



Rise and Challenges of India's Gig Economy

For Prelims: [Gig economy](#), [Compounded Annual Growth Rate](#), [Gig Workers](#), [Artificial Intelligence](#), [e-Shram Portal](#), [Pradhan Mantri Shram Yogi Maandhan Yojana](#)

For Mains: Labor Market Dynamics, Social Security and Labor Welfare, Gig economy's contribution to India

[Source: BS](#)

Why in News?

According to a white paper by the **Forum for Progressive Gig Workers**, the [gig economy in India](#) is projected to grow at a [compounded annual growth rate \(CAGR\)](#) of **17%**, reaching **USD 455 billion by 2024**, driving significant economic growth and employment opportunities.

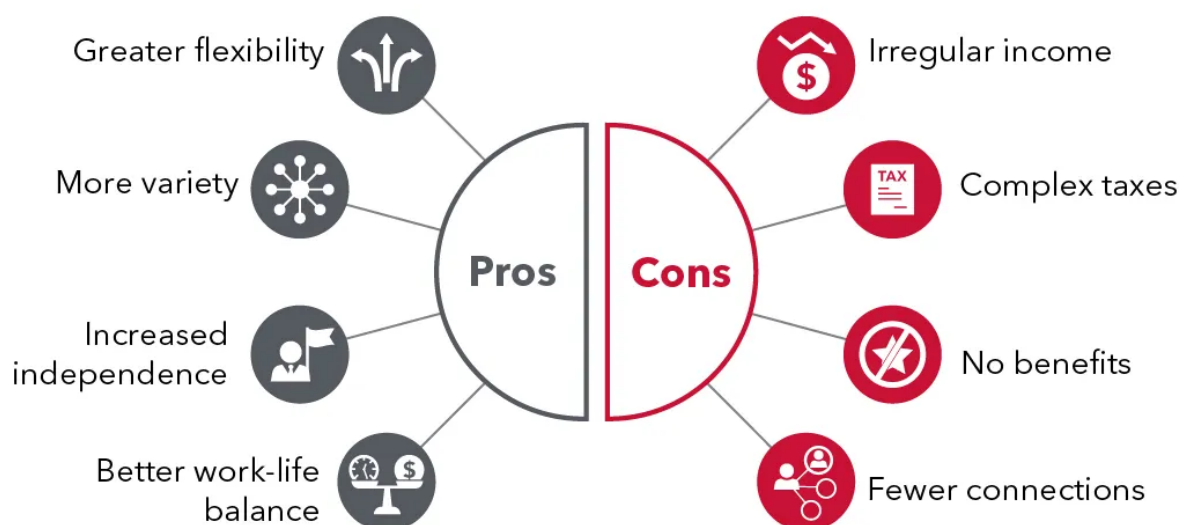
What is the Gig Economy?

- **About:** The gig economy refers to a labor market characterized by **short-term, and flexible jobs** often facilitated through digital platforms.
 - It involves individuals or companies offering **services on a temporary** or task-by-task basis, rather than through traditional full-time employment contracts.
 - In the gig economy, [gig Workers](#) (also known as independent contractors or freelancers) are paid for each task or gig they complete.
 - Popular gig economy activities include **freelance work**, food delivery services, and freelance digital work.
- **Key Features:** The gig economy offers flexibility, allowing workers to choose their schedules and work location.
 - Digital platforms connect service providers with consumers for short-term, task-based jobs.
- **Perspectives on Gig Economy :**
 - **For Gig Workers:** Gig work offers diverse opportunities, and the ability to balance personal and professional lives, **especially benefiting women in the labor market.**
 - It allows for skill enhancement, with workers able to take on various tasks that broaden their expertise and increase income potential.
 - **For Businesses:** Companies benefit from cost-effective labor, with the ability to scale the workforce as needed based on demand.
 - Gig work enables businesses to select workers with specific skill sets for short-term projects, optimizing productivity without long-term commitments.

