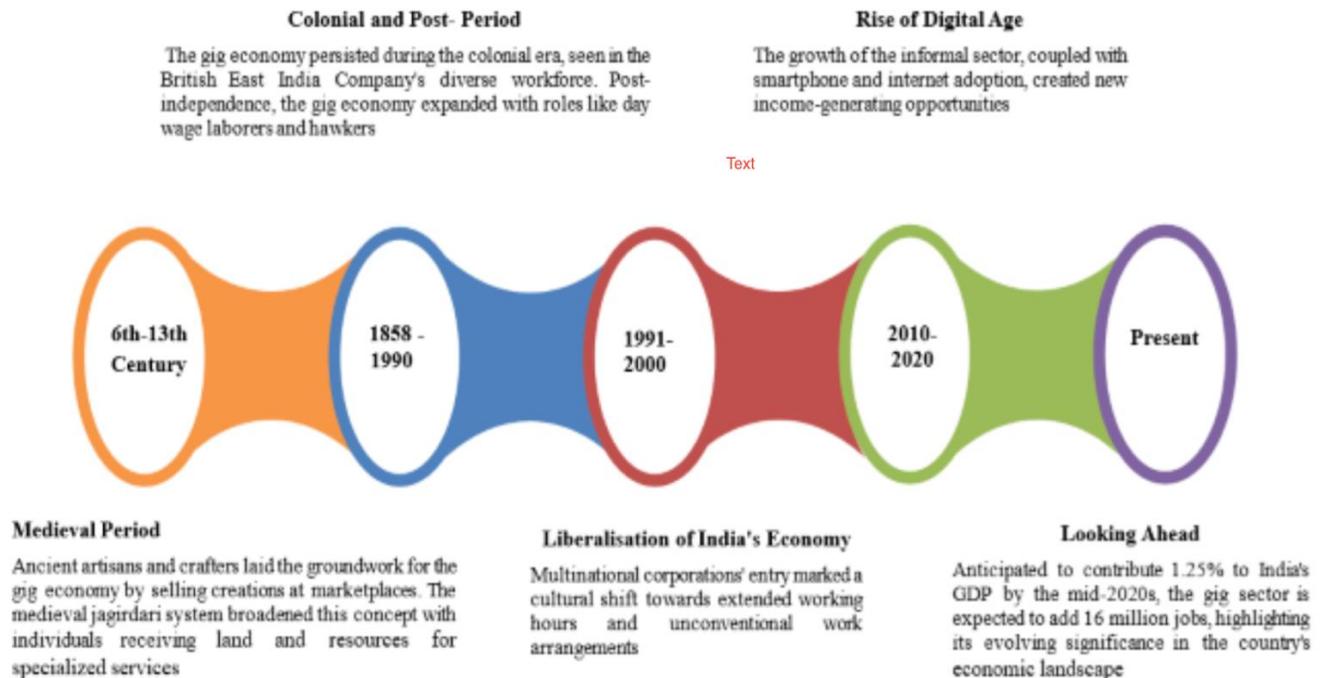
The gig economy in India can be divided into

- Full time independent
- Part-time independent
- Occasionally independent

The Indian economy realizing the growth of this sector as well as the problems that the worker might face has instituted the “Codes on Social Security” 2020. This provides suitable social security schemes for gig workers and platform workers on matters relating to life and disability cover, accident insurance, health, and maternity benefits as well as old age protection. They have set up a Social Security fund and in this, the contributor from the aggregator is between 1-2% of the annual turnover of the company.

The gig economy in India is not a mirror image of the one in developed nations. In India, it has occurred due to the transformation of the economy by digitalization. Most countries of the world have tried to incorporate ‘worker welfare’ within the systems. The problem is that in the global north, the gig economy has emerged alongside robust social security systems, strong infrastructure, and established worker protection. India *does not have* the social security net which should caution it from blind adoption of foreign models.

