

The Gig Economy : Its Impact and Implications on Indian Economy

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INTRODUCTION

As we are entering the age of the fourth industrial revolution and as the use of technology becomes ubiquitous, the traditional form of employment is also undergoing a massive change. Terms like 'Uberisation' of the workforce are gaining currency. Gig economy also called the 'sharing' economy, 'open talent' economy, 'freelance' economy and the 'on demand' economy represents the new paradigm of work. Gig economy is characterized by the prevalence of short-term contracts or freelance work as opposed to permanent jobs. Instead of following a typical recruitment process, wherein the hiring firm offers set working hours and a standardized wage along with other terms of employment, in return for the commitment of staff, a gig worker are classified as an independent contractor. Instead of a fixed wage, workers get paid for each job or 'gig' that they undertake. A delivery driver as an independent contractor, for example, would get paid for each delivery that is successfully recorded.

According to a report by McKinsey Global Institute, 'Independent Work: Choice, Necessity and the Gig Economy', 20 to 30% of the working age population in developed countries is engaged in independent work. According to a study by PayPal, 'Insights into the Freelance ecosystem', one in four freelancers are from India and the gig economy in India has the potential to grow up to \$20-30 billion by 2025. Digitization, internet penetration, technologically skilled workforce, advancements in information technology, a booming startup culture and skills in demand are propelling the growth of gig economy in India. According to a report by ICRIER titled 'Future of Work in the Digital Era: Potential and Challenges for Online Freelancing and Micro work in India', India is home to the second largest market of freelance professionals (about 15 million), standing next only to the US (approx 53 million). These 15 million Indian freelancers contribute to about 40% of total freelance jobs offered worldwide. (Kathuria & Et., 2017)

OBJECTIVES OF THE STUDY

1. Understanding the concept of GIG economy.
2. Analyzing Impact & Implications of GIG economy on Indian economy.

GIG Economy Concept:

'Gig' – a word, coined several decades earlier, seems to have gained prominence in today's time. In the present context, a 'gig economy' involves a temporary contractual job or short-term contract 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. The gig economy gets its name from each piece of work being akin to an individual 'gig'.

The Merriam Webster Dictionary defines a 'gig economy' as an "economic activity that involves the use of temporary or freelance workers to perform jobs typically in the service sector." 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 and communications, food and beverages, creative fields such as art and design. A gig economy, hence, means an existence of temporary or part-time workforce instead of a conventional workforce.

A gig economy is not a new concept on the global front. In Europe and in the United States of America ("USA"), hiring part-time workers or independent contractors has always been prevalent. It eventually leads to employment generation and overall skill development.

The evolution of the digital age can be considered one of the major reasons for the growth of the gig economy. Workers or independent contractors get paid for each gig or job they do, and this very principle is the basis of all internet applications that involve this temporary workforce. Several companies pay their partners, be it drivers or delivery executives or other such personnel, according to the number of deliveries and/or customers they serve in a day or in a month, or as per the schemes that these companies put in place. These partners can undertake various tasks of similar or different nature with different companies since they are not in the permanent employment of any establishment. It is possible that the amount earned by these partners, in a month, may be equal to or higher than the amount earned by an individual in full-time employment in an establishment.

Gig Economy and India

India constitutes about 40% of the freelance jobs offered globally, with 15 million skilled professionals fuelling the ever-so-increasing demand of contract-based jobs or the freelance industry.⁹ Freelancers are attracted to the gig economy because they can follow their niche and, at the same time, leverage the flexibility and independence that comes with it. A worker or independent contractor has the choice of selecting his or her work hours and at times, even the mechanism through which he or she wishes to complete the work. Such workers or independent contractors can work from home, especially when the project is related to arts and design, information technology or creative writing. This also leads to freedom of choice for both, the employer as well as the worker or independent contractor, to look for other suitable options due to no restriction with respect to proximity to the workplace.

A gig economy is also cost efficient for companies, given that they can accommodate temporary workforce, according to the customer requirements or business needs, leading up to saving administrative and compliance costs that they would otherwise incur if they choose to hire full time or regular employees, especially in cases where business models do not involve the engagement of permanent workforce. It may not be possible for companies and start-ups to afford skilled professionals as full-time employees. In such situations, companies may choose to enter into contracts with the professionals for a specific time period. This relationship is rather symbiotic, and both parties have equal freedom to look for options that cater to their needs. Meanwhile, both parties simultaneously spend their energy in cultivating connections and building relationships with their respective demographic.

10 million employees are currently working as freelancers in India. Most of the freelancers work on web and mobile development, web designing, internet research, and data entry, indicating clearly that Indian freelancers are likely to engage in technology-enabled IT work.

