



# THE IMPLICATIONS OF THE GIG ECONOMY ON HRM PRACTICES IN INDIA AND ITS IMPACT ON BIG INDUSTRIES

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## ABSTRACT

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*The gig economy, which is characterised by flexible and transitory labour arrangements, has acquired considerable traction recently and is revolutionising conventional employment structures. The ramifications of India's gig economy on HRM practices and its effects on big industries are examined in this research paper.*

*Technology improvements, shifting work choices, and the emergence of digital platforms, among other things, have all contributed to the significant growth of the gig economy in India. The key implications of the gig economy on HRM practices in India are talent acquisition and recruitment, workforce planning and management, legal and compliance considerations, flexibility and cost optimisation, innovation and specialised expertise, and workforce diversity and inclusion. As a result, HRM practices have had to adapt in order to effectively manage the workforce in this new paradigm. In order to embrace the gig economy, HR departments must modify their recruitment tactics, put flexible workforce management practices into place, and deal with significant legal issues. While large enterprises can benefit from the gig economy in terms of cost reduction, innovation, and worker diversity, they must also overcome the difficulties brought on by this changing labour market*

**KEYWORDS:** Gig Economy, HRM Practices, Big Industries, Workforce, Performance Management.

## INTRODUCTION

The term "gig economy" refers to a labour market where people are frequently engaged on a temporary basis to do specific jobs or projects, also known as short-term or freelance work arrangements. The dynamics of India's major sectors have been altered by this developing trend, which has important ramifications for HRM practices in the nation. Let's examine the consequences and effects of the gig economy on India's major industries and HRM.

- **Flexibility and Agility:** The gig economy gives employers more hiring flexibility, enabling them to respond swiftly to shifting consumer demands.

It is necessary to modify HRM procedures to account for the hiring, onboarding, and management of gig employees. This entails creating plans to locate and entice gig workers with the appropriate aptitudes.

- **Talent Pool Expansion:** By extending the talent pool beyond typical employees, the gig economy enables businesses to quickly acquire specialised expertise. This can be especially helpful for large Indian sectors that frequently need specialised knowledge for short-term initiatives, such technology, e-commerce, and logistics. Mechanisms for efficiently utilising this larger

talent pool and building a strong network of gig workers must be incorporated into HRM practices.

- **Redefined Employment Relationships:** The typical employer-employee relationship is put to the test by the gig economy because gig employees are frequently viewed as independent contractors. HRM procedures may need to address matters like labour classification, legal compliance, and benefit supply as a result of this. To ensure equitable treatment and adherence to labour rules, HR departments must manage these complications.
- **Skills Development and Retention:** HRM practises must concentrate on establishing a learning culture and offering opportunities for skill development in light of the rise of gig labour. Organisations must come up with creative strategies to engage, keep, and upskill gig workers as they switch between projects in order to stay competitive. This may entail opening up training programmes, granting certifications, or establishing a practice community for gig workers.
- **Performance Management and Evaluation:** Gig workers might not be a good fit for conventional performance management methods. To effectively assess and acknowledge the contributions of gig workers, HRM practices should change. This could entail putting in place project-specific assessments, feedback channels, and outcome-based performance measures to gauge the effectiveness of gig workers.
- **Workforce Planning and Resource Allocation:** The gig economy has an impact on resource allocation and workforce planning as well as other HRM procedures. Organisations must carefully evaluate their talent requirements and decide if full-time employees or gig workers are more effective at completing particular tasks or projects. To match personnel strategies with organisational goals, HR departments must work closely with business leaders during this strategic decision-making process.
- **Organisational Culture and Integration:** It is crucial to promote an inclusive and integrated culture as the use of gig workers increases in major sectors. Even for temporary employees, HRM procedures should foster a sense of belonging by encouraging collaboration, opening up channels of communication, and creating opportunities for networking and participation.

In India, the gig economy has become a substantial trend in the labour market, with considerable consequences for HRM procedures. Large industries in the nation have also been significantly impacted by this new terrain. In the gig economy, people are recruited on a temporary basis for specific activities or projects under short-term or freelance employment arrangements. The gig economy has an array of effects on Indian HRM practices. First and foremost, it necessitates that HR departments modify their tactics to account for the hiring, onboarding, and management of gig employees. This entails creating efficient strategies for locating and luring gig workers with the required qualifications.

