

## The Gig Economy and Sustainable Work Practices in Startups

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### ABSTRACT

The gig economy is expanding rapidly, driven by technological advancements, the rise of the platform economy, increased internet and smartphone usage, a shift in people's attitudes toward gig work, and a transformation in our perspectives on employment. Startups are leading this change, offering flexible and skill-based projects that attract talented workers. This benefits startups with readily available, cost-effective, and skilled workers. However, gig workers face challenges like job insecurity, late payments, and a lack of skill development. For a sustainable work practice in gig economy, startups need to prioritize the well-being of their workers. This includes addressing concerns like minimum work guarantees, timely payments, and opportunities for skill development to keep workers satisfied and attract the best talent. Clear job descriptions and transparent platforms build trust and make job matching efficient. Even though startups may not have the resources of big companies, they can use their agility and open communication to create a positive work environment. Treating gig workers as valuable team members, not just temporary solutions, is crucial. Additionally, using data analysis and technology helps refine gig work models, predict skill needs, and personalize learning for fulfilling career paths. By focusing on employment sustainability, the gig economy can reach its full potential. This article apart from flexibility explores the potential for a more resilient and equitable ecosystem of work. Gig economy can be used as a tool in future where workers have access to personalized learning, flexible schedules, and opportunities for co-creation, while startups benefit from a diverse and engaged talent pool. By examining the limitations of the gig economy and proposing alternative models rooted in inclusivity, continuous learning, and collaboration, we can create a work landscape that is not only flexible and fulfilling but also sustainable and beneficial for all stakeholders.

**Keywords:** Gig economy, startup, sustainable work practice, platform economy, independent work.

### INTRODUCTION

In today's work landscape, people are seeking more flexibility, better work-life balance, and less stressful jobs. This has led to a boom in the gig economy, with an expected growth of 2.35 crore workers by 2029-30 (India's Booming Gig and Platform Economy, 2022). The gig economy is essentially a job market filled with part-time workers, freelancers, and contract workers. The gig work setup involves shorter work relationships compared to traditional full-time jobs. For some, it acts as a stepping stone before landing a full-time job, for others, it completely replaces the traditional job, while some use gig work as an additional income source alongside their regular jobs. The main characteristics of gig economy are peculiar, project-based, low waged and infrequent work engagements (Osnowitz, 2010). Four major factors that had led to rise in gig economy are change in work approach and perspectives, business models, startup culture, technology. Although the concept isn't new and dates back to 1915, it gained popularity recently due to technological advancements, video conferencing platforms, creating platforms for easy access to gig opportunities worldwide (What is the gig economy?). There are various apps that support gig work in segments like food delivery, grocery delivery, content writing, multimedia, ride sharing, art and crafting platform (Desjardins).

### Gig Economy in Start-up

The gig economy's characteristic features like flexibility, diverse task opportunities, and project-based work empower workers to specialize in their areas of expertise and pursue projects aligned with their interests. But the benefits extend beyond individual workers. For industries, the gig economy offers a cost-effective and adaptable approach to talent

acquisition. Compared to traditional full-time employment, the lack of long-term commitment and lower overhead costs make gig work a financially efficient option. This allows companies to access specialized skills exactly when needed, reducing the need for extensive training and onboarding, and ultimately boosting operational efficiency (Jain, 2022).

Startups, in particular, stand to reap substantial benefits from the gig economy owing to resource constraints, cost considerations, and their inherently competitive nature. The flexibility and creative latitude inherent in startup environments resonate well with the preferences of gig workers, fostering a symbiotic relationship. In fact startups are seen as a source of employment creation (Fackler, Fuchs, Hölscher, & Schnabel, 2018). Although the gig economy is growing and offers flexibility for workers, gig workers face challenges such as gender disparity and lack of job and payment security. To address these issues, startups need to implement sustainable work practices (Gig Economy, 2022). The objective of this research paper is to examine the challenges faced by startups in maintaining sustainable work within the gig economy and explore potential solutions.

