

The Rise of Gig Economy: How HR is Adapting to A New Workforce Model

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Abstract

This paper explores the redefined HR functions in gig economy firms that differ significantly from traditional models. Recruitment, performance management, and compensation structures are largely technology-driven, often utilizing automated systems and rating mechanisms. Workforce planning, training, and development are customized for gig workers and requesters to ensure efficiency within digital labour platforms. While the gig economy offers autonomy and flexibility, concerns over job security, benefits, and labour rights persist. It also highlights ongoing debates regarding worker classification and protections. This paper focuses on the ecosystem perspective, gig workers, requesters, and intermediary platform firms which interact in a highly interdependent manner. This ecosystem is sustained through strategic HR activities, including workforce analytics, digital transformation, and AI-driven decision-making. Despite these advancements, regulatory challenges remain. This paper explains the expansion and outcome of gig economy on Human Resource Management. As the gig economy expands, HR professionals must adapt by leveraging technology, revising workforce policies, and implementing inclusive strategies. Businesses that embrace this transformation will be better positioned to attract talent, drive innovation, and remain competitive in the evolving labour market. Future HRM strategies must balance flexibility with worker's protection to ensure sustainability and fairness in the gig economy.

Keywords: Gig Economy, Gig Workers, AI-driven decision-making, Performance Management.

1. Introduction

The gig economy is a free-market economic system where workers are hired on a short-term, contract basis. This form of employment is temporary in nature, characterized by brief engagements between employers and employees. In India, platforms like Ola, Uber, Zomato, and Swiggy serve as prominent examples of this model. The gig economy has emerged as a transformative force in the modern labor market, reshaping how individuals and organizations approach work. Driven by technological advancements, changing workforce preferences, and economic shifts, it has seen exponential growth. As a result, Human Resources (HR) departments are now tasked with rethinking traditional workforce management strategies to adapt to this evolving employment landscape. The gig economy has witnessed rapid expansion with the rise of digital platforms like Uber, Fiverr, and Upwork, allowing workers to take on freelance, contract, or

part-time roles. As highlighted in NITI Aayog's report titled "India's Booming Gig and Platform Economy," India's gig workforce is projected to reach 23.5 million workers by 2029-30. By that time, gig workers are expected to comprise 6.7% of the non-agricultural workforce and 4.1% of the total livelihood in the country. The growing appeal of gig work lies in its flexibility, autonomy, and the opportunity to apply diverse skill sets across multiple projects. According to the Code on Social Security, 2020 (India), "A gig worker is a person who performs work or participates in work arrangements and earns from such activities, outside of the traditional employer-employee relationship." The independent contractors, contract firm workers, online platform workers and temporary workers come under the category of gig worker. The definition of gig economy relates to the single project or task for which the worker is hired on work on demand. So,

the economy which is based on these kinds of tasks and of course, followed by the monetary exchange that economy, that aspect of economy is called gig economy. And the work of this nature is called gig work. [1-5] Some examples of Gig Economy Firms and their roles in firms, are:

- Transportation (e.g. Uber),
- Cleaning (e.g. Helpling),
- Household do-it-yourself (e.g. TaskRabbit)
- Programming (e.g. Clickworker)
- Household services (e.g. Urban clap)

The gig economy aligns with a broader trend in the corporate world, particularly within the organized labor sector, where engagement among full-time workers is relatively low. In contrast, independent workers report higher satisfaction across nearly every aspect of their professional lives compared to full-time employees. According to surveys, 74% of freelancers prefer being independent workers, not out of necessity but by choice. This preference reflects their desire for greater autonomy and flexibility, with the majority unwilling to transition to full-time employment even if given the opportunity. As the economy evolves, the nature of job creation is also transforming, with gig economy firms playing a significant role. These companies not only shape consumer behavior but also influence professional choices, contributing to the decline of traditional full-time jobs. Instead of creating permanent positions, businesses increasingly disaggregate work and turn to outsourcing. Automation initiatives, driven by artificial intelligence (AI) and machine learning (ML), enable companies to scale operations while reducing their reliance on full-time employees. Globalization and technological advancements further support this shift, making full-time workers the last resort due to the additional costs associated with their employment, such as social security, working conditions, dispute resolution, and legal compliance. The gig economy thrives on offering workers a sense of choice, autonomy, flexibility, and control—factors often lacking in traditional employment. As a result, more people, particularly millennials, are gravitating toward independent professional roles. This shift is likely to fuel the growth of platforms that connect

independent professionals, small businesses, and service providers with clients and customers. In this evolving landscape, Human Resources (HR) competencies must adapt to the growing influence of the gig economy. In the aspect of HRM, there are some specialities of gig economy firms, such as: they do not provide direct employment, Second, there is a flexibility to workers for the company. So, workers can any time stop their association with one gig economy firm and build association with another gig economy firm. Lastly, firms are powerful and they gain power as their network grows that result into network effect. Network effect gives power to the firms and that power can be used to control the behavior of their associates as well. So, naturally the HRM function going to be different in these firms. Base on the functioning and the level of engagement of HRM, there are four Types of the Platform Firms or Gig Economy firms. Such as:

- Information providers, Ex- LinkedIn
- Matchmakers, Ex- Bharat Matrimony
- Administrators, Ex- No Broker
- Intermediary platform firms, Ex- Platform cooperative [6]

2. HR Functions in Gig Economy Firms

There are different functions done by of Human Resource in various gig economy firms. Such as-

- **Workforce Planning:** Workforce planning in a way is the core HR work for any gig economy firm. Because intermediary platform firms must know when the demand will come, where demand can come, how to engage requesters and how to engage the service providers. Intermediary platform firms aim to scale up and create network effects by increasing the number of both requesters and gig workers that make use of the intermediary services. They do so by a variety of means:
 - Surge prices
 - Marketing campaigns
 - Temporary price reduction
- **Recruitment and Selection:** It is important that the recruitment of both actors runs in parallel to avoid mismatches in the supply and demand of Labour. [7-11] In some cases, a careful selection of gig workers and requesters is essential to guarantee that multilateral value is created for all. For

instance, the freelancing platform Clickworker.com selects gig workers on the basis of the qualifications and offers them more complex tasks once their qualifications increase.

- **Training and Development:** Training and development has to offered in special case in the forms convenient to the service providers. T & D is to ensure that service delivery remains at an optimum level. So, training for gig workers and training for the requesters both are important. Training for Gig Workers: As an example, Uber drivers are offered instructions on how to improve the passenger ratings and earnings, while online intermediaries may offer pre- employment training to interim project managers. (McKeown, 2016). Training and development for requesters: For instance, meal delivery platforms such as Deliveroo and Uber eats instruct their requesters- the restaurant s-on the working of the algorithm to ensure that meals are ready on time so gig workers do not waste time waiting at a restaurant. [12]
- **Performance Management:** In most cases, performance management in the gig economy is achieved by the setting of performance levels and using requester feedback to create gig worker performance. It works in the following two ways- First, Star ratings often add up to reflect the gig workers online reputation which locks the gig worker into the ecosystem as gig workers often cannot take their online reputation to another platform ecosystem. Second, performance rating should ensure that gig workers create value for requesters because these ratings are used to allocate future gigs or as a basis for refusal of access to the platform ecosystem.
- **Compensation and Benefits:** Compensation and benefit is the most crucial aspect. It is the reason why people engage with the platforms. So, in terms of the compensation, requesters compensate for service provided by gig worker and for the effort spent by

intermediary to match supply and demand for the labor. It is important that workers find the level of compensation beneficial and appropriate, to ensure that both parties remain engaged in the multilateral exchanges in the ecosystem.

2.1 Competencies required for HR

- HR is required some competencies to carry out the HR processes effectively.
- workforce analytics and insights. They lead to better decision system and they lead to more personalized experience and personalized treatment and that is the very important competency HR need to have.
- They need to incorporate multi and cross disciplinary perspective. So, they need to understand marketing, supply chain, technology mediation, customer behaviour, stakeholder management in order to carry out any HR activity.
- Whether it is compensation or benefits, performance management, recruitment, they need to understand the whole phenomena.
- Managing change for the adoption and implementation of AI for HRM is another critical area.
- HR professional to be successful in the new world require three core skills: Digital Savviness, Data fluency and coaching, Mentoring and Guiding.

3. Literature Review

The gig economy has driven by digital platforms in the modern labor market, that connect independent workers with short-term jobs. Scholars have highlighted the flexibility and autonomy it offers, enabling workers to choose their projects and schedules (Smith, 2020). Online crowdworking platforms like Amazon's Mechanical Turk and Clickworker have become vital to the digital economy, relying on low-paid workers to handle tasks that power technologies like self-driving cars and Google image search. In his insightful analysis, Phil Jones explores this hidden labor force, revealing what it says about the future of work and global

capitalism. However, critics argue that gig work often lacks job security, benefits, and fair wages, raising concerns about worker exploitation (Jones & Taylor, 2021). Innovation plays a crucial role in the gig economy, as digital tools and platforms continuously evolve to streamline processes and improve efficiency (Brown et al., 2019). Swiggy has become significant employers, but its workers are classified as "independent contractors" rather than employees, which means they lack legal protections and benefits. Often, these workers face challenges earning a sufficient income due to low and unpredictable pay per delivery. Many are migrant workers who work extended hours but still depend on incentives to make a livable wage. As a result, despite the growth of the food delivery industry, it primarily offers insecure, informal employment. (Kauntia, 2020). Inclusion remains a key challenge, with studies showing that marginalized communities often face barriers to accessing gig opportunities and fair compensation (Lee & Chen, 2022). Addressing these issues requires a balance between innovation and equitable policies to ensure sustainable growth and inclusive participation in the gig economy (Garcia, 2023).