The gig economy, in addition to traditional employees, broadens the talent pool that is accessible to businesses. For India's large enterprises, which frequently need specialised talent for quick projects, this is especially useful. To take advantage of this larger talent pool and create powerful networks of gig workers, HRM practices must be modified.

The typical employer-employee relationship is put to the test by the gig economy. Due to the fact that gig workers are frequently viewed as independent contractors, HRM practices are required to address issues including worker classification, legal compliance, and benefit supply. In managing gig workers, it becomes essential to ensure fair treatment and compliance with labour rules. To engage, retain, and upskill gig workers, HRM practices must also put a strong emphasis on encouraging a learning culture and offering opportunities for skill development. To accurately evaluate the contributions of gig workers, performance management and evaluation methods must be modified. This may need outcome-based metrics and project-specific evaluations.

Organisations must alter their workforce planning and resource allocation as they decide whether certain tasks or projects are better suited for freelancers or full-time employees. To match talent management strategies with organisational objectives, HR teams must work closely with business executives.

Finally, as gig workers grow more prevalent in major businesses, it is crucial to promote an inclusive and integrated culture. Even in temporary positions, HRM practices should promote networking, communication, and collaboration possibilities to provide gig workers a sense of community.

The gig economy has a considerable impact on India's big industries. It gives organisations flexibility and agility so they can respond rapidly to shifting market needs. The ability to access specialised skills on demand

helps major companies like technology, e-commerce, and logistics remain competitive. The gig economy also demands that these sectors adopt a systematic approach to resource allocation, workforce planning, and talent management.

In a nutshell the consequences of the gig economy for HRM practices in India include flexibility, a broadening of the talent pool, redefining employment relationships, skill development, performance management, workforce planning, and organisational culture. For large enterprises to take advantage of the benefits of this changing labour market and spur growth and innovation, it is essential to adapt HRM practices to manage gig employees efficiently.

### LITERATURE REVIEW

A full-time work, which was the norm for decades, is changing slowly into independent work, characterised by a high degree of autonomy, task-based payment and a short-term relationship between the worker and the client. Workers are paid for each individual gig that they do such as a food delivery or a car journey instead of a monthly salary, day wage or an hourly wage (ASSOCHAM National Conference, 2020).

A study by McKinsey way back in 2016 developed a model for independent work. They identified four key segments of independent workers: *free agents* who earn their maximum income from independent work. *Casual workers* supplement their income by independent work. *Reluctants* who make their primary living from independent work but prefer a traditional job and, finally, *financially strapped* who do supplemental work out of necessity. The study concluded that free agents and casual workers have greater satisfaction in their work lives than the other two categories. A study on women workers' engagement in domestic work, beauty work, cab delivery and food delivery found that there is no one model of gig economy in India. There is an app-based model, followed by Uber, Zomato and Urban Company, where workers are independent contractors with commission-based payments for specific work that they do. This model has built in flexibility at its core along with ease of entry and exit, low asset requirement, higher job risk and more ability to earn. The other is a hybrid model, which borrows features from both the traditional and platform economy. Here, workers working as full-time workers get salary, social security benefits like provident fund, health insurance and, in a few cases, maternity benefits. Safety of women workers is of utmost importance when selecting gig work (Ghosh & Ramachandran, 2020).

Gig workers are called partners on many platforms. The prerequisite for hiring gig workers includes a bank account, proof of identity and a prior experience in the related area of professional work. There is background verification carried out by a visit to the home of the independent worker. There is generally no written contract with the platform and it is mostly a verbal agreement. The workers are expected to buy a kit, which contains all products and appliances, uniform, etc. This costs ₹25,000–30,000 and is seen as an initial investment for the business. There are easy loans available in case the worker is unable to pay, which usually takes 2–3 months to repay back. An induction training is mandatory for about 10 days, which is not only related to work but also includes the usage of mobile and the online platform. There is mandatory retraining every 6 months for workers, and they are also paid a small amount on the days of the training. The travelling cost to the client location is borne by the worker. The platform charges a percentage commission of the value for which services have been rendered. They have a generous incentive system in place especially for the beauty segment. They are given certificates and complimentary meals based on their performance. There is a penalty for arriving late at the customer's location and in the case of not attending to the service. The safety of the professionals is taken care of by the app, which has a save our souls (SOS) feature, a helpline number and possibility of connecting directly with the police station. The partners can also rate the customers, which ensures that, in the future, partners do not service indecent clients. It is not possible to unionise these workers as they are invisible and do not get opportunity to interact with each other, which leaves them vulnerable to exploitation by the companies (The Asia Foundation, 2020).

