

## Examining the impact of the gig-economy, as a new challenge for supply chain strategy

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### Abstract

*The economic weight of the so-called gig-economy, a system of market service providers, contractors and their employers, based on ad hoc contracts on demand, is growing. This trend, which is significantly transforming the labour market, is not leaving the business models of supply chain actors untouched. Today, the gig-economy model is also becoming increasingly prominent in logistics, with more and more people opting for this economic, entrepreneurial form of business and becoming freelancers. This model offers a number of advantages for workers, freelancers and employers alike. The gig-economy sheds new light on several issues - not only labour-related - but such also as: what factors play a role in the decision of the client and the contractor when they conclude an agreement to perform a service, this study deals with them. The study also explores how the benefits of the gig-economy are perceived by employers, what the keys to success might be, what competences are needed and how efficiency can be measured.*

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### Introduction

When analysing the retail business model of the gig-economy, we could find different interpretations in the field of the concept of store chains. The emergence of extended store chain concepts includes e-commerce, digital marketplaces, the harmonization of physical retailers and digital players. Customers are becoming more and more channel-independent and they want an engagement-free consumer experience where quality, price and service are consistent across all channels and platforms, whether they purchase online or in an offline physical store.

Employee behaviour has shown a changing picture in recent years, and today's reality predicts the defining trends of the following years: in North America and Western Europe, approximately 150 million workers have left their relatively stable employment status to work as independent entrepreneurs. The most intensively growing segments of the "on demand" labour market are the creative fields and knowledge-intensive industries. In addition, it is important to note that part of the expansion is the emergence of freight sharing and task-oriented service platforms (Van der Spiegel, 1995). The employees of the gig economy examine several noteworthy aspects regarding their cooperation with their future employer, which are related to goals, work routine, workplace and people. The quality of all these helps them endure the emotional ups and downs associated with work and independent status, and they also release energy and inspiration.

As the gig economy continues to expand and grow, these perspectives are becoming increasingly important for employees working more independently from home and for those who feel they may want to pursue a career as a freelancer in the future (Webster, 2016). Freed from corporate frameworks and constraints, employees can take on tasks and projects in which they show and highlight their talent, and the result of their work is clearly their own. Thus, they can work more freely within the framework of the

gig economy, but this comes at a real price: they have to accept a certain uncertainty factor, which usually does not diminish as time progresses. Freelancers constantly worry about fame and income, and sometimes worry about their entrepreneurial identity.

In this study, we examine how companies operating in the field of transportation, home delivery, and additional services within the supply chain decide between different forms of employment and cooperation. In addition, we briefly present the opinions of Hungarian freelancers about the gig economy.

### **Supply chain - Value chain - Platform economy**

Enterprises organised on the principles of the gig-economy represent a microeconomic and organisational response to the rise of digitalisation, the changing concept of work, the networking of globalisation and changing consumer demands. These are the most important driving forces, they created new opportunities in the field of company processes, supply chain, value chain and value creation (Kagermann, 2015). Digital platform-based businesses have created online structures that have enabled the expansion of the scope of activities (Kenney - Zysman, 2016). The development of internet technology, the widespread spread use of mobile applications, the development of a competitive advantage based on big-data analysis, the spread of the use of artificial intelligence, rapidly changing consumer needs and habits, growing economic inequalities and economic crises all had an impact on the emergence of the platform-based economy and development (Wirtz, et al., 2019).

In the business model developed along these factors - sharing economy - micro-enterprises or private individuals often become service providers, increasingly putting traditional value chain-type businesses at a disadvantage (Kumar, et al., 2018). The concept that Schumpeter (1942) called creative destruction has now generated global business trends (Uber, Airbnb). In recent decades, businesses have operated according to a well-defined and familiar process, as traditional, value chain-based businesses, where value creation takes place along a linear series of activities, and value moves from left to right: on the left is the company's cost, and on the right is the company's income (Van Alstyne, et al., 2016).

