Profits Over Protections: Understanding the Business of India's Gig Economy

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Abstract

This paper examines the rapid expansion of India's Gig Economy and the complex socioeconomic vulnerabilities faced by its workforce. Using official datasets, academic papers, industry surveys and secondary literature. The study analyses the structural characteristics of the platform-based labor markets, including income volatility, algorithmic control and the absence of enforceable traditional labor protections. A central contribution of this paper is a quantitative assessment of the financial incentives that companies derive from not classifying gig workers as employees but instead as independent contractors. This classification allows them to bypass statutory obligations such as employee provident fund contributions, paid leaves, sponsored insurance, and minimum wage compliance. By doing this, the firms achieve labor cost savings of about 20-40% per worker. When these savings are compounded at a national scale, it creates a strong disincentive for firms to formalize employment relationships, reinforcing a cycle of precarity among millions of workers. This paper also further evaluates the limitations of India's existing framework, particularly the Code on Social Security (2020), which recognizes gig workers but fails to provide enforceable legal guarantees. Through a combination of empirical evidence and policy analysis, the study proposes a multi-faceted regulatory approach, including the introduction of a "dependant contractor" category as well as platform-mandated social security contributions and the recognition of collective bargaining rights.

1.Introduction

The Gig Economy refers to a labor market structure defined by short term, task based and often technologically mediated work. Unlike regular salaried work, gig workers are independent contractors or freelancers who generally do not have any formal contracts of employment, job security, or access to social protection mechanisms. While informal and contractual labor has a long history in India, the past decade has seen the rapid formalization of digital platforms brokering such work, constituting what is now termed the platform-based gig economy.

India's platform economy has shown exponential growth with services like ride hailing (Ola, Uber,Rapido), Food delivery(Swiggy,Zomato), Quick-Commerce(Zepto, Blinkit, etc.) and home services(Urban Company) have reshaped the employment landscape. Platforms have expanded across metros and Tier-II cities, giving employment to millions of workers on flexible, on-demand models. This transformation reflects broader shifts in technology, urbanization, and consumption patterns and represents both a new employment opportunity and a major policy challenge.

Yet, despite that growth, gig work in India remains unregulated and precarious. Workers are often paid low wages, work long hours, and are without basic entitlements like provident fund, paid leave, or health insurance. A more important but underexplored factor reinforcing this dynamic is an economic incentive for firms to not classify gig workers as employees. In doing so, firms avoid statutory contributions and compliance costs, with some estimates suggesting savings of 20-40 percent per worker. This structural incentive entrenches informalization and erodes worker welfare, even as platform businesses continue to scale.

This paper explores the rise and impact of India's gig economy, with a focus on worker vulnerabilities, regulatory responses, and employer-side incentives. It begins with an overview of the sector's growth, followed by an examination of the socio-economic challenges faced by gig workers. A central section quantifies the cost advantages firms gain from keeping workers outside the formal employment framework. The paper ends with an evaluation of the Code on Social Security 2020 and offers a policy framework that strikes a balance between innovation and worker protections.

2.Growth of the Gig Economy

2.1 Historical Growth and Sectoral Expansion

India's gig economy has grown rapidly in the past ten years, supported by technological advancements and increased demand on one side and venture capital funding on the other. The entry of platform companies like Ola (2011) and Uber (2013) marked the crucial moment in the growth of gig-based employment in urban India. These companies introduced app-based services for ride-hailing first to metro cities and then expanded their services to Tier-II and Tier-III towns. The model soon spread to other services, food delivery by Swiggy and Zomato, and home-based services like salon treatments and repairs through Urban Company.

These platforms not only disrupted traditional service delivery models but also created large-scale employment for semi-skilled and low-skilled urban populations. The gig work model became increasingly appealing due to the promise of flexible work hours, low barriers to entry, and minimal formal education requirements.