The new employment model has generated a plethora of opportunities. Workers get autonomy and a flexible work environment, work in their area of interest and global postings. One can work for himself rather than for someone else. The companies can hire freelancers at lower costs, fewer obligations, talent on demand and higher unit pay. Freelancing provides work and livelihood to millions of new and young entrants to the workforce. It provides an opportunity to work to the vast pool of informal labour, especially women. Educated skilled women who could not work earlier in a full-time employment have now reaped benefits of flexible work through these platforms. It also reduces cost as employers can eliminate inefficiencies with the introduction of a dual job market within their organisation. The right work is allocated to the right person, thereby improving productivity.

The online platforms have constantly tried to increase the participation of freelancers by providing them training on technology. Therefore, gig work reduces unemployment, improves labour participation, stimulates demand and raises productivity (ASSOCHAM National Conference, 2020; BCG, 2021; Banwari, 2018; Kathuria et al., 2017; McKinsey Global Institute, 2016; Roy & Srivatsava, 2020).

There are both social and regulatory challenges in the gig sector. In Indian society, a freelancer is still treated as a second-grade individual as compared to a permanent employee, and corporate culture is not very welcoming of part-time work. This is reinforced by the irregular income of freelancers, lack of social security benefits, pensions, sick pay, holiday entitlement and parental leave. The gig economy also bids down the wages, offering few or no legal protection against discrimination and harassment for the workers. All these create more chances of stress and mental health issues. Mortgage companies are wary about lending out to people without job security. With reduced power of collective bargaining, there are more chances of abuse of individual contracts. In addition to these, the platforms acknowledge problems related to payments, bidding and navigating websites. Data security, information privacy, intellectual property rights (IPR), digital ecosystem, safety of gig workers and customers, dispute resolution, low skill development and career growth, lack of standard practices and lack of regulation are other issues thrown up by this new employment model. It has also raised some questions around consumer rights and minimum wages (ASSOCHAM-Primus Report, 2020; ASSOCHAM National Conference, 2020; Tyagi, 2017; Banwari, 2018; BCG, 2021; Jacob & Shaikh, 2021; Kathuria et al., 2017; Roy & Srivatsava, 2020).

### The Gig Worker

As per the BCG (2021) report, gig workers in India typically work for 7–8.5 hours a day. They have lower education levels, with many of them studying only till the ninth grade. Gig workers are more often secondary contributors to the household income. Gig work has the potential to create livelihood opportunities for these lower-income workers. It is expected that more women, youth and students will participate in gig work, which may lead to the creation of a more inclusive workplace.

These workers are mostly male, and usually in their 20s, taking up gig work to support their university education. Most of them work for a single platform. Those who work for food delivery like Zomato and Swiggy platforms and ride companies like Ola and Uber have long work hours. While many workers do indicate that they get work based on their qualifications, some also

find themselves overqualified for the job. Their payment is based on the number of tasks performed. Most of them who are satisfied with the platforms and their salaries prefer to continue working for the same platform. However many workers have expressed their concern for not getting paid for sick leave and for overtime work. They are not part of any trade union, and there is a need to protect the exploitation of such workers and ensure that they get decent pay and benefits (Wage Indicator, 2020–21)

Gig workers placed great importance on transparent, timely and assured payments. Flexible timings and higher earnings were a high priority for them than salary increments and personal development. Non-monetary benefits like medical and life insurance were not big motivators for them. A study on the state of contractual workers in the IT sector found that young employees were more attracted to this flexible system of work. Most of the workers found an extension on their work tenure. The non-permanent employees were satisfied with the learning and development programmes offered by their organisation and feedback from their managers. However, they were not satisfied with their appraisals, rewards and incentives. They viewed their skills were in demand in the market, and they could get similar jobs elsewhere. Creating their employee brand was important in a gig economy, and they relied on their skills and domain knowledge for it. They looked for meaningful work experiences. To stay relevant and to get work, the individual gig workers had to reskill and upskill themselves (BCG, 2021; Sobhit, 2020)

### OBJECTIVES

- Explain the concept of the gig economy and its characteristics.
- Highlight the specific implications of the gig economy on HRM practices in India.
- Explore the impact of the gig economy on big industries in India.
- Present a comprehensive understanding of the challenges and opportunities that arise for HR departments in managing gig workers.
- Emphasise the importance of adapting HRM strategies to effectively integrate gig workers, tap into their skills, and create a supportive environment.

