

WHAT ARE THE ECONOMIC IMPLICATIONS OF THE RISE OF THE GIG ECONOMY ON EMPLOYMENT STABILITY AND BENEFITS?

Nikhil Pande^{1*}

^{1*}12th Standard, Oberoi International School (OGC Campus), Mumbai

***Corresponding Author: Nikhil Pande, Oberoi International School (OGC Campus), Mumbai**

***Email id: nikhil.pande2207@gmail.com**

Abstract: *The rise of the gig economy has significantly impacted the traditional employment landscape, particularly in terms of job security and employee benefits. Gig workers, unlike their counterparts in traditional employment, face challenges such as unstable incomes, lack of access to employer-sponsored benefits like health insurance and retirement plans, and minimal protections under labour laws. This paper examines the socio-economic implications of gig work, with a focus on the disparity in benefits between gig and traditional workers. Gig workers often bear the financial burden of taxes, insurance, and other costs, leading to a precarious employment environment. Furthermore, the independent nature of gig work makes unionization difficult, leaving workers vulnerable to exploitation and with limited bargaining power. This study explores proposed solutions to address these challenges, including the development of portable benefits tied to individuals rather than employers, the reclassification of gig workers to provide access to labor rights, and the potential creation of government-led platforms such as the Gig Worker Benefit Platform (GWBP) to offer medical and tax benefits. Additionally, we highlight examples of legislative efforts in California and the UK aimed at reclassifying gig workers to extend protections and benefits. While the gig economy offers flexibility and autonomy, the lack of job security and benefits remains a significant concern, warranting comprehensive reforms to ensure economic stability for gig workers. This analysis underscores the need for innovative approaches to protect gig workers and promote equity in the evolving labor market, with particular emphasis on policy interventions, benefit reforms, and collective bargaining rights. The study concludes by proposing that the future of gig work must incorporate stable benefits and protections to address the growing vulnerabilities faced by this workforce.*

Keywords: *Gig economy, independent contractors, employee benefits, job security, labor rights*

Introduction

The gig economy is an amalgamation of independent workers who take on short-term jobs, known as gigs. These types of employment include freelancing, temporary jobs, and ride-sharing. This line of work has emerged as an increasingly popular choice for many due to the increased flexibility it provides workers (LearnFree, 2017). More specifically, gig workers (also known as contingent workers) are defined by three main characteristics, the first of which is autonomy and having the ability to choose their workload and portfolios. Workers can choose their clientele and negotiate work fees and work timings. Workers in the gig economy are also classified as being paid for the tasks or sales they make. Unlike traditional employment, workers are not paid a fixed salary. Gig work relies on short-term contracts/relationships (lasting less than 12 months) between consumers and contractors (Manyika et al., 2016). Additionally, gig workers are classified into three subcategories. The first are those who provide labor services like workers on Uber, Ola, Swiggy and Zomato, sell goods like sellers on Amazon, Flipkart, eBay (e-commerce) and rent out assets, exemplified by platforms such as Airbnb. However, these categories are not mutually exclusive; gig workers can fall under multiple categories simultaneously.

The appeal of the Gig economy

The gig economy's appeal to workers boils down to its flexibility. By contracting independently, workers can create schedules and work according to their timelines. They are not bound by a contract that requires them to show up for work every day from 9-5 as traditional employment does. As a result, gig workers report increased satisfaction. This is evidenced through a survey where gig workers (independent free agents) reported higher satisfaction than traditionally employed in 12 out of 14 aspects of their work life. To further elaborate, self-employed people are more engaged in their work, enjoy being their bosses, and enjoy their control over their schedules. Free agents have more creative freedom and are presented with more learning opportunities. Free agents are happier with their level of income and satisfied with income and job security (regardless of age, gender, occupation, and previous attainment). The specialization in the skills of gig workers allows businesses to increase the quality of their products. Aside from its convenience to workers, firms also benefit from the gig economy. The gig economy provides organizations with more flexibility in implementing new capabilities without being bound to employees long term. Startups find independent contractors invaluable for jobs such as legal advice, web design, and accounting.

Macroeconomic Outcomes: Growth and Employment

The gig economy also appeals to an economy at a macroscopic level as it leads to increased labor force participation and provides a source of income to many unemployed workers. It also helps increase productivity in production, thus increasing the economy's potential output as a whole (Sharma, 2024).

While "gig economy" may have been coined more recently, independent contracting and freelancing have always been a part of society. In fact, before the Industrial Revolution, most of society worked using a similar model. Most people would offer their services independently. The advent of the Industrial Revolution led to a radical shift in the creation of goods and services as processes were optimized through the increase in traditional labor evidenced by methods such as assembly lines in industries.

The McKenzie Group and MGI research has found that independent work statistics are higher than previously thought. The study suggests that between 54 and 68 million independent workers in the US and 30-62 million gig workers across France, Germany, Spain, Sweden, and the UK combined. By applying the EU results to the entirety of Europe, there are an estimated 60-94 million self-employed persons. Thus, there are a rough 162 million self-employed people in the USA and Europe combined.

The gig economy has seen tremendous growth in recent years. In two years between 2021 and 2023, gross volume generated by the global gig economy increased from \$368 billion to \$455 billion, a 24% increase. Currently, over a third of the US workforce comprises freelancers, and of the business executives surveyed, 51% look towards hiring contingent workers in the future. The gig economy was one of the sectors whose growth was accelerated by COVID-19 as the pandemic blurred boundaries, thus forcing firms to explore hiring a new demographic of workers: gig workers. In doing so, firms can maximize their efficiency by hiring specialized workers and cut costs by hiring workers temporarily (Tech Gig Economy, 2024). By following such a schedule, workers can create and work around their schedules and choose the work they wish to undertake. For many people, the gig economy is a side job they run separately from their traditional 9-5 salary-based job to achieve more stable employment. Per a 2022 survey, 36% of employed respondents identify themselves as independent contractors, translating to roughly 58 million Americans. This is a considerable rise from the 27% measured in 2016.

Another driving force for the gig economy is the advancement in technology. The increased connectivity available to society has allowed businesses to hire workers from different locations. Often, the nature of the work is such that a worker is not required to be physically present to complete a given task. Moreover, nearly all significant firms are entirely digitized, making assigning and performing tasks easier for remote workers (Tech Gig Economy, 2024).

For many, the gig economy serves as a primary source of income, while engaging in gigs is a secondary source of income for others. While gig work may superficially be perceived as work undertaken by a younger demographic, the contingent workforce is diverse across the US and Europe. To epitomize, those under 25 only make up a quarter of the independent workforce. In addition, the financial background of a group of individuals also has little bearing on their choice of gig work. Although 40–55% of all low-income households engage in independent work, they comprise less than 25% of all independent earners.

