

# **The New Dynamics Of India’S Workforce: Contractual Employment To Gig Evolution**

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## **Abstract**

India, a nation with a rapidly growing economy, has traditionally relied on a formal employment regime marked by stable, long-term relationships that provide legal protection, social security, and steady incomes. Rapid urbanization, expanding youth population, and technology improvements are all contributing to a major upheaval in India's work sector. This shift has led to a significant rise in unconventional employment, like freelance, temporary, and contractual roles, fuelling the explosive growth of the gig economy. Gig employment is shaping the modern workforce by providing flexibility, autonomy, and accessibility. Despite the abundance of opportunities, gig workers do not enjoy the primary benefits of long-term employment. They fall somewhere between working for a firm as an employee and being an independent contractor. This study examines the challenges and opportunities confronting both contract and gig workers, as well as the current boom in gig employment. Utilizing data from a multitude of sources, encompassing government reports, scholarly research, and industry analyses, the extent and dynamics of India's gig economy, as well as the regulatory advantages afforded to contract labourers, have been examined. Furthermore, it investigates the reasons behind the preference for gig workers over traditional contract employees and explores the motivations for workers choosing gig opportunities in lieu of contract positions, despite the fact that contract employment provides legal entitlements, worker benefits, social security, safety, and a consistent income.

## **Keywords:**

Gig Workers, Contract labour, Gig economy, unconventional employment, social security & protection, Work Autonomy, Flexibility.

## **Introduction:**

The Indian labour market is currently undergoing major upheaval, impacted by a number of converging factors, notably technological innovation, the development of digital platforms, economic liberalization, and changing employer and workforce preferences. These advances are changing traditional concepts of employment and labour management.

Contract employment has traditionally played an important role in India's industrial and service sectors. It has allowed businesses to preserve operational flexibility, cut expenses, and meet changing demand cycles without committing to long-term employment contracts. Contract workers, while not permanent employees, have been critical in industries such as manufacturing, construction, shipping, and facility management. However, the definition of non-traditional employment has started to change owing to the expansion of giggers in the modern employment environment.

Gig ecosystem typified by temporary, task-based, and flexible work arrangements enabled by digital platforms, is swiftly gaining pace as the most frequent type of employment in industries such as ride-hailing, food delivery, logistics, IT services, and content production. Despite offering workers with flexibility and autonomy, gig employment has significant drawbacks like fluctuating income, absence of social security, fewer workplace perks, and vulnerability to exploitation due to inadequate regulatory supervision. The COVID-19 epidemic hastened this change even more. Due to significant job losses in the formal sector and rising demand for digital services, many people prefer gig works for their source of income. However, the pandemic exposed the weakness of these labour agreements, posing pressing policy concerns on equitable compensation, worker protections, and inclusive growth.

This study explores the impact on labour markets, regulatory frameworks, and employment trends of India's transition from contract to gig work. It looks at contemporary literature, policy reports, and facts to understand the forces, opportunities, and risks associated with this change.

### **Objectives:**

1. To understand the key characteristics, differences, and similarities between contract labour and gig workers in terms of employment type, work structure, and duration.
2. To investigate the social and psychological Impact on contract labour and gig workers in terms of job security, benefits, career progression, overall work-life balance income instability and lack of social security
3. To explore the rise of Gig Work and its shift from traditional Contract Roles, considering the technological, economic, and cultural factors driving this shift.
4. To examine the existing labour laws and regulations governing both contract labour and gig workers, highlighting legal rights, protections, and gaps.

### **Research methodology:**

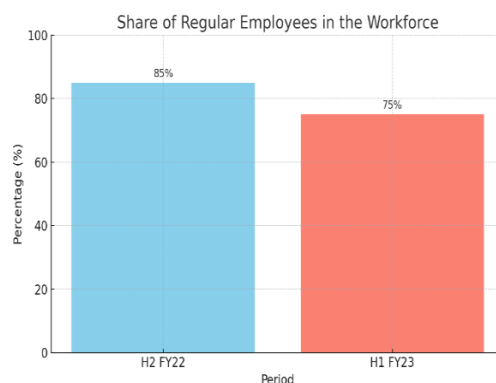
The research depends exclusively on secondary data sources for exploratory purposes on the subject matter. Sources supporting this research include e-journals, web portals, and government and corporate reports.