Figure 7: Evolution of the gig economy in India



Source: <https://cuts-ccier.org/indias-gig-economy-demands-a-homegrown-policy-agenda/>

In the global north, the gig economy represents a transition from traditional labor to flexible, digital employment. The emphasis is on flexibility and empowerment of employment roles, supported by a robust social security system and strict regulations. These are not available in India. In the case of India, the gig economy is providing the *primary livelihood*, not the additional supplement to income as in the case of developed economies. The reason is the huge dependency of the workforce (close to 45%) on the agricultural sector in India.

As it is the sole source of income, it has emerged as an alternative to the daily wages, and low-paying jobs that the independent workforce was pursuing. Due to the huge extent of unemployment in India, the independent workforce may have no alternative but to pick up jobs in the 'gig economy'. This economy knows that there is ample unemployment and employers are in a position to hire them at a lower pay without offering social security.

6. As an alternative to self-employment opportunities

Gig workers in India can be classified into platform and non-platform-based workers. The former requires knowledge of online software apps and digital platforms while the latter which

could be the avenue for unskilled workers are casual wage workers as well as own-account workers in the conventional sectors, working part-time and full-time. The study by Niti Aayog differentiates between age groups and education levels. The age group is the independent workforce (18-35 years) while the education levels are high school and above. It is this sector of society that can take maximum benefit of the gig economy as they can learn quickly on the job as they have the aptitude as well as the knowledge of ‘online systems of working’. The study by the government Think Tank has indicated that in the year 2022, 47% of the gig workers were medium-skilled, 22% in high high-skilled, and 31% in low low-skilled. The trend is changing with medium skilled decreasing and the other two increasing. In the years ahead the type of skills might likely change.

The efficient use of self-employed individuals in areas of selling street food would be enhanced due to the ability to use the online platform to market their products. Access to institutional credit for this section of society will help in improving their chances of earning money from their entrepreneurial abilities. The Indian government has emphasized and encouraged successful ventures like ‘Start-up India’, ‘Mudra Loans’, and ‘Skill India’, all to encourage the unemployed youth into gainful self-employment.

Table 1: Growth of jobs in India due to the gig economy

| Year | Jobs in the gig economy in India |
|---------------------------------------|----------------------------------|
| 2020 | 8 million |
| 2028-2030 (anticipated BCG estimates) | 90 million (non-farm sector) |

In the above table, the areas where potential jobs (gig economy) are likely to be in construction, manufacturing, retail, and logistics. In 2028-30, these sectors would accommodate close to 70 million people. Presently, the areas that are being emphasized in this economy are driving and delivery of goods. An ASSOCHAM study, reports that the gig sector in India is set to expand to USD 455 billion at a CAGR of 17% by 2024 (IBEF, 2021).

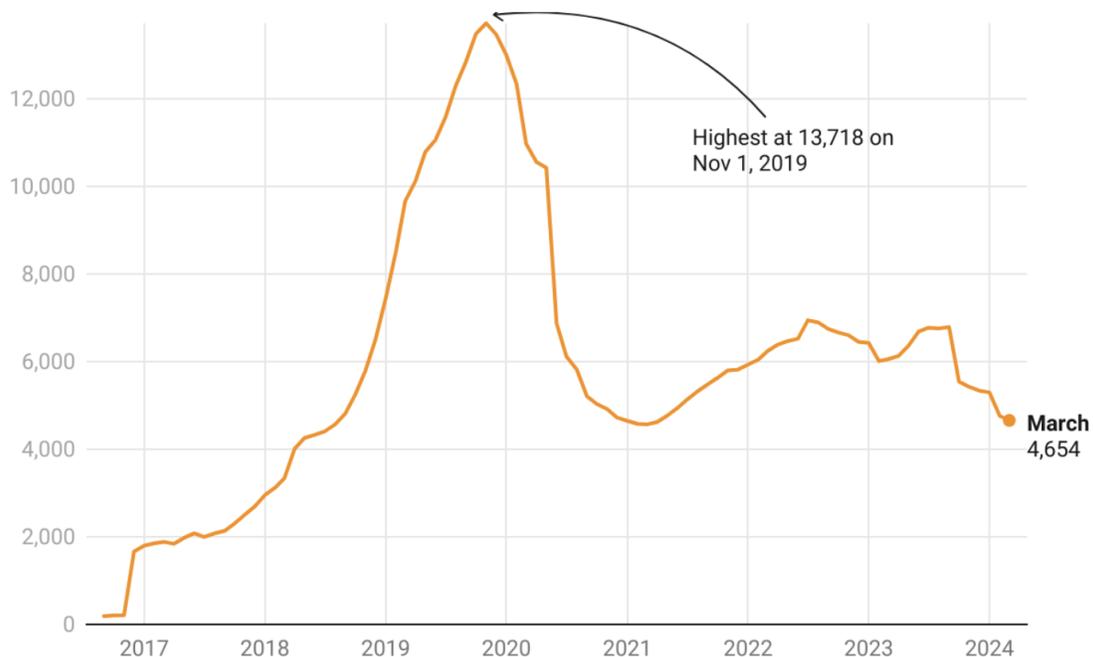
6.1 Livelihood creation through platform work- case studies of Swiggy-India and Uber-USA

