

Impact of Gig Economy on Traditional Employment Model

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Abstract: *The gig economy, which is predicted to be among the business models of the future and which is the subject of economic and political debate in the media, is quite new in the literature. The gig economy, which is an independent way of working, is growing rapidly in the changing business world. It is thought that the gig economy, which extends from digital-based platforms to location-based platforms, from local markets to international markets, will directly affect employment with its adoption by employers and employees. In this study, the effects of the gig economy on employment are discussed by considering both positive and negative aspects. In order for countries to hold power economically, politically and technologically, employers and employees in the gig economy need to make decisions that will benefit the economy and employment and find remedies for the negative aspects of the model.*

Keywords: Gig Economy, Employment, Labor Market, Gig Workers, Digital-Based Platforms, Location-Based Platforms

I. INTRODUCTION

The gig economy emerged as an alternative service delivery to traditional business models, workforce management practices and regulations, and was quickly accepted by employers and employees. The practice that exists in the field of human resources as contingent work, sharing economy, agile talent, non-traditional business relations or alternative employment forms is growing rapidly in the business world as the 'gig economy' (Horney, 2016: 20). The gig economy, which is still little understood as a concept, can be defined as a model that includes labor exchange between individuals or companies in the short run and in return for pay per task (Lepanjuuri, Wishart and Cornick, 2019:9). One of the most researched businesses of this new economic model, which includes ground-based and digital-based businesses, is the Uber service. People who wanted to be Uber drivers were employed by private rental taxi companies, so that independent work was carried out within the framework of a short-term and flexible agreement between the employer and the employee (Broughton et al., 2018: 22). In addition, location-based jobs in the gig economy include food delivery, courier, shipping, house cleaning, manual labor, etc. While it covers jobs such as digital platforms, Amazon, Mechanical Turk (MTurk), Fiverr, Freelancer.com and Upwork, it includes jobs where there is the opportunity to work remotely from data entry to software programming (Wood et al., 2019: 57). The rapid rise of gig economy platforms, regulatory and legal loopholes, providing unilateral flexibility to employees, etc. It has caused an intense debate on economic and public policy decisions for various reasons (Schwellnus et al., 2019: 5). The gig economy, which is in demand as an important model in increasing productivity and efficiency, has taken its place in the business world, media and academia as an issue that country governments cannot ignore. However, it can be stated that these discussions will continue for a long time with the growth of the gig economy. Because this model reveals different problems for employers and employees from different aspects such as employment, human resources and legal aspects. In terms of the effects of the gig economy on employment, it is noteworthy that the platforms in the gig economy facilitate 'fake contract' by enabling businesses to hide employment as independent contracts and avoid employee rights such as retirement (Bornstein, 2015). Without analyzing the positive aspects of the model by companies and employees, the negative aspects of the model are discussed and each discussion causes new problems, causing governments and public institutions to be prejudiced against the model expressed as 'gig'. Governments and public institutions, which have to make and implement decisions about the employment of a country, should not ignore the gig

economy, which is directly related to employment. In this direction, there is a need for academics, business analysts and experts to conduct more research and to examine the positive and negative aspects of the gig economy in depth. While the rapid rise of the gig economy continues and it is predicted that it will be one of the important business models of the future, decisions that will benefit the economy and employment of the country should be taken on all platforms in the gig economy.

II. LITERATURE REVIEW

The advent of innovative technologies, competition around the world, and evolving customer expectations have compelled businesses to restructure their working models to thrive in existing fiercely competitive and continuously changing landscapes. In response to these challenges, innovations in business structures have emerged as a means of delivering diverse positions to the market. This transformation expanded traditional freelance work commonly named the gig economy. The gig economy's expansion is predominantly driven by digital applications, facilitating direct connections between service providers and customers. In contrast to earlier applications of digital platforms for procuring project work, where information technology supports competition dissemination, gig economy platforms revolutionize the fundamental work model. In the gig economy, individuals, often referred to as gig workers or freelancers, engage in temporary and flexible jobs rather than traditional full-time employment. This form of work spans various industries, encompassing activities such as freelance writing, graphic design, ride-sharing, food delivery, and other on-demand services. Gig workers enjoy the freedom to choose when, where, and how much they work, making this flexibility appealing to those seeking a balance between work and other commitments. Typically, gig work entails completing specific tasks or projects for a short duration rather than committing to long-term employment. The surge in demand for temporary, contractual labour was notably influenced by the pressure of reduced cost due to the 2008 global financial crisis, contributing to the gig economy's expansion. Gig workers instead of being referred to as employees are classified as contractors who are not dependent on their employers. This means they take care of taxes, insurance, medical and other benefits. While the gig economy offers flexibility for workers and cost-effectiveness for businesses, it has also raised concerns about job security, workers' rights, and the need for regulatory frameworks to ensure fair behaviour towards gig workers. The dynamics of the gig economy continue to evolve, influencing both the job market and discussions around labour policy and regulation. In certain aspects, these on-demand gigs prove advantageous for both workers and the economy, contributing to job expansion and supporting household incomes. These gigs typically offer flexible hours, minimal or no training expenses, and generally have low barriers to worker entry. These characteristics empower gig economy workers, even those with additional employment, to generate additional income or supplement their primary earnings, especially in challenging periods within a strained job market. Additionally, consumers availing themselves of on-demand services benefit from the convenience, accessibility, and often lower costs associated with these services. Aligning with Adam Smith's concept of economic specialization, companies can opt for a model where tasks are assigned to different freelancers specialized in specific areas, rather than hiring a generalist for all tasks. This approach promotes greater accountability among workers, as performance standards directly impact future income. The resulting boost in productivity growth generates a rational exuberance, fostering increased confidence among consumers and businesses, leading to higher spending and investment, thereby creating more job opportunities, and resulting in higher per capita income. Participation in the gig economy has seen diverse contributors, notably benefiting women's involvement in the workforce. For example, in the West Bank and Gaza region, over 3rd out of 15,000 users on the Souktel are women, while women constitute only 19% of the overall labour force in that area. Online labour markets like Freelancer and Upwork are expected to serve as alternatives to traditional physical labour migration, resulting in increased job opportunities within digital platforms. The shift in labour markets brought about by gig platforms, particularly the increased potential for outsourcing production and assigning responsibilities to workers, requires a reconfiguration of risks, protections, and liabilities in the value chain of production. This restructuring may give rise to social dumping, pushing industries to increasingly rely on gig workers to cut the cost of operation and maintain competitiveness. The pressures for cost reduction,