The company's value chain consists of series of activities, where greater value is produced from resources through various transformations, which is suitable for satisfying consumer demand, thus in addition to achieving profit, value creation takes place along a series of linear activities called the classic value chain model (Chikán et al, 2019). The operationalized concept of the value chain is attributed to Michael Porter (1985), according to whom the interconnection of the main activities of the company (as forming a chain) leads to meeting consumer needs.

Instead of or in addition to traditional value chain-based companies, the primary goal of platform economy companies is to connect the producer with the consumer, the seller with the buyer, by completely transforming the value creation process. However, the participants in the platform are not only the connectors, but also the active shapers. The platform seeks to maximize the value of an ever-expanding ecosystem that is circular, iterative and feedback driven. Examining the community economy, it is worth highlighting the logistics sector, as this is the area that has developed rapidly and is currently facing significant development.

### **The role of employee - entrepreneurial aspects**

A home delivery or transport business may ask whether it is appropriate to have a flexible and scalable network of employees or whether it is necessary to employ full-time workers. An Uber or Grab driver, a Handy operator or a TaskRabbit worker earns a significant percentage of their livelihood from sharing forms, and the share of the global workforce engaged in this type of employment is set to grow in the coming years (Ravenelle, 2019). While full-time employees can combine their individual bargaining power to file a collective action lawsuit, independent contractors have no such right or opportunity, and the limitations of current labour law do not allow such protection to easily unfold for participants in the gig economy. (Mukherjee, 2016). What are the considerations that a service provider or contractor weighs when deciding to collaborate? We can identify four such considerations, which are:

Goals: Freelance entrepreneurs often take on work that is clearly related to a more extensive goal, such as deepening their professional knowledge or broadening their network of contacts. High-level goals form a bridge between personal interests and motivations, as well as market demands and daily tasks.

The goal binds and frees people at the same time by orienting and motivating their work (Graham et al, 2017).

**Routines:** In organizations, workers use routines to increase efficiency and performance, although routines are often associated with safety or boring bureaucracy (Johns - Gratton, 2013). In many cases, routine improves people's work process and cooperation. All of these often have a ritual element that increases people's sense of order and control in uncertain circumstances (Lehdonvirta, 2018).

**Workplace:** in the world of "gig economy", workplaces that protect service providers and suppliers from external distractions and pressures and help to avoid a sense of rootlessness are popular, as everyone likes to belong, even if it is "only" through a contractual relationship (Weil, 2014).

**People:** Corporate studies prove that peer relationships are important for our careers, as partners help us grow by sharing their experiences, successes and failures with us. The researchers also warned of an epidemic of loneliness in the workplace, which independent workers may experience as an even greater threat. Freelancers are often aware of the danger of social isolation and try to avoid it.

As the definition of the difference between 'employee' and 'independent contractor' is not always clear in terms of work organization, the issues to be discussed are typically about the degree of independence of the contractor and the degree of control the potential employer has over the potential contractor/employee (Deng - Joshi, 2016). From the perspective of workers who want full-time employment, an important question is whether they want to access the benefits of employment status, such as a monthly salary or career opportunities within the firm. (OECD, 2019).

### **Examination of employer - customer aspects**

At the time of writing, the labour policy issue of the so-called "gig economy" seems to relate to the employment status of the new flexible workforce. In the paper we formulate a key question that could trigger a debate on policy, as we are moving towards an employment model in, for example, transport and transport management that could significantly transform the current framework for labour management.

The categorization of workers is not a recent issue, but the sharing economy has brought this issue to the forefront of rethinking, as the distinction between 'employee' and 'freelancer' is not obvious in terms of labour organization. Controversial issues often revolve around the degree of independence of the contractor from the labour market and the degree of control the potential employer has over the potential contractor/employee, with different interpretations and guidelines sometimes coming from customary law, in other cases from regulatory bodies. Business managers should also ask questions that help clarify the choice of employment arrangements that best meet labour needs, such as:

Does the company control or have the right to control what the employee does and how he or she does his or her job?