To take advantage of the ‘gig economy’, the following factors must be favorable. These are:

- Location (closeness to urban dwellings)
- Age group (18-35 years)
- Education (minimum high school and preferably graduate)
- Income level (Low and middle-income individuals)
- Type of employment (Informal sector)
- Ownership and access to electronic devices (Tangible benefits that help in obtaining jobs in this sector)
- Bank account (added advantage to the self-employed worker)

With access to internet-enabled smartphones (tangible assets) and a decent level of education (high school and above), any individual can turn into a platform worker earning decent levels of income. Such *low entry barriers, along with the flexibility to hold multiple jobs*, grant the platform economy immense potential to leverage India’s demographic dividend – more than 400 million millennials (Morgan Stanley, 2017). *Flexibility and choice*, being the core characteristic of platform work, make it attractive to the masses.

Figure 8: Swiggy’s workforce from 2017-2024



Source: <https://blog.privatecircle.co/swiggy-2024-a-comprehensive-historical-performance-analysis/>

Swiggy came to India in August of 2014 and currently operates in more than 580 cities in India. It has become India's fastest unicorn and provides employment opportunities to many workers. Swiggy contributed to the growth of the gig economy. Swiggy's workforce peaked in November 2019, followed by a slight decline during the COVID-19 pandemic. Since then, the company has maintained a constant employee count of around 5000-6000. As of March 2024, Swiggy employs 4,654 people. The average Swiggy monthly salary ranges from approximately ₹ 15,161 per month for Delivery Person to ₹ 25,452 per month for Delivery Driver. Average Swiggy weekly pay ranges from approximately ₹ 5,918 per week for Delivery Persons to ₹ 17,454 per week for Delivery Drivers.