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GIG ECONOMY PROS AND CONS

Workers in a gig economy can enjoy a number of advantages, but there also are potential disadvantages. The pros and cons include:



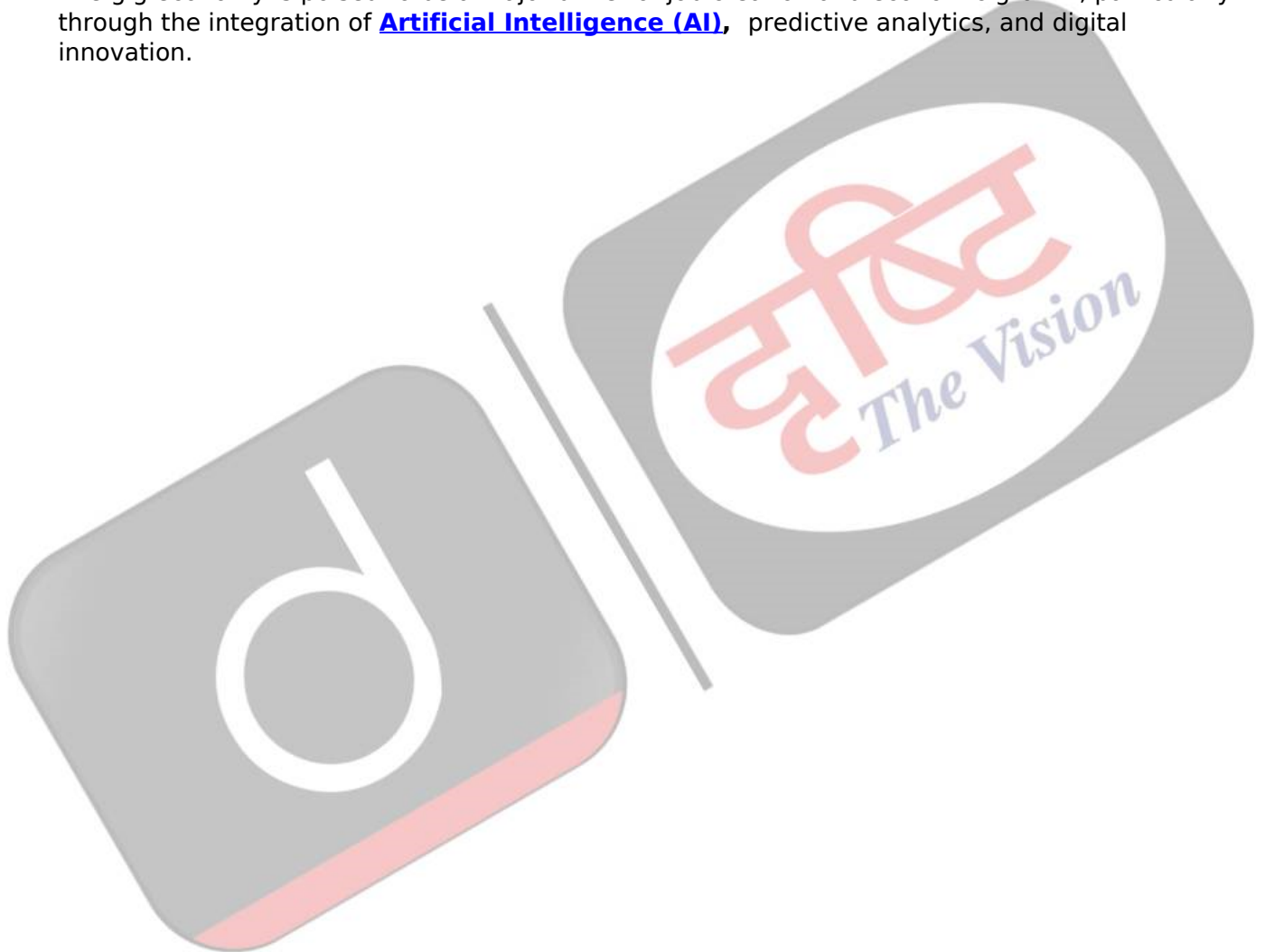
What is the Status of the Gig Economy in India?

