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Policy Brief

Gig Economy in India: Scope for Policy Regulations & Interventions

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About the Organisation:

LexQuest Foundation (LQF) is an independent, non-profit, research and action organisation, established in 2014, in New Delhi. We are striving to create, advocate and implement effective solutions for a diverse range of development issues.

To endorse participative governance, we engage with a broad spectrum of stakeholders, from various sections of the society, to ensure that policy-making remains a democratic process. We utilize pragmatic and futuristic research to disseminate actionable knowledge to decision-makers, experts and the general public.

Our key activities include capacity and skill-building workshops, policy advisory programs, public outreach, and stakeholder consultations. We collaborate with the government, other organizations and individuals for impactful policy formulation and execution.

By employing sustainable and equitable solutions through our multidisciplinary, intersectional initiatives and programs, we are constantly working towards creating empowered communities.



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Background

A millennial who is a musician moves to a metropolitan city for a job opportunity. He books a studio apartment in the new city through his smartphone. He arrives in the city and takes a cab to his new home. He orders food online and eats in the comfort of his home. He performs gigs at fancy venues and gets paid day after day. Though his parents do not consider his work an 'actual job', technically he's employed and is paid in turn for his ability as a performing artist. For all this, he's thankful to the emerging gig economy. The services like taking a cab, ordering food and his work itself are all part of the gig economy.

Cut to March 2020, many countries declare a nationwide lockdown including India. The millennial cannot move out of his house due to travel restrictions. His 'gigs' are no longer required, and therefore, he no more has an income. He has no health insurance against the pandemic as he isn't formally employed. After some time his savings are exhausted with no job in hand and no prospect of work from home. Having no permanent employer, no one is obligated to cover for his financial insecurity. Even after the lockdown ends he's not sure if he'll get any more gigs or if he will be paid the same amount of money per gig given the cost-cutting and downsizing in a shrinking economy. Now his status quo is the same as any unemployed person with no savings, no insurance, no social protection, or security.

As demonstrated in the above example, the **COVID crisis has brought out one of the major downsides of the gig economy**. With the current model that majorly favors the employers and has no protection for the employee in times of crisis, it is uncertain that the gig economy can survive without major policy interventions regarding incentives for employees and regulations for employers. In this Policy Brief, we assess the current status of the gig economy in India and through our research findings suggest necessary policy reforms crucial for its survival in the backdrop of how the COVID-19 crisis would **reshape the gig economy**.



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What is the Gig Economy?

A gig economy is **a free market system in which temporary positions are common and organizations hire independent workers for short-term commitments**. The term "gig" is a slang word for a job that lasts a specified period. Several terminologies have come into use that are linked or are similar to the gig economy. The term "flexi(ble)"-workers refers to the workers that most employers require for a shorter period after which they can fall back to a baseline number of workers as the larger workforce will no longer be required. **Temporary, part-time, freelance and contingent workers fall under this model and are hired when there is a spike in business or for the singular/time-bound demand of a specific skill or function.** From an **employees' perspective, being part of a flexi-workforce can be the cherry on the cake because it allows them to work in a role that interests them rather than in temporary gigs**. Platform work/economy means a form of employment 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.

Traditional workforce Vs Gig workforce

With the advent of the industrial age, the workforce demanded more rights and security. The workforce got organized and a stable salary and work hours were fixed. This resulted in the traditional 'nine to five' workforce that we know of. **This traditional workforce became the backbone of the economy which also paid taxes, got insured, and received other work benefits as well as securities important for a worker. However, the gig economy challenges all of these underlying tenets of a traditional workforce and gives an enormous level of autonomy to the gig workforce in terms of** freedom of work choice, number of employers, and the time of work. Though this sense of autonomy is more of an illusion in the present times, given the lack of regulations of the sector, it was how the labor model of the gig economy was initially perceived.



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The gig economy in India

The gig workforce is often referred to as the 'augmented workforce' owing to the augmentation of the gig workers with machines and software. Though the unorganized workforce has always existed parallelly with the organized workforce, **the augmentation of technology with the gig workforce is both the genesis and a characteristic that differentiates the gig workforce from the informal/unorganized workforce.** The domestic flexi workforce has grown by 16.3% from 2.1 million in 2015 to **3.3 million in 2018**, according to a report by India Staffing Federation (ISF). In a report by National Skill Development Corporation, **it is expected that around 70 million gig workers** will be added to India's workforce by 2023.