REVIEW OF LITERATURE

While the gig economy has traditionally been understood as a three-way ecosystem involving gig workers, companies, and consumers, the rise of computers, smartphones, and advanced technology has introduced a transformative new player: the platform. These digital intermediaries have fundamentally reshaped the landscape, facilitating seamless connections between skilled workers and companies across the globe. These platforms connect gig workers with diverse reasons for engaging in gig work, whether it serves as a primary or secondary source of income. Even Google has launched an app called Kormo Jobs, which assists job seekers. Additionally, various platforms promoting gig work have emerged, such as Zomato, Uber, Ola, Chegg, Dunzo, Urban Company, and more (Gig economy the new era of jobs, 2021). There are four main categories of gig workers: Free Agents, Casual Workers, Reluctant Workers, and Financially Strapped. Understanding these categories provides valuable insights into the motivations and circumstances of gig workers, contributing to a more nuanced perspective on the gig economy (Independent work: choice, necessity and Gig economy, 2016). This understanding makes it easier for startups to identify individuals with the right skills, as opposed to the potentially expensive process of hiring an experienced and skilled person for full-time employment.

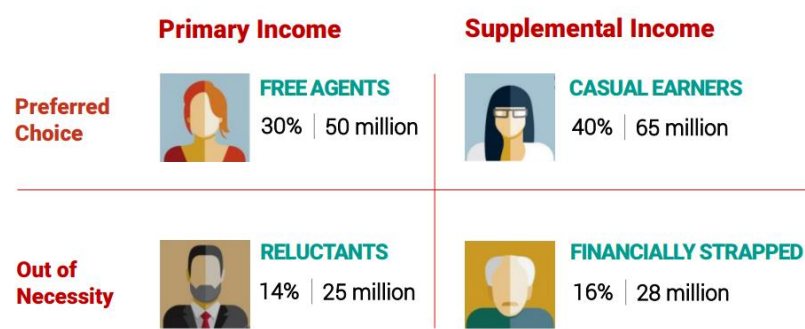


Fig 1.Types of workers in Gig economy (Independent work: choice, necessity and Gig economy, 2016)

The desire for flexibility is a major driver of the gig economy's appeal, with a staggering 86% of freelancers reporting they work from home. This freedom is particularly attractive to young professionals aged 25-34 who crave experimentation and learning opportunities. Interestingly, social media plays a prominent role in their job search, with 37% of freelancers finding gigs through these platforms. (Warner, 2023). A recent study found that 80% of freelancers reported an increase in morale, while 82% said their stress levels had decreased with 77%freelancers believing they have better work life balance. Financial instability haunts the gig economy, with 76% struggling to save and 75% dreading retirement (Warner, 2023). This lack of security calls for innovative solutions to support flexible work. The flexibility of gig work is dependent on industry type, specifically whether it involves services or products and operates under a B2B or B2C business model. B2B services tend to be more adaptable, allowing remote work, while product-based gig work often necessitates physical presence. This categorization broadly classifies gig work into crowd work, conducted online and on-demand work, which involves physical tasks.

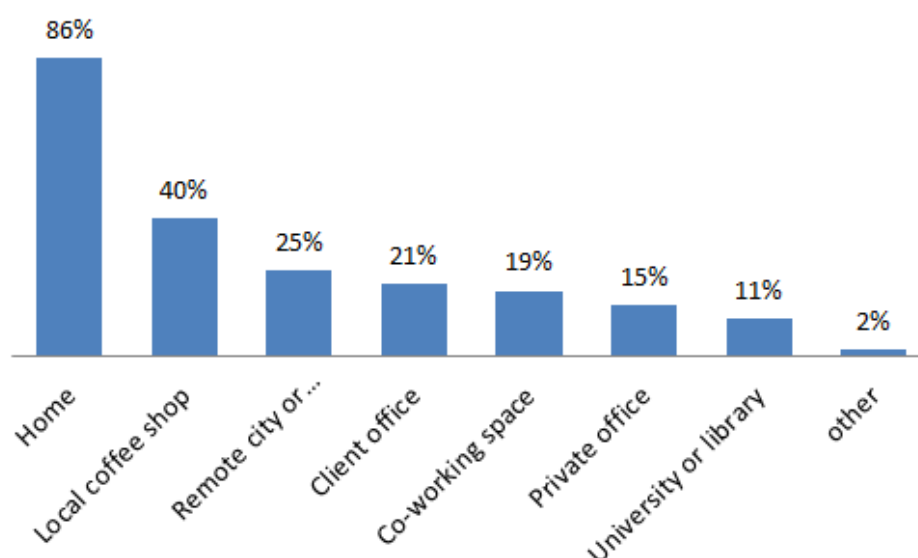


Fig 2: where do freelancers work? (Warner, 2023)