Moreover, given the variety of sectors where gig work is prevalent, the level of educational attainment of an individual has also been shown to have no consequence on the gig workforce strength. Independent work is seen in construction trades, household, and personal services, and transportation (low-income jobs); it is also preferred by doctors, therapists, lawyers, accountants, interior designers, and writers (high-income jobs). As a result, there are sufficient opportunities to engage in gig work. The diversity in the workforce suggests that the economic sector will continue to see positive long-term growth (Manyika et al., 2016).

The emergence of the gig economy in India has also matched global trends. According to reports, the Indian gig economy is projected to reach a strength of 23.5 million by 2030, a drastic increase from the 7 million recorded in 2021. Reports by the IBEF estimate the country's gig workforce will continue to increase exponentially and surpass a whopping 350 million by 2025.

Most of the country's gig work is on platforms related to car service and app-based delivery, including Ola, Uber, Carzonrent, Swiggy, and Zomato. However, the Indian gig economy has also delved into sectors such as popular on-demand home services like Urban Company and Housejoy.

Contextualizing this to the entire Indian economy, gig workers are expected to comprise 4.1% of the nation's workforce, an increase of 3.6% from 2021. Regarding independent contracting (off platforms), the most significant demand for skills in the Indian gig market is IT workers. Interestingly, IT gig work makes up 30% of the job market in the country, a 10% increase from the previous year. India ranks third on the list of the countries with the fastest-growing technology. The demand for jobs in the gig economy reflects this, as data analytics and UI/UX design have become the most sought-after skills in the nation's economy. India's gig economy greatly benefits workers specializing in cloud, data, and cybersecurity. Pharma, oil and gas, and tech firms have the most significant demand for IT workers in an attempt to develop their tech roadmaps.

Another reason for the sudden increase in IT-related gig work has been attributed to society's acceptance of this line of work. The average gig worker in India is paid between \$5 per hour for essential work. Independently contracting midlevel workers earn around \$15 an hour, while senior technicians and AI engineers earn up to \$400 an hour. While there may be differences in pay based on skill level, the report from the NITI Aayog suggests that there is still a demand for all types of skilled jobs, with medium-skill jobs accounting for 47% of gig work, followed by 31% in low-skilled employment and 23% highly skilled jobs. This trend resembles that of traditional employment.

It is hypothesized that the gig economy would play a role in helping the country combat its unemployment crisis. According to Forbes, structural unemployment runs rampant in the country, with an unemployment rate of 9.2%. Being the most populous country in the world, it has a sizeable willing workforce. However, the lack of infrastructure and educational facilities creates a marked mismatch between the skills of workers and those required for higher-paying jobs. The limited skill specialization needed for delivery and cab-hailing platforms emerging from the gig economy gives unemployed people a chance to earn income. "India's gig economy is a major driver of job creation," said Shriram Subramanian, founder and MD of InGovern Research Services. Union Labour Minister Mansukh Mandaviya believes the nation's unemployment rate could fall below 3% shortly.

The rise of the gig economy has been unprecedented in recent years. As Anthony Carnevale, a researcher at Georgetown University, affirms, "The gig economy represents a seismic shift in how we think about work and employment." Examples of this shift are seen all around the world, most prominently in companies like Uber, Zomato, and Airbnb.

Macroeconomic Perspective on Employment Stability

The gig economy has generally benefited macroeconomic growth and development while having implications for conventional employment models. The short-term advantages are generating employment opportunities and boosting demand for goods and services since gig workers are likely to spend more as they earn their wages. For example, in major cities of India, the gig economy has expanded the service industry, especially in the transportation and logistics industries. However, the long-term employment stability picture could be more precise. The transformation of the workforce into gig-based employment will decrease the middle class's size since few people will have access to stable and well-paid jobs. Furthermore, the gig economy does not offer employees such as health care and social security thus exerting pressure on public systems in a country like India.

Macro Economic Outcomes of the Gig Economy

With the gig economy projected to increase the availability of jobs in the market, the size of the labor force is expected to grow in the long run. In terms of macroeconomic outcomes, the increase in the workforce is expected to increase the potential output of the economy as a whole as the number of factors of production, which in this case is human capital, is expanding. As a result, the total output or real.

Economic GDPs are increasing. Technically speaking, this leads to an increase in output and a decrease in average price levels. The graphical analysis below reflects a shift in the LRAS and an increase in real GDP from Y1 to Y2 Figure 1.

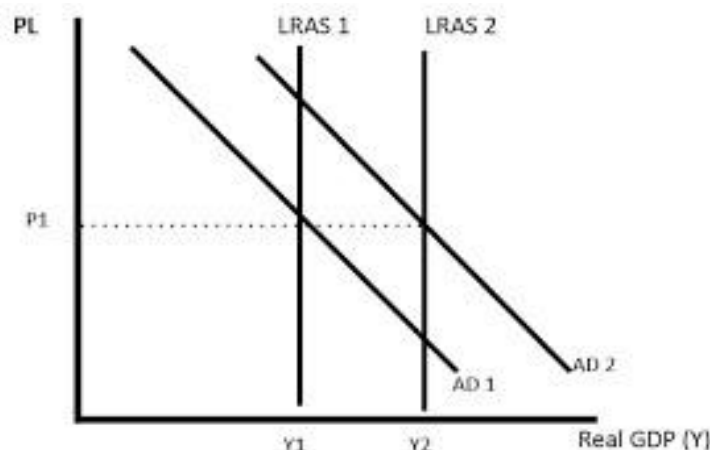


Figure 1: Shifts in Long-Run Aggregate Supply (LRAS) and Aggregate Demand (AD) with Impact on Real GDP

Economies witness different types of unemployment, and these impact the opportunities for Gig economy workers.

Structural Unemployment

The nature of gig jobs is highly diverse and ranges from basic jobs such as cab driving and housework to more specialized skill jobs such as doctors and lawyers. The gig economy provides opportunities for workers of all skill levels, thus reducing the natural mismatch of labor demand and supply in the economy. Those structurally unemployed from their daily jobs can temporarily assume lower-skilled roles in the gig economy while seeking more stable unemployment opportunities. While this does represent underemployment, an underutilization of a laborer's skills, it reduces the number of structurally unemployed workers in the economy. In doing so, it reduces the natural unemployment rate in the economy. Theoretically, this suggests that the economy is increasing its production efficiency as a whole, increasing potential output.