2.2 Workforce Composition and Employment Scale

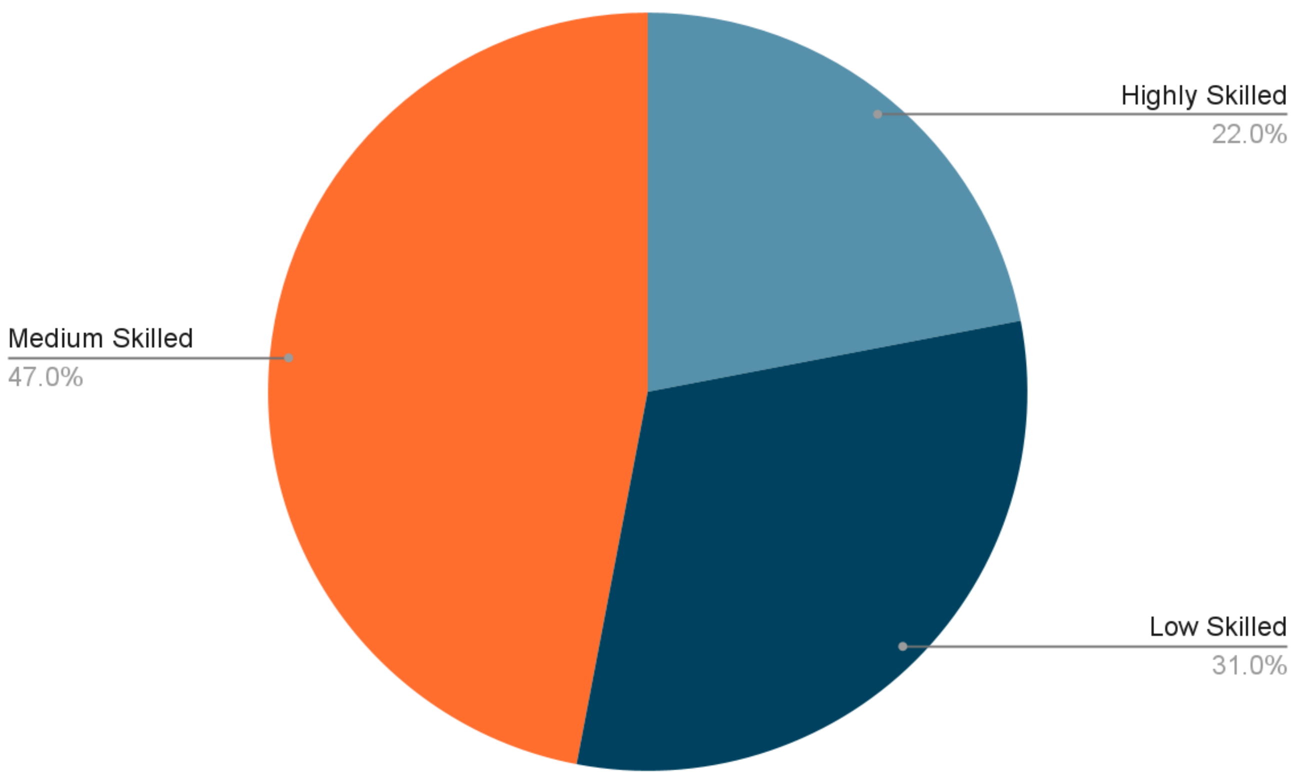
According to NITI Aayog’s 2022 policy brief, India had an estimated 7.7 to 8 million gig and platform workers in 2020–21. This figure is projected to increase to 23.5 million by 2030, representing approximately 6.7% of the non-agricultural workforce. Additionally , a report by the Michael and Susan Dell Foundation says that the gig economy has the potential to serve up to 90 million jobs across India’s non-farm sector in the coming years.

The current workforce composition is diverse:

1. **47% medium-skilled workers**, including drivers and delivery agents (e.g., Ola, Uber, Swiggy, Zomato)

2. **31% low-skilled workers**, such as those in retail support and hospitality

3. **22% high-skilled workers**, such as freelancers on platforms like Upwork and Fiverr



2.3 Structural drivers of growth

Several factors have contributed to the rapid expansion of gig work in India:

1.Because of **smartphone penetration and more affordable internet access**, gig platforms are now accessible to millions of people.

2.**Urbanization** and increasing middle-class demand raise the need for convenient services in areas such as transport, food delivery, and home care.

3.The infrastructure for **digital payments**, particularly **UPI** and wallet-based, has facilitated seamless transactions between platforms, customers, and workers.

4.**COVID-19 pandemic** disruptions further normalized app-based work both for consumers and service providers.

In conclusion, India's gig economy has grown from specialised app-based services to a Labor force spanning multiple industries. Its anticipated expansion suggests a long-term shift in the nation's work structure and accessibility. But this expansion also highlights the social and legal issues that come with flexible, informal work, a topic covered in the following section.

3.Challenges Faced by Gig Workers

3.1 Legal Exclusion from Labor Protections

Gig and Platform workers occupy a legal gray zone in India. Despite being a significant portion of the service workforce, they are not recognized as "employees" under most Indian Labor laws. This classification prevents them from accessing core protections such as minimum wages, regulated working hours, overtime pay and protection from wrongful termination.Companies such as Swiggy, Zomato, Ola and Uber and almost every other platform based service provider classifies its workers as “independent contractors” rather than employees, hence circumventing their obligations related to provident fund contributions, Paid leave and health benefits. Unlike traditional employees they have no legal safeguards against discrimination or workplace harassment.

