

Gig Economy in India: Opportunities, Challenges and Policy Imperatives

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Abstract

There are several ways in which the gig economy helps the economy as a whole. It reduces the impact of unemployment, increases participation in the labour market, boosts demand, and boosts productivity. With more services available and better matching to meet their needs, consumers and organisations could reap the benefits. This study takes a look at the pros and cons of the gig economy and how it's growing so quickly. Members of the "gig economy" work as independent contractors or take on short-term jobs rather than permanent positions with a company. If you believe Freelancer.com, a worldwide marketplace for freelancers and crowdsourcing, India is rapidly becoming one of the most gig-economy countries in the world. The expansion of marketplaces, the use of blockchain-based payment systems, the usage of gigs by the retired population, the dominance of technology in recruiting, and the increased use of contractual hires by established firms are all prominent developments in India's gig economy. Numerous positive effects on the economy stem from the gig economy, such as lower unemployment rates, more labour force participation, higher demand, and enhanced productivity. Greater service availability and improved service matching that better suit demand could be beneficial for companies and customers alike. One of its many negative aspects is the reduction in pay that it brings about. Working lives are fragmented as a result. Stress and mental illness are on the rise because it places the burden of risk on ordinary people. Working as a gig worker does not entitle you to benefits like pensions, paid sick leave, vacations, or parental leave. People with precarious job situations are less likely to get mortgage loans. The report goes on to look at recommendations for how individuals, companies, and the government may all benefit from the gig economy.

Keywords: *Economy, Employer, Businesses, Unemployment, Working Hours.*

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I. Introduction

Globalisation, fast technology development, and changing socioeconomic dynamics have all contributed to a dramatic change in the character of work during the last 20 years. A notable consequence of this shift is the rise and development of the gig economy. In its broadest sense, the phrase “gig economy” describes a kind of labour market where individuals engage in temporary, freelance, and sometimes digitally-mediated employment arrangements. Workers in the gig economy have more freedom to decide how, when, and where they get their jobs done than in more conventional types of employment that prioritise regular schedules and long-term contracts. This strategy has been very successful in India, changing the way people work and creating opportunities for companies. The huge and young population of India makes it an ideal place for the gig economy to flourish. Producing enough job possibilities while also accommodating a varied workforce with different interests and skill levels is a double-edged sword for the nation. Problems like underemployment, unemployment, and the informalization of work have arisen because traditional industries have failed to accommodate the expanding labour force. To this end, millions of people in both urban and rural regions have found flexible income-generating options in the gig economy, which has grown in popularity in recent years. Gig jobs have expanded to include many other types of service industries, such as food delivery, ridesharing, digital freelancing, and professional consulting.

Rapid investment in digital infrastructure is a driving force behind India’s booming gig economy. The proliferation of digital payment methods, ubiquitous smartphone usage, and increased internet penetration have all contributed to the smooth integration of service providers and users. By mediating between buyers and sellers, digital platforms improve efficiency and cut down on transaction costs by matching supply and demand in real time. In addition to easing the expansion of platform-based businesses, this technology ecosystem has given people the tools they need to pursue employment possibilities regardless of their physical location. So, the gig economy is now fundamental to India’s larger digital transformation effort. Worker goals and tastes are evolving, which is a major factor fuelling the gig economy. More and more, younger generations are gravitating toward flexible employment arrangements that provide them more freedom and a better work-life balance. More flexible and personalised work arrangements are progressively replacing the static framework of conventional employment. The flexibility to pursue hobbies outside of work, learn new skills, and balance personal and professional obligations is a major draw for many people who make the decision to work gigs rather than settle for a temporary arrangement. As a result of this mental change, gig labour has become more mainstream

and accepted as a valid kind of job. There was already a surge in India's gig economy before the COVID-19 outbreak hit. Gig platforms became an important source of income for many people as interruptions to companies and layoffs in the formal sector became more common. New options for gig workers emerged as the demand for home delivery, logistics, and online freelancing rose. Even in the midst of a catastrophic event, the gig economy proved to be resilient and adaptable enough to keep people employed. But it also revealed the dangers of gig employment, such as not having a steady income or social security to fall back on.