Seasonal Unemployment

Many workers in the economy are seasonally unemployed, as is the case in the tourism and agricultural sectors. Workers who are seasonally employed can engage in gig jobs during their "off seasons" to ensure they continue to earn income. This also prevents people from dropping out of the workforce for a specific period, thus reducing seasonal unemployment in the economy.

Frictional Unemployment

The gig economy provides those who may be between jobs with a platform to engage in temporary work while they search for new employment. In doing so, these workers are no longer considered "unemployed" and continue to earn income, thus reducing frictional unemployment.

Frictional, structural, and seasonal unemployment make up the natural employment rate in the economy, which is unemployment when the economy is producing at its full employment level. The gig economy reduces the natural rate of unemployment in the economy, thus increasing the efficiency with which workers are used, thus increasing the economy's output.

Observed Economic Impact on Job Stability

The Indian economy has been witnessing some major changes in the past few decades because of technological changes and globalization. One of the most significant changes that has occurred in the labor market is the emergence of the gig economy. The concept of lifetime employment with fixed employment benefits is gradually being replaced by more fluid but insecure types of work. Such a shift in the employment structure has macroeconomic effects that are both beneficial and unfavorable.

On the one hand, the gig economy has brought new sources of employment, especially in a country where employment has been a long-standing issue. For example, millions of people are employed in food delivery services, ride-hailing services, and e-commerce platforms, which provide sources of income for people who may not have been able to secure formal employment. The gig economy has allowed traditional workers, who may have been struggling previously, to engage in jobs, offering a secondary source of income and further increasing job stability.

On the other hand, the change in employment structure towards gig work has raised questions about employment insecurity. A significant part of the working population needs to have the security that comes with employment relationships that guarantee such provisions as pensions, health insurance, and paid holidays. According to a report by the Indian Ministry of Labour in 2022, gig workers constitute more than 15 million of the workforce in India. Yet, many of these workers have no formal employment rights and are therefore exposed to economic fluctuations. The stability of a

gig worker is also subject to seasonal changes. Many gigs, including those relating to theatres, circuses, and tourism, experience seasonal changes in the demand for services. Thus, when the “off-season” sets in, these workers lack demand and therefore cannot sustain the job. The emergence of gig work has been associated with increasing income disparities and the deterioration of workers’ protections.

The gig economy has significantly shifted employment status and provisions for employees. Freelance work or short-term contracts mean freedom for workers but stability is lacking as one is not permanently attached to a company. Deloitte (2016) has pointed out that more and more employees choose freelance or contract work because of its freedom. However, McKinsey (2016) points out that most gig workers participate in gig work because they have no other option. This raises issues of income instability and absence of social security such as health and retirement benefits. One is the decline in conventional, permanent employment, which while comes with benefits, has been replaced by gig positions that still need to. A study conducted by Sodaless Solutions in 2023 shows that gig workers struggle to manage taxes and legal issues since they do not have employers’ assistance. The analysis of the data reveals that despite the advantages of flexibility, gig work is associated with lower job stability, especially in the segments with low skill requirements. The percentage of gig workers without access to healthcare benefits is depicted in Figure 2, while the income variability of gig and traditional employees is presented in Table 1. They both highlight the fact that gig employment is less secure than conventional employment status or positions.

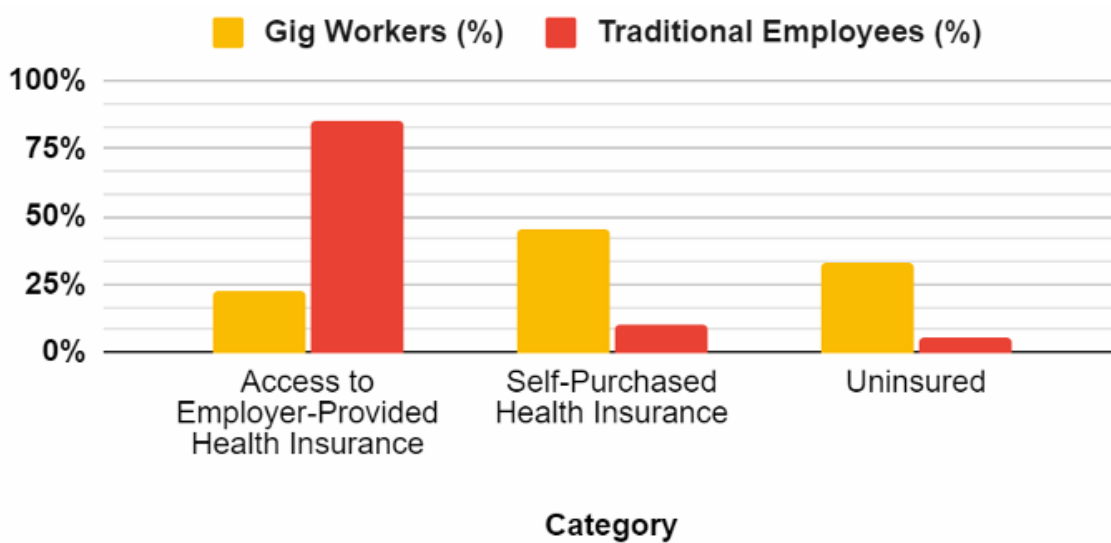


Figure 2: Healthcare Benefits Gig vs. Traditional

Table 1: Income Variability in Gig vs Traditional Employment

| Income Stability Category | Gig Workers (%) | Traditional Employees (%) |
|-------------------------------------|-----------------|---------------------------|
| Consistent Monthly Income | 35% | 78% |
| Fluctuating Income (Monthly) | 50% | 15% |
| Significant Income Volatility | 15% | 7% |
| Access to Paid Time Off | 10% | 90% |
| Reliance on Multiple Income Sources | 60% | 20% |

Quotations on Worker Sentiment

“I like the fact that I can work at my convenience but the problem is that one never knows what amount of money he or she will earn daily.”

Employment Experience in the Gig Economy

The employees are hired on a short-term or freelance basis and most of the companies run through applications such as Uber, Zomato, Swiggy, etc. This employment model has encouraged the adoption of flexible work arrangements, particularly for young and technologically savvy workers. But it has also resulted in cases whereby employment security is not well protected since people are fired from their jobs. Some of the problems that Gig workers in India have raised include the inability to earn a stable income, job insecurity, and irregular working schedules. This is because gig work is

usually demand-driven and this means that one may be able to work for some time and then find that there is no work for some time. One of the most significant discoveries is that workers experience the issue of instability of income, which makes them unable to plan for the future. This can result in economic insecurity for a person who at an earlier stage in their working life may have been in secure, non-contractual employment. The food delivery personnel working in cities like Mumbai and Bangalore get employed for long hours but are not sure of a regular income Figure 3. The nature of gig platforms means that the workers are in a highly competitive position because of performance metrics and customer ratings, which leads to the precariousness of the workers' employment status.