- **Market Size:** The gig economy in India is rapidly expanding. In **2020-21**, there were about **7.7 million gig workers**, projected to grow to **23.5 million by 2029-30**.
 - This sector includes a **mix of low, medium, and high-skilled jobs**, with a significant portion in medium-skilled roles.
 - Key sectors driving the growth of the gig economy include **e-commerce, transportation, and delivery services**, all benefiting from the increasing demand for flexible work arrangements.
- **Driving Factors:**
 - **Digital Penetration:** India has over **936 million internet subscribers in India**, with rapid growth in rural areas. This widespread internet access provides a strong foundation for the gig economy.
 - Around **650 million smartphone users**, with decreasing smartphone prices making it accessible to lower-income groups and expanding internet usage.
 - **Startup and E-commerce Growth:** The rise of **startups and e-commerce** requires flexible workers for content creation, marketing, logistics, and delivery, fueling gig economy growth.
 - **Consumer Demand for Convenience:** Increased demand for quick services like **food delivery and e-commerce** in urban areas creates opportunities for gig workers in delivery and customer service roles.
 - **Low-Cost Labor:** A **large pool of semi-skilled and unskilled labor** willing to take gig work, driven by a **lack of formal employment opportunities**, allows platforms to offer low wages and poor working conditions.
 - High unemployment, underemployment, income disparities, **rising living costs, and limited social security** drive people towards gig work as a **survival and growth strategy**.
 - **Changing Work Preferences:** Younger generations prefer work-life balance and flexibility, **opting for gig work that allows project selection, flexible hours, and**

remote work.

What Role Does the Gig Economy Play in Employment Generation in India?

- By 2030, the Gig Economy is expected to **contribute 1.25% to India's GDP and generate around 90 million jobs** in the long term.
 - By 2030, gig workers are expected to make up **4.1% of the total workforce**, becoming a crucial segment of India's labor market.
- The gig economy offers alternate revenue streams for workers, especially in **Tier-II and Tier-III cities, where growth is accelerating.**
- **Women stand to benefit** from **increased earnings opportunities**, providing them with greater financial independence and workforce integration.
- Initially Gig Economy was dominated by high-income earners and consultants, **gig work has become increasingly popular among entry-level workers and freshers** seeking flexible work options and skill development.
- The gig economy is poised to be a major driver of job creation and economic growth, particularly through the integration of **Artificial Intelligence (AI)**, predictive analytics, and digital innovation.



Gig worker segments in India

Perceived level of skill



High-skill



Purpose Fulfillers: Hair and beauty professional, cook, tutor. Jobs chosen on the basis of **flexible hours, nearby location and safe work environment**. **Personality development** is a key driver too



Aspiring Entrepreneurs: Mechanic, technician, carpenter, electrician. Having trust in their skill set, they seek **job regularity or continuity and learning opportunities** to master skill sets



Moderate-skill



Ambitious Hustlers: Data entry operator, telecaller, LIC agent. Determined to make a career in their current field of work, they aspire for **growth** in terms of **learning** and **rising in designation** with promotions



Hopeful Balancers: Cab driver, auto driver. Though driven by the need to earn a **good pay, salary growth potential** and **non-monetary benefits like medical/life/vehicle insurance** too play a key role



Semi-skill



Financial Contributors: Domestic help, health care worker. Motivated to earn a **good salary** to provide a helping hand to fund household expenses and also build a savings corpus. **Flexible schedule** and **nearby work location** are also critical



Financially Strapped Solo Earners Construction worker, food delivery agent. With low-skill level and high dependency for household income, their key job choice drivers are a **good salary** and **regularity or continuity of job**. Also seek **non-monetary benefits** like **health insurance** to save money in long term