heightened by the financial crisis during 2008 and the recent economic decline owing to the pandemic due to COVID-19, elevate the social risk and ethical impacts on gig workers.

III. GIG ECONOMY

It is known that the meaning of 'gig' in the term gig economy, which has no precise definition, comes from the live performance or participation of a musician or group, in other words, a short-term performance show and the fee they receive for this show (Woodcock and Graham, 2020: 9). Today, the gig economy, which includes many different sectors, has developed differently from traditional working models and has become increasingly popular in recent years. Companies such as Uber, Lyft, Task Rabbit or Upwork are the best examples of this model in the world, which eliminates working five days a week, from nine in the morning to five in the evening, as in traditional working models, and allows the employee to be paid only for the time they work (Kess et al., 2018, p. 68). The gig economy, which is expressed as an 'independent working model', brings together companies that demand employees for a certain wage and people who want to work independently. Different sectors are involved in the gig economy, which is a working model. In addition to the diversity of the sector, different platforms are emerging in the sectors day by day and these platforms are demanded by companies and individuals. In general, gig economy platforms; (1) Crowded platforms, (2) Shipping platforms, (3) Delivery / home duty platforms, (4) Digital free platforms (Kalleberg and Dunn, 2016: 11). Crowded platforms traditionally consist of outsourcing by one employee, indefinitely and often in the form of an open call to a large number of people. Companies, in theory, match only one customer (demand) with a worker who will perform the task (supply). In fact, such outsourcing was not possible before the development of new technologies. However, through digital freelance platforms, these companies have started to create and use an online platform (web, applications, etc.) where they can find employees directly (Todoli, 2017: 194). Thus, digital platforms have been effective in the rapid growth of the gig economy. Although there is a demand for shipping, delivery / home business platforms, digital platforms have become more accepted and have incorporated many industries. Although the majority of these companies are in the United States, there are examples in other countries, including our country. These companies are located in different sectors, mostly in the service sector. Examples of gig economy sectors include accommodation, babysitting, delivery, food, education services, knowledge-based freelance jobs, commercial, technical, creative services, home services, healthcare, legal, retail, transportation and parking services.

IV. BENEFITS OF THE GIG ECONOMY

In order to understand the benefits of the gig economy, it is important to understand the factors that affect the transition from traditional business models to today's business models, in other words, the factors that change traditional business models. These factors (Volkin, 2020).

(i) Internet- Now a person can apply and find a job without ever being near the company. A gig worker can train anywhere in the world to specialize in almost any business area they choose. The Internet has not only given us the power to find opportunities, it has also enhanced opportunities for education. Brain Science: It is now known that people do not have to work for eight hours. Studies have proven that working with short breaks makes people more productive and efficient.

(ii) Competition- Companies feel the pressure of ever-increasing competition. In particular, it makes us think that companies have to spend every penny carefully in order to maximize their profits. Accordingly, it is easier and cheaper for a company to hire a freelancer to work remotely instead of hiring an employee and the additional costs. With the development of technology, the media and business world see the gig economy as a win-win for both employers and employees. With the flexible working model, employees can control their own schedules and work remotely, while employers get rid of overhead and employee expenses (Thompson, 2018: 5). According to the OECD report, the important reasons for individuals to be gig workers are; to earn additional income and to have job flexibility. According to McKinsey studies, self-employed people are divided into four groups in terms of the reasons why individuals prefer the gig economy.