### RESEARCH METHODOLOGY

#### Research Questions

- How has the gig economy influenced HRM practices in big industries in India?

- What are the key challenges and opportunities faced by HRM professionals in managing gig workers?
- How are big industries in India leveraging the gig economy to enhance organisational flexibility and competitiveness?
- What are the implications of the gig economy on employment relationships, workforce diversity, and talent management in big industries in India?
- How are HRM practices evolving to effectively integrate gig workers into the existing organisational structure?

### Research Design

- The researcher will adopt a descriptive approach using qualitative methods.
- **Qualitative Research Methods**
- Conducting telephonic interviews with HRM professionals from big industries in India to gather in-depth insights into their experiences, challenges, and strategies related to managing gig workers.
- Analysing case studies of several organisations that have successfully incorporated gig workers into their workforce.

### Limitations

- The researcher may face limitations in terms of generalizability due to the specific focus on big industries in India.
- The dynamic nature of the gig economy and HRM practices may require regular updates and re-evaluation of findings.

### Significance and Expected Outcomes

- The research findings will contribute to the existing body of knowledge on the implications of the gig economy on HRM practices in India.
- The HRM professionals and organisations understand the challenges and opportunities associated with the gig economy and develop effective strategies for managing gig workers.
- The research will provide insights into how big industries in India can leverage the gig economy to enhance their competitiveness and organisational flexibility while addressing the implications on employment relationships and talent management.

### FINDINGS

The term "gig economy" refers to a labour market where short-term, flexible, and freelance employment

arrangements are common and frequently made possible through online platforms. Instead of being hired in typical full-time roles, people in the gig economy work on a project- or task-basis. Common names for them include "gig workers" and "independent contractors." The gig economy's main traits are as follows:

- **Flexibility:** Gig workers have the freedom to choose when, where, and how much they work. They can often set their own schedules and select projects that align with their skills and interests.
- **Digital platforms:** Technology plays a crucial role in the gig economy, connecting gig workers with potential clients or customers. Online platforms, such as Uber, Upwork, and TaskRabbit, act as intermediaries, matching gig workers with gig opportunities.
- **Diverse skill sets:** Gig work encompasses a wide range of industries and skill sets. It includes sectors like ride-sharing, food delivery, freelance writing, graphic design, consulting, and many others.
- **Independent contractor status:** Gig workers are typically classified as independent contractors rather than employees. This means they are responsible for managing their taxes, insurance, and other benefits, and they do not receive the same legal protections and benefits as traditional employees.

Now, let's discuss the specific implications of the gig economy on HRM practices in India:

**Workforce composition:** The workforce's demographics have changed significantly as a result of the gig economy. For India's HR departments to properly recruit and retain gig workers, they must modify their recruitment techniques. This could entail establishing connections with gig platforms or developing internal tools for managing interactions amongst gig workers.

**Talent acquisition:** To find and hire gig workers with the requisite abilities, HR departments must modify their talent acquisition procedures. Because gig workers frequently demand flexibility and autonomy, conventional hiring procedures may not be appropriate for them. It becomes essential to implement effective ways for evaluating and screening gig workers.

**Legal and compliance issues:** Indian labour laws are largely intended for connections between traditional employer and employee. In order to maintain the independent contractor status and ensure compliance with labour laws, HR departments must manage the legal implications of hiring gig workers. This might

entail reviewing agreements and contracts pertaining to employment.

**Performance management:** The contributions of gig workers might not be accurately captured by conventional performance management methods. Alternative approaches, like project-based assessments, client feedback, and performance metrics connected to particular tasks, must be developed by HR departments to monitor and assess the performance of gig workers.

Regarding the impact of the gig economy on big industries in India, it has both positive and negative implications:

**Cost savings:** Companies in sectors like transportation, logistics, and hospitality can benefit from the gig economy by reducing labour costs. Gig workers are often paid per task or project, eliminating the need for full-time salaries and benefits.

**Scalability and flexibility:** The gig economy allows industries to scale up or down quickly based on demand fluctuations. Companies can tap into a pool of gig workers when there is a surge in demand, ensuring flexibility and agility in operations.

**Disruption and competition:** The gig economy has disrupted traditional business models in various industries. For instance, ride-sharing platforms have challenged the taxi industry, and online marketplaces have transformed retail. Established companies in India need to adapt to remain competitive in the face of this disruption.