Does the payer check the business and financial aspects of the employee's work? This includes, for example: how the employee is paid, how expenses are reimbursed and who provides the means to complete the work.

Are there any written contracts or employee-type benefits (such as pension, insurance or holiday pay)?

Is the assignment for recurring or one-off project work?

### **Methodology**

In our primary research, we conducted interviews with gig-economy participants who work in Hungary. On the one hand, we conducted interviews with the managers and owners of three economic enterprises that based their activities on the gig-economy business model. We were focusing on their experiences, and, also quality and efficiency, plus key competencies. On the other hand, we conducted telephone interviews with three freelancers who have been working in the platform economy for 1-5 years. We were focusing on the advantages and disadvantages of gig-economy for freelancers.

## Discussion

In the next part of our study, we summarize the interviews we conducted during our research with actors representing the employer side of the gig economy.

While conducting the interviews, we were faced with the fact that we touched on a sensitive topic. Despite the unregulated nature of the platform economy, the divergent practices that have emerged, the lack of clarity in labour law in this sense (whether the platform worker is an employee or an entrepreneur), the gig economy is still growing. It has grown into a phenomenon that transcends industries and market sectors, despite the opposition it has aroused among economists, HR professionals and trade unions, who believe that this type of employment makes tens of thousands of workers more vulnerable.

To put the situation in perspective, we highlight some data from both sides of the platform economy:

According to a 2016 global survey (McKinsey Global Institute, 2016), the online platforms that underpin the platform economy could add \$2.7 billion to global GDP by 2025, an increase of 2 percent, while creating 72 million full-time equivalent jobs.

According to another study (Kelly Services, 2018), "gig workers" now account for about a third of the global workforce (in the US, this represents nearly 50 million workers). Approximately half of Generation Y members are part of the digital platform economy.

The gig economy can also be seen as a business model, where technological innovation is coupled with innovation in its operations, ensuring a more productive, flexible and adaptable business vision. The approach raises a number of dilemmas and highlights its contradictions. Do these types of services act as intermediaries, bringing together the supply and demand sides, or do they also provide a service? What can such a company be seen as, a technology company acting simply as an intermediary or a service provider acting as a traditional employer? (Prassl, 2018) calls the phenomenon where a new technology is backed by an old business model an "innovation paradox". In his view, regulating the gig-economy does not require completely new legislation at all, but only the application and enforcement of existing legislation. The importance of the issue is illustrated by the fact that the European Commission (EC) launched a public consultation (Chee, F.Y., 2021) with representatives of various sides in 2021 on the need to define the status and rights of subcontractors and employees working in this way, and the means to help them negotiate and enforce their rights as an organized group. According to Margrethe Vestager, Vice-President of the European Commission, digital platforms can help people to find new jobs and to realize new business ideas. But she stressed the need to ensure that the EU's core values are integrated into the digital economy. The Vice-President stressed that development must not be at odds with security and human dignity (Espinoza, 2019).

The subjects of the interviews we conducted are the managers of those companies that see the gig-economy as a business model, and their success is based on the benefits of the platform economy. Our questions were asked in a structured interview format, one-on-one, with personal data collection. The interviews took place between 05 January and 20 February 2023. In this paper, we present summaries of the interviews, with a focus on the identities and the presentation of divergent opinions.

### Business side of the platform economy

We interviewed the managers and owners of three companies that have built their activities on the gig-economy business model, and one of them has already been doing it as a freelancer. The first company is a courier service (the owner started the business 5 years ago), the second is an advertising agency (the owner started the business 7 years ago), while the third company offers virtual assistant services (the owner started the business 2 years ago).

The companies range in terms of turnover between HUF 150 million and HUF 1.7 billion. The courier company and the advertising agency have 5 and 3 employees respectively, while the virtual assistant company has no employees. Gig-workers and freelancers are employed according to their current projects, with an average annual statistical number of 86 couriers, 21 freelancers and 18 virtual assistants.