3.2 Absence of Social Security and Insurance

The absence of social security is one of the biggest problems facing gig workers. These employees are left to deal with financial shocks on their own since they do not have access to employer-sponsored benefits like health insurance, maternity leave, or retirement savings. Severe income loss can be caused by illness, injury, or even a brief incapacity to work. Although the Code on Social Security, 2020 offers welfare programs and formally acknowledges gig and platform workers, its implementation has been sluggish and dispersed. There isn't currently a universal or legally binding benefit package in place.

3.3 Algorithmic Control and Performance Pressures

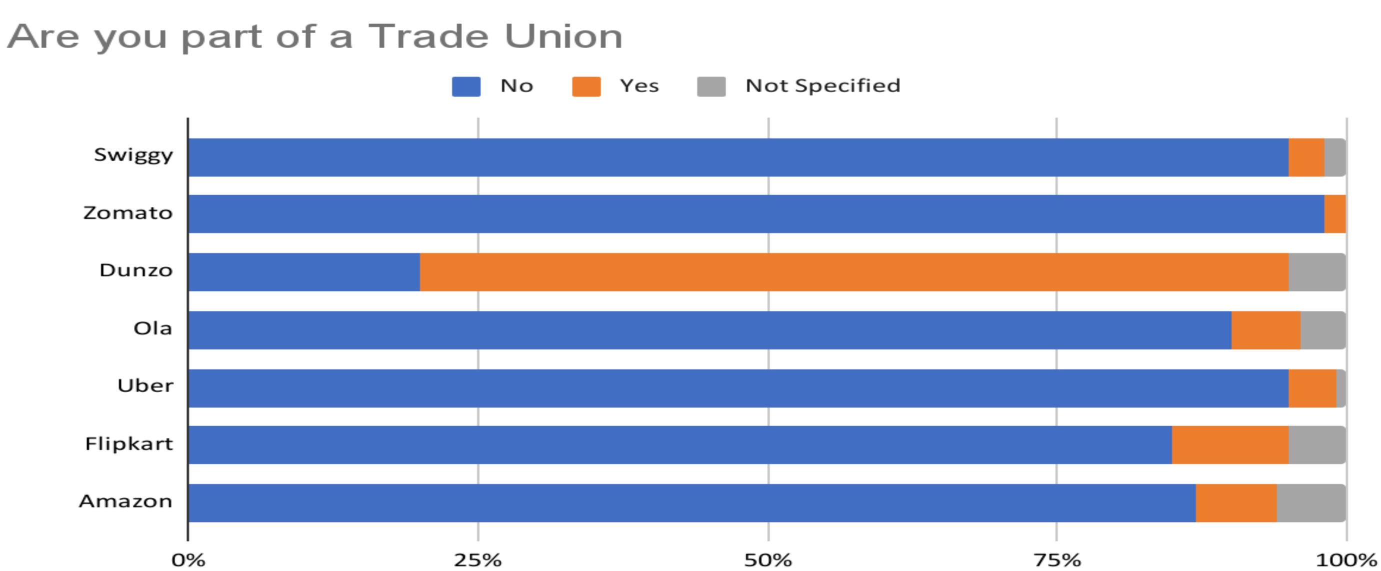
A distinctive problem faced by gig workers is algorithmic management. Digital algorithms by platform companies assign tasks, evaluate performance, and even deactivate workers. Ratings systems A and B determine future access to jobs, while penalties for rejected tasks, delayed delivery, or complaints are often automated and opaque. This produces a high-stress work environment with workers under continuous surveillance yet without recourse or explanation. It is also partly the very absence of human supervision that raises stress levels and propels feelings of helplessness among workers.

3.4 Unstable Income and Career Stagnation

Gig workers also have to put up with highly variable earnings because of demand fluctuations, constantly changing incentive schemes, and lack of guaranteed hours. A large portion of workers work over 10 hours a day but still manage to receive wages below the minimum wage after accounting for fuel, mobile data recharge, and maintenance costs. Long-term economic mobility is thus difficult, and many workers in gig work are likely to be caught in low-income cycles.

3.5 Lack of Representation and Bargaining Power

Instead of being part of formal Labor unions, the majority of gig workers function as solitary individuals. They are therefore unable to demand better conditions, contest fines, or negotiate wages. More than 87% of employees on major Indian platforms do not belong to any union or collective bargaining organisation, according to recent surveys. Organising efforts have encountered institutional opposition, such as the protests by Urban Company employees in 2021 and Swiggy delivery partners in 2022. Gig workers are still subject to platform decisions made unilaterally in the absence of collective bargaining power.