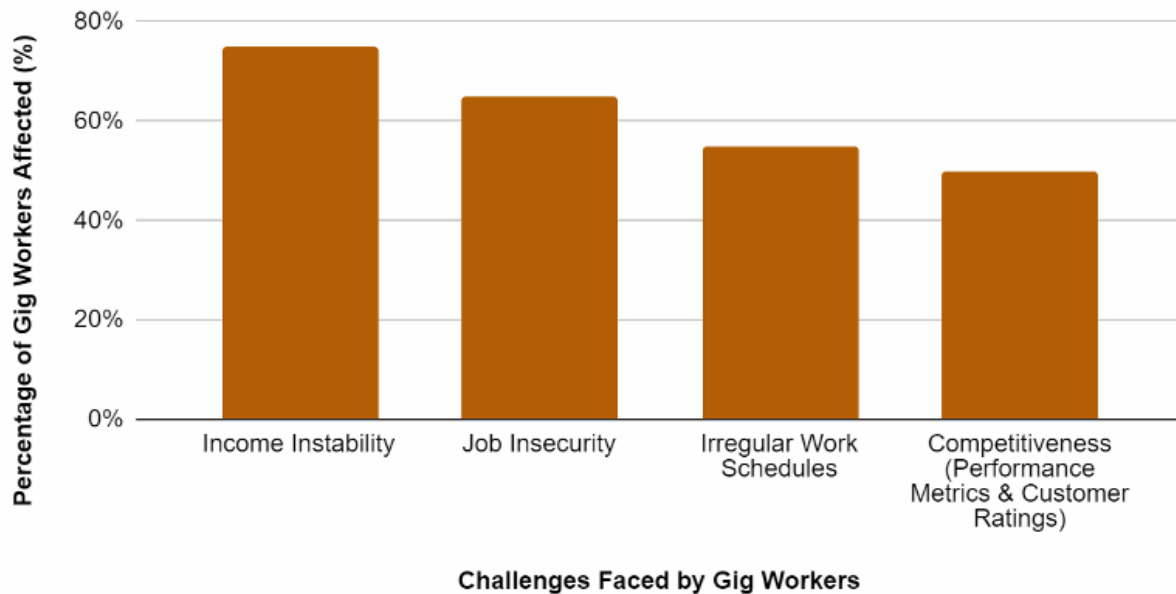


Figure 3: Gig Workers Affected % vs. Challenges Faced

Worker Sentiments Towards Gig Work

Gig workers are classified into 4 types of laborers based on the purpose and circumstances under which they have turned to the gig economy. Workers who use independent work as their primary source of income and actively prefer it are classified as “free agents” and are performing gig work out of choice. The second category of workers is “casual earners” and encompasses all workers who use the gig economy as a supplemental source of income and usually have other, more traditional jobs. However, retirees and students also fall under casual earners. These workers participate in the gig economy out of choice. The third set of workers in the gig economy is “Reluctant,” those who derive their primary income from independent work but would prefer having a more traditional job due to the stability it provides them. The final group of workers are those who are “Financially Strapped” and need supplemental jobs to ensure enough income is earned but would prefer not having to work these jobs Figure 4.

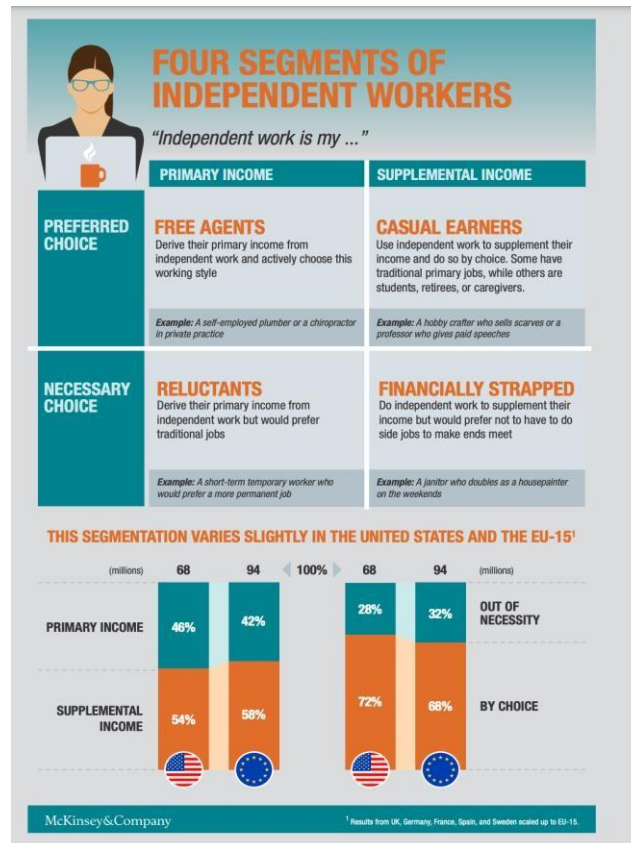


Figure 4: Four segments of Independent workers

Statistical data collected by the McKinsey group has shown that nearly a quarter of all freelance workers are gig workers by choice (70-75%) in the USA and EU-15 except Spain due to its anomalous figures and high unemployment. On the contrary, an estimated 50 million Americans and Europeans are independent workers out of necessity, and 20 million rely on independent work as their primary source of income.

However, there is always a desire for workers to shift between traditional and gig work. Due to some of its benefits, surveys indicate that 1 in every 6 traditionally employed people desire to work independently, approximating over 42 million people in the US and EU-15. However, there are also gig workers who would prefer to have more stable, traditionally employed jobs. In absolute terms, for every independent worker who wishes to become traditionally employed, two traditionally employed people want to be independent workers.

To compare workers' satisfaction levels in gig work and traditional employment, a survey by McKinsey was conducted where subjects were asked to rank their satisfaction levels on 14 aspects of their work lives. Free agents reported a higher level of satisfaction than traditional workers on 12 of the 14 elements in the survey, which included the number of hours worked, independence in work, Workplace atmosphere, Level of empowerment, creativity one can express at work, flexibility, income level, recognition to name a few. Even casual earners reported higher satisfaction than employed people in 5 of 14 aspects and were equally satisfied in the other criteria Figure 5 and table 2.