According to the recent estimates, 13 lakh Indians have joined the Gig Economy in the last half of 2018-19, registering 30% growth compared to the first half of the financial year. Further, it is estimated that out of 21 lakh jobs that will be created in the metros in 2019-20, 14 lakh jobs will be created in Gig Economy. Food and e-commerce companies would account for the major share of job creation in the Gig Economy.

Reasons for the development of Gig Economy

The emergence of Gig Economy can be attributed to rapid growth of the digital communication wherein the workforce is highly mobile and work can be done from anywhere without any geographical barriers.

The adoption of Gig Economy reduces the operating costs of the firms since the companies would not be liable to pay pension and other social security benefits.

It gives the necessary flexibility to the workers wherein they can switch jobs frequently and choose work which suits their area of interest.

The recent slowdown in the formal employment creation has also boosted the development of Gig Economy.

Why should India focus on development of Gig Economy?

Impact on Employment: Presently, the Indian Economy is facing Jobless Growth leading to lack of inclusive growth. The creation of Jobs in the Gig Economy would boost the employment creation in Indian Economy. Further, the Indian agriculture is facing the problem of disguised unemployment. The Gig economy would be able to provide gainful employment to such rural youths.

Improve the Organizational Competitiveness: The hiring of short term contractual workers depending upon the quantum of work helps the companies to rationalize their work force and reduce the costs. This leads to improve competitiveness and enhanced efficiency of the firms.

Freedom to the workers: The Gig workers have the freedom to work as per their convenience with no fixed working hours. They can switch jobs according to their areas of interest.

Opportunities for Women: The requirement of working fixed number of hours per day can dissuade the women from taking up formal sector jobs. The Gig economy enable the women to have flexibility in terms of work place and number of working hours leading to their higher enrollment in such jobs.

Implications of the Gig Economy

People who are part of the gig economy may have several benefits, including the independence to choose their hours of work, workdays, holidays and preferred organizations.

However, the key disadvantages in a gig economy may include instability in a job, uncertain pay schedules, unsteady workload, and a lack of social benefits and/or any statutory protection akin to a worker in permanent employment. The market may not always be favorable to a particular industry and, therefore, freelancers are expected to be prepared for more than one type of skill. Due to the lack of permanent employment, there is no certainty pertaining to the pay scale and its continuity. Hence, people who choose such open work environments need to constantly keep updating their knowledge base and skill set to remain in business at all times.

The more important downside of a gig economy is that, unlike traditional employment, workers in a gig economy do not seem to be eligible for any social benefits such as insurance, medical benefits, employees' provident fund, bonus or gratuity. These gig workers also do not have any employment-related rights, except in some cases involving any breach under their respective contracts. Not being a full-time employee of an establishment implies that an organization is not mandated to provide any social security or statutory benefits to an independent worker.

Given the absence of any codified Indian laws in this space currently, the persons working in the gig economy, based on the nature of their engagement, are categorized as independent workers or independent contractors.

According to John Bluedorn, a senior economist at the International Monetary Fund, youth inactivity in India is at 30%, the highest amongst developing countries. Several websites, such as www.guru.com, www.truelancer.com and www.elance.com, have taken steps to provide a platform for employers to find the right human resource for their work. Freelancers offer a plethora of skills for

prospective hirers to choose from, and are given the opportunity to source different projects globally. The Online labour Index, which was published under the I Labour project of Oxford University, presented the online gig economy equivalent of conventional labour standards by analyzing availability of online labour across different countries in various fields. As per the results, the information technology and software industry were the most targeted in terms of a gig economy in India. This was further established when PayPal surveyed and published gig economy insights about India, and found that gig economies dominated the information technology domain, with 50% percent of the freelance workforce engaged in this sector.

From time to time, Indian courts have adjudicated industrial disputes involving questions with respect to employers and contract labourers, and employers and independent contractors. One of the earliest judgments in this field, *Dhrangadhara Chemical Works v. State of Saurashtra*, laid down that the primary test for establishing an employer-employee relationship is the *supervision and control test*. This means that if the employer controls and supervises the type and manner of the work that will be undertaken by the worker, there exists an employer-employee relationship. This must be assessed on a case-to-case basis, taking into account all relevant facts and circumstances.

However, subsequent judgements also dealt with questions on whether an individual, who is working directly as a contractor or is deputed by a vendor who, in turn, has a contract for supply of manpower with an ultimate hiring entity, qualifies as an employee. In these cases, it was held that *supervision and control* are not the sole determining factors in deciding these questions. In fact, the Supreme Court of India (the "Supreme Court") adopted an integrated approach, which included, among other things, the right of the employer to select or dismiss workers, pay remunerations and deduct insurance contributions. If the employer exercises control over the means and modes according to which the contractor will finish his work, it may be said that an employer-employee relationship exists between the employer and the workers engaged by the contractor.