Image 9: Swiggy in India



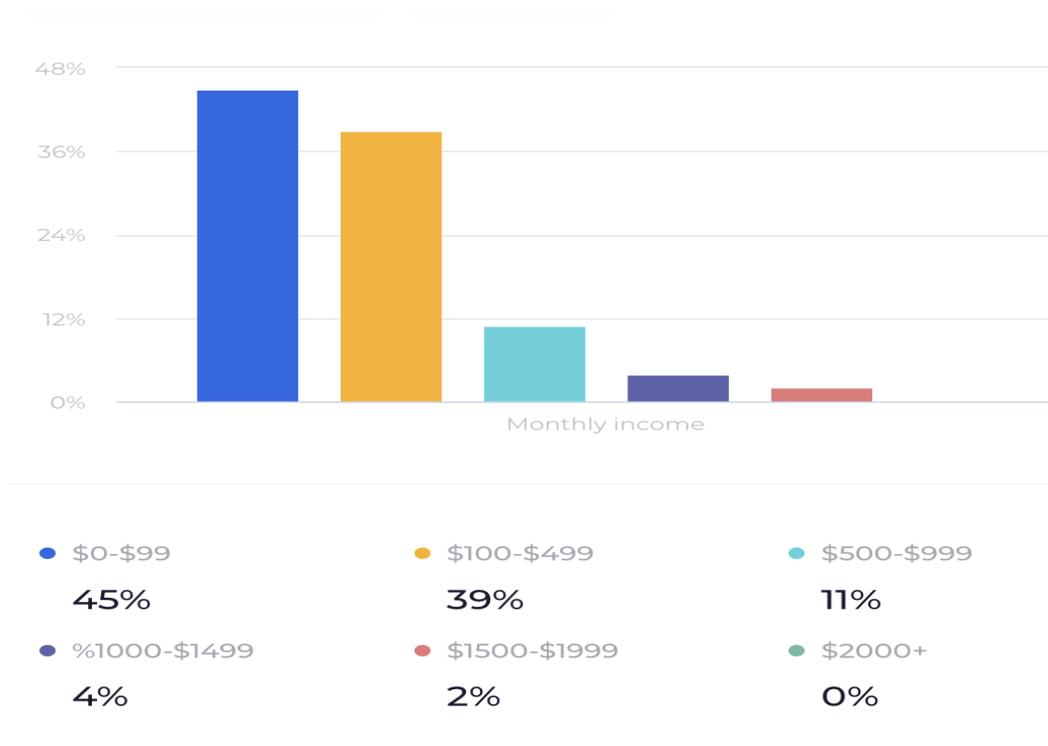
Source:https://images.moneycontrol.com/static-mcnews/2021/08/swiggy_instamart-pti-770x433.jpg?impolicy=website&width=770&height=431

Uber was founded in 2009 and has grown to become one of the world's most valuable startups. Uber has affirmed that all drivers on its platform are partners and must be considered independent contractors. However, the minimum requirements to be a 'partner' include:

- Meet the minimum age to drive in one's respective country
- An in-state license is required
- Have at least one year of licensed driving experience in the US (3 years if you are under 25 years old)
- Use an eligible 4-door vehicle

30% of Uber drivers are female, with this percentage on the rise. Also, the average monthly income for an Uber driver in the U.S. is \$364.

Figure 10: Uber drivers earning



Source: <https://www.wallstreetzen.com/stocks/us/nyse/uber/statistics>

Figure 11: Uber in the USA



Source: <https://www.usatoday.com/story/tech/news/2017/04/17/new-york-city-uber-tipping-in-app-tip-ride-hailing/100564850/>

Both figures 10 and 11, are clear indications of how the gig economy has helped developing countries like India and developed countries like the USA.

Michael & Susan Dell Foundation, 2021 has indicated that the extent of transactions in this economy could be close to 1.25% of India's GDP. Further in three to four years, about 24 million jobs could get converted to technology-based gig labor (i.e. platform work), about three million jobs in shared services, and eight million jobs servicing household demand. A study by Fairwork India (Fairwork, 2020) estimates that eleven platforms in India reported about 30 lakh workers in 2024. All the above indicate the growth of this sector.

The empowerment and employment potential of this economy is only expected to rise.

India is expected to increase its workforce to 23.5 million by 2030, leading to 6.7 percent of the non-agricultural workforce or 4.1 percent of the total workforce in India. The growth of gig workers in rural areas in India had increased by 65% in 2022 due to increased digital platforms and internet access, along with firms extending their operations to these areas for more rural gig workers. (Awign).

7. Challenges faced by workers in the gig economy

Platforms are accused of their opaque algorithms, which give consumers undue influence over workers, impose excessive control via "ratings-based reputation systems," and expose staff to unjust consequences based on input from customers. Algorithmic management draws attention to the power disparities that exist between platforms and their employees in addition to bringing up more general concerns about cybersecurity, privacy, and data protection. Platforms' existing policies are denounced for misclassifying workers as independent contractors, injecting prejudice into ratings, and distorting workers' rights. Workers' legitimate access to social security benefits is denied by this misclassification, which also makes it more difficult for them to participate in collective bargaining.