Independent workers report higher levels of satisfaction on many aspects of their work life than traditional workers

Satisfaction scores from MGI survey
(95% confidence)Satisfaction
higher than
traditional
workersSatisfaction not
significantly
differentSatisfaction
lower than
traditional
workers

| In your work life, how satisfied are you with ¹ | By choice | Independent Compared to traditional ² | | By necessity | Independent by necessity Compared to traditional (n = 637) ⁴ |
|---|--|---|--|---|---|
| | Traditional by choice Mean rating ³ (n = 2,594) ⁴ | Free agents (n = 668) ⁴ | Casual earners (n = 772) ⁴ | Traditional by necessity Mean rating ³ (n = 774) ⁴ | |
| The topics/activities you are working on | 4.60 | Work topic | | 4.32 | Work topic |
| Overall work life | 4.58 | Overall work life | | 4.30 | |
| The number of hours you work | 4.52 | Hours worked | | 4.34 | |
| Independence in your work life | 4.49 | Independence | Independence | 4.33 | Independence |
| The atmosphere at your workplace | 4.46 | Atmosphere | Atmosphere | 4.26 | Atmosphere |
| Your boss | 4.40 | Boss | Boss | 4.21 | |
| Your level of empowerment | 4.34 | Empowerment | | 4.06 | |
| The creativity you can express at work | 4.33 | Creativity | | 4.08 | |
| Your income security | 4.33 | | | 4.10 | Income security |
| Your benefits (e.g., health care) | 4.31 | | | 3.99 | |
| Your ability to choose your working hours | 4.31 | Flexible hours | Flexible hours | 4.16 | Flexible hours |
| Your opportunities to learn, grow, and develop | 4.24 | Opportunities | | 4.06 | |
| Flexibility regarding where you work | 4.20 | Flexible location | Flexible location | 4.13 | Flexible location |
| Recognition you receive | 4.13 | Recognition | | 3.91 | |
| Your level of income | 4.01 | Income level | | 3.89 | Income level |

1 Question asked: "How satisfied are you with your current overall work life?" Select from a 6-point scale. "In your work life, how satisfied are you with [attribute listed]?" Select from a 6-point scale.

2 Free agents and casual earners are compared to traditional workers by choice, independent by necessity to traditional by necessity.

3 Weighted average of satisfaction scale: 6 = completely satisfied, 5 = mostly satisfied, ..., 1 = completely dissatisfied.

4 Total unweighted number of respondents. Not all respondents answered all of the subquestions.

SOURCE: McKinsey Global Institute analysis

Figure 5: Independent Workers Report Higher Levels of Satisfaction on Many Aspects of Their Work-Life Than Traditional Workers

Table 2: Independent Workers Report Higher Levels of Satisfaction on Many Aspects of Their Work-Life Than Traditional Workers

| In your work life, how satisfied are you with: | Traditional by Choice (Mean Rating) | Independent Compared to Traditional (Free Agents & Casual Earners) | Traditional by Necessity (Mean Rating) | Independent by Necessity Compared to Traditional |
|---|---|--|--|--|
| The topics/activities you are working on | 4.60 | Free Agents: Work topic | 4.32 | Work topic (Higher satisfaction) |
| | | Casual Earners: Work topic | | |
| Overall work life | 4.58 | Free Agents: Overall work life | 4.30 | Overall work life |

| | | | | |
|---|------|--|------|---|
| | | Casual Earners: Overall work-life | | |
| The number of hours you work | 4.52 | Free Agents: Hours worked | 4.34 | Hours worked |
| | | Casual Earners: Hours worked | | |
| Independence in your work life | 4.49 | Free Agents: Independence | 4.33 | Independence (Higher satisfaction) |
| | | Casual Earners: Independence | | |
| The atmosphere at your workplace | 4.46 | Free Agents: Atmosphere | 4.26 | Atmosphere |
| | | Casual Earners: Atmosphere | | |
| Your boss | 4.40 | Free Agents: Boss | 4.21 | Boss |
| | | Casual Earners: Boss | | |
| Your level of empowerment | 4.34 | Free Agents: Empowerment | 4.06 | Empowerment |
| | | Casual Earners: Empowerment | | |
| The creativity you can express at work | 4.33 | Free Agents: Creativity | 4.08 | Creativity |
| | | Casual Earners: Creativity | | |
| Your income security | 4.33 | | 4.10 | Income security (Lower satisfaction) |
| Your benefits (e.g., health care) | 4.31 | | 3.99 | Benefits |
| Your ability to choose your working hours | 4.31 | Free Agents: Flexible hours | 4.16 | Flexible hours (Higher satisfaction) |
| | | Casual Earners: Flexible hours | | |
| Your opportunities to learn, grow, and develop | 4.24 | Free Agents: Opportunities | 4.06 | Opportunities |
| | | Casual Earners: Opportunities | | |
| Flexibility regarding where you work | 4.20 | Free Agents: Flexible location | 4.13 | Flexible location (Higher satisfaction) |
| | | Casual Earners: Flexible location | | |
| Recognition you receive | 4.13 | | 3.91 | Recognition |
| Your level of income | 4.01 | | 3.89 | Income level (Lower satisfaction) |

Source: McKinsey Global Institute Analysis

Economic Implications of Employment Stability

Concerning employment, the gig economy is characterized by temporary and contract-based engagements rather than permanent employment as the trend has expanded. On stability, gig roles are precarious, with employment and earnings guaranteed only for as long as the contract lasts; payroll jobs are more stable and provide permanent employment and guaranteed earnings. Lack of performance of ongoing contracts and salaries results in higher income volatility (Deloitte, 2016). Regarding benefits, gig workers are independent contractors who are not covered by health insurance or retirement plans by the company they are working for. Moreover, the increase in the gig workforce and therefore increased competition. The increase in competition requires the number of work hours to increase and compromises an individual's flexibility significantly.

They have to protect their interests which are often difficult and costly to attain on their own (Aloisi, 2016). There are some potential positives: The gig economy offers income prospects with flexibility and independence. It also poses a risk to stability and access to benefits that have been offered by full-time payroll employment. Some of the balances involve flexibility and security Figure 6.