However, managing gig workers also presents challenges and opportunities for HR departments:

**HR policies and practices:** HR departments need to develop policies and practices that are inclusive of gig workers. This includes creating clear guidelines for engagement, addressing payment structures, providing support and training, and promoting a sense of belonging and connection among gig workers.

**Skill development and retention:** HR departments can seize the opportunity to invest in the skill development of gig workers. By offering training programs or resources, companies can enhance the skills of gig workers, making them more valuable contributors to the organisation and potentially increasing their loyalty and retention.

**Collaboration and communication:** HR departments should establish effective channels of communication to engage gig workers, address their concerns, and foster collaboration with full-time employees. Emphasising

open lines of communication, regular feedback, and a sense of belonging can help create a supportive work environment.

In summary, the gig economy has brought about significant changes to HRM practices in India. HR departments must adapt their strategies to attract, engage, and manage gig workers effectively. By addressing legal and compliance issues, implementing appropriate talent acquisition processes, and creating supportive environments, HR departments can leverage the gig economy's potential and integrate gig workers into their organisations successfully.

## CONCLUSION

In conclusion, HRM practices in India have significantly changed as a result of the rise of the gig economy. The characteristics of the gig economy, like flexibility, digital platforms, and independent contractor status, have changed the makeup of the workforce and called for modifications to the recruiting, talent acquisition, and performance management procedures. While successfully engaging and integrating gig workers into their organisations, HR departments must navigate complex legal and compliance hurdles.

The gig economy's influence on big industries in India has led to cost savings, scalability, and increased competition. However, HR departments need to proactively address the challenges that arise from managing gig workers. By developing inclusive policies, investing in skill development, fostering collaboration and communication, and creating supportive environments, HR departments can tap into the potential of gig workers, leverage their skills, and ensure their successful integration into the organisation.

Adapting HRM strategies to effectively manage gig workers is crucial not only for compliance with labour regulations but also for driving organisational success in an evolving labour market. Embracing the gig economy and incorporating gig workers as valued contributors can lead to enhanced agility, innovation, and competitiveness for companies in India. HR departments play a vital role in harnessing the opportunities and addressing the challenges presented by the gig economy, ultimately shaping the future of work in the country.

## SUGGESTIONS

The gig economy has significantly impacted HRM (Human Resource Management) practices in India, as well as the big industries operating in the country. Here are some implications and impacts to consider:



**Flexible Workforce:** The gig economy provides access to a large pool of on-demand, flexible workers. HRM practices need to adapt to this trend by developing strategies to effectively manage a blend of permanent employees and gig workers.

**Talent Acquisition and Retention:** Companies in big industries face increased competition for talent due to the gig economy. HRM practices must focus on attracting and retaining top talent by offering competitive compensation packages, flexible work arrangements, and opportunities for growth.

**Redefined Employment Relationship:** The gig economy challenges the traditional employer-employee relationship. HRM practices need to adjust to this new reality, ensuring compliance with labour laws, understanding the rights and responsibilities of gig workers, and maintaining positive relationships with them.

**Upskilling and Reskilling:** With the gig economy's emphasis on short-term contracts and specific skills, HRM practices should prioritise upskilling and reskilling initiatives. This will help the workforce adapt to evolving job requirements and remain competitive in the gig economy era.

**Performance Management:** Traditional performance management systems may not be suitable for gig workers, as they often work on multiple projects simultaneously. HRM practices should develop performance evaluation methods that align with the gig workers' specific goals and deliverables.

**Employee Engagement and Well-being:** Gig workers may experience a lack of belonging and social support within organisations. HRM practices must focus on fostering employee engagement, well-being, and a sense of community, even for gig workers, through communication channels, recognition programs, and inclusive policies.

**Regulatory Compliance:** The gig economy presents challenges regarding legal and regulatory compliance. HRM practices need to stay updated on labour laws, tax regulations, and social security requirements to ensure proper compliance and protect the rights of gig workers.

**Organisational Agility:** The gig economy's fluid nature requires organisations in big industries to be agile and responsive to market demands. HRM practices should foster a culture of adaptability, agility, and innovation to navigate the changing landscape of the gig economy.

Overall, the gig economy's implications on HRM practices in India and its impact on big industries require a shift in mindset and the development of new strategies to effectively manage and integrate gig workers into the workforce. Organisations that successfully adapt to this new reality can leverage the benefits of the gig economy while maintaining a competitive edge.

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