Along with social security benefits, job security, employment law, irregular payment 61% people feel lack of stronger community and more chances to collaborate is the major downside of gig economy (Fig 3) (Warner, 2023)

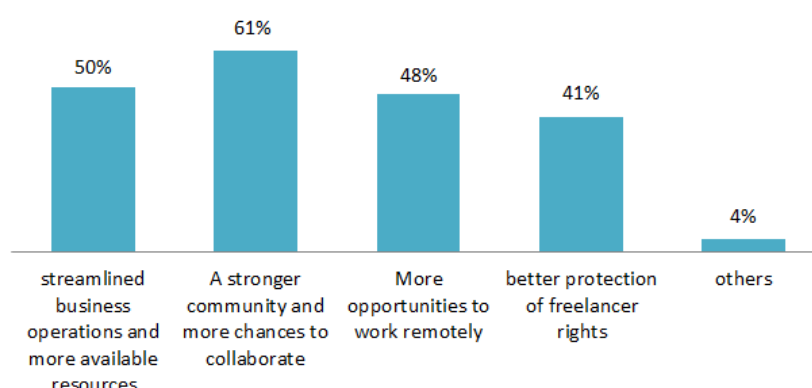


Fig 3: What is missing from Freelancing? (Warner, 2023)

#### Reasons for Rise of Gig Economy:

The COVID-19 pandemic played a role in popularizing work-from-home setups, making gig work even more accessible. Rising unemployment rates also contributed to the appeal of gig work as a way to earn income while actively job hunting. Many people who were laid off during Covid turned towards freelancing and gig economy (What is the gig economy?). Interestingly, there has been a shift in people's attitudes towards gig work. While it used to be seen as a domain for those lacking skills, recent trends show that skilled individuals are increasingly choosing gig work. A substantial 56% of gig work is now found in professional, creative, or administrative services (Balaran, 2017). Even though full-time employment offers advantages like health insurance, job security, and timely payments, a McKinsey survey found that 87% of workers prefer flexible work arrangements when available. This suggests a strong desire for autonomy and control over their work schedules (Americans are embracing flexible work and they want more of it). The gig economy has evolved from a call center job to a job with high skills over years and Covid was one of the factor as all the work is shifted towards online (An on-demand revolution in customer-experience operations?, 2021). India has emerged as a major startup hub, ranking as the world's third-largest startup ecosystem. This is fueled by a thriving startup culture, as evidenced by the surge in new ventures and funding. In 2020 alone, over 16,000 new tech companies were

established. The trend continues with increasing investment, reaching a total of \$8.4 billion in 2023. Several factors contribute to this growth, including increased internet penetration, digitization across sectors, and supportive government initiatives (From 2014 to 2023: How the startup ecosystem is thriving in India despite all odds? Explained, 2024). All these factors collectively acted for boom in gig economy.

Studies indicate that while the gig economy offers flexibility for women juggling care work and professional pursuits (Kasliwal, 2023), the lack of benefits and support systems often present significant challenges to building sustainable careers in this model. This highlights the need for further research on how to create more equitable and sustainable work practices within the gig economy, particularly for those facing specific social and economic disadvantages. (Kasliwal, 2023).

## **METHODOLOGY**

This research explores challenges and opportunities in integrating the gig economy into startup environments to promote sustainable work practices, employing a descriptive secondary research methodology. The methodology entails detailed exploration through secondary research methods, encompassing various dimensions from the gig economy to its impacts and drawbacks in startups. Data collection involves gathering information from journals, blogs, news, and reports, analyzing statistical data on the prevalence of gig work and its impact on startup ecosystems. Key factors driving gig economy growth are identified, along with platforms for gig work navigation and associated drawbacks like job insecurity. Sustainable work practices in startups, including fair wages and work-life balance, are investigated. The study also examines existing gig-based startups to understand different business models and sustainable working practices. Overall, the research aims to understand how startups integrate gig work while prioritizing sustainability in their employment practices.