### **Review of literature:**

#### **Rise of Non-conventional Jobs:**

Recent technological advancements have accelerated developments in modern economies by expanding access to formal work opportunities that were previously structured and often restricted. According to the Ministry of Labour and Employment's Quarterly Employment Survey (QES), the percentage of regular employees in India decreased from almost 85% in the second half of FY22 to nearly 75% in the first half of FY23. Concerns regarding workforce stability and job security are raised by this trend, which demonstrates a notable shift towards contractualization inside structured enterprises. This change has an impact on the workforce's general stability in addition to job security.

**This diversification in employment types reflects a broader trend towards a more fragmented and less secure job market.**



**Source: (QES) conducted by The Ministry of Labour and Employment**

About 56% of new jobs in India during the last five years have come from gig and self-employment sectors, especially in metropolitan areas and among young people, according to the **Boston Consulting Group (2021) Unlocking the potential of the gig economy in India**. Unconventional employment has increased underrepresented groups' engagement in the workforce. For example, platform employment gives rural youth and women access to remote or flexible income-generating opportunities (**World Bank, 2021; ILO, 2021**).

**Contract Labour:**

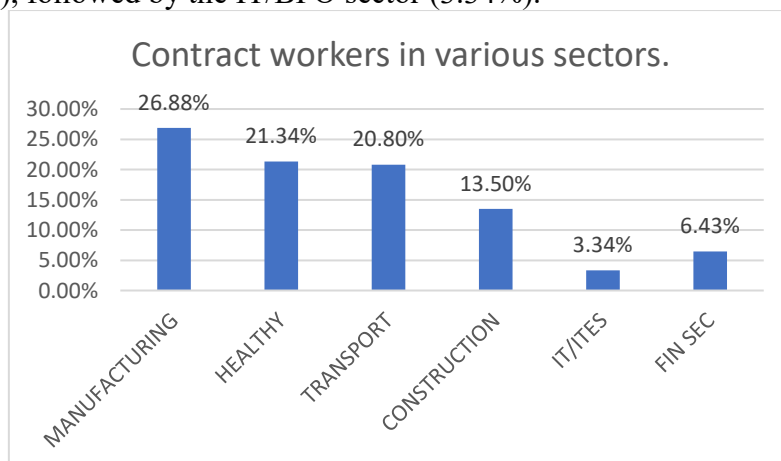
Contract labour involves those employees who are employed through a third-party contractor instead of being hired by the principal employer directly. Such employees are engaged to perform work in the premises or under the direction of the principal employer but are technically on the payroll of the contractor.

**According to Section 2(b) of the Contract Labour (Regulation and Abolition) Act, 1970:**

"A workman shall be considered to be employed as 'contract labour' in or in relation to the work of an establishment when he is employed in or in relation to such work by or through a contractor with or without the knowledge of the principal employer."

**Rise of Contract Labor in Industries:**

The proportion of contract labour in the manufacturing industry has grown from 10.4% in the initial round of the labour bureau's QES survey in Q1 FY22 to 26.88% in the latest survey. Construction (13.5%), transportation (20.8%), and health (21.34%) also showed this tendency. Conversely, the financial services industry had the second-lowest percentage of contractual workers (6.43%), followed by the IT/BPO sector (3.34%).



***Source:(QES) released by the labour bureau***

In FY23, the Ministry of Statistics and Program Implementation reported that two of the five employees in the organized manufacturing sector were contractual workers. This is indicative of a growing trend in the country's labour market toward contractualization.

According to the report, 14.61 million people were employed by 253,000 factories in India in FY23. Of them, a record 5.95 million employees (40.7%) were under contract, up from just 40.2% in the prior fiscal year.

**Contractual Work: A Trade-Off**

The V.V. Giri National Labour Institute (2021) revealed that contract employment is employed not only to cut costs but also to deter unionization and facilitate hiring and firing. But social security, salary equity, and job stability are all sacrificed for this flexibility.

**Socio-Economic Conditions and Psychological Impact:**

According to studies conducted following COVID-19, about 70% of contract workers lost their jobs or had their incomes decrease during the pandemic (Aggarwal, 2022).