*Own business and the platform economy*

The interviews revealed that they had come from three different backgrounds, with multinational experience behind them, and decided to start their own business. The daily treadmill, the inflexibility of big companies, the lack of prospects for promotion and the feeling of uncertainty gave them the urge for change. The owner of the advertising agency, in the initial phase of the business, had a small staff (4 people). This economic model can give them the flexibility to fulfil their contractual obligations with certainty. The courier company now uses 85% of its courier capacity, the agency 62% of its freelance capacity and the use of virtual assistants is currently at 51%. In the latter two cases, the unused time is used by gig-workers to service other businesses. All three interviewees agreed that the platform economy model can provide them with a cost-effective operation, which obviously means first and foremost optimizing labour costs, planning and utilization of resources.

*Types of projects*

A common feature of the projects of all three companies is the ability to serve regular and ad hoc orders. The majority of their clients (35-46-57%) have long-term contracts, which provides them with a stable operating base. Non-regular projects are usually to meet individual requests, to solve a specific client's problem. All three company managers confirmed that half of the unique, one-time orders lead to regular work, which then lasts between 6 and 18 months.

Courier services are used by companies that deliver parcels and documents between their partners' premises on a daily or weekly basis. Deliveries are made by couriers with bicycles and cars using their own equipment. The work of the advertising agency consists of the overall management of marketing campaigns, branding and rebranding activities, the development of sales channels, the creation and operation of web shops. These jobs require specialized knowledge and can be broken down into a number of processes. The interesting thing about this activity, unlike the other two types, is that it involves working in a team, in a group, and therefore interdependence. Virtual assistants are home-office workers, typically providing general assistance and financial assistance to SMEs.

*Measuring the quality and effectiveness of work done*

For all three types of activity, it is clear that it is the quality of the work done that gives the value. The most important indicators (key performance indicators, KPIs) are customer feedback, meeting deadlines and, in addition to individual productivity and problem solving, the effectiveness of the work done in a team. Project by project, they ask for and receive evaluations from their business partners, and the completion of project phases also provides a basis for evaluation. The quality of the work done is also the basis for accountability in these organizations.

*Key competences needed from the gig-worker side*

We define key competences as all the knowledge and skills that are essential to be successful in the share economy - of course, in relation to the three enterprises.

	Problem-Solution	Society	Flexibility	Professions Subscription	Professional Experience	Situation-Public	Communication Contact
Courier company	3	5	5	2	2	5	5
Advertising agency	3	4	3	5	5	4	5
Virtual assistant business	5	5	4	3	3	5	5
SUMMARY	11	14	12	10	10	14	15

Table 1: Key competences in gig-economy enterprises

Source: own editing, 2023.

Business leaders were asked to first identify the key competences (key competences) that are important when looking for a professional and that will determine their success later on. Then, on a scale of 5, they should rate the skills and competencies specific to the business. The aggregate (Table 1) shows that communication skills were rated as the most important, ahead of autonomy and customer focus. Flexibility was ranked highly by the courier company, while the advertising agency ranked professional experience and aptitude highly, while the virtual assistant company ranked problem solving first. Professional competence and professional experience were marginal for the courier company and the virtual assistant, while flexibility and problem solving were ranked in the second place for the advertising agency.

### Findings

*Based on the interviews with gigworkers, the following conclusions can be drawn:*

The general opinion about the gig economy appears on a personalized level, according to which this type of atypical work can ensure freedom, the execution of tasks without commitment, during which, although there is no continuous income, at the same time, remuneration adjusted to performance can result in higher income, professional connections help construction, creates a balance between work and private life, and enables efficient work.

However, the interviews also revealed many downsides, dangers, and things to consider for all those who want to work as gig workers in the future. In a structured organization, career paths are outlined, along which it is possible to move forward in the workplace and to fulfil oneself in the profession. In the case of the interviewees, this is clearly seen as a disadvantage, since their employment does not allow this. There is a specific need for a specific attitude, an attitude change, which is perhaps closest to the idea of "entrepreneurship", to the mindset of being an entrepreneur. Additional risks include the difficulty of scheduling, which in their case means more resource management. It should be highlighted from the responses of the freelancers that it is necessary to manage themselves on a daily basis (self-management), since they are also a salespeople, a marketer, an accountant and a specialist in their field in one person. It is an interesting and very important finding that continuous training and development goes into one's own hands, thus ensuring staying in business as well as self-esteem and professional recognition.