4. Objective of the Study

The following are the objectives of research:

- To study the hybrid workforce effectiveness which is helpful to boost productivity.
- To find out how flexible benefits reports higher job satisfaction among the gig workers.
- To highlight various HR functions in the dynamic new workforce model.
- To address the issues of gig workers regarding their working conditions with some required HR Policies & Practices.

5. Methodology

The study is based on an observational method from various past research papers and data information and reports given by Niti Aayog. This paper is based on both Quantitative and Qualitative data. It is designed with the adoption of a mixed-methods approach to capture both numerical data and in-depth insights. For data collection various observation methods and reports are used and for qualitative information it is

focused on various studies with depth analysis. Some statistical tools have been used for quantitative analysis and thematic analysis for qualitative responses. This paper ensures reliability through pilot studies and validity by cross-verifying sources and responses. Here ethical considerations has been focused. All the information is based on factual and actual data also unbiased data interpretation has maintained.[13]

6. Results and Discussion

In Figure 1 shows NITI Aayog report India's gig workforce is growing, with retail (26.6 lakh) and transportation (13 lakh) employing the most workers. Finance, manufacturing, and education have smaller shares. Skill-wise, 47% are in medium-skilled jobs, 31% in low-skilled, and 22% in high-skilled roles. This highlights the dominance of mid-level jobs and the gig economy's expansion in India. levels and using requester feedback to create gig worker performance. It works in the following two ways- First, Star ratings often add up to reflect the gig workers online reputation which locks the gig worker into the ecosystem as gig workers often cannot take their online reputation to another platform ecosystem. Second, performance rating should ensure that gig workers create value for requesters because these ratings are used to allocate future gigs or as a basis for refusal of access to the platform ecosystem.

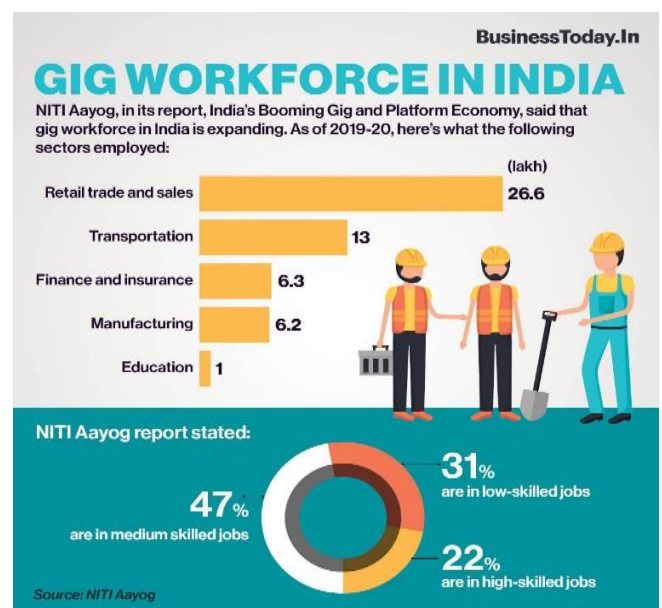


Figure 1 NITI Aayog report

Estimated Number of Gig Workers in Lakhs:

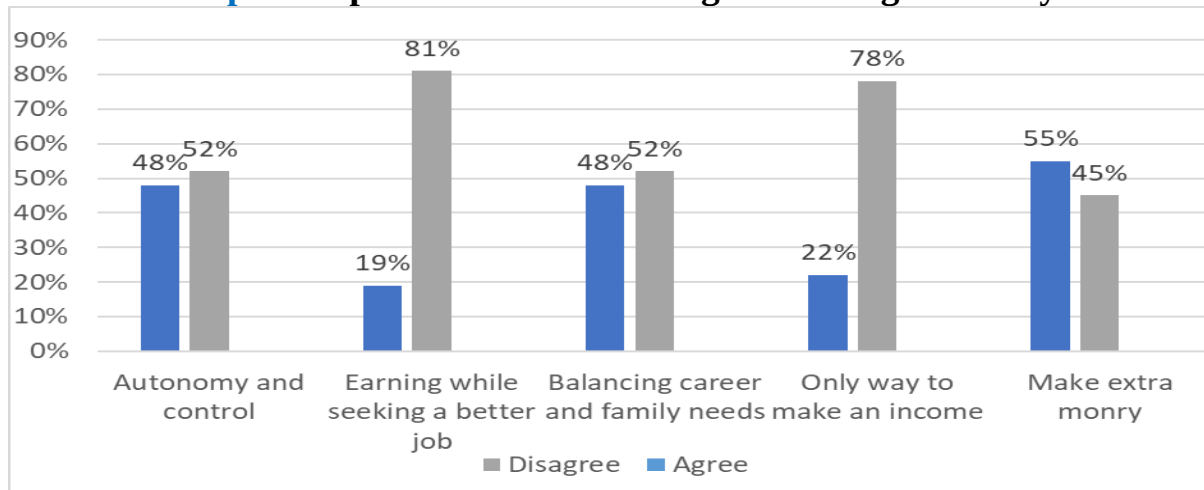
	No of Gig workers (UPS) (Usual Principal Status)	No of Gig workers (USS) (Usual Subsidiary Status)	No of Gig workers (UPSS)
2011-12	24.5	0.7	25.2
2017-18	52.1	0.5	52.6
2018-19	53.4	0.5	53.9
2019-20	67.0	1.1	68.0

SOURCE: NITI Aayog

Figure 2 Estimated Number of Gig Workers
Given by NITI Aayog

The above data given by NITI Aayog about the estimated no. of Gig Workers in India. It is recorded in lakhs, year wise. You can see here, the number of gig workers in India has grown significantly, from 25.2 million in 2011-12 to 68.0 million in 2019-20. Figure 2 shows Estimated Number of gig Workers Given by NITI Aayog. The most notable increase occurred between 2017-18 and 2019-20. Gig workers primarily hold Principal Status (UPS), with minimal engagement in Subsidiary Status (USS). This growth suggests a shift towards full-time, flexible work. **Source: India's Booming Gig and Platform Economy (NITI Aayog). [14-16]**

Graph 1 Top Reasons for Working in The Gig Economy



The data in the graph-1 highlights the top reasons people choose to work in the gig economy. The most common motivation, with 81% agreement, is earning while seeking a better job, showing that many see gig work as a temporary or transitional solution. Similarly, 78% agree that gig work is sometimes the only way to make an income, indicating that for many, it serves as a financial necessity. Balancing career and family needs and having autonomy and control both have an equal split, with 52% agreeing and 48% disagreeing, showing mixed opinions on the flexibility gig work offers. Finally, 55% agree that making extra money is a key reason for joining the gig economy, while 45% disagree, suggesting that not everyone uses gig work just for supplemental income.

7. Case Study

- **The All India Gig Workers' Union (AIGWU)** The All India Gig Workers' Union (AIGWU) was established in August 2020 amid protests by Swiggy workers against pay reductions. During these protests, AIGWU evolved from spontaneous demonstrations to a strategically organized movement. By December 2020, AIGWU, alongside other Indian trade unions like the Indian Federation of App-based Transport Workers, urged the Ministry of Labour to ensure gig companies were not exempt from contributing to state social security. In October 2021, AIGWU welcomed the Indian government's initiative to reclassify gig work as formal employment,

seeing it as a positive step toward workers' rights.

- **Some of the issues protested by AIGWU members.** AIGWU members have protested several key issues affecting gig workers, demanding fair treatment and better working conditions. Pay-related concerns include low pay, unfair pay, and changes to the pay structure. Lack of transparency in how payouts are calculated has also been a major issue. Workers have protested the absence of insurance support and guidance, along with cuts to incentives and bonuses that significantly impact their earnings. Concerns about rating manipulation and its effect on opportunities have been raised, as well as inaccurate distance estimates between pick-up and delivery points, which lead to inefficient routes and reduced pay. These protests reflect workers' push for fairer policies, better support, and greater transparency in the gig economy.

Conclusion

The gig economy has undeniably reshaped the traditional workforce model, offering unparalleled flexibility and autonomy to workers while presenting new challenges and opportunities for Human Resource Management (HRM). Through the integration of technology-driven systems, digital platforms have streamlined recruitment, performance management, and compensation structures. However, despite its rapid expansion and potential for innovation, the gig economy also raises critical concerns around job security, benefits, and labor rights. The ecosystem comprising gig workers, requesters, and intermediary platforms thrives on strategic HR activities, such as workforce analytics and AI-driven decision-making, yet regulatory frameworks struggle to keep pace with this evolving model. As the gig workforce continues to grow, HR professionals must adapt by implementing inclusive policies and leveraging digital transformation to balance operational efficiency with workers' protection and well-being. By addressing these issues thoughtfully and proactively, businesses can foster sustainable growth, attract diverse talent, and drive

long-term competitiveness in the evolving labor market.

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