Job insecurity, limited mobility, and the absence of employer responsibility have all been attributed to psychological implications, as shown in research by (ICSSR). (2021). Labour precarity and mental health: A post-pandemic assessment Challenges in Enforcing Labor Codes.

Scholars like Bhowmik (2020) and Ghosh (2021) have noted that The Contract Labour (Regulation and Abolition) Act, 1970 implementation has varied from state to state, mostly because of inadequate oversight procedures and the growth of informal work arrangements. Although there has been no change in the way the Code on Occupational Safety, Health, and Working Conditions, 2020 is being implemented, it aims to harmonize regulations pertaining to contract workers' working conditions.

**India's Evolving Workforce: The Gig Sector**

Globally, the Gig work model is undergoing a new economic revolution due to its rapid growth. With the world's youngest population, half a billion workers, rising urbanization, and extensive use of smartphones and related technologies, India is at the forefront of this transformation.

**Gig work:**

Gigs are often for specified activities, projects, or services with a fixed start and end date, compared to traditional jobs, that typically involve an implicit or explicit contract for ongoing employment (UNECE, 2022; Statistique Canada, 2024).

The gig economy in India is incredibly diverse and growing rapidly, offering various types of work. It's broadly categorized into platform-based and non-platform-based gig work.

**Gig Work Types**

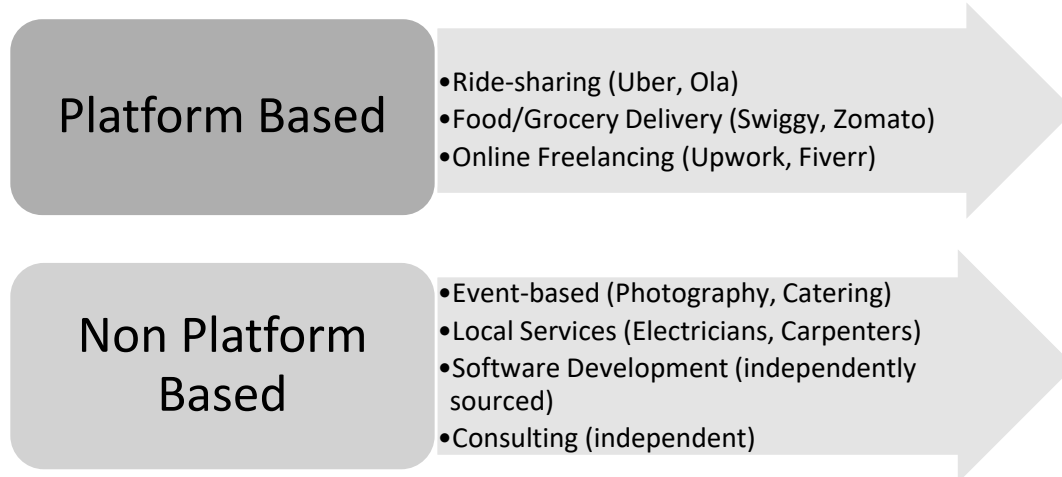
Gig work is widely classified into two groups based on the form of work mediation: platform-based and non-platform-based. This distinction is crucial to understanding how technology has transformed informal and flexible work arrangements.

## 1. Platform-Based Gig Work

Platform-based gig employment is facilitated by digital platforms (websites or applications) that connect workers to clients or customers. These platforms frequently manage work allocation, payment, and feedback systems.

## 2. Non-Platform-Based Gig Work

Non-platform-based gig employment involves informal or ad hoc jobs that are not mediated by digital platforms. This type of gig employment predates the gig economy, but contains similar characteristics such as task-based payment and the lack of long-term contracts.