Lessons from the developed world

USA: Gig economy in the US has been making waves over the past few years with **freelancers in the country growing thrice as fast as the workforce** as a whole since 2014. In the coming decade, this gig workforce is said to form the majority of the workforce as well. With total freelance income amounting to around \$1 trillion, **a study** reveals that more than 90% of US workers would consider freelancing or independent contracting work. It has majorly attracted millennial workers with over 38% between the age of 18-35 more likely to work in the gig economy. **The gig economy in the US is thus slowly becoming the primary source of income for most workers.**

However, as more people are leaving their day jobs for working in the gig economy, there is an **increase in various indicators that signify the downside of a job for gig workers.** In research by Freelancers Union, it was revealed that 85% of workers who have a gig economy occupation as their primary source of income are more likely to have a high Anxiety Index score as compared to traditional workers. Yet another 85% of gig workers say that they worry about how difficult it would be for them if the US is hit by another recession. The **average income of gig workers is 58% less than full-time employees** and more than half don't have access to



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employer-provided benefits. More significantly, of the total self-employed in the US, only 35% are female. The **high-paying jobs in the gig economy are however limited to few sectors like Artificial Intelligence (AI) and Blockchain** whereas most jobs provided under the gig economy come from the delivery and driving services.

Europe: Similar to the US, there is also an increase in the gig workforce in Europe **with an increase of 24% in independent workers from 7.7 million to 9.6 million between 2008 and 2015 (AIPSE)**. In the past three years, the **gig economy has doubled in size** in the UK. A total of 4.7 million workers have engaged in the gig economy from the UK alone. The Office for National Statistics in the UK estimated the gig workforce to be 4.7% of the total population in the UK.



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Impact of COVID on the gig economy in Europe and the US

The impact of COVID on the gig economy around the world was most significant in the countries where it is most prevalent. In the US more than **40 million Americans have filed for unemployment since the start of COVID-related shutdowns** with the national unemployment rate reaching up to 14.7% in April 2020. Out of these **40 million unemployed, 6.1 million are gig-workers**. However, unemployment was seen in specific sectors while other sectors remained stable. Goods delivery services, cab services, hospitality, and lodging services provided through online platforms were most hit as people were not using these services amidst the lockdown. Airbnb Inc. said it was cutting a quarter of its staff because of the standstill in recreational travel. The decrease in using cab services has led Lyft to cut its staff by 17% and Uber is said to follow the same trend. Whereas food delivery services saw an increase in their demand as people staying at homes were ordering food online rather than going out. The COVID crisis, therefore, **seems to have accelerated the global offline-to-online (O2O) gig economy**. With more people staying home, many services have switched from offline to online and have become a part of the gig economy.

It can be concluded that the gig economy in most developed western countries is maturing over the past few years. The world seems to have headed in a direction where gig workers will be seen as traditional workers. However, for the gig economy to fully mature into a sustainable economic model it has to go through certain transformations and shed some of its defining characteristics. The US and the European Union (EU) countries have started to move in the direction of regulating the gig economy and the COVID crisis has highlighted the need for doing so sooner than later.



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Future trends of gig economy in developed countries

Forbes has reported that by 2025, millennials will form the majority of the world's workforce at around 75%. Seeing the **reducing level of job satisfaction** among the millennials and Gen Z employees in the corporations with monotonous work, it is highly likely that most of them will be entering the gig economy. Large corporations have already started to prepare for this according to the Intuit 2020 report which says that more than **80% of US-based large companies will increase their use of non-traditional workers in the coming years**. With an annual growth of 67%, the worldwide turnover in the gig economy is estimated to have exceeded \$82 billion in 2017.

With future trends being in favor of a growing gig economy, there have been few **regulatory and legislative steps taken by the US and EU countries to put some strands of accountability of employers towards gig workers and social protection in the gig model**. Members of the European Parliament (MEP) on April 16th, 2019 adopted new legislation that introduces **minimum rights for all employees including the most vulnerable employees on contracts, platform workers, and gig economy workers**. A set of minimum rights were agreed upon to protect such workers as a part of the EU's social policy. The new measures range from ensuring more transparent and predictable working conditions and putting limits on working hours. They also mandate the employers to provide free training and prevent them from stopping a worker from taking up another job outside the working hours. The probationary period for workers has been limited up to six months or proportionate to the expected duration of the contract in the case of fixed-term employment. Taking a judicial route to protect gig workers in times of **COVID, officials in California have sued Uber and Lyft for not providing employee benefits to their drivers. The US Congress in its stimulus package for recovery from the COVID crisis also included a federal program that allows the freelancers and contract workers to receive unemployment benefits.**

The US is soon expected to follow the EU in the 'minimum rights' approach for the gig workers. Experts have noted that with gig economy protections, the US cities



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will take some time and trials to arrive at the right level of regulation.