In the realm of platforms, insecure employment and the informalization of the economy are major challenges. Additional red flags highlighted internationally include the replication of exploitative labor practices and structural disparities of the unorganized/informal economy inside the platform economy, as well as long hours on the platforms, declining incentives, and poor pay. (Sehrawat et al., 2021; Davidov, 2016; Slee (2016); Ahmed et al, 2016; Stefano, 2016, Fan, et al, 2020; Glöss, McGregor & Brown, 2016; Hanrahan et al, 2015; Hodges, 2020;

The additional issues in this economy are concerning the empowerment of women. This is seen for:

- Gender Inequalities in Access to Digital Technology
- Women's Normative Responsibilities and the "Double Burden of Work"

- Lack of Job Security
- Gender-Based Occupational Segregation of Tasks & Pay Gap
- Concerns regarding Safety

The additional issues that have to be addressed concern the provision of health insurance, other protective security measures, fluctuating incomes, and uncertainty.

8. Conclusion and the way forward

There is growing evidence of women's participation, in both developed and developing economies. Women are more likely to take up platform jobs after they have attained the required skills and are married (Raman & Kulkarni, 2021). This economy offers women the ability to earn extra money, and choose their working hours, place of work, and also the nature of work. Studies indicate that women are “major beneficiaries” of the gig economy. Labor force participation is no longer a binary decision between household duties and economic aspirations, but women now have the choice to work at will (Raman & Kulkarni, 2021).

The government of India has implemented the National Apprenticeship Training Scheme of the Ministry of Education, and the National Apprenticeship Promotion Scheme and Dual System of Training initiative of the Ministry of Skill Development & Entrepreneurship. These initiatives combine theoretical training with practical training from Industry Partners, thereby strengthening industry linkages and providing hands-on experience to students on industries' latest technologies and techniques and further solving the problem of lack of education or workers entering the 'gig economy'. The type of jobs in this sector for women and differently-abled people are in the Fintech services, public-facing Personnel on behalf of traffic police to toll booth operators, etc. This then is an extremely important area that needs to be further emphasized and developed so that an economy's demographic dividend and the policy of empowerment is adequately met.

Bibliography

Blogs, A., & Blogs, A. (2023, April 12). The Power of Gig: Shaping the Future of Work - Awign.

Future of India's Gig Work. (n.d.). Drishti IAS.

GeeksforGeeks. (2023, July 24). Difference between Formal Sector and Informal Sector.

Hickson, J. (2023). Freedom, domination and the gig economy. *New Political Economy*, 29(2), 321–336.

Hiranandani, N., Sood, D., Goyal, H., Singh, S., Sardana, V., Tandon, K. B., Mehta, H., Parashar, D., Bali, G., Bhargava, S., & Mittal, S. (2020). GIG ECONOMY. In NATIONAL CONFERENCE.

Home - ccier. (2024, March 18). Ccier -

Hyatt, D. (2024, January 20). New Worker Classification Rule Could Disrupt the US Gig Economy. Investopedia.

Mani, V. (2024, June 17). Tech gig economy grows, India to have 23.5 million workers by 2030. *The Times of India*.

NITI Aayog. (2022). India's Booming Gig and Platform Economy: Perspectives and Recommendations on the Future of Work. June, 2022.

R, B. R. (2023). GIG ECONOMY AND WOMEN EMPOWERMENT – INDIAN SCENARIO. *International Journal of Novel Research and Development*, 8(4), e440–e441.

Rise of the “gig” economy. (n.d.).

Sen, A. (2018, August 2). How Swiggy became India's fastest unicorn. *Mint*.

Sumitra. (2024, February 21). Gig Economy: Zomato and Swiggy | Medium. *Medium*.

Team, I. (2024, July 22). What Is a Gig Economy? Investopedia.

Team, I. (2024b, July 31). Top 32 Developed and Developing Countries. Investopedia.