

Flexible Production & the 'Gig Economy' Today

ISED Monograph Series

by
K.S. Arun
&
P. Sukumaran Nair

Institute of Small Enterprises and Development



ISED House, ISED Road, Cochin - 682028

Email: info@isedonline.org, seo@isedonline.org

www.isedonline.org

Flexible Production & the 'Gig Economy' Today

Flexible Production & the 'Gig Economy' Today

by
K.S Arun
&
P.Sukumaran Nair

ISED Small Enterprise Observatory
Jointly with
ISED Centre for Enterprise Development

© Institute of Small Enterprises and Development 2020

All rights reserved. No part of this document may be reproduced or utilised in any form or by any means, electronic or mechanical, including photocopying, recording or by any information storage or retrieval system, without permission in writing from the publisher.

Institute of Small Enterprises
and Development, ISED House,
ISED Enclave, ISED Road,
Cochin-682 028, India
URL: www.isedonline.org
Email: info@isedonline.org



ISED Small Enterprise Observatory,
ISED House, ISED Enclave,
ISED Road,
Cochin-682 028, India
URL: www.isedonline.org
Email: seo@isedonline.org

Published by P.M. Mathew, for Institute of Small Enterprises and Development.

Series: ISED Monograph Series

Price: 490.00 (India); US \$ 15.00 (Overseas)

About ISED Monograph Series

The purpose of ISED Monograph Series, brought out by the ISED Small Enterprise Observatory, is to present the output of primary research and original scholarship ascertaining reliable credibility to the required recipient. ISED publications seek to provide evidence and analysis that matters for entrepreneurial people and the planet.

Preface

The past two decades have witnessed a major transformation in the labour market. Technology, apart from changing the scope of income opportunities at the absolute level, has also led to structural changes in such opportunities. Wage employment of the traditional form has come down; part-time work has increased over time. Work organisation, with enhanced focus on those having specific skill sets, the gigs, is the emerging paradigm. How does the gig economy emerge as a new trend? What are the key contributory factors? How will it unfold in the current circumstances? It is important to grapple with the new paradigm from the angle of development policy and practice.

Under the India MSME Communication Programme(IMCP), the Observatory, in co operation with the various Knowledge Centres of the Institute, makes a rigorous analysis of the latest currents in the MSME constituency, leading to a unique 'Development Report'. This study is a spill-over of this exercise of Development Reporting on micro, small and medium enterprises (MSMEs) at the ISED.

While the team of the Observatory did a meticulous job under the guidance and support of the Project Leaders, individual members of the Team, including the editors and the Associates, have made their special contribution in specific thematic areas. While this title is significant in the present context of the Indian economy, and of the MSME developments in specific, I hope it will contribute to wider discussions in the subject area.

As this title come out as a joint output of the Observatory and the ISED Centre for Social Development, the Institute wishes to thank, without fail, the pains and efforts of the authors, and all who have supported it through inputs and suggestions. ISED has taken best efforts to ensure the quality and reliability of this paper. However, for the findings and views, the authors alone are responsible.



P.M.Mathew

Director, ISED Cochin

November 3, 2020

Flexible Production & the ‘Gig Economy’ Today

K.S Arun & P.Sukumaran Nair

Abstract

The past two decades have witnessed a major transformation in the labour market. Technology, apart from changing the scope of income opportunities at the absolute level, has also led to structural changes in such opportunities. Wage employment of the traditional form has come down; part-time work has increased over time. Work organisation, with enhanced focus on those having specific skill sets, the gigs, is the emerging paradigm. How does the gig economy emerge as a new trend? What are the key contributory factors? How will it unfold in the current circumstances? It is important to grapple with the new paradigm from the angle of development policy and practice.

Key Words: flexible production, gig economy, India, SMEs

1.0. Background

Available international data and projections indicate a major transformation in the labour market, both in terms of absolute work participation, and labour force participation during the past two decades. A major change factor is technology itself. Technology, apart from changing the scope of income opportunities at the absolute level, has also led to structural changes in such opportunities. Hence, while regular opportunities have come down, part-time work has increased over time. The purpose of this chapter is to look into such a work organisation, with respect to those having specific skill sets: the gigs. How does the gig economy emerge as a new trend? What are the key factors? How it will unfold in the current circumstances? the purpose of this chapter is to discuss that.

2.0. Meaning and Scope

Temporary, flexible jobs, today, are commonplace and companies tend toward hiring independent contractors and freelancers instead of full-time employees. A ‘gig economy’ undermines the traditional economy of full-time workers with a life-time career. A ‘gig’ is a work environment having the following five major characteristics: 1) independent professional work done on an assignment basis; 2) time frame and specifications are predetermined; 3) deliverables form the basis for compensation; 4) execution is on-time or

remote; 5) technology intensive nature of job; and 6) contractual or based on informal agreements. These characteristics shape a gig economy. In a supply-side economy, the nature of the work process, and the manner of its execution are based on the time duration and, are predetermined by the one who organises the process. The gig economy, on the other hand, is an on-demand economy. In the gig context, the work is flexible in nature and the time-line, agreed mutually by the two parties, is the only critical constraint.