V. EMPLOYMENT EFFECTS OF THE GIG ECONOMY

Most of the workers who entered the employment system in the 20th century were in the modern form of contract labor, typical of wage or salary work. On the basis of existing rules in labor laws, works were carried out according to contracts and supply and demand in the labor market (Bögenhold, Klinglmair and Kandutsch, 2017: 24). However, with the transition to the information society in the 21st century and the impact of globalization in the field of employment, flexible working forms in the job markets; periodical and temporary working forms (Doğan, 2005: 94) began to be seen intensively. New business models that emerged with the advancement of technology have eliminated the need for permanent employment, in addition, non-standard employment forms have come to the fore and practices for the flexibility of labor markets have become widespread (Uyanık, 2008: 215). While one-time jobs in business are not new, the increasing use of technology has contributed to the rapid spread of such jobs. The gig economy has led to the growth of certain forms of non-standard employment through the creation of digitally mediated labor markets or labor platforms (Johnston and Land-Kazlauskas, 2018: 3). Therefore, the gig economy as an independent and flexible working model has also gained importance. The benefits of the gig economy for employees and employers, as well as legally debated issues, will shape the future direction of the industry. However, considering the sectors, employers and individuals included in the gig economy business model today, it can be stated that there are statistically significant increases. Research shows that the new business model is accepted all over the world, especially in the United States. According to the January 2021 report of the Statista Research Department, it is stated that gig studies will increase by 53% in 2020 and generate 455 billion dollars in 2023 (Statista, 2021). Gallup (2018) revealed that approximately 36% of US workers are involved in the gig economy and this rate is increasing day by day (Mcfely and Pendell, 2021). According to a survey commissioned by Upwork and Freelancers Union and published in Forbes, it has been suggested that the gig workforce will exceed the full-time workforce rate by 2027 (Deloitte, 2021).

VI. ANALYSIS

The emergence and growth of the gig economy have prompted a comprehensive analysis of its various facets, ranging from economic implications to social and ethical considerations. This analysis seeks to delve deeper into key aspects, providing insights into the impact and challenges associated with the gig economy. The gig economy contributes to job expansion, providing opportunities for income generation, especially in challenging economic periods. The flexibility it offers benefits workers seeking supplemental income. However, the gig economy's reliance on short-term, contractual labour may contribute to job insecurity and challenges in ensuring stable income for gig workers. Gig platforms allow for economic specialization, enabling companies to leverage the expertise of freelancers in specific areas. This can lead to productivity growth and increased job opportunities. The restructuring of labour markets may result in social and ethical dumping, where gig workers bear the brunt of cost-cutting pressures, especially during economic downturns. Adapting regulatory frameworks can facilitate the coexistence of traditional and gig employment models, promoting flexibility in the workforce. Enforcing existing employment laws, such as minimum wages and collective bargaining, poses challenges due to the dispersed nature of gig workers and the unique characteristics of gig work. Positive Aspects: The gig economy has the potential to empower underrepresented groups, including women, by providing opportunities for participation and income generation. Discrimination based on gender, race, or nationality may persist, highlighting the need for measures to ensure equal opportunities and fair treatment. Outsourcing gig work to low-income countries can contribute to poverty reduction and employment opportunities. "Ethics dumping" raises ethical concerns, as companies may exploit lower rights and wages in certain jurisdictions. Gig workers may face challenges in terms of well-being and social integration. Policy initiatives, such as those proposed by the European Union, aim to regulate gig work, protect workers' rights, and ensure fair treatment. The effectiveness of these policies relies on achieving a delicate balance between encouraging innovation and flexibility while safeguarding the rights and well-being of gig workers. Technology enhances efficiency in gig work by facilitating better matchmaking between workers and jobs. Lack of transparency in algorithmic systems used by gig platforms may lead to biased decision-making and challenges related to accountability.

VII. CONCLUSION

It is thought that the gig economy, which extends from digital-based platforms to location-based platforms, from local markets to international markets, will directly affect employment with its adoption by employers and employees. In this study, the effects of the gig economy on employment are discussed by considering both positive and negative aspects. While the rise of the gig economy offers new opportunities for employment relations, it also brings some problems. These possibilities and problems are explained by considering the positive and negative aspects of the gig economy in the literature. The rapid acceptance of the new model by employers and employees has proven that the gig economy is a model that cannot be ignored in the changing business world. The increase in the number of businesses that take their place among the gig platforms and people who prefer to work independently has led to the discussion of the negative aspects of the model rather than its positive aspects. In order for countries to hold power economically, politically and technologically, employers and employees in the gig economy need to make decisions that will benefit the economy and employment and find remedies for the negative aspects of the model. Although the studies carried out in the United States of America and the European Commission on this subject gain momentum, human resources, tax applications, etc. It is understood that legal, political and economic problems will increase and discussions will continue for a long time. As a developing concept in the literature, which is predicted to be among the business models of the future, the gig economy encourages the growth of independent working day by day and is growing rapidly in the changing business world. The seamless connectivity of digital technologies across borders will continue to shape the future of the gig economy.

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