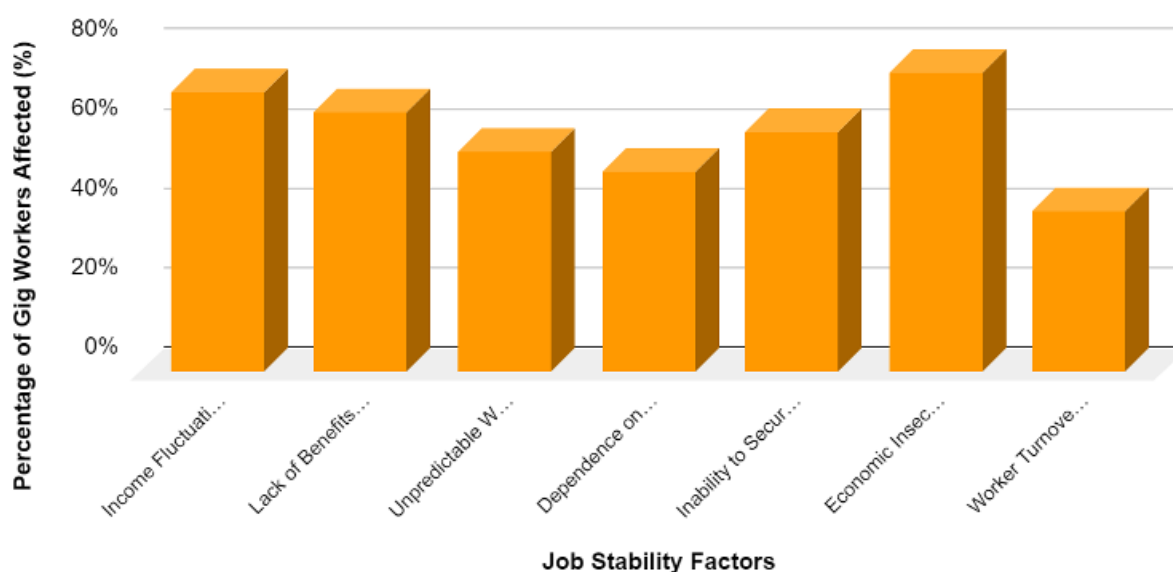


Figure 6: Percentage of Gig Workers Affected vs. Job Stability Factors

Analysis of Job Security in Gig Work Compared to Traditional Employment

Contractual work has shifted towards more gig-based employment where a person is hired for a short-term contract or as a freelancer rather than a permanent employee and this has an impact on job security and availability of benefits. Deloitte has estimated that the gig economy has generated a 'free agent workforce' of approximately 20-30% of people of working age in alternative employment status (Chan et al., 2018). While the standard 9-to-5 job is known to provide stability, a fixed monthly wage, and other perks such as medical cover, gig workers deal with more volatility. An analysis by McKinsey revealed that approximately nine out of ten freelancers experience income fluctuations monthly. A survey was conducted among gig workers and it revealed that half of them saw their monthly earnings reduced by over 25% within the last year. This unpredictability has implications for financial planning and accessing services such as health insurance. For instance, dynamically-priced platform work does not entail a minimum wage, assured wages between periods, or additional benefits such as sickness or unemployment benefits which are usually associated with conventional employment (Ness et al., 2023).

Gig work is completely dependent on the demand for services in the economy. This means that when an economy goes into recession, it is gig workers who are hit the hardest as the instantaneous drop in demand does not have the same time lag in gig work that it does in traditional employment. Due to labor market rigidities, traditional employees usually have a fixed salary that remains the same throughout a temporary economic downturn.

Additionally, for the same reason that independent contractors do not qualify for the status of employees, employers do not incur the costs of payroll taxes or employee benefits through a freelance force. This can increase precarity. Some authors estimate that 10-20% of employers violate the law by misclassifying employees as independent contractors, thus depriving them of necessary legal rights. Despite the desire for flexibility and freedom in work schedules that gig work affords, concerns around job security and access to social benefits result in workers' preference for traditional employment relations. Proposals such as allowing workers to take benefits from one job to another or to have access to health care for gig workers could go a long way in enhancing economic security. A whopping 46% of gig workers stated that they required employee benefits such as healthcare and retirement savings plans that are no longer available (Flanagan, 2019).

Economically, the increase in gig work has been found to lower stability and access to pertinent employment benefits and protections compared to traditional jobs, increasing income fluctuation and economic instability for a large portion of the independent workforce. Programmatic approaches might promote the expansion of economic security and preserve the distinctiveness of the gig platforms' organization.

However, the lack of job security manifests in less obvious forms as well. Given that a large amount of gig work is done remotely, there is limited interaction between employer and contractor throughout the process. The lack of interaction leads to the commodification of workers and can yield unwanted side effects. Since the worker is practically invisible to the employer and can be summoned simply by the click of a mouse, they run the risk of being identified as simply an extension of technology and not as humans. For an employer, this dehumanization of workers creates higher pre-set expectations for work quality. When social interaction does take place, a part of work known as "emotional labor" creates a stronger bond between employer and worker which significantly increases the probability of the lowering of expectations and avoids the commodification of workers.

Workers on platforms are usually reviewed qualitatively by past employers and it is these reviews that are usually the primary marker a future employer uses when hiring an independent contractor. The setting of high expectations and the lack of an emotional connection between the two parties is thus correlated to more severely damaging reviews which severely impacts a worker's future employability, thus creating job insecurity and affecting the worker's future income Figure 7.