There is a wide range of positions that fall into the category of a gig. For example, adjunct and part-time professors are contracted employees, as opposed to tenured or tenure-track professors. Colleges and universities can cut costs and match professors to their academic needs by hiring more adjunct and part-time professors. Large numbers of people work part-time or temporary positions. Hence, it offers cheaper and more efficient services. However, the gig jobs are mostly technology-driven. Those who do not engage in using technological services such as the Internet, tend to be left behind by the benefits of the gig economy. Besides, such jobs are often urban-centred.

3.0. Gig Economy: The Objective Background

According to some estimates, the gig economy is expected to cover 25 to 30 percent of the job market by the year 2022. Globally as also in India, self

‘Gig Economy’: Meaning and Scope

Box No: 1

The term ‘gig’ implies a work environment having the following five major characteristics: 1) independent professional work done on an assignment basis; 2) time frame and specifications are predetermined; 3) deliverables form the basis for compensation; 4) execution is on-time or remote; 5) technology intensive nature of job; and 6) contractual or based on informal agreements. Temporary, flexible jobs, today, are commonplace and companies tend toward hiring independent contractors and freelancers instead of full-time employees. A ‘gig economy’ undermines the traditional economy of full-time workers with a life-time career. Gig jobs are mostly technology-driven. It implies a major change in the work process. Against a specific price, the worker enjoys a flexible lifestyle and the freedom of being his own boss; but there is risk in terms of financial security and income predictability.

employment is significant, and given the rate at which the technological base and labour skills get broad based, such self employment activities also tend towards enhanced autonomy, of course aided by the benefits of technology. Today, the large number of solo entrepreneurs and micro entrepreneurs seek to embrace such opportunities, leading to the growth of the gig economy. Its objective background has been provided essentially by five factors:

1)The rapid technological changes of the new millennium, in relation to ICT, and of a redefinition of work space and organisation of work process. The background for this has been created by the transition of production from manufacturing to manufacturing-service interface. Against the above background, new business and job platforms have emerged.

2)The advancement of data processing and communication technologies, and the convergence of the two, has helped to revolutionise the concept of office space or work space. It essentially implies that the organisation of work has become increasingly space neutral. The question as to whether such an opportunity will get translated in to a gig business model, is dependent on other than economic factors. There are, obviously, several cultural factors by which both the entrepreneurs and workers choose such an employment relation.

3)The introduction and expansion of the services sector, and the internationalisation of services, has resulted in an acceleration of business models aided by mobile Apps that can drastically enter into many of the services rendered by the local economy. As a result, large number of gig opportunities have emerged around such global platforms.

4)The introduction and popularity of E-commerce websites, such as Amazon and Flip kart, enables one to become a merchant. Besides, some such portals provide work opportunity for anyone with specialised knowledge and skills to work as intermediaries.

5)The changes in the age composition of population in the world of work is another decisive influence on the growth of the gig economy. A remarkable feature of recent times has been the increase in the number of millennial in the work force; they are estimated to constitute 75 percent of the work force by 2025. Unlike their previous generation, the millennial people aspire for flexibility, choice, work- life balance, and continuous challenges. The gig economy meets with these aspirations.

4.0.The Global Scene in 2020

The global scene of the gig economy in 2020 need to be understood as a new normal post-Covid 19. This is essentially for three reasons: First, being a first

experience for the present generation, the massive disruption due to the Pandemic, has provided adequate lessons to companies on the need for radical cost-cutting regarding human resources, though the process was underway for quite some time. Secondly, it provided an opportunity for companies to solve the 'redundant labour' problem^[1], at a stretch, as also to enhance productivity-enhancing strategies. Remote work is one among such strategies. Thirdly, a new form of organisation of production became an imperative for both large and small firms, as a lock down of the economy could mean damages beyond repair to many firms.

Because of the above reasons, the gig economy is taking over the world, with an increasing number of firms and workers alike, opting for it. For the workers, especially the younger ones, it is primarily because of more flexible working conditions. For firms, it means, a focus on just-in time decisions, rather than long term plans, which can best be implemented by extensively supervised business operations, rather than branching out of such operations under various significantly staffed departments, under a large staff strength.

On the demand side, companies are increasingly turning to freelancers to do jobs that are not directly related to their industry (such as marketing, design or content creation) in a cost-effective way. However, on the supply side, growing number of online platforms offer excellent earning opportunities. Against such opportunities, work can be executed without necessarily having physical presence in the workplace. Besides, it is also easier than ever for one to work for multiple employers simultaneously.

The gig economy, however, would mean a major change in the work process. Against a specific price, the worker enjoys a flexible lifestyle and the freedom of being his own boss; but there is risk in terms of financial security and income predictability.

According to one study, the freelance economy is growing three times faster than the traditional workforce in the United States(Mitic,2020). What was once considered a fringe employment model, has now become mainstream. Some indications available are as follows:

1. the gig economy share will increase to 43% in 2020.
2. More than 90% of US workers would opt for the gig model.
3. It is gender discriminated; only 35% of America's self-employed are females.
4. Almost half of all millennial use online gig economy platform.
5. The total freelancing income is almost \$1 trillion.