In summary, while the gig economy has introduced flexibility and access to income for millions, it has also deepened precarity and weakened traditional Labor protections. The challenges faced by gig workers are multidimensional, involving legal, economic, technological, and social dimensions that require urgent policy and regulatory attention.

4.Employer Cost Savings

Most gig workers in India earn on average ₹700–₹800 per day, often working more than 10 hours that too by working on weekends regularly, which tend to have higher payouts. This high-hour, seven-day work cycle is not merely a preference but a financial necessity, driven by volatile incentives and low base pay. However, these extended work patterns directly violate the maximum working hour and overtime provisions outlined under Indian Labor laws for formal employees. If these workers were classified as employees, companies would be legally required to pay overtime premiums, ensure rest days, and restrict daily work hours, none of which currently apply under the contractor framework.

While the specific financial data on no. of gig workers and payments made to them is not clearly mentioned in the financial statements of these companies but we can still estimate using external surveys as well looking at the expenses of these companies on delivery and miscellaneous areas.

Company	Est. Spendings on Gig workers(as per FY 24-25) In Rs.	Est. No. of Gig Workers Employed	Average Monthly Payout to One Gig Worker
Swiggy	Rs.1426 Cr(Q2 25-26)	500,000-600,000	Rs.10,000-15,000
Zomato	Rs.3915 Cr(FY 24)	550,000-600,000	Rs 9,000-13,000

Although exact financial data of other companies regarding payouts to gig workers hasn't been made public through external reports and worker testimonials we can assume that Urban Company's partners earn on the order of ₹30–40k/month as they do jobs that require higher skills, while other quick commerce platforms like zepto also give their partners around 10-15k per month.

In addition to avoiding compliance with working hour regulations, companies also benefit financially by excluding gig workers from mandatory statutory contributions. If a worker were formally employed, the employer would typically be required to contribute:

- **12% of basic salary** towards Provident Fund (PF)
- **3.25% towards the Employees' State Insurance (ESI)**
- **4.81% for gratuity** (after 5 years of service)
- **Paid leave entitlements**, including casual, sick, and earned leave

This means that for every ₹100 paid as gross wages to a formal employee, an additional ₹20–25 would be incurred by the employer as part of legal obligations. For example, if a gig worker earns ₹25,000 per month, an employer would save approximately ₹5,000 to ₹6,000 monthly by not classifying them as an employee.

Company	Avg. Monthly Pay	No. of Gig Workers	Avg. Monthly cost saving per worker(25%)	Gross Yearly Cost Savings
Swiggy	Rs.10,000-15,000	500,000-600,000	Rs.3,750	Rs.2100 Cr
Zomato	Rs.9,000-13,000	550,000-600,000	Rs.3,250	Rs.2000 Cr
Zepto	Rs.10,000-15,000	300,000-400,000	Rs.3,750	Rs.1500 Cr
Urban Company	Rs.30,000-40,000	200,000-300,000	Rs.10,000	Rs.2500 Cr
Porter	Rs.15,000-20,000	50,000-70,000	Rs.4,000	Rs.250 Cr
Ola	Rs.30,000-40,000	800,000-1000,000	Rs.8,750	Rs.7900 Cr
Uber	Rs.30,000-40,000	800,000-1000,000	Rs.8,750	Rs.7800 Cr
Total				Rs.24000 Cr

The table gives a strong quantitative insight into the massive cost advantages that gig economy platforms enjoy in India through the non-classification of workers as formal employees. Companies such as Ola and Uber are the largest cost savers, each with over ₹7,800 crore annually because of their wide networks of drivers and high average payouts. Mid-size platforms such as Swiggy, Zomato, and Zepto show savings ranging from ₹1,500 to ₹2,100 crore annually, indicating the scale of their delivery operations and avoidance of statutory benefit payments on account of provident fund, ESI, gratuity, and paid leave. With a few but better-paid workers, Urban Company saves ₹2,500 crore because of the larger 25% benefit load on high monthly payouts. Aggregated across the seven platforms, the estimated gross yearly cost saving would **exceed ₹24,000 crore**. This will bring out the economic incentive that platforms have in maintaining gig workers' current legal status, yet also highlights the potential financial burden they would face if required to comply fully with Indian Labor codes.