The gig economy in India has several benefits, but it also has certain problems. The unstable nature of gig employment is a major cause for worry. Traditional labour rights including minimum wage, health insurance, and retirement security are not available to workers since they are generally categorised as independent contractors instead of employees. Another major problem is the unpredictability of income, as it is highly correlated with the availability of jobs and the algorithms used by platforms. Furthermore, issues of equity, openness, and responsibility arise due to the disparity in power between platforms and employees. These problems highlight the need to find a middle ground that protects workers adequately while also allowing gig workers some leeway. When it comes to economic growth and social inclusion, the gig economy is a major player. Women, students, and those living in rural regions are among the categories who have historically been unable to find formal work prospects; this might change if this trend continues. Mobility, time, and social conventions are some of the obstacles that may be helped by flexible employment arrangements. But for certain people, the gig economy may not be as accessible as it seems due to gaps in education, digital skills, and access to technology. To guarantee that the expansion of the gig economy is fair and inclusive, it is crucial to tackle these disparities. The gig economy provides many benefits to businesses, including more operational flexibility and lower operating costs. By using contractors, businesses may cut the overhead expenses of permanent employees, obtain specialised talents on an as-needed basis, and grow their workforce to meet demand. Startups and small businesses thrive in highly competitive and ever-changing marketplaces, and this strategy is perfect for them. On the other hand, concerns over the long-term effects on the job market and the viability of such company models are brought up by the growing dependence on gig workers. Officials in India have started moving toward regulating and integrating the gig economy into the official sector as they have come to understand its increasing significance. There have been significant attempts to provide social protections to gig and unorganised workers via initiatives like the e-Shram Portal and the Code on Social Security, 2020. However, there are still major holes in coverage, enforcement, and

implementation. In order to foster innovation and economic progress, there must be all-encompassing legislative frameworks that take into account the specifics of gig employment.

II. Opportunities of the Gig Economy In India

There is a significant risk that technological progress and the introduction of AI will lead to the loss of jobs. Freelancing and microwork on the internet might turn this into a chance for some of the millions of young people who have just entered the workforce to find a way to support themselves. People in the country's large informal work force, particularly women, have a chance to shine because of this.

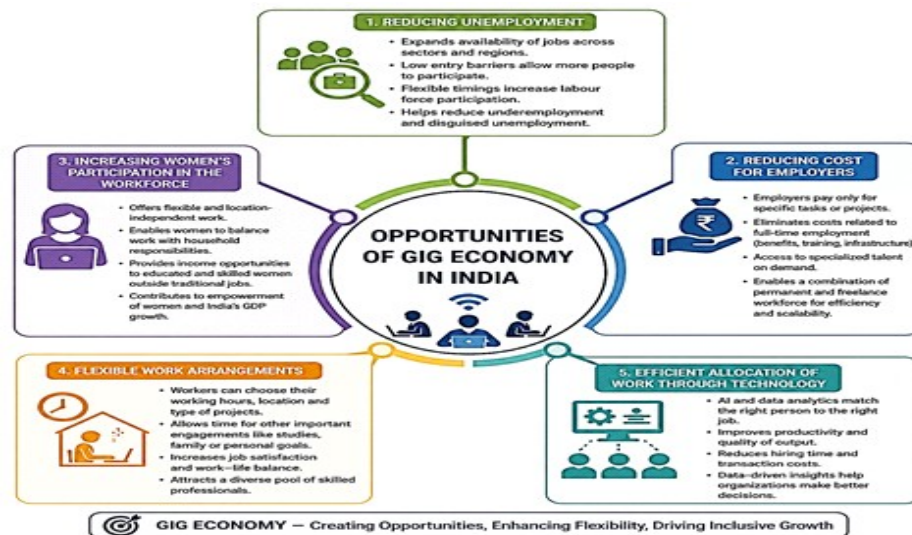


Figure 1: Opportunities of the Gig Economy in India

A developing society seeking rewarding and autonomous alternatives for living that entail working part-time may find the platforms' flexibility to be a good match. There may be economic advantages to people working independently, such as a reduction in unemployment, a rise in labour force participation, an increase in demand, and a boost in productivity. With more services available and better matching to meet their requirements, consumers and organisations might reap the benefits. Workers who choose for self-sufficiency cherish the freedom and independence it provides.

