

# THE RISE of GIG ECONOMY

## NATURE, OPPORTUNITIES AND CHALLENGES

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While most of the developing economies embrace industry 4.0, the mainstream economies are in a paradigm shift from industry 4.0 to industry 5.0, where technology and sustainability will be the core drivers of human progress. The fundamental changes associated with the above transformation call for inevitable changes in almost everything that we do. More and more people worldwide focus on 'access' instead of 'ownership' and 'service' instead of 'owning employee time'. The conventional boundaries of working, such as fixed time, working for a single employer, and working in a specific geographical place, are blurring. Working arrangements are becoming short-term, technology-driven, and flexible despite various cultural, social, and economic identities in local cultures and economies. Simply, geared by the advancements of mobile technologies, cloud computing, blockchain technology, artificial intelligence, big data, various other technologies, and the heightened concern on sustainability, the economic model is transforming from the conventional model to a 'gig economy'. A gig is a task (AppJobs, 2020) or a short-term work arrangement (Duszyński, 2020). The gig economy is a free market system where organizations (clients) and independent service providers/workers engage in short-term work arrangements (Duszyński, 2020). The gig economy is alternatively coined as 'sharing economy', 'collaborative economy', 'on-demand economy', 'platform economy', 'human cloud economy', and 'contingent economy' (AppJobs, 2020). In this background, this article shows the nature of the gig economy in terms of its growth, how the gig economy operates, the attractions and criticisms of the gig economy from the actor's perspective, and discusses the opportunities and challenges of the gig economy for Sri Lanka.

**The digital technology revolution has enabled the gig economy which is driven by platform organizations that connect global clients and gig workers. The gig economy is attractive for actors due to multiple reasons despite some of the criticisms against it. Being a developing country, can Sri Lanka be able to reap the potential benefits of the gig economy?**

GLOBAL  
INSIGHT



# The growth of the GIG Economy



The digital technology revolution has paved the way for connecting an unprecedented number of clients and service providers, fostering the gig economy's growth worldwide. There were 55 million gig economy participants in the USA in 2017, and the gig economy is growing three times faster than the USA's conventional economic model (Duszyński, 2020). Interestingly, the gig economy's proportion is high in emerging economies such as China, India, Singapore, and Brazil than in developed economies such as the US, Germany, Sweden, the UK, and Spain (BCG, 2019). Table 1 shows that

a considerable percentage of the workforce engages in gig work in mature and emerging markets showing the significant presence of the gig economy. Remarkably, the interest in gig work, as the primary and secondary income, is higher in emerging markets than mature markets. Also, gig economic activities bolster various industries such as IT, data processing, mobility, delivery, education, agriculture, retail, and many more (BCG, 2019). All in all, the gig economy is growing in both developed economies and developing economies and it is spreading across varying industries.

Table 1: Percentage of the workforce in different economies using gig work as primary and secondary income sources.

Market /Income Source	Primary Income	Secondary Income
Mature Markets (the USA, The UK, Germany, Sweden, Spain)	1 - 4%	3 - 12 %
Emerging Markets (China, India, Indonesia, Brazil)	3 - 10%	13 - 33 %

Source: BCG 2019, Future of work 2018 worker survey

## How does the gig economy operate?

The gig economy operates via digital platforms. Digital platforms such as Fiverr.com, Mturk.com, Upwork.com, Handy.com, Uber.com, Airbnb.com, and many more platforms create a triangular network instead of bipolar connectivity of client and provider in a conventional economy. Platform organizations connect many gig requesters/buyers/clients/organizations to millions of gig workers/providers through digital platforms. Therefore, in the gig economy, a platform organization performs as an intermediary between clients and providers by connecting them via digital platforms (e.g., Uber connects millions of drivers and passengers through their app and transformed the conventional taxi industry. Upwork connects talented creative and professional service providers around the globe and millions of previously inaccessible clients). As such, platform organizations are a different business model and they are the heart of the gig economy.

The gig providers are generally termed as gig workers and labeled in many variations, such as freelancers, contingent workers, digital nomads, and lean entrepreneurs. Importantly, can gig workers be treated as employees? Interestingly, though we use the term gig workers, they are not employees but independent contractors who provide a service for someone else (the client) for a fee. The major two categories of gigs can be seen. First, crowd-work or virtual gigs where gig worker who performs the task remotely as a virtual work. Typically, virtual gig workers engage in graphic designing, digital marketing, creative writing, translations, animations, software development, content creations etc...

platforms such as Fiverr.com and Upwork.com allow the virtual gig worker to undertake low to high-value contracts with different time frames. The second category is the on-demand offline work where the gig worker engages in on-site working for the client. The models of Handy.com, Uber.com, and Deliveroo.com are some of the platforms providing on-demand offline work.

Also, as shown in Table 1, there are two types of gig workers according to income source, whether primary or secondary. The first category of gig workers is those who have chosen gig work as the primary income source. They can be full-time gigs or part-time gigs who do not have a regular job (e.g., students and retired persons). The gig that they complete is the primary source of income. The second category is the gig worker who engages in the gig as the secondary source of income. They have a regular traditional job but complete gigs after work. For an instance, a teacher who works for a school has signed up with Uber or Pickme and engages in taxi service after work.

The background of the right side of the page features a complex illustration. At the top, there are various data visualization icons: a gear, a line graph, a bar chart, and a pie chart. Below these, a large, semi-transparent circle contains the text 'GIG ECONOMY'. The main illustration depicts several server racks with glowing blue lights. A person in a blue shirt is interacting with one of the servers. Another person in a blue shirt is standing next to a server rack, holding a cable. A third person in a grey shirt is walking towards the server racks. The overall theme is digital connectivity and data processing.