This method allows for a comprehensive exploration of the gig economy's integration into startup environments and its impact on sustainable work practices. It enables a thorough analysis of various dimensions of the gig economy within startup ecosystems, helping to identify key factors, challenges, and opportunities while informing recommendations for promoting sustainable employment practices.

## **DATA ANALYSIS**

Data from the India's booming gig and platform economy (2022) gives a promising picture of the Indian gig economy, with projections for 90 million jobs, \$250 billion in transaction value, and a 1.25% GDP contribution. However, ensuring sustainability necessitates examining beyond these figures. While platform-specific data on working conditions remains limited due to transparency issues and the dominance of broader industry reports, reveal concerning trends like low wages, limited benefits, and job insecurity across the gig economy (ALMODVAR, 2023). Although quantifiable data for specific platforms might be scarce, the available information highlights the need for further research on platform-specific data and policy initiatives. This is crucial to ensure a sustainable gig economy that benefits both workers and platforms, paving the way for a more equitable and resilient future in this rapidly evolving landscape.

It is observed that a medium level of flexibility index, encompassing flexibility in time arrangements, functional flexibility, and workspace flexibility, contributes to increased employee satisfaction. Both gig work and startups are recognized for their flexibility. Enhanced job satisfaction leads to higher engagement and commitment, consequently fostering career sustainability.

Despite concerns about the gig economy's sustainability, data reveals a robust and positive outlook. Gig workers overwhelmingly prefer independent work, with 80% choosing it over traditional employment. Platforms fuel this preference by offering efficiency for employers and income flexibility for workers. They bridge job gaps, expand labor participation for groups like women and students, and even formalize informal work through transparency and performance tracking. This potent mix translates to potential economic benefits. The Indian gig economy alone estimates creating 3 million new jobs, while improved matching and productivity are expected to boost GDP growth. The ripple effect extends beyond individuals, as ancillary services like training and financial solutions rise to support this growing ecosystem. In essence, the gig economy, when coupled with thoughtful practices in startups, appears poised to offer not

just income, but a sustainable path forward for many (Unlocking the potential of the Gig Economy in India). Job satisfaction in the gig economy hinges on autonomy and flexibility, but impactful HR practices can offer a significant, immediate boost (Asfahani AM, 2023). Despite the flexibility offered by the gig economy, its rise in India presents significant barriers for women's participation. This growth exacerbates existing gender inequalities within the labor market. The digital divide plays a crucial role, indicating a substantially lower mobile internet user base among women compared to men (Jeffrie, 2023). This limited access to digital technologies hinders their ability to connect with and participate in the platform economy. Furthermore, gender stereotypes create occupational segregation within these platforms. Women are often steered towards sectors like beauty and wellness services, while men dominate transport and delivery work. This reinforces traditional gender roles and limits women's opportunities for higher-paying jobs.

Moreover, the gig economy perpetuates the wage gap. Studies suggest a pre-existing 8-10% disparity in earnings between genders, with women potentially undervaluing their skills and accepting lower-paying gigs. Additionally, platform structures and incentive mechanisms can be biased against women. The on-demand work schedules often clash with their domestic and childcare responsibilities, preventing them from capitalizing on peak hours with higher wages. This, combined with unpaid care work, creates a longer workday for women, leading to time poverty and limiting their earning potential.

