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Why the gig shift is unhealthy

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India's labour market has undergone profound transformations over the past two decades, shifting from stable permanent jobs to more flexible but precarious forms of work. This evolution reflects broader economic pressures, technological advancements, and policy changes aimed at boosting competitiveness. The transition began with gradually shifting non-perennial jobs to contract-based, amid uncertain business visibility driven by economic pressures, market volatility — but the shift was also in formal employment. More recently, even contract work is giving way to gig economy jobs, primarily to cut costs on overheads like social security and minimum wages.

The shift from permanent to contract jobs in India gained momentum in the early 2000s, as companies sought greater agility in a globalising economy marked by volatile demand and regulatory hurdles. Economic pressures through slowing GDP growth since 2016-17 (from 8.26 per cent to 6.8 per cent) exacerbated the trend, with firms prioritising short-term hires amid uncertainty.

Here are some highlights to scale the change:

The share of contract workers in India's formal manufacturing sector rose from 23.1 per cent in 2002-03 to 40.2 per cent in 2021-22.

In organised non-farm establishments, nearly one in five workers (about 20 per cent) were contractual hires in the first half of FY23.

Large Indian firms saw a 7.6 per cent increase in total factor productivity (TFP) and higher job creation through contract labour.

Building on the contractualisation trend, the gig economy represents a further erosion of traditional employment structures. Gig work — short-term, task-based jobs facilitated by digital platforms — has surged, driven by technology, pandemic-induced demand, and employers' desire to minimise costs. Unlike contract jobs, which may still involve minimum wage protection and benefits, gig roles classify workers as independent contractors, exempting platforms from obligations like social security, minimum wages, health insurance, or paid leave.

Underscoring the rapid expansion

India's gig workforce grew from 6.8 million in 2019-20 to 7.7 million in 2020-21, representing 1.5 per cent of the total workforce. Projections estimate 23.5 million gig workers by 2029-30, accounting for 4.1 per cent of total livelihoods and 6.7 per cent of the non-agricultural workforce. In FY24, there were 11.2 million gig workers, expected to reach

20.8 million by FY29. Sectors like retail trade (26.6 lakh workers) and transportation (13 lakh) dominate.

Long-term potential includes up to 90 million jobs, adding 1.25 per cent to GDP and $250 billion in transaction volume.

Gig work offers flexibility — 61 per cent of workers log under eight hours daily, with potential earnings of ₹20,000-40,000 for skilled roles — but it amplifies vulnerabilities like income volatility (employment dropped to 53 per cent during Covid lockdowns).

The transition from contract to gig employment poses the greater long-term danger. While permanent-to-contract moves introduced flexibility at the cost of some security, gig work pushes precarity to extremes, risking widespread social instability, economic inequality, and fiscal burdens on the state.

Transition impact

Aspect	Permanent to Contract	Contract to Gig
Job security	Reduced, with legal control (e.g., Contract Labour Act); transition to permanent possible (25% rate)	Near-total absence; workers face algorithmic deactivations, no contracts, and irregular work
Benefits & wages	Limited benefits; but minimum wages and social security apply; with skill enhancement opportunities	No social security, health insurance, or minimum wages; average monthly income ~₹18,000, with 71% as sole providers
Economic effects	Boosted firm growth (7.6% TFP increase) and jobs	Job creation (e.g., 2.2 million from Ola/Uber), but lowers stability vs. traditional work
Health & safety	Some risks, but continues with employer accountability	High hazards: 83-89% report safety concerns (assaults, accidents); psychosocial stress from ratings

The gig economy's unsustainability stems from its exploitation model: workers are overworked (10-12 hours daily) without safeguards, leading to burnout, injuries, and delayed healthcare. This transfers costs to public systems — example, uninsured workers burden hospitals and welfare, with ageing gig workers (projected 23.5 million by 2030) likely falling into poverty without pensions. Socially, it exacerbates inequality, with women

(30 per cent of gig workers) facing harassment and digital gaps, and 80 per cent informal relations penetrating organised sectors.

Economically, while it adds jobs and GDP (1.25 per cent incremental), the lack of protections risks a breakdown: unstable incomes reduce consumption, algorithmic control erodes dignity, and fragmented regulations (example, varying state laws) create compliance chaos. In contrast, contract work retains formal ties, making its risks more manageable through policy tweaks.

Long-term, the gig shift could corrode India's growth model, as a precarious workforce undermines productivity, innovation, and social cohesion, potentially leading to higher public spending and reduced economic resilience. To mitigate, India needs unified frameworks for worker protections.

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