

On-demand labour model shows first signs of floundering

By [Evelyn Fok](#), ET Bureau | 29 Jul, 2015, 03.50AM IST

BENGALURU: The on-demand labour model is all but flourishing in India. Recognizing the power of a marketplace to bring on disorganized supply and demand, following the success of the cab aggregation model, various products and services ranging from laundry to last-mile delivery are also adopting a log-in, log-out approach to bring on suppliers and service providers.

And yet the touted model is showing its first signs of flounder where it all started. In the Bay Area and across the US, on-demand startups have been slammed by worker classification lawsuits from part-time contractors demanding employee benefits. Home services marketplace Homejoy, backed by [Google Ventures](#) and Andreessen Horowitz among others, shut down amid such allegations; while Uber was most recently charged with a \$7.3 million fine in California.

With startups on this side of the world increasingly providing protection and benefits to lure on more providers onto their tech platforms, will the model be at risk?

[Arjun Mendu](#), cofounder of home services marketplace Housejoy, is confident in the contractor model. "Freelance hiring in India is the way to go because of the sheer size of the population and demand. It needs to be a hybrid model," he said. Matrix-backed Housejoy now has 3000 service providers who receive specific skills training and microcredit assistance, among other benefits.

Here startups are well-advised to stick to ESIC laws related to training contractors, said [Manish Saigal](#), managing director of professional services firm [Alvarez & Marsal](#). "There is a very high sensitivity in India to any labour-related abuse and manipulation. If you are a well-funded or big-name startup, compliance levels have to be very high."

Amid an increasingly competitive [labour market](#) for delivery boys, logistics startups such as Roadrunnr have taken to contracting fleets on an on-demand basis as well, but not before doing due diligence. Before launching the business-to-business service in January, the founders had approached the labour inspector to receive written legal advice on the company's rights and responsibilities, said cofounder Mohit Kumar. "The grey area comes when the delivery boys simultaneously work for another employer," he added.

"While 'control' continues to be the most important criteria for determination of worker misclassification, unlike in the US which has well-defined set of tests that may be applied, we are yet to witness such jurisprudence in India. Also, given the practical challenges of employment litigation in India, it is unlikely that we would witness large-scale lawsuits on whether a person is an employee or an independent contractor as currently ongoing in the US," said Vikram Shroff, head of HR Law at Nishith Desai Associates. "However, it is important to learn from some of global developments and apply it in the Indian context."

A lot of the time such startups make use of third-party hiring agencies to recruit and even train blue-collar labour, which shields them from risk as long as such agencies are in line with employment-related policies. Some arrangements allow startups to directly pay the contracted labour.

The on-demand model came under fire in India last December with the alleged rape by an Uber driver in Delhi, calling into question the operating model by which tech platforms act as an intermediary between providers and customers.

"India, at this moment, witnesses different kinds of risk - the most important of which is can the employer be eventually held liable to the customer for actions of an individual contractor, and if so, what can it do to mitigate that risk," added Shroff of Nishith Desai.