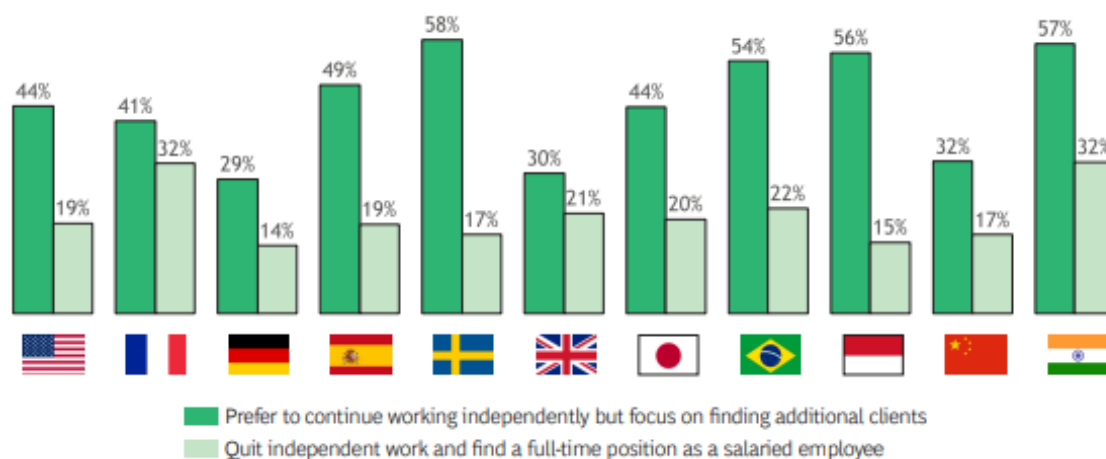


Fig 4: Preference of Gig work over Full time work (Future of Work Survey, 2018)

## DISCUSSION AND IMPLICATIONS

The gig economy, as illuminated by both literature review and data analysis, presents a landscape ripe with opportunities for startups, offering flexibility and cost-effectiveness. However, amidst its allure lie inherent drawbacks such as job insecurity and payment delays. Recognizing the necessity of sustainable work practices, startups must navigate these challenges adeptly. Platforms that effectively address dissatisfying factors among gig workers, including job insecurity, payment delays, and skill stagnation, hold the key to unlocking the full potential of the gig economy. By offering a minimum amount of work, ensuring timely payments, providing learning opportunities, and recognizing performance with career advancement options, startups can establish themselves as champions of sustainable gig work practices (Kolekar, 2022).

### Fostering Equitable Work Environments through HR Practices

Central to the endeavor of ensuring sustainability within the gig economy are robust HR practices. Studies underscore the pivotal role of clear job descriptions and strong HR frameworks in fostering a conducive environment for gig workers. Startups that prioritize transparent communication, fair treatment, and inclusive decision-making processes not only enhance job satisfaction but also contribute significantly to the overall sustainability of gig work arrangements. Clear delineation of roles and responsibilities not only streamlines operations but also cultivates a sense of belonging and

purpose among gig workers, ultimately bolstering the resilience of startups (Asfahani AM, 2023). Establishing clear wage system, code of wage, 2019 and code of social security 2020 and Rajasthan Platform-Based Gig Workers (Registration and Welfare) Act can be implemented to ensure sustainable work practice.

### Improving inclusivity

In the quest to foster sustainability, startups possess inherent advantages that can be leveraged to create equitable work environments within the gig economy. Creative freedom, smaller team size, and a culture of inclusivity afford startups the opportunity to treat gig workers as integral members of the team. By embracing diversity, valuing input from all team members, and championing fairness in all aspects of operations, startups can enhance job satisfaction and retention rates among gig workers. This approach not only aligns with ethical imperatives but also positions startups for long-term success in a rapidly evolving economic landscape. Inclusivity has been found to enhance employee engagement and satisfaction, while also addressing gender disparities (Im, 2022).

### CONCLUSION

While the gig economy provides startups with access to flexible and skilled workers, it faces challenges like job insecurity and delayed payments. To build a sustainable gig work environment, startups should focus on four things: addressing worker concerns, having clear job descriptions, taking advantage of startup benefits, and using technology for improvement. Firstly, startups need to guarantee a minimum amount of work, ensure timely payments, and offer skill development to keep workers satisfied. Customizing solutions for different worker segments, like skilled, semi-skilled and unskilled workers, will make a big impact. Having clear job descriptions and being transparent in the hiring process will attract the right workers. This transparency should extend to the platforms where gig work happens, promoting job satisfaction and sustainability. Startups can use their small team sizes and open communication to create a positive gig work environment. Treating gig workers as valued team members, rather than temporary help, will improve satisfaction. Using technology and data analysis can help startups refine gig work models, predict skill needs, and provide personalized learning opportunities. This practical approach ensures that gig work becomes not just a source of income but a sustainable and fulfilling career path. This approach enhances job satisfaction and lays the foundation for a future of work that is flexible and fulfilling. Prioritizing sustainability in the gig economy is essential for unlocking its true potential and creating a positive relationship between workers and businesses.

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