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**First, clients can seamlessly access a global talent pool more conveniently than ever**

**Second, the gig model is cost-effective than the conventional model in terms of paying health and retirement benefits, and compensation**

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### **The two sides of the same coin: Attractions and Criticisms**

The gig model provides enticing benefits to gig workers. First, the gig workers enjoy the greater flexibility that creates the avenue for better work-life balance. Second, it allows higher autonomy to the provider in choosing and executing the projects. The flexibility and autonomy received from gig work create a sense of meaningfulness to the gig workers. Third, the gig model opens low-cost access to a global client base and a wider local clientele compared to the conventional economic model. Fourth, gig workers get the opportunity to work for multiple clients simultaneously.

Clients prefer gig work due to two main reasons. First, clients can seamlessly access a global talent pool more conveniently than ever. Second, the gig model is cost-effective than the conventional model in terms of paying health and retirement benefits, and compensation since the gig

contracts are not abided by the labour regulations. Consequently, clients enjoy greater operational flexibility in hiring, paying, and terminating services, which assure adaptive power and resiliency in facing business disruptions and economic meltdowns.

Though the gig economy is seen as a beneficiary model by many, it is not free from criticisms. The main criticism against the gig model is the deprivation of the gig workers from guaranteed jobs, retirement plans, medical compensations, insurance by clients, and many more benefits enjoyed by a conventional employee since the protections from labour legislation are absent for the gig worker. Also, surveys show that the average earning for some gig providers (unskilled gig workers) is well below that of a regular employee who performs a similar task, thus exploiting human capital. Similarly, platform organizations assign the work to different providers and thereby exercise undue control over the gig workers' earning capacity reducing their choice.

### **Gig economy's opportunities and challenges for Sri Lanka**

The gig economy opens several opportunities to Sri Lanka. First, the gig economy is a source of foreign exchange earner. Since 1978, Sri Lanka's current account balance is a deficit and it has adversely affected the country's economic stability (CBSL, 2019). Specifically, with a huge deficit in the trade balance, the country needs to earn foreign currency through transfers to reduce the current account balance. The gig economy provides Sri Lanka with an opportunity to increase foreign earnings since gig workers are paid in foreign currencies. The earnings from gig working can be an effective source to reduce the chronic balance of payment issue of Sri Lanka. Second, the gig economy provides a solution for the unemployment problem in Sri Lanka. The gig economy opens a global clientele far beyond the employment opportunities that prevail in the local economy alone. Thus, Sri Lanka, a country that faces the issue of unemployment, can reduce the country's workforce unemployment by developing a globally competitive digital professional workforce. Third, the gig economy provides an opportunity for the development of a new business segment in Travel and Tourism in Sri Lanka. The gig economy has created a specific segment of gig workers identified as digital nomads who travel to different destinations and provide virtual freelancing from those destinations to clients worldwide. This segment offers Sri Lanka an attractive opportunity for strategically creating a niche market and position Sri Lanka as a destination with co-working spaces for digital nomads.

Sri Lanka confronts several challenges in reaping the benefits of the gig economy. First, though the gig economy offers enormous opportunities to Sri Lanka, there is a potential threat of producing a set of low-skilled gig workers who fail to attract high-paid gigs. The main reason behind this is the absence of a strategic and integrated approach to developing creative and high-tech professionals through the country's education system. Therefore, Sri Lanka needs to purposefully develop a digitally competent workforce demanded by the gig economy by transforming its primary, secondary, and tertiary education systems. Second, the digital infrastructure of the country is critical to tap the worldwide gig market. Specifically, to attract digital nomads to use Sri Lanka as a destination and Sri Lankans to work as gig providers, Sri Lanka needs to ensure uninterrupted, cost-effective, and robust digital infrastructure within the country. Third, there are regulatory and taxation issues associated with

the gig economy. Global gig platforms, which are usually not being registered as businesses in host countries, are difficult to be controlled by the regulation and taxation system of the host country (CBSL, 2019). Since the most popular gig platforms (Fiverr, Upwork, Airbnb etc...) are based in developed economies, it is a significant challenge for Sri Lanka to control the non-local gig platforms resulting in the inability to capture data about the volume and nature of economic value additions taking place through such platforms resulting in a loss of potential tax earnings. Fourth, ensuring social security and the well-being of gig workers is another challenge. Though gig service providers are labeled gig workers, they are not in an employment contract. Thus, they are not safeguarded by prevailing labour legislation. This inherent nature of gig worker contracts creates threats in protecting gig workers' well-being in terms of the security of the work,

minimum working conditions, benefits, retirement plans, minimum wages, compensation in industrial accidents, and occupational diseases. Similarly, one of the prominent critics against gig platforms is the control they keep on allocating work to gig workers. This condition marginalizes gig workers' ability to choose the gig. Thus, there is a paramount need to update existing legislation and establish new laws to safeguard the gig workers' social security and well-being.

The gig economy is transforming the global economy's landscape, specifically in terms of how the work is getting done. With the rising number of actors joining the gig world and the spread of gig work into different industries, the gig economy shows signs of becoming the mainstream economic model of the world. In this milieu, if address the challenges, Sri Lanka has a great potential in reaping the benefits of the rising gig economy.



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*“ Sri Lanka needs to purposefully develop a digitally competent workforce demanded by the gig economy by transforming its primary, secondary, and tertiary education systems ”*