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Is the gig economy meant for India?

The **unemployment rate data by CMIE** for India suggests that the rates are back to the pre-lockdown levels, yet those levels were not ideal, to begin with, in fact far from it. **Indian economy is suffering from joblessness which has its roots in the lack of skill development of labor and neglect in the manufacturing sector.** The service sector comprising the largest chunk of the GDP requires skilled and highly skilled labor which India is currently short of. Hence, it can be argued that for India to move from a 'jobless to bossless economy' seems quite far-fetched in the current scenario.

Unlike in the US and the EU where the gig economy is maturing fast, **in India, it is still at the stage of infancy in terms of employee-employer relations and pays.** As the gig economy is tech-oriented, it doesn't have the capacity to absorb the current unemployed unskilled and semi-skilled workforce. Gig economy majorly being urban-centric wouldn't contribute to rural employment and further increase stress in urban growth centers influencing migration. **Moreover, the traditional labor force in India suffers from informal work mechanisms and a lack of adequate social protection. Adding to this, the policy response, by the Indian States and Union, for recovery from COVID aims to suspend various labor laws for ease of compliance for businessmen and entrepreneurs to boost the economy. The gig economy has the innate nature of making hiring and firing hassle-free which could further add to labor exploitation.** While formalization of labor and strengthening of labor laws is needed for India, it is speculated that the gig economy will keep the workforce from formalization and getting social security benefits. It can thus be argued that the 'offloading costs and risks' nature of the gig economy is unsustainable for India.

The Indian approach to support gig economy

For the gig economy to flourish sustainably in India, an affirmative policy push is required in the direction of providing a fiscal stimulus to the relevant sectors in the economy by bringing in some characters of the 'minimum rights approach' of the



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EU. So far, the gig economy is unregulated in India and finds little or no mention in current or future government policies. However, the [Draft Social Security Code, 2019](#) does mention the gig economy and suggests that the Center is inclined to formulate social security policies for the workers in this sector. The real potential of the gig economy is yet to be seen even in the western world and it is perhaps because of this that it receives such less government attention. With the COVID crisis leading to the loss of physical jobs and questioning the nature of work, it seems like an apt juncture to find the right amount of regulation for the gig economy in India.

According to a [report by ASSOCHAM](#), the Indian gig economy was supposed to reach up to 17%, estimated at around \$455 billion by the year 2023. The report also mentions that India has seen a major rise in the quantity of gig work, both in terms of the number of workers and the number of hiring companies/agencies. For instance, data accounts for 70% of the employee respondents mentioning that they had made use of gig work in the past year, with around 45% of the HR leads preferring to hire gig workers. The initiation of digital connectivity among the workers in India has led to the emerging space for gig work. Studies have also shown a strong [relationship](#) between technological advances concerning AI and automation and the rising demand for gig workers. Around 56% of Indian firms have employed more than 20% of gig workers. However, in India, the [lack of regulatory governance and labor and tax policies have been major impediments to the utilization of skill-specific labor force in the gig economy](#), which still has huge potential to grow. This is not to say that gig workers would seek to replace formal workers, but the flexibility associated with gig work can make it a viable option in the absence of large-scale formal employment.

For the gig economy to survive in developing countries like India, it must work on the employee-employer relationship model. In countries where labor is cheap and easily replaceable, exploitation of labor occurs most naturally. In India, there have been [frequent strikes](#) by platform-workers in cab services like Ola, Uber on constantly falling 'per trip' prices. [Such dissatisfaction expressed by the workers stops the sector from growing and people trusting such economic models.](#) The



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constant falling 'gig' prices for workers are also a major issue. Due to a lack of regulation and any legal obligation, the workers end up earning nothing on days. There must be some standard set for providing a minimum wage per day to the workers. If the percentage of the working population has to increase, the government must try to formalize the sector as it would also increase the tax revenue for the government. More significantly, the COVID crisis has demonstrated the importance of social security and job security for the young Indian workforce. A guarantee of health coverage during such times inarguably helps to deal with unforeseen medical conditions. The attempt of the Draft Social Security Code 2019 to provide social security for gig workers must be fulfilled through well-thought-out and specific policies.