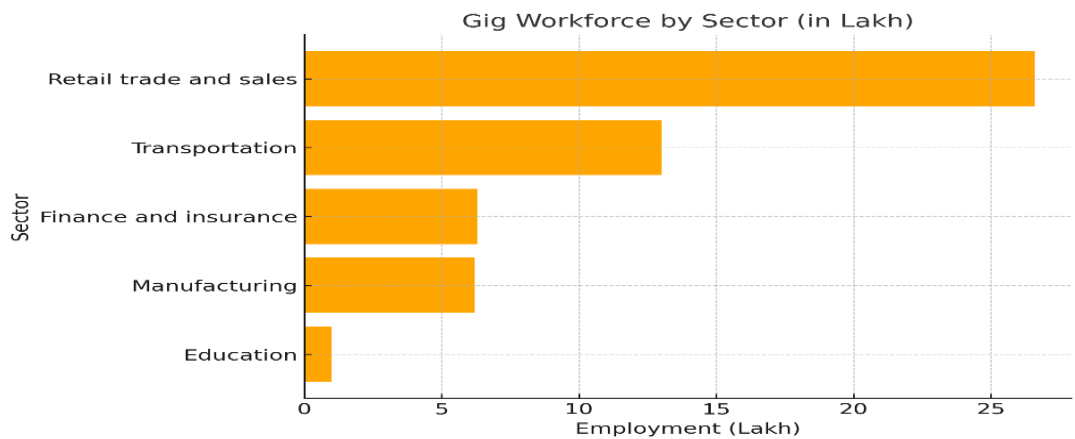
### India's Gig Employment by Sector:

According to FICCI (2022), retail, transportation, and logistics lead India's gig economy as e-commerce and digital platforms such as Amazon, Flipkart, Zomato, and Ola grow in popularity.

According to ILO (2018), the gig economy in education is developing gradually, frequently through online platforms like Chegg, Unacademy, and BYJU'S. This explains why there are fewer people (1 lakh) working in freelance employment related to education.

Ernst & Young (EY) and Team Lease (2021) underline the expanding prevalence of gig work in manufacturing and finance, notably in roles such as digital marketing, data processing, and financial advice. This is in line with the NITI Aayog data's 6.3 lakh and 6.2 lakh estimates for manufacturing and finance, respectively.

As per the findings of the Government of India's apex policy think tank in its report "India's Booming Gig and Platform Economy," the infographic outlines the structure and skill segmentation of the country's gig workforce for the year 2019–2020. A significant portion of gig workers—approximately 26.6 lakh—were engaged in retail trade and sales, while around 13 lakhs were employed in the transportation sector. Other sectors like finance, manufacturing, and education accounted for smaller proportions. In terms of skill levels, 47% of the workforce was engaged in medium-skilled roles, 31% in low-skilled occupations, and the remaining 22% in high-skilled positions.



**SOURCE:** • *NITI Aayog. (2022). India’s booming gig and platform economy: Perspectives and recommendations on the future of work. Government of India.*

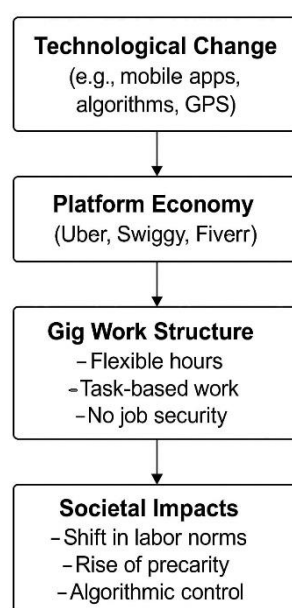
High-Skilled	Medium-Skilled	Low-Skilled
<ul style="list-style-type: none"><li>• Software Development</li><li>• Financial Analysis</li><li>• Consulting</li><li>• Web Development</li><li>• IT Support</li><li>• Tech Consulting</li></ul>	<ul style="list-style-type: none"><li>• Delivery Agents</li><li>• Cab Drivers</li><li>• Beauticians</li><li>• Video Editing</li></ul>	<ul style="list-style-type: none"><li>• Housekeeping</li><li>• Manual Labor</li><li>• Movers</li><li>• Warehouse Sorters</li></ul>

**Rise of Gig Jobs:**

According to NITI Aayog (2022), There were about 7.7 million gig workers in India in 2020–21 the number is predicted to rise to 23.5 million by 2029–30.

**Technological Determinism Theory and Gig Jobs**

According to the theory of technological determinism, the main or only force behind societal development is technology. According to this argument, technical advancements frequently have a linear and inescapable impact on social structures, culture, the economy, and human behaviour. Technical advancement is thought to be the primary driver of societal and economic development.



