

## An analytical study of challenges faced by gig workers and a suggestive framework for the future gig economy

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### Abstract

The rapid growth of Artificial Intelligence (AI) and digital platforms is fundamentally changing the global labor market, signaling that the future economy will predominantly be a gig economy. This transition presents India with a unique opportunity to leverage our demographic bonus and how the gig economy in India has become a major driver of macroeconomic growth. It is projected to employ 23.5 million workers and contribute a massive ₹2.35 lakh crore to the national GDP by 2030. However, despite this strong financial contribution, gig workers face severe ground-level challenges. They suffer from income instability, the absence of basic social security, and exhaustion caused by strict algorithmic control. Recent public debates between political leaders and corporate executives regarding the risks of "10-minute delivery" models highlight the growing tension between rapid business innovation and basic human safety. Based on an analytical study of secondary data from government surveys, NITI Aayog, and global reports, this paper examines these urgent socio-economic challenges. The research concludes that treating gig workers as informal labor without statutory rights is no longer a viable option. To ensure a sustainable future, the paper proposes a comprehensive framework. Key recommendations include adopting the 'RAISE' model, enforcing mandatory social security contributions from platform revenues, ensuring algorithmic transparency, and creating skill development programs. By implementing these measures, India can successfully balance technological advancement with worker welfare, fully preparing its economy for an gig-based future.

**Keywords:** Gig Economy, Artificial Intelligence, Social Security, Algorithmic Control, Future of Work.

### Introduction

The pace of digitalization has grown rapidly around the world. Specifically, Artificial Intelligence (AI) has dominated this digital shift, leading to the transformation of societies and driving the world toward an economic revolution. This transformation has significant implications for the future of work and employment. AI is rapidly reshaping the job market; it is creating new work opportunities while replacing some traditional roles with automation, which requires workers to continuously upskill and adapt. At the core of this unfolding paradigm shift is the gig and platform economy. The rapidly growing gig workforce is ushering in a new economic revolution globally. In fact, the International Labour Organization's (ILO) 2021 World Employment and Social Outlook Report states that the number of digital labour platforms has grown fivefold over the last decade.

A gig worker is defined as a person who engages in income-earning activities outside of a traditional employer-employee relationship, often operating within the informal sector (Ministry of Labour and Employment, 2020a). The gig economy is transforming the way people move, work, and live. It not only changes how business is conducted but also directly affects the Gross Domestic Product (GDP). Furthermore, the gig economy has proven its resilience and potential, even in the wake of the Covid-19 pandemic, by continuing to unlock millions of jobs and keeping communities connected.

India possesses the twin advantages of a favourable demographic structure and the rapid proliferation of digital technologies, positioning the country at the forefront of this economic revolution. With a demographic dividend of a half-a-billion-strong labour force, the world's youngest population, rapid urbanisation, and the widespread adoption of smartphones, India serves as the new frontier for this digital workforce. The Economic Survey 2020-21 noted that India has already emerged as one of the world's largest