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Policy Suggestions

- The Department of Promotion of Industry and Internal Trade (DPIIT) made positive attempts to make it mandatory for companies or online marketplaces to offer service employment to workers who possess a valid GST number. This was done in the wake of **drafting the National E-commerce Policy**. However, the Government has decided to put the E-commerce Policy **on hold** during the pandemic. But in this situation of rising unemployment, as gig workers could be at risk of losing any income security, it is important to constitute some regulatory measures to address this concern. The mandatory use of GSTN would let the government have a comprehensive database that can be used in the future for providing targeted employment opportunities.
- The **Labour Codes** introduced by the Government of India in 2019 and passed in the Indian Parliament in 2020 brought the idea of extending social security to gig workers and migrant laborers. The Labour Codes are intended to secure minimum wages, life insurance, disability insurance, health, provident fund, and skill up-gradation for the gig workers.
However, **critics point out** that the Labour Codes, especially the Industrial Relations Code will put the workers at risk due to increased freedom given to the employers in hiring or firing workers and restricting workplace autonomy. Broader discussions with various stakeholders can help bring positive and practical amendments, especially concerning the increased threshold for standing orders from 100 workers to 300 workers, which will ensure workers' rights. Moreover, according to the Social Security Code, gig employers are to contribute 1-2% of their turnover for the social security of their workers, with a cap of the fund not exceeding 5% of the total amount payable to gig workers. This fund cap can be raised to 8% to benefit the gig workers as the minimum income base for all gig workers (ranging from the income difference for a basic service provider like a food delivery agent on the one hand and a sophisticated niche



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freelance designer on the other hand are both part of the gig economy workforce) is still not regulated by the government, hence 8% can be a more realistic figure to guarantee a basic amount of social security even for a gig worker employed at a minimum “per gig” price.

- The introduction of artificial intelligence like robotic automation is expected to raise the chances of even large-scale companies shifting from permanent employment to skill-based temporary work engagements. Digital transformation has made it essential to rethink older perceptions of skill development. While studies have suggested how organizations can use this technological progress to enhance skill among the members of their organization, there needs to be a comprehensive policy outlook to include this aspect in the skill development programs run by the government. To avoid the natural exclusion of workers not at par with technological advances or even unskilled workers from the gig economy, programs like the **Pradhan Mantri Kaushal Vikash Yojana** need to be revised. To begin with, the Ministry of Skill Development and Entrepreneurship can institute small-scale special projects in this regard within the provisions of the PMKVY, that would be focused on developing skills at par with the digital age and the potential for providing for the new age market needs. This can make way for realigning all skill development policies keeping in mind the potential of the gig economy employing a majority of India’s young workforce.
- The companies also need to rethink their policies concerning the COVID-19 situation and communicate their position and outlook with the employee unions or groups. Here, the government can intervene to provide employers with sanctions and/or incentives for minimizing employment losses faced by workers.
- In 2019 the Government of India introduced the Social Security Code. This has the potential to provide an important ground for social security policies like the Employees' Provident Fund (EPF) Scheme, Employees' Pension Scheme (EPS), and Employees' Deposit Linked Insurance (EDLI) Scheme. These must be expanded and specifically



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worked on to cover social security for the gig workers ensuring that all levels and types of gig workers are covered under its ambit as the narrow approach to this policy can run the risk of those employed at the lowest level of this employment being left out by government schemes.



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Concluding Remarks

Though regulating the gig economy and making it more beneficial for the workers is the way it can effectively survive, one must also not forget that at the core of the **gig economy lies the benefit of under-regulation and hassle-free hire and fire of temporary employees**. Government intervention to a larger extent might kill the very nature of the gig economy and the pace of work it aims to achieve. Lastly, as increasing automation in various sectors will put many out of jobs in the future, the gig economy might act as a shock absorber for this unemployed workforce. Given our current realities of abysmal resources and training for job growth, while India needs to get back to the basics of the market economy and rely on the traditional workforce for more stable growth and job security in the coming times of recession and recovery, it is also essential that we pay attention to the significant percentage of the workforce in the gig economy, who are inarguably one of the most vulnerable of workers. Through technological advances, it is natural that the market would prefer gig work to a great extent hence preparing the workforce for that is a major challenge for the current times.

It must also be understood that for now, in India the scope of the gig economy is limited to the minuscule minority of the young urban population that can afford and has consistent access to the internet. Yet, given the fact that India is a poor country, developing sophisticated skills that suit the growth of this workforce also requires access to resources that our government can't afford or switch to immediately. **Therefore, ensuring social security regulations for better income structures for this workforce is a good starting point for India in terms of policy regulations for the gig economy workforce**. Going ahead, identifying the sectors that employ a higher percentage of gig workers and hence will be major contributors to the GDP should be the focus of our skill policies. We can thus enable our workforce to take up gigs that provide dependable income and social security through policy reforms, regulations and interventions.



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