Student



Earn to Burn: Telecaller, data entry operator. Students seeking to **earn salary** for discretionary spending. Job choice primarily driven by a **flexible schedule**, potential for **personality development** (soft skills, confidence, etc.) and **respectable job title**



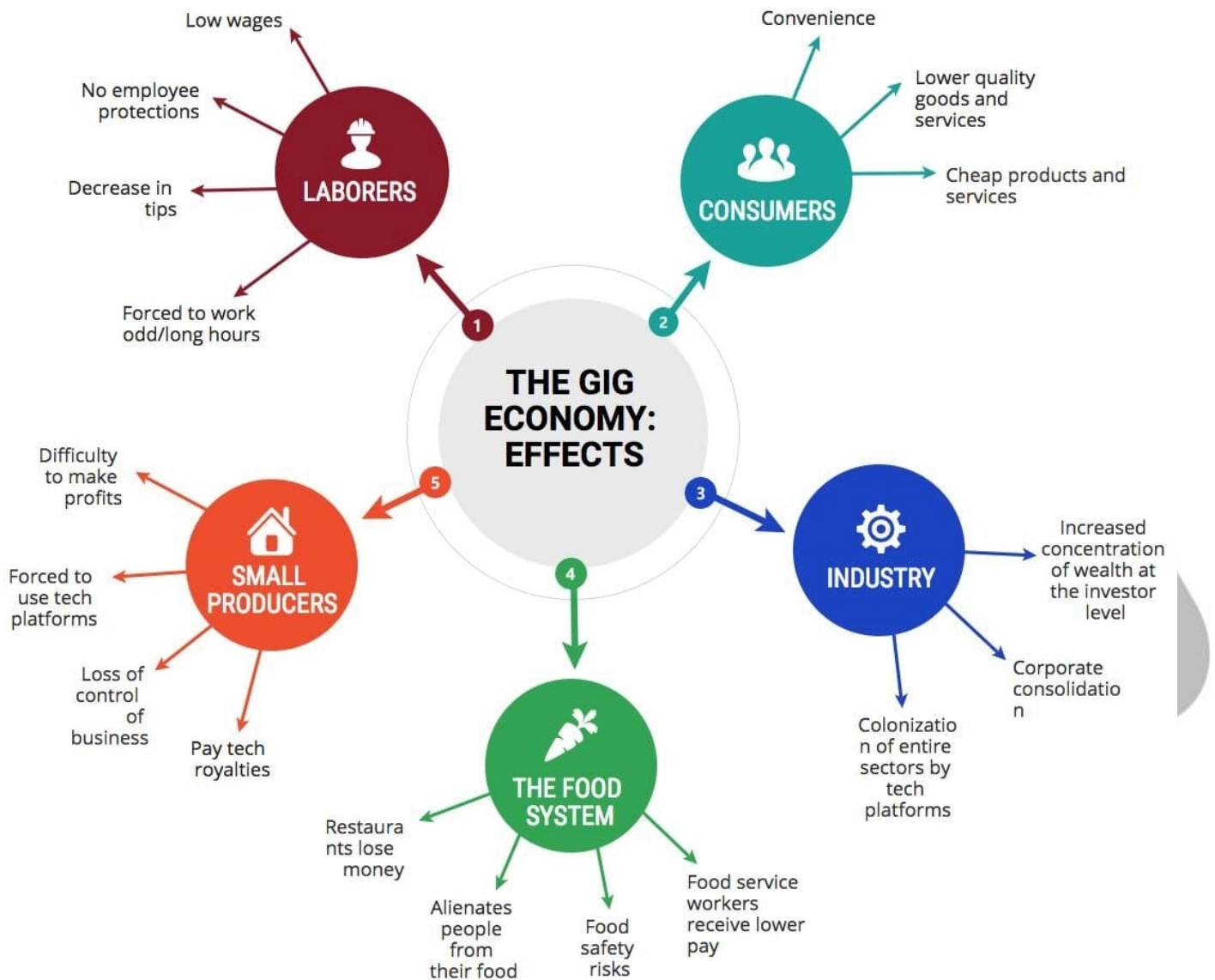
Millennial Providers: Food delivery agent, package delivery agent, data entry operator. Students financially supporting families as well as funding own education look for jobs that **pay well**. A **flexible schedule** is important too

Life stage

What are the Challenges Faced by Gig Workers in India?