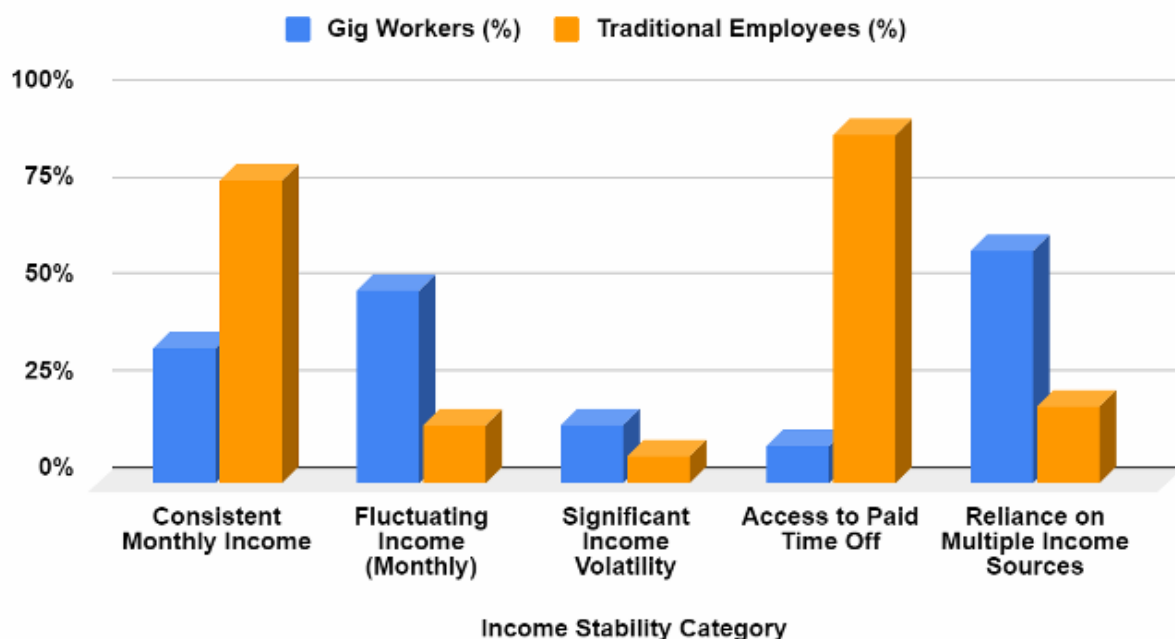


Figure 7: Comparison of Gig Work to Traditional Employment

Workforce Management

A hotly debated topic moving forward is workforce management. A global survey conducted by Deloitte has yielded that in nearly every region of the Earth, the increasing trend of workforce management is labeled as "important" or "very important." Deloitte has also predicted that the "open talent economy" (a human movement where people can connect, share information, and spread community) would become an increasingly important source of talent in the future. Given that more than a third of the workers in the US are now freelancers and 51% of global executives plan to increase the number of contingent workers in the next 5 years, learning to manage the various levels of incoming talent in a business is important for HR teams worldwide.

The difficulties in making decisions related to workforce management

Companies are now struggling to understand who their workforce is truly composed of and how to manage the diverse range of worker types. While many workers are on steady parole from companies, contingent workers are often off-the-balance sheet workers who may be part-time or work at a company only for a specific period. Contingent workers also include those who work remotely but temporarily across geographical regions. Thus, HR teams must learn to adapt to these changes in the workforce and create a model that can be used to represent the true strength of a company's workforce. For example, a major telecom company has measured the following employment figures:

1. Employees on payroll (18,000)
2. Employees including all contractual workers (30,000)
3. Employees including those that help build the company's telecom network (57,000)

The major variance in these figures perfectly exemplifies the problem these companies face.

Another example is Uber, which has three million contracted drivers that have and gives the company large amounts of flexibility. Who, the organization should be considered as a part of the workforce?

In addition, companies must figure out “cost structuring.” This means they must choose whether to pay contingent workers on fixed salaries or a purchase order basis.

Another factor companies will need to contend with is logistical issues. Workers may not necessarily be required to or willing to move to a company's headquarters but, depending on their roles could have the option to work remotely.

While executives (71% of executive respondents) remain fairly confident in their company's ability to successfully integrate contingent workers, there are still challenges that are faced. These include legal/regulatory uncertainty, the hostility of business corporate culture towards contingent staff, and a lack of understanding amongst leadership.

As a result, HR teams today are posed with the following questions regarding manual workforce management:

1. Who, where, and what is the workforce?
2. How can the best workers be attracted, acquired, and engaged for an optimal cost, no matter what type of work contract they have?

Impact on Employee Benefits

The increased use of independent contracts and freelancers in the gig economy poses potential social-economic consequences on job security and other perquisites. Compared to gig work, there's less job and income security than in traditional employment with full-time contracts (Deloitte, 2016). Gig workers also have no access to employment benefits such as medical coverage and pension schemes that offer financial security (McKinsey, 2016). For instance, more than 90% of full-time workers in the United States have access to employer-sponsored plans as opposed to 27% of independent workers (McKinsey, 2016). This leaves the benefit responsibility and costs to the worker.

Further, independently handling taxes, contracts, insurance, and other financial aspects becomes a challenge for gig workers (Sodeless). Also, gig workers have reduced access to credit due to the volatile nature of their jobs. Additionally, the minimum wage legislation enforced by the government in the economy does not apply to gig workers who are not considered to be employed. Ramifications of this are seen in gig jobs like Uber where the hourly income of a driver only amounts to \$9.21. This can be attributed to the fact that an Uber driver is forced to cover expenses like fuel and car maintenance which a company usually covers in traditional employment. The lack of employee benefits, coupled with the fluctuations in income, which are dependent on whether a consumer needs a cab driver, creates heightened instability in a gig worker's job. To make matters worse, gig workers often work at odd hours but have no avail of the overtime pay benefit that traditional workers receive.

Due to the independent nature of gig work, forming labor unions becomes extremely difficult. Being part of an organization allows workers to form these unions and fight together to bargain. This often helps workers increase salaries or fight against injustice in a company. Being an independent contractor does not have the same benefits as an individual who does not have enough bargaining power. Thus, gig workers are often more vulnerable to mistreatment from their temporary employers.

Organizations attempt to classify as many workers as independent contractors as possible to cut costs. In doing so, payroll costs in taxes, benefits, and compliance with labor protocols were significantly reduced. This leaves workers without labor rights, such as minimum wage, overtime pay, and protection against wrongful termination. Hence, the advent of independent contracting has led to unwanted side effects on employed workers. Given the rapid growth of this sector, however, there is an ongoing debate about whether labor laws need to be reformed to provide gig workers with a fairer working landscape. In essence, the lack of employee benefits removes the safety net that a traditional employee would have and can prove devastating in times of personal emergency.

Although the gig economy offers freedom and potential for growth, uncertain incomes and the absence of job security and benefits through employer-sponsored employment threaten gig workers' economic wellness. Possible recommendations may include developing contingent employment benefits associated with people rather than companies, improving financial literacy for gig economy workers, and enacting legislation on gig worker rights and benefits Figure 8.

