

# GIG ECONOMY: THE FUTURE OF WORK

## Abstract

Organizations evolve based on the external and internal environment. The impact of technology and society changes the way organization structures govern the employer-employee relationship. The IT revolution has ensured that one need not be bound by time and space to perform one's job roles in the organization. Gig economy is a means where employer and employee are free to realize each other's potential.

Gig economy makes it possible for the employee to get rewarded as per his/her capabilities. There is no limitation that is posed by traditional hierarchical structures. Simultaneously, the employer can increase the productivity of the task by assigning it to the best possible candidate. It's a win-win scenario where both the parties enjoy the best of work conditions. As time progresses, the corporates and Government have to come up with models of social security for such employees.

**Keywords:** Gig Economy, Organization Structures, Business Environment.

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Every day, at about eight o'clock in the morning, a group of about hundred people gather at the city square in a quiet and professional manner. They are dressed poor and carry various tools and equipment along with their lunch boxes. They are daily wage earners, waiting to get their job for the day or a project for the next few days. Soon enough, few contractors or individual builders come in and start scouting for the right person for the job they have at hand. Quickly, the plumbers, electricians, carpenters, masons among them are picked up and they are on their way to work. Some of these workers are regulars and known to the selectors. They get selected or not, based on their previous experience. Either party has a right to refuse. Daily wage rates are the market rates, commonly accepted by both parties but each has a right to further negotiate based on demand and supply. Once the price is settled, the worker leaves for work to the project site directed by the contractor. At the end of the day, the worker is paid the agreed upon wage. This is a common scene in many areas of big metropolis in India and happens without break daily.

Replace the city square with a powerful website or an APP. The unskilled or semi-skilled worker with a skilled worker and the local contractor with a giant modern day corporate. The corporate has only a skeletal staff which hires people only on project basis to get their jobs done. Once the project is completed, the project team is disbanded and there is no further obligation on any party. Welcome to the world of Gig economy.

## **I. ORGANIZATION STRUCTURES**

Organizations today are fighting to survive the massive changes in the business environment, they must respond to this change or perish. Traditional organization structures can no longer be adapted to newer challenges. They have to go through the complete process of re-inventing themselves. The traditional organizational structures built around function or product is constrained by hierarchical pressures. Firms cannot maximize their productivity in such circumstances. The industrial age required mass production and economies of scale. Large scale machines were deployed to achieve this end. This required people with different skill sets, one performing specialized tasks and the other ensuring that the tasks get completed. It was the beginning of the hierarchical organization structure. Rules became more complex and organizations became more structured. In time every organization adapted to the external and internal realities of business and formed a structure that suited their needs.

The traditional organization structure was hierarchical in nature. Every entity under this structure is a subordinate to the other entity. The structure of the organization is typically grouped either function wise (Functional Structure) or division wise (Division Structure or Product Structure). In Functional Structure, the organization is divided as per the specialized functions that need to be performed like operations, marketing, finance etc. This division makes the personnel gain expertise in their domains and contributes to overall efficiency. A centralized authority controls the production making it easier to mass produce limited variety of standardized products. In the Division or Product Structure, the organization is divided on the basis of Product group that it produces. Thus each Product line becomes a group and each such product line has its own functions of operations, marketing, finance etc. In this structure, the performance of a product can be easily measured as there is complete accountability for that particular group. Decision making is faster in Product Structure and coordination between functions is easier.

In addition to the above traditional structures, many organizations introduced the Matrix Structure and Flat Structure to get more efficiencies from the system. Matrix structure uses a mix of functional and product structure where employees work as teams for a given task. It involves dual reporting, one to the functional head and another to the administrative head. Flat structure is employed by small companies where there is none or a thin line of middle managers and lower level employees are empowered to make decisions directly in conjunction with the top management. Flat organization is a later day innovation that has tried to address the information gap within a hierarchal structure. Here, there is no or negligible concept of middle management. There are very few layers of authority and the top management is directly in touch with the day to day operations. Information flow is fast and the system is ready to respond quickly to external changes or market demand.

## II. LIMITATIONS OF THE TRADITIONAL STRUCTURES

The traditional organization structures were meant for an economy where information was power and achieving targets at any cost was the norm. In functional organizations, communication is slow and controlled. Lateral communication within divisions is not very smooth. This leads to inter-departmental conflicts and waste of time and efforts of the top management. In Division Structure, there is an additional cost of functional resources due to overlap in each division. Moreover, it increases rivalries amongst the divisions. Matrix organization creates its own confusion and conflict due to dual reporting. Big amount of effort is required to create, manage and disband the teams. The hierarchy in both the traditional systems ensures that:

- Information is used as a weapon against those in the lower ranks.
- Cooperation is replaced with conflict with respect to other departments or divisions.
- Individual contributions are ignored in favor of the bigger mass.
- Individual contributions are ignored or not given due credit.
- Individual frustration with corporate structure and its decision making.
- Exceptional contributions do not get their due.
- Innovation is stifled or discouraged.
- Organization cannot optimize the combined strengths of all its employees.

## III. CHANGING BUSINESS ENVIRONMENT

**1. Globalization:** Globalization has revolutionized the way business is conducted in the new millennium. Today, the competition is not the immediate rival with near about market share but a one person company sitting in a remote village in a far-off country.