- **Job Insecurity:** Lack of work stability is a major concern, with **20% of dissatisfied gig workers identifying it as the top issue**. This is particularly prominent among unskilled workers, with over 30% citing it as their most critical job driver. Workers like security guards face financial instability due to irregular income.
- **Income Volatility:** Earnings are unpredictable, dependent on demand, competition, and seasonal trends, making financial planning difficult and limiting access to loans or credit.
- **Regulatory Gaps:** Absence of a comprehensive legal and regulatory framework, leaving gig workers vulnerable to exploitation without protection for fair wages, rights, or working conditions.
 - Gig workers often find themselves in a **grey zone between organized and unorganized labor**, limiting access to benefits like healthcare, pensions, and insurance.
- **Timely Payments:** Over 25% of gig workers face dissatisfaction due to delayed payments, stressing the need for timely, transparent, and shorter payment cycles to avoid financial strain.
- **Learning and Personality Development:** Gig workers, especially Ambitious Hustlers and Earn to Burn, report a lack of skill-building opportunities, expressing a desire for jobs that help advance

their careers.



India's Initiatives Related to Gig Workers in India

- **Code on Social Security, 2020:** This act recognizes gig workers as a separate category and envisages extension of social security benefits to them.
 - However, it has been criticized for lacking legal mandates, universal coverage, and accountability mechanisms for gig workers.
- **[e-Shram Portal](#)**
- **[Pradhan Mantri Shram Yogi Maandhan Yojana](#)**
- **[Pradhan Mantri Jeevan Jyoti Bima Yojana \(PMJJBY\)](#)**
- **State-level initiatives:**
 - **[Rajasthan's Platform-Based Gig Workers \(Registration and Welfare\) Act, 2023.](#)**
 - **Karnataka's Bill on Gig Workers:** This bill mandates formal registration, grievance mechanisms, and transparent contracts, though it has issues such as the classification of gig workers as independent contractors, which excludes them from key labor protections.

Way Forward

- **Legal reforms:** India could draw inspiration from countries like California, and the Netherlands, which have **reclassified gig workers as employees** to ensure they receive protections like minimum wages, regulated working hours, and access to healthcare.
- **Portable Benefits System:** A portable benefits system, where workers can access **health insurance, retirement plans, and unemployment benefits** regardless of their employer, would significantly improve the well-being of gig workers.
 - Companies like Amazon, Flipkart, Zomato, and Swiggy are improving worker conditions with **safety gear, resting areas, and water access**. Continued focus on welfare will ensure a **sustainable gig economy**.
- **Technology-driven solutions:** A robust feedback mechanism should be implemented to enable gig workers to report issues related to exploitation or discrimination by platforms to create a fairer environment.
- **Skill Development and Upskilling:** Promote skill-building initiatives and collaborations with **vocational institutes** to equip gig workers with the necessary skills to transition into higher-paying roles and entrepreneurial ventures.

Drishti Mains Question:

Assess the role of the gig economy in addressing unemployment in India. How can government policies be improved to enhance the welfare of gig workers?

UPSC Civil Services Examination, Previous Year Question (PYQ)

Mains

Q. Examine the role of 'Gig Economy' in the process of empowerment of women in India. **(2021)**

PDF Reference URL: <https://www.drishtiias.com/printpdf/rise-and-challenges-of-india-s-gig-economy>