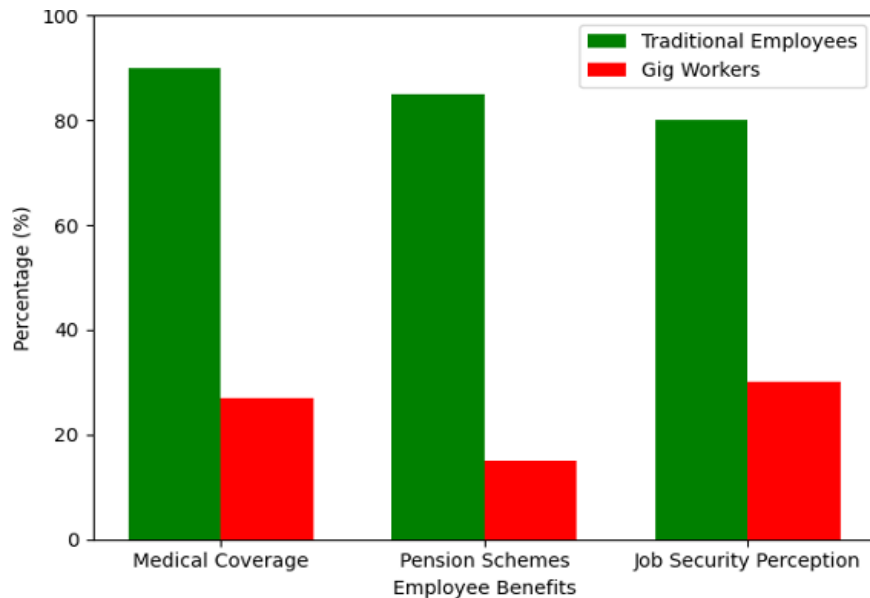


Figure 8: Comparison of Employee Benefits: Traditional vs Gig Economy

Examination of the Availability and Accessibility of Benefits for Gig Workers

To conclude, while gig work does come with its benefits relating to flexibility and autonomy, there is limited access to it. The recent shift towards the gig economy, which includes temporary positions or freelance work as opposed to long-term employment, has brought more employment opportunities and freedoms but also fears of precariousness and lack of security. According to a study (Deloitte, 2016), more than one-quarter and a third of the working-age population in the US and Europe works in the gig economy. For all its flexibility, gig work is significantly less likely than traditional employment to offer tangible compensation like health insurance, retirement plans, paid leaves, or unemployment insurance.

The survey conducted by McKinsey (2016) reported that 60% of gig workers adopted the work style willingly, while 40% had to, due to reasons to do with money. Especially for the latter group, the existence of gig employment can cause anxiety as it involves unpredictable wages and hours. Portable benefits associated with the workers rather than specific employment opportunities could be of more value than non-portable benefits. These include demanding that gig economy platforms and marketplaces contribute to benefit funds for contractors. Eliminating bureaucratic procedures could also help in receiving public benefits already provided to 1099 contractors. The rise of gig work requires a new approach to the employer-centric benefits structure by turning to new solutions such as proportional benefits and worker-owned cooperatives. Portable benefits properly aligned with gig workers would encourage more economic stability in this employment context.

Recommended Actions to deal with the lack of benefits received by gig workers

Gig workers' desires for work flexibility and benefit protection prompt the design of a model that society can use. Steps have been taken towards tackling the difficulties relating to the lack of benefits given to gig workers. Addressing the root cause of the lack of benefits can be done through the reclassification of workers and the use of hybrid models. Oftentimes, these models find the balance between labeling an individual as a gig worker, as was done in the UK in 2016, where the court classified Uber drivers as "workers," a class between contractors and workers. This yielded gig workers' benefits, including minimum wage and paid vacations.

In 2019, California passed the Assembly 5 Bill, which reclassified many gig workers as employees. Thus, these workers were given access to benefits and protection. However, this received widespread backlash and was amended by the proposition of Passage 22, which exempted app-based drivers, thus keeping them classified as independent contractors (a product of Uber and Lyft's pushback).

Further proposed solutions include the promotion of trade unionization and collective bargaining rights. In gig work, most of the power in a worker-employer relationship belongs to the employer. By extending these rights to workers, the power dynamics in the economy would have a more excellent balance, thus ensuring equality for all. While this would be difficult to implement, the government could create workers' unions on platforms that perform similar jobs by classifying workers correctly. The limitation with this, however, is that this would be difficult to implement in certain professions.

Government-sponsored proposed plans include establishing the Gig Worker Benefit Platform (GWBP) platform that hosts workers' benefits. This government-led initiative is proposed to define a category of gig workers selected based on criteria like minimum payroll or sales or the number of interactions an employee has with the platform, where a more frequent worker would be eligible than a one-off worker. However, this model would work well only for those who work on online platforms like Uber or Zomato.

All gig employment platforms would be adequately defined and expected to pay a minimum cost to the GWBP to cover injury benefits (see below).

Gig workers on the platform would be eligible for medical benefits that would match state workers' compensation (WC) programs. These benefits would include a weekly cash benefit that is a fraction of the workers' income, similar to a traditional WC. However, to finance this project, the state would need backing from financial partners, who could be both short-term and long-term partners.

Another consideration in this model is the taxation benefits provided to gig workers, who otherwise do not receive the same benefits as traditionally employed workers. Using the GWBP to provide gig workers with tax benefits would require legislative action, without which tax benefits would not be possible.

To conclude, while the gig economy does offer workers significant benefits in terms of flexibility and autonomy, it does raise concerns about employment stability and worker benefits. Freelance and gig work are highly dependent on the demand and supply of the economy. Unlike traditional work, it does not offer workers a fixed salary and external benefits such as a minimum wage, trade unionization, paid leave, discrimination, and harassment protection, etc. As a result, gig workers constantly face the challenge of a lack of job/employment stability, causing potentially sporadic income. This issue becomes more serious when one considers the fact that gig workers must pay their expenses, file their taxes, and hold themselves liable for any damages to their health.

Moreover, for many, gig work is not just a second job but a primary source of income, on which one's livelihood hinges. There are many proposed solutions to address this problem, which primarily revolve around the reclassification of workers to make them eligible for certain benefits. There have been many instances where governments have passed legislation to protect independent contractors. However, despite the gig economy's recent surge, society is yet to find a concrete path forward to create a future where gig work has more excellent stability and provides workers with the external benefits they require.

Conclusion

In conclusion, the rise of the gig economy has brought both opportunities and challenges for modern workers. While gig work offers flexibility, autonomy, and potential for growth, it simultaneously creates significant vulnerabilities. Gig workers face a lack of job security, unpredictable income, and limited access to essential benefits like health insurance, retirement plans, and paid leave—privileges traditionally associated with full-time employment. This situation is exacerbated by the classification of gig workers as independent contractors, leaving them without the protection of minimum wage laws, overtime pay, or the ability to form labor unions. As companies continue to leverage gig work to reduce costs associated with payroll taxes and benefits, workers are left to manage their financial well-being independently, often struggling with taxes, insurance, and credit access. Additionally, the unpredictable nature of gig work, combined with the responsibility for covering expenses like vehicle maintenance or health care, contributes to heightened economic instability. To address these challenges, several solutions have been proposed, including the reclassification of workers, the development of portable benefits tied to individuals rather than employers, and the creation of government-led platforms like the Gig Worker Benefit Platform (GWBP) to provide social protections. Furthermore, promoting trade unionization and extending collective bargaining rights to gig workers could help balance the power dynamics between workers and employers, ensuring fair treatment and better working conditions. While legislative efforts such as California's Assembly Bill 5 and the UK's reclassification of Uber drivers as workers have made progress, more comprehensive and scalable solutions are needed. In sum, as the gig economy continues to grow, reforming labor laws and creating innovative benefit models are essential steps toward ensuring a fairer and more stable employment landscape for gig workers.

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