*Based on the interviews with the companies, the following conclusions can be drawn:*

It can be clearly stated for all three types of activities that the quality of the work performed gives the value. The most important indicators (key result indicators, KPIs) are customer feedback, compliance with deadlines, individual productivity and problem solving, as well as the efficiency of group work.

Overall, we can conclude that common key competencies can be discovered in gig-economy businesses operating in different market sectors, but different customer needs require different abilities and skills. As a conclusion, it can be deduced that there is no difference when comparing companies operating in the traditional business model, but at the same time, the aptitudes that are also related to each other are undoubtedly valued. Thus, it is important how independence is paired with customer-centricity and communication skills, or how the correlation of problem-solving - independence - customer-centricity develops.

### Limitations of the study and direction for future studies

There is a significant literature base on supply chain management, and the theoretical background of the gig economy is getting broader, but there is still little literature behind the connection between the two - that was one of our limitations. According to our future plans we would like to investigate the deeper connection between these two fields. Our other limitation was the time frame. In the future, we intend to conduct more professional interviews, focusing on different new areas. As well as to explore the relationship between the two areas in practice. We are planning to carry out quantitative research in the future, with a large-scale questionnaire survey among freelancers, the preliminary work and foundation of which we have already started. Our research focused on employers and employees in the platform economy. In a future study it could be interesting to look at several actors in the supply chain in this aspect.

### Study implication

Our study highlights the importance of the gig economy and its role in the countries' economies. The gig platforms transformed the employer-employee relationship system, changed the connection points and interfaces, and made supply-demand relations more flexible.

Driven by technological development, changing workplace preferences and the need for flexibility, the gig economy is growing exponentially. In addition to all this, the growth of e-commerce and the strengthening of consumer focus also significantly influence the improvement of the sector. Not so long ago, these connections were considered an atypical form of employment, but today they have become the main source of income for nearly a third of the US labour market and a fifth of the European economy.

The legislators of the countries around the world are looking for a solution to the challenge of how to include the gig economy in a legal framework in order to promote innovation, ensure the free movement of the workforce, contribute to productivity and the efficiency of companies, while providing social protection, a secure livelihood and the possibility of continuous learning is provided for the number of actors involved.

Our research basically maps and presents the employer side of the three most important areas of the gig economy. In our study we gave insight into the expectations of the demand side of the labour market for gig workers.

### Conclusion

The gig-economy is a unique phenomenon that is rapidly changing the way people make a living. It is a platform where individuals, businesses and organizations can hire freelancers and independent contractors for short-term specific tasks or projects. This type of work structure allows for a more flexible and creative approach to employment and provides a valuable source of income for those who can exploit it.

The emergence and expansion of the gig-economy has had a significant impact on global economy, creating new types of workers and new ways of conducting business. It has opened up countless opportunities for those willing to take risks and try something new. It has enabled greater flexibility and creativity, more innovative solutions and ideas in the workplace.

The gig-economy offers many advantages that make it attractive for employers and employees alike. It offers employers the flexibility to increase or decrease the number of employees, depending on their needs, freeing them from the constraints of employing full-time workers. In addition, cost savings can be significant, for example in training or from home offices. In addition, businesses can access a larger talent pool and enjoy greater flexibility in recruitment.

The market, the economic environment and corporate business models are constantly changing, and so our efforts to understand the gig economy phenomenon in the workplace must evolve. In this paper, we have analysed the labour trends that can be traced in logistics by highlighting some key issues such as entrepreneurial expectations regarding the working environment. Hopefully this study will stimulate interest in this important segment of the labour market and thus encourage further research that will further our understanding of the gig economy.

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