1. Reducing Unemployment

India, as a developing economy, faces a persistent challenge of generating sufficient employment opportunities for its rapidly growing workforce. The gig economy has emerged as a significant solution by expanding access to jobs across

sectors such as transportation, delivery services, digital freelancing, and household services. Unlike traditional employment, gig work does not require long-term commitments or formal hiring processes, thereby lowering entry barriers for workers. The flexibility offered by gig work allows individuals—including students, semi-skilled workers, and those in rural or semi-urban areas—to participate in income-generating activities according to their availability. This has led to an increase in labor force participation, particularly among individuals who might otherwise remain unemployed or underemployed. Furthermore, gig platforms enable workers to take up multiple assignments simultaneously, thereby increasing earning opportunities and reducing disguised unemployment.

2. Reducing Cost for Employers

The gig economy enables firms to significantly reduce operational and labor costs by shifting from a traditional employment model to a more flexible workforce structure. Companies can avoid expenses related to permanent employment, such as benefits, pensions, office space, and training costs. Instead, they can hire freelancers or independent contractors on a need basis, paying only for specific tasks or projects. Large corporations, including Fortune 500 companies, increasingly rely on digital freelance platforms to access specialized talent from across the globe. This approach allows businesses to scale their workforce up or down depending on demand, thereby improving efficiency and competitiveness. As noted by Kathuria et al. (2017), organizations are transitioning from a model where teams determine the work to one where the nature of work determines team composition. This shift reflects a more dynamic and responsive organizational structure, where freelancers and permanent employees coexist, complementing each other's roles. For Indian companies, especially startups and SMEs, this model is particularly beneficial as it aligns better with fluctuating business needs and resource constraints.

3. Increasing Women's Participation in the Workforce

The gig economy holds significant potential to enhance female labor force participation in India, which has traditionally been low due to social, cultural, and structural barriers. Flexible work arrangements allow women to balance professional responsibilities with household duties, childcare, and other commitments. Educated and skilled women who are unable to engage in full-time corporate employment can leverage gig platforms to access income-generating opportunities in areas such as content writing, design, consulting, teaching, and digital services. This flexibility reduces the constraints imposed by rigid work schedules and geographical limitations. According to reports such as those by Ernst & Young (EY), the gig economy can serve as a catalyst for women's economic empowerment by enabling financial independence

and career continuity. Increased participation of women in the workforce can also contribute positively to India's GDP growth and overall economic development.

4. Flexible Work Arrangements

One of the most defining features of the gig economy is the flexibility it offers in terms of working hours, location, and nature of work. This has made it particularly attractive to a wide range of individuals, including students, professionals seeking additional income, retirees, and those pursuing higher education or entrepreneurial ventures. Skilled workers increasingly prefer independent or project-based work as it allows them to manage their time efficiently and engage in multiple pursuits simultaneously. For instance, a professional may take up freelance projects while pursuing advanced studies or developing a startup idea. This flexibility also enhances job satisfaction and work-life balance, which are increasingly valued in modern labor markets. Moreover, organizations benefit from this arrangement by gaining access to a diverse talent pool without the constraints of geographical boundaries, leading to greater innovation and productivity.

5. Efficient Allocation of Work through Technology

The integration of advanced technologies such as Artificial Intelligence (AI) and data analytics has significantly enhanced the efficiency of gig platforms. These technologies enable better matching of workers with tasks based on skills, experience, location, and performance ratings. AI-driven algorithms can analyze large datasets to identify the most suitable candidate for a specific job, thereby improving productivity and reducing hiring time. This ensures that work is allocated to the "right person," enhancing both quality and efficiency. Additionally, performance tracking and feedback systems help maintain accountability and continuous improvement among workers.

III. Challenges for The Gig Economy In India

- It should come as no surprise that the workers are being recruited for a certain period of time or for a particular activity. This indicates that there are almost no opportunities for promotion within the business, if any at all.
- Because of the nature of this working culture, which involves hiring workers for a short period of time, there is no guarantee that there will be secrecy in the workplace. There is no assurance that social security benefits, including pensions, PF, and ESI, will be provided.
- In addition, there is no assurance that the employment and compensation will be sustainable.
- The influence of digitisation has resulted in a significant increase in the number of potential workers in comparison to the number of activities and positions

that are available. Furthermore, it is a foregone conclusion that the situation will continue to worsen in the future, which will lead to a reduction in salary.