Manufacturing today happens based on which supplier can supply a component of best quality at lowest price from anywhere in the world. Globalization has brought in free movement of goods and services across borders. The obvious impact has been movement of people from one geography to another (though not as free!). The demand for specific skill sets has made organizations compete to acquire talent at a premium. It is the skills that are being sought after by corporates. In such circumstances, the existing organization structures just cannot survive.

- 2. Information Age:** In the traditional organization structures, information was the king. Those who had it could exert their power over those who did not. Today, information is freely available to everyone. No longer can those who are higher up in the hierarchy can dictate terms to those below just because they are better informed. Today, information is available at the click of a button and they can be questioned based on the information available to those in the lower ranks. In other words, hierarchal ranks do not matter as the person at a lower rank may possess more 'knowledge' and 'skills' than the one above him/her.

Moreover, the flow of information within the organization in traditional structures is slow and biased. It takes an organization a great amount of time to respond to external changes. Information is usually unidirectional, from top to bottom with little respect for the reverse flow of information.

- 3. Competitiveness:** Organizations have to be fast and furious to stay ahead of the competition. A rigid structure does not allow it the flexibility to respond to competition. Nokia is a prime example of how a world number one company in its category could fall apart due to radical moves by its competitors. Organizations have to change their structural inflexibility to face the competition today.
- 4. Outsourcing:** The manufacturing industry had implemented the 'make or buy' strategy for years together until the service industry caught up in the late nineties when business process outsourcing became the norm. It caught particular attention due to IT-enabled outsourcing at a global level. So, what does outsourcing really achieve? It brings the best of global talent to work for the organization. This leaves serious questions on the organization structure of the outsourcer company.
- 5. Societal Changes:** Changes in the external world are reflected in the changes that govern social mores. The individual today is much more integrated to the happenings in the world at large. The individual aspires to achieve the best in the world through the talents that s/he possesses. The individual is ready to scout for the best buyer for his/her talent rather than get stuck in the maze of corporate rules and regulations.
- 6. Technology:** Information and Communication Technologies have changed the world forever and are doing so at a very rapid pace. Technology, today, is not the fiefdom of a few but available to all and sundry. This has given every individual on the planet an opportunity to work towards achieving his/her true potential. Technological changes have brought down mega corporations and brought up hitherto unknown enterprises to the forefront of business world. The individual is now able to sell his/her talent to the highest bidder or even work on multiple projects without the shackles of an organization tying the individual down.

#### IV. DE-STRUCTURING AND NOT RE-STRUCTURING

To achieve the optimal out of the organization of the future, one needs to bring in radical changes. These cannot be achieved with routine process changes in the traditional structures. Organizations must demolish their entire structures and re-construct new models. Existing hierarchies, job titles, bureaucracies must be demolished, and the system has to be made dynamic and flexible. Every activity has to be focused on the customer. The customer

in fact becomes the centre of the organization. In the new organization structure, every employee is involved in decision making process as opposed to the traditional system where managers told the workers what was supposed to be done and how. The focus of the de-constructed organizations is the customer. Specialist teams come together to finish a project to the highest satisfaction of the customer. Traditional hierarchal structure is not best suited to adapt to changing customer requirements while the newer organization structures can change themselves as and when required.

**Welcome to the Gig Economy:** “A gig economy is a free market system in which temporary positions are common and organizations hire independent workers for short-term commitments. The term "gig" is a slang word for a job that lasts a specified period of time. Traditionally, the term was used by musicians to define a performance engagement”. (techtarget.com). “A gig economy is a labour market that relies heavily on temporary and part-time positions filled by independent contractors and freelancers rather than full-time permanent employees. (Investopedia.com)”. “A way of working that is based on people having temporary jobs or doing separate pieces of work, each paid separately rather than working for an employer”. (dictionary. cambridge).

## V. WHY GIG ECONOMY?

### 1. For the Corporate:

- **Cost-Advantage:** Business are being run on very thin margins and any reduction in cost is an addition to the bottom line. Workers can be hired at the project site without maintaining expensive offices and support staff. Besides, there is no constraints like minimum wages or mandatory golden handshake.
- **Perfect Matchmaking:** The Business can scout for *that* specific skill required to complete the job rather than cross train existing workers every time for every new project. Many a times, such re-allocation of resources ends up in waste of time and effort ultimately leading to customer dissatisfaction.

### 2. For the Worker:

- **Freedom:** The worker has the freedom from office rules, timings, discipline, and of course bosses. In a way the worker is his or her own boss reporting to the client. What matters, is the result and the money that comes with it.
- **Flexibility:** A Gig worker can decide when to work, from where to work and how to spread his or her workload. The worker can split available time between his or her areas of interest.
- **Multiple streams of Income:** One need not be constrained to work for a single employer at a time. The Gig worker can simultaneously work on two or more projects and enhance income streams.

**3. Disadvantages of Gig Economy:** As employees become freelancers, their loyalty to the company reduces drastically. They are not motivated to take the organization to a higher level. It also raises ethical issues of employee working with no social benefits. Gig workers also face seclusion and loneliness as they have little interaction with fellow workers and teams.

In Conclusion, as business environment changes further, it would become imperative to change organization structures to a more fluid Gig economy. It is a win-win for the employer and the employee. As this kind of organization structure gets more and more acceptance, governments, corporate and society will evolve models that will eliminate the apparent drawbacks.