5.Policy Recommendations

The Code on Social Security, 2020 was a landmark reform in Indian Labor law, marking the first time platform and gig workers were formally acknowledged in national legislation. However, while symbolically important, its current structure lacks enforceable protections, clear contribution mandates, and mechanisms that would make a tangible difference in workers' lives. This section outlines the provisions of the Code, its limitations, and necessary reforms to ensure economic and legal justice for India's growing gig workforce.

5.1 Summary of the Code's Provisions

A framework for their access to social security benefits is outlined in the Code on Social Security, 2020, which distinguishes "platform workers" and "gig workers" from regular employees. It gives the federal and state governments the authority to design welfare programs that include health benefits, maternity assistance, life insurance, accidental coverage, old age protection, and skill development. Additionally, it envisions a Social Security Fund that is funded by contributions from the government, aggregators (platform companies), and potentially employees.

Crucially, though, the Code does not require employer contributions in all industries or grant gig workers employee status. Most significantly, there are no set deadlines, standards, or legal repercussions for non-compliance or execution delays under the Code.

5.2 Limitations in Real-World Implementation

This Code was passed in 2020, but its implementation has been slow and dispersed. It only came into force on 21st November 2025, But even then only a few pilot programs have been implemented in a few states as of 2025, and the national gig worker database is still lacking. The social security fund has not yet received significant contributions from many platforms. Given the high attrition and turnover in gig work, it is also unclear which agencies will administer benefits and how eligibility will be assessed.

Furthermore, platforms continue to function without substantial regulatory change, and the majority of employees are ignorant of the benefits that have been suggested. The Code, which provides a framework but no actual safety net, is essentially still primarily aspirational.

5.3 Structural and Legal Gaps

1.No Mandatory Contributions: The Code does not require aggregators to contribute a minimum fixed percentage of revenue or per-worker costs, leaving compliance voluntary or symbolic.

2.Lack of Employee Recognition: Workers remain excluded from key protections like minimum wage, overtime, and dismissal safeguards due to their non-employee classification.

3.Vague Benefit Design: Terms like "health benefits" or "insurance" are undefined, with no guarantees regarding coverage level, duration, or portability.

4.Enforcement Vacuum: The absence of dedicated regulatory bodies or grievance mechanisms weakens any recourse for non-compliant platforms.

5.Exclusion Criteria: Many schemes require minimum thresholds of engagement or earnings, disqualifying a large section of the workforce operating seasonally or part-time.

5.4 Policy suggestions

based on these gaps, the following reforms are proposed to enhance worker protection and accountability:

1.Minimum Earnings Floor

A national framework must be established that ensures all gig workers receive a base income equivalent to or above state minimum wages, adjusted for hours logged or tasks completed. This can be enforced and implemented through a combination of algorithmic audits and random inspections.

2.Portable and Transparent Benefits

Social security entitlements (such as health insurance, accident coverage, and pension credits) should be transferrable across platforms and tracked through the centralized worker ID system that has been proposed in the Social security code(2020). Benefit contributions and withdrawals must be visible to workers through mobile-accessible portals.

3.Worker Classification Review Board

An independent tribunal should be created to decide whether certain workers (especially those with exclusive or long-term contracts) qualify for partial or full employee status and deserve the corresponding benefits.

4.Strong Grievance Mechanisms

All platforms must be mandated to institute in-app and external grievance redressal systems, including escalation to Labor authorities, with clear timelines and protections against wrongful termination.

5.Recognition of Worker Collectives

The Code should explicitly recognize the right of platform workers to unionize or form councils, allowing them to negotiate terms and collectively bargain with platforms.

6.Conclusion

The gig economy has emerged as a dynamic force within the Indian Labor market, opening up flexible, technology-enabled earning opportunities to millions of workers. However, beneath a veneer of autonomy lies a complex web of legal ambiguity, income volatility, and lack of protection. Gig workers remain excluded from India's formal Labor frameworks, often enduring long hours, low pay, and the absence of basic social security. Companies benefit enormously from this classification loophole, saving thousands of crores annually by avoiding contributions to employee benefits such as provident fund, insurance, and paid leave.

Despite the fact that the Code on Social Security, 2020 acknowledges gig and platform workers for the first time, its ambiguous provisions and sluggish implementation have prevented significant protections from being provided. The structural vulnerabilities of gig work will only increase in the absence of robust regulatory enforcement, clear grievance procedures, and legally binding platform obligations.

India is at a crossroads: it can either create a forward-thinking regulatory model that maintains flexibility while guaranteeing fairness, or it can permit gig work to further entrench informalization in a digital disguise. Building a sustainable and inclusive digital economy requires safeguarding gig workers' long-term welfare, security, and dignity.

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