The Supreme Court, however, emphasized the relevant determining factors in another case, where it held that only because the management of the company exercises control to ensure proper execution of work or exercises control over dismissal and disciplinary proceedings, does not automatically make the workers the employees of such company. In the case of *Group 4 Securitas Guarding Ltd. v. Employees Provident Fund Appellate Tribunal and Ors.* where the petitioner was engaged in providing security personnel to its clients, an issue arose with respect to the obligation of making provident fund contributions for such security personnel. For this purpose, the court discussed the definition of 'employer' under Section 2(e)(ii) of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, which suggests that an employer is a person who has the authority and ultimate control over the affairs of an establishment, where such an establishment is not a factory. Additionally, the clients had no say in fixing the terms and conditions on which such security personnel were employed by the petitioner. The court ultimately held that the security personnel were not provided to the clients as contractors, but on a principal-to-principal basis, therefore, casting an obligation on the petitioner to make provident fund contributions as per Section 6 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

Concerns/challenges

Non-Optimal Utilization of Demographic Dividend: Indian is presently staring at demographic dividend with more than 50% of the population in the working-age group. This section of the population needs to be skilled and trained so as to optimally use the demographic dividend to fuel economic growth. The Gig Economy leads to creation of informal sector jobs and thus hinder the optimum utilization of demographic dividend.

Unclear Legal Framework: Current Indian labor laws do not explicitly consider gig workers. Various workplace related acts like maternity benefit, sexual harassment at workplace and others are also silent or unclear about if they are applicable to the gig workers.

Lack of Social Benefits: Unlike their counterparts in the formal sector, the Gig economy workers lack access to social security benefits such as insurance, pension, provident fund etc.

Lack of Job Security: The Gig economy workers can be hired and fired at the will of the employers leading to lack of job security.

Management of Human Resources: The organizations would find it difficult to supervise and manage its gig workers who are geographically distributed. Further, the Gig economy may not optimally benefit the companies that need its workforce to work in a team and collaborate with each other.

CONCLUSION

The gig economy has always been around. It's not that a new concept in Indian labour markets. The only change is that right now its growing and infiltrating into the upper echelons of the organizations. Its influencing the traditional methods and changing the work culture altogether. There is need to adjust and allow this trend to grow, for it will forge new areas and opportunities for people. While the gig economy is thriving at a fast pace it will never be able to replace traditional methods completely, just because in India people are more concerned about job security and peer pressure. But the current statistic also point that, the future of gig in India promises to be challenging, exciting and rewarding. Its not a passing trend but a way of employment and whether we like the it or not we need to adapt to it. While some HR managers despise it, they need to understand that, the steps that we take today will go a long way in ensuring that we reinvent ourselves and be future ready.

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Selection Tests in industrial sector

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Introduction

In industrial sector there are various types of work doing. For doing that type of work employees as well as officers are suffering emotional, mental, physical stress. For analysis these types of stress various types of tests are used. These tests are generally used for analyzing different reasons of the stress and it also gives us solutions for minimize the stress

Industrial/organizational psychology is the extension or application of psychological principles and methods to the solution of problems related to organization and workplace. Most commonly, psychology is concerned with those problems caused by human activities and those affect on the performance of human within organizational contexts. Specifically, this entails, among other various things,

I/O psychologists employ psychological parameters and findings related to the research which affect on human motivation, learning perception, and abilities in seeking to improve it and fit between the needs of the organization and those of populate of the people who need it.

Generally training in I/O psychology requires a master's degree or Ph.D. Practitioners are also be affiliated with various professional institutions for the field. The Society for Industrial-Organizational Psychology (STOP), the major professional institutions which represents psychologists and a division of the American Psychological Association, had about 2,000 in the year 1999.

Origin

I/O psychology has its roots in the late 19th century movement to measure and study human capacities and motives. In response to the urging of some advertising executives, one psychologist, Walter Dill Scott, *The Theory of Advertising* (1903), generally considered to be the first book related to the psychology and in the business world. When the United States entered World War I in 1917, applied psychology methods truly came into its own language. Psychologists Committees investigated soldier morale, motivation, and the prevalence of psychological defects. Thus, psychologists developed a group-administered intelligence test called the Army Alpha. It enlisted 1,726,000 men and officers were tested, little use was made of the results at the time since the war ended after completion of three months of the testing program was authorized. However, research studies shows that these tests scores were related to the soldier performance.

After the war, in 1919, the first university-based center at the Carnegie for studying the applications of psychology to business world was established named, "Institute of Technology". Called the U.S. Bureau of Salesmanship Research, it was funded for the purpose of conducting research for the selection and development of clerical staff and executive staff as well as sales personnel largely by the life insurance industry.

Uses of psychological tests

1. Job Analysis
2. Performance Evaluation
2. Criterion Development
3. Personal Selection