- This is a unique concept that is only applicable to urban areas inside the continent. There is no access to power or the internet in geographical areas that are considered rural.
- An increase in stress as a consequence of the unpredictability associated with the availability of opportunities for employment and income
- The gig worker is not granted access to fundamental employment rights as a result of the contract that exists between the platform owner and the gig worker.
- A decrease in the negotiating power of employees The negotiating power of an individual will always be limited in comparison to that of conventional employment, unless the individual in question has remarkable competence.

IV. Policy Imperatives for The Gig Economy In India

1. Legal Recognition and Classification of Gig Workers

A major policy requirement is to provide clear legal recognition to gig workers within the labor framework. Currently, gig workers are neither classified as traditional employees nor fully independent contractors, which creates ambiguity in their rights and protections. Establishing a distinct legal category will help define employer responsibilities, ensure access to legal remedies, and prevent exploitation arising from misclassification.

2. Universal Social Security Framework

There is an urgent need to extend social security benefits to gig workers who are currently excluded from traditional welfare systems. Effective implementation of the Code on Social Security, 2020 can play a key role in this regard. Policies should focus on portable benefits such as health insurance, pensions, and accident coverage, supported through contributions from the government, platforms, and workers.

3. Minimum Wage and Income Security

Gig workers often face irregular and unpredictable income due to the nature of platform-based work. Introducing a minimum wage or floor income guarantee can help ensure financial stability. Additionally, mechanisms must be put in place to ensure timely payments and protect workers from arbitrary changes in pricing algorithms that affect their earnings.

4. Regulation of Digital Platforms

Digital labor platforms must be regulated to ensure fairness and transparency in their operations. Algorithmic systems used for task allocation, rating, and payment

determination should be made more transparent. Platforms should also establish proper grievance redressal mechanisms and avoid unfair practices such as sudden deactivation of workers without justification.

5. Skill Development and Capacity Building

To enhance employability and income potential, gig workers should be integrated into national skill development programs. Continuous upskilling and reskilling initiatives, along with digital literacy training, are essential in a rapidly evolving job market. Certification systems can further improve credibility and open up better opportunities for workers.



Gig platforms collect large amounts of personal and professional data from workers. It is important to regulate how this data is used and ensure transparency in algorithmic decision-making. Strong data protection measures should be implemented to safeguard workers' privacy and prevent the misuse of information.

7. Strengthening Worker Representation

Gig workers often lack a collective voice to negotiate better working conditions. Encouraging the formation of unions or worker associations can help address this issue. Providing legal recognition to such groups will facilitate collective bargaining and promote a more balanced relationship between workers and platforms.

8. Gender and Social Inclusion

Policies should aim to make the gig economy more inclusive by encouraging participation from women and marginalized groups. Providing safe working environments, addressing social barriers, and offering supportive measures such as flexible work arrangements and childcare facilities can significantly improve inclusivity.

9. Health, Safety and Welfare Measures

Ensuring the health and safety of gig workers is essential, especially for those engaged in high-risk jobs like delivery and transportation. Mandatory insurance coverage, regulation of working hours, and provision of emergency support systems can help reduce occupational risks and improve overall well-being.

10. Institutional Strengthening and Financial Inclusion

Strengthening institutional mechanisms is necessary for effective policy implementation. Initiatives like the e-Shram Portal should be expanded to ensure better coverage of gig workers. Additionally, simplifying taxation processes, improving access to financial services, and promoting financial literacy will help integrate gig workers into the formal economy.

V. Conclusion

In this new period of the fourth industrial revolution, the gig economy is expanding, and it has the potential to be of significant service to developing countries such as India. It is possible that difficulties might be transformed into opportunities with the collaboration of the government, workers, and educational institutions.

The policies and rules of the government and the labour laws will have a significant impact on the extent to which the gig economy is present in India. It is also important for individuals to be ready for continuous education since they will be required to improve their skills or acquire new ones in order to adapt to the shifting environment.

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