Due to the rapid advancement of technology and changing preferences of candidates, workers can now find several jobs or "gigs," and companies can find candidates with the skills they need. (- ASSOCHAM Jan 2020).

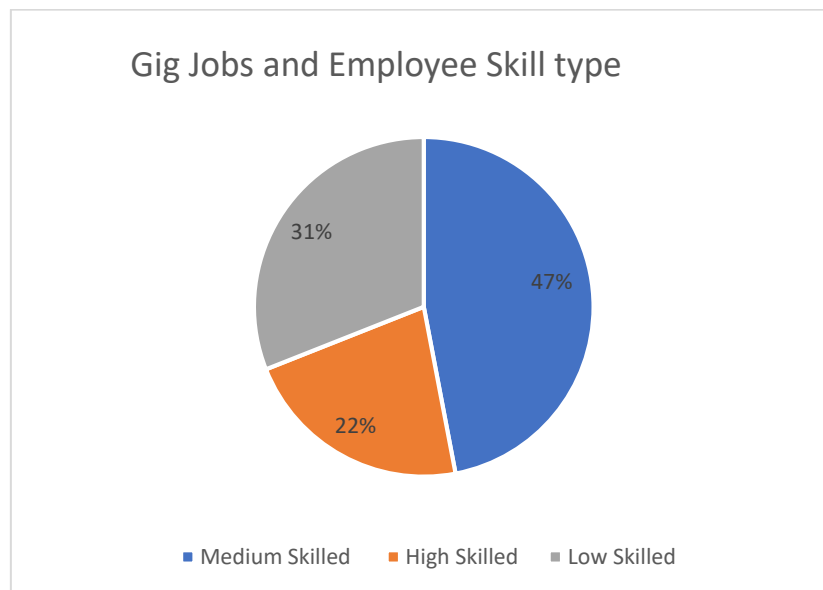
The extensive usage of mobile phones, broadband, and online marketplaces like Urban Company, Uber, Zomato, and Swiggy has made it easier for gig workers and employers to communicate in real time. In order to scale labour without growing organizational, algorithmic management replaces traditional supervision.

The World Bank (2021) says that platform-based work is one of the fastest-growing sources of jobs in emerging economies. It gives young people, women, and informal sector workers who have historically been left out of conventional job channels a chance to work.

### **Shift of India Labour workforce form Contract to Gig:**

The shift from contract to gig work reflects a global trend in labour market informalization, but with distinct features in the Indian context. The International Labour Organization (ILO, 2021) points out that digital platform work often exacerbates existing inequalities, particularly in developing countries, due to lack of regulatory oversight, social security, and collective bargaining mechanisms.

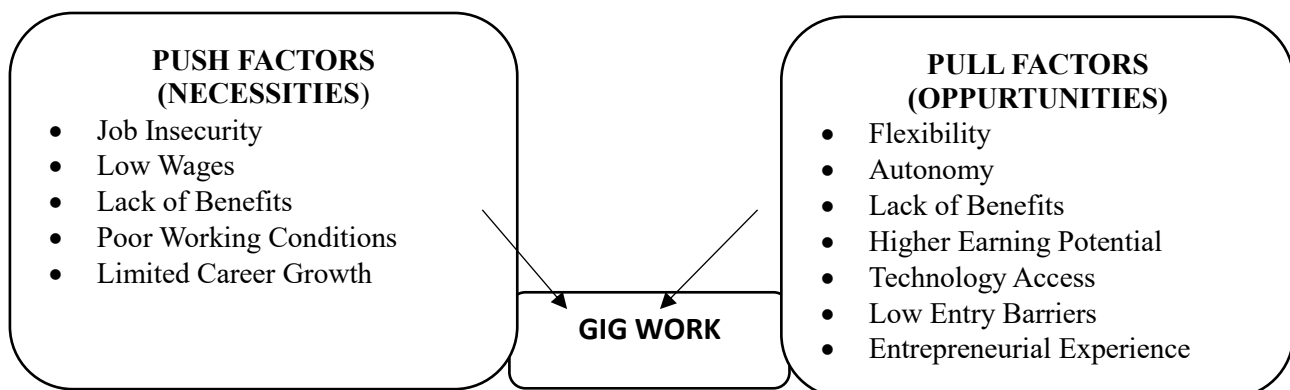
Approximately 47% of gig work currently consists of medium-skilled jobs, 22% of high-skilled jobs, and 31% of low-skilled jobs. The trend indicates that the number of workers with medium skill levels is steadily falling, while the number of workers with low and high skill levels is rising.



Gig work requiring additional abilities is likely to emerge, even though medium skills will likely continue to dominate until 2030. (India's premier policy think tank, NITI Aayog India's Booming Gig and Platform Economy: Perspectives and Recommendations on the Future of Work. June, 2022.)

### **Push and Pull Factor:**

A conceptual framework known as the Push and Pull Factor Theory is utilized to explain why people switch jobs or shift locations. In labour market research, it is frequently used to explain why people switch from regular or contractual occupations to alternative employment models, such gig work, having been initially created in migration studies.



### ***Push Factors (Driving Workers Away from Traditional/Contract Jobs)***

### ***Pull Factors (Attracting Workers Toward Gig Jobs)***

The shift from contract to gig work reflects a global trend in labour market informalization, but with distinct features in the Indian context. The International Labour Organization (ILO, 2021) points out that digital platform work often exacerbates existing inequalities, particularly in developing countries, due to lack of regulatory oversight, social security, and collective bargaining mechanisms.



Because gig workers are usually categorized as independent contractors in India, they are not protected by important labour regulations including the Minimum Wages Act and the Industrial Disputes Act and the Employees' Provident Fund Scheme (Kuek et al., 2015; Singh & Sengupta, 2020). This classification renders gig work precarious, with workers facing income uncertainty, long working hours, and minimal legal recourse.

Despite these challenges, gig work has gained appeal among urban youth, migrants, and women, due to its perceived flexibility and low entry barriers. Studies by the Boston Consulting Group (2021) and McKinsey Global Institute (2020) highlight the potential of gig platforms to democratize work and unlock economic productivity, provided that adequate safeguards and policy frameworks are in place. Recognizing this, the Indian government has taken preliminary steps through initiatives such as the Social Security code, 2020, which includes provisions for platform and gig labourers though their application is still limited.

In light of these developments, the shift from contract to gig employment in India represents not only a change in labour structures but also a critical turning point in the future of work. It raises pressing questions about worker protection, income security, and regulatory inclusion in a digital-first economy. This paper aims to analyse the drivers of this transition, evaluate its socio-economic implications, and propose strategic policy responses to support a more inclusive and sustainable gig economy in India.

### **India's Legal Framework for Gig and Contract Workers:**

The Contract Labour (Regulation and Abolition) Act of 1970 is one of 13 current labour regulations that the new Labour Code on Occupational Safety, Health, and Working Conditions (OSH Code), 2020, aims to combine. Despite being passed in 2020, the OSH Code has not yet been implemented in a number of states because uniform regulations are required. Therefore, the 1970 Act is still in effect today in the majority of locations.

As noted by Bhowmik (2020) and V.V. Giri National Labour Institute (2021) Social security for contract workers in India: Policy gaps and recommendations, the **gap between law and practice** has led to widespread vulnerability among contract workers.

**The Building and Other Construction Workers (BOCW) Act, 1996** extends coverage to construction workers employed through contractual arrangements, offering a range of welfare provisions such as insurance, pension benefits, and educational assistance for their children. Research conducted by the V.V. Giri National Labour Institute. (2021). Social security for contract workers in India: Policy gaps and recommendations found that only 30 to 35 percent of contract workers are covered by social security in some capacity.

According to Bhowmik (2020), the outsourcing strategy in India frequently results in labour law evasion, leaving workers insecure and unprotected.

Gig workers, on the other hand, operate in a legal limbo and are primarily denied the protections provided by established labour laws such as the Minimum Wages Act of 1948, the Industrial Disputes Act of 1947, and the Employees' Provident Fund Act of 1952. Due to this discrepancy, the Code on Social Security, 2020, for the first time in Indian legislation, distinguished between gig and platform workers,

However, because many governments have not yet implemented the Code, it is still primarily aspirational. Although formal inclusion has been achieved through the introduction of

registration on the national e-Shram portal, participation is still low and benefits are not equally distributed.

**State-level programs:** While implementation is still in its infancy, states like Rajasthan and Karnataka have formed welfare boards or suggested financing for platform workers. The Tamilnadu e-Scooter Subsidy would provide ₹20,000 to 2,000 registered gig workers to purchase e-scooters. Additionally, 150,000 workers will receive accidental death and disability insurance.

**Ayushman Bharat-Pmjay** insurance coverage: Through the Pradhan Mantri Jan Arogya Yojana, Budget 2025 extends coverage to about 10 million gig workers by paying ₹5 lakh per family annually for hospitalization.

**PPP Model and the Social Security System:** A special social security program for online platform employees is proposed in the budget; it will be implemented through a public-private partnership with funding from the India Infrastructure Project Development Fund (IIPDF) for state-level implementation.

#### Contract and Gig Workers in India:

Feature / Criteria	Contract Workers	Gig Workers
<b>Nature of Employment</b>	Contract workers are engaged for a specified duration or project, often through a contractor.	Gig workers are self-employed individuals offering services through digital platforms on a per-task basis.
<b>Control &amp; Autonomy</b>	Contract workers operate under the supervision of the employer or contractor	Gig workers have autonomy over when and how much they work, though platform algorithms influence access to work.
<b>Employer Relationship</b>	Indirect employee (via contractor); principal employer oversees	Independent service provider; works via digital platforms or apps
<b>Wages</b>	Generally fixed; may be monthly or per day/hour	Variable; per task or job; subject to platform algorithms
<b>Grievance Redressal</b>	Can file disputes under labour laws	Lacks clear grievance mechanisms; governed by platform T&Cs
<b>Legal Framework</b>	Contract Labour (Regulation & Abolition) Act, 1970. Now in to the Occupational Safety, Health and Working Conditions (OSH Code), 2020	The Code on Social Security, 2020, acknowledges gig/platform workers as a new category.
<b>Social Security Access</b>	Eligible for EPF, ESI, gratuity (if employed for more than 5 years), depending on company compliance.	Generally, not eligible for traditional benefits. Government proposing welfare schemes and e-Shram registration.

<b>Job Security</b>	Moderate job security during contract period. No guarantee after contract ends.	Very low job security. Income and employment depend on platform demand.
<b>Work Benefits</b>	May include uniforms, tools, canteen, restrooms, if provided by employer or contractor.	Typically, no benefits like insurance, paid leave, or workplace amenities unless arranged individually.
<b>Government Initiatives</b>	Labour codes aim to improve working conditions. Labour inspection mechanisms exist.	e-Shram portal, Social Security Code, and state-level welfare boards being introduced.
<b>Examples of Jobs</b>	Construction labourers, security guards, cleaning staff, factory helpers.	Ola/Uber drivers, Swiggy/Zomato delivery workers, freelance tutors, content creators.

### Conclusion:

- Gig work offers greater autonomy and flexibility compared to traditional contract employment. According to a 2020 study by NITI Aayog, India's gig economy is growing at an annual rate of 17%, with workers enjoying the freedom to choose when, where, and how they work.
- According to a 2021 report by the BGG's the gig workforce is projected to contribute approximately 2% to India's GDP by 2025.
- The rise of gig work over traditional contract labour is a natural outcome of the changing landscape of work, particularly in the context of digital transformation, changing workforce expectations, and the desire for flexible employment options.
- The need for upskilling and reskilling across industries is seen in the decline of medium-skilled positions and the emergence of low- and high-skilled gig work.
- While contract labour continues to play a vital role, particularly in sectors like construction, manufacturing, and retail, the gig economy is increasingly seen as a more dynamic and scalable model, particularly for skilled professionals in urban areas.
- There are still regulatory gaps, and labour rules such as the Code on Social Security (2020) have not fully implemented protections.
- Fair compensation, platform responsibility, and the incorporation of gig workers into official safety nets are among the major issues that policymakers need to solve.
- An equitable, worker-centred, and sustainable gig economy in India requires a well-rounded and inclusive legislative strategy.

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