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The Gig Economy and Labor Issues in India: Emerging Challenges and Policy Responses

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Abstract

The gig economy has become a notable aspect of modern labor markets, propelled by digital platforms and evolving employment preferences. In India, this sector has rapidly grown over the past ten years, providing flexible income-generating opportunities for millions. However, this expansion also brings significant labor-related challenges, such as job insecurity, unstable income, lack of social security, and inadequate legal protections. This paper explores the structure and growth of India's gig economy, highlights the primary labor issues faced by gig and platform workers, and assesses the current policy responses through a development economics lens. Utilizing secondary data from government reports, policy documents, and international organizations, the study posits that while the gig economy aids in job creation and economic efficiency, the lack of sufficient labor protections threatens worker welfare and inclusive growth. Ultimately, the paper proposes policy measures focused on reconciling flexibility with social security to promote sustainable development in India's gig economy.

Keywords: Gig Economy, Labor Issues, Platform Workers, Informal Employment, India, Social Security

Introduction

The global labor market is undergoing a significant transformation driven by technological advancements, digitalization, and the proliferation of platform-based business models, leading to the emergence of the gig economy. This sector is characterized by short-term contracts and freelance work facilitated via digital platforms, where workers are compensated by task or project rather than via traditional long-term employment arrangements.

In India, the rise of the gig economy responds to structural issues such as unemployment, underemployment, and a predominance of informal labor. Digital platforms in sectors like ride-hailing, food delivery, logistics, e-commerce, and online freelancing have opened new avenues for income, especially for young and migrant workers. The gig economy is often heralded as a solution for job creation and efficiency in service delivery.

Nevertheless, the rapid surge in gig work has unveiled serious labor-related challenges. Gig workers frequently lack contracts, social security benefits, minimum wage protections, and collective bargaining rights. Their classification as independent contractors excludes them from conventional labor protections, raising issues of job precarity, informal employment, and long-term economic vulnerability. This paper aims to analyze India's gig economy, concentrating on labor issues, the growth and structure of gig work, the challenges faced by gig workers, and policy responses to safeguard labor welfare while maintaining economic flexibility.

Concept and Features of the Gig Economy

The gig economy describes an economic system where workers provide services on a temporary, flexible, or on-demand basis, often facilitated by digital platforms. Gig workers are compensated for specific tasks or "gigs" instead of receiving fixed wages. Examples include ride-hailing drivers, delivery personnel, freelance designers, online tutors, and home service providers.

Key Features of the Gig Economy

The gig economy is defined by several characteristics:

1. Platform-based intermediation connecting service providers with consumers.
2. Flexibility in working hours, allowing workers to choose when and how much they work.
3. Task-based employment, with payment linked to performance.
4. A general absence of formal employer-employee relationships, with workers seen as independent contractors.

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5. Significant algorithmic management, where platforms control work allocation, pricing, and performance through automated systems. While these characteristics enhance efficiency and usability, they also transfer economic risks from companies to workers, raising critical labor concerns.

Growth of the Gig Economy in India

Factors driving the growth of India's gig economy include digitalization, smartphone access, urbanization, and shifting consumer preferences. India's large informal workforce and the scarcity of formal job opportunities have further expedited the adoption of gig work.

According to official data, India had approximately 7.7 million gig workers in 2020–21, comprising about 2.6 percent of non-agricultural employment. Projections indicate this number could rise to 23.5

million by 2029–30, highlighting the increasing relevance of gig work in India's labor landscape, particularly in urban settings where on-demand service demand is high.

Gig employment is predominantly found in sectors like retail, transportation, logistics, food delivery, and e-commerce. Major employers of gig workers include ride-hailing and delivery platforms, with online freelancing platforms providing opportunities for skilled workers in fields such as IT, content creation, and digital marketing. From a development economics standpoint, the gig economy has been instrumental in absorbing surplus labor, especially among youth, migrants, and ex-agricultural workers. However, the quality of the jobs created remains a significant concern.

Table 1: Size and Growth of Gig Workforce in India

Year.	Estimated Gig Workers (Million)	Share in non-agriculture Employment (%)
2019–20.	6.8	2.3
2020–21.	7.7	2.6
2022–23.	10.0	3.4
2029–30.	23.5.	6.7

(Projected)

Source: NITI Aayog; Ministry of Labour and Employment

Table 1 highlights the rapid expansion of the gig workforce in India, indicating a structural shift in employment patterns within the non-agricultural sector.

Gig Economy and Labor Issues in India

Despite its rapid growth, India's gig economy faces numerous labor-related challenges that impact worker welfare and economic stability.

Table 2: Labour Issues in India's Gig Economy

Labour Issue.	Description
Job Insecurity.	Absence of permanent contracts and risk of deactivation
Income Instability	Fluctuating earnings due to demand and algorithms
Lack of Social Security.	No pension, health insurance, or paid Leave
Legal Exclusion	Classified as independent contractors
Algorithmic Control.	Limited transparency in ratings and payments

Table 2 summarizes the key labour challenges faced by gig workers in India, highlighting structural vulnerabilities in platform-based employment.

Source: Compiled from ILO Reports; NITI Aayog; World Bank studies.

4.1 Job Insecurity

Gig workers experience high job insecurity due to the lack of permanent contracts. Platforms can deactivate workers based on performance ratings or algorithmic decisions without prior notice, leaving them vulnerable to sudden income loss.

4.2 Income Instability

Earnings in the gig economy are often unpredictable, influenced by fluctuations in demand, incentive structures, and platform commissions. Research shows that many gig workers earn modest incomes

despite long working hours, making financial planning difficult and heightening economic uncertainties.

4.3 Absence of Social Security

A significant issue facing gig workers is the lack of social security. Many do not have access to health insurance, retirement funds, paid leave, or accident compensation. In a country like India, where social security coverage is limited, this exclusion worsens inequalities and insecurity.

4.4 Legal and Regulatory Gaps

Gig workers are typically classified as independent contractors, which prevents them from receiving protections under labor laws pertaining to minimum wages, working conditions, and collective bargaining.

Although recent legal initiatives have acknowledged gig workers, the implementation remains inadequate.

4.5 Algorithmic Control and Lack of Transparency

Digital platforms utilize algorithms extensively to manage workers, determining assignment of tasks, pricing, incentives, and ratings, often without transparency. Workers typically have little oversight over these processes, resulting in power imbalances between platforms and workers.

Informalization of Labor and Development Concerns

The gig economy contributes to the informalization of labor within the formal digital economy. While platforms operate as organized entities, the workers they engage often lack formal employment status and legal protections, representing a new form of informality termed "platform-mediated informal work."

From a development economics perspective, this trend poses risks. Informal employment is linked to low incomes, absence of social security, and limited upward mobility. The proliferation of gig work without adequate regulation threatens to exacerbate labor precarity and hinder inclusive growth.

Table 3: Policy Measures for Gig Workers in India

Policy / Initiative	Key Provisions
Code on Social Security, 2020	Legal recognition of gig and platform workers
e-Shram Portal.	National database of unorganised workers
State Welfare Boards	Social protection at state level
Skill India Programs	Skill development and training

Table 3 outlines key policy initiatives aimed at improving labour protection for gig workers in India.

Source: Compiled from Code on Social Security, 2020; Ministry of Labour and Employment (GoI); NITI Aayog Reports.

Policy Recommendations

To ensure that the gig economy promotes sustainable and inclusive development, the following policy measures are advised:

- Legal Recognition and Employment Classification: Develop a hybrid classification for workers balancing flexibility with necessary labor protections.
- Universal and Portable Social Security: Establish portable social security systems linked to the worker rather than the employer.
- Minimum Income Protection: Implement minimum wage standards and transparent payment practices.
- Algorithmic Transparency: Require the disclosure of decision-making processes in algorithms influencing worker treatment.
- Skill Development and Career Mobility: Offer training programs to enhance skills and facilitate upward mobility in the labor market. These strategies can mitigate precarity while safeguarding the economic advantages of the gig economy.

Furthermore, the decline of collective bargaining and trade unions in the gig economy diminishes workers' ability to secure better wages and working conditions, impacting income distribution and social stability in the long term.

Policy and Legal Framework in India

Acknowledging the rising significance of gig work, the Indian government has initiated measures to address labor issues within the gig economy. The Code on Social Security, 2020 is a key development, recognizing gig and platform workers while outlining a framework for extending social security benefits.

The Code proposes welfare programs related to health insurance, accident coverage, and retirement protection for gig workers. It also mandates that digital platforms contribute to social security funds, and some state governments have started welfare boards and registration systems for gig workers.

Despite these efforts, challenges persist. Awareness among workers is lacking, coverage is limited, and enforcement mechanisms are weak, leaving many gig workers without effective social protections.

Conclusion

The gig economy has become a vital element of India's labor market, providing new job possibilities and economic flexibility. Nonetheless, the rise of gig work has highlighted significant labor concerns, including job insecurity, income volatility, lack of social security, and inadequate legal protections. From a development economics standpoint, the unregulated growth of the gig economy risks perpetuating informality and widening inequality.

A comprehensive policy framework is necessary to ensure that the gig economy serves as a catalyst for inclusive and sustainable growth rather than a source of job precarity. Strengthening labor regulations, expanding social security, and refining regulatory structures are crucial steps in achieving this balance. As India's gig workforce continues to expand, prioritizing labor issues within policy agendas is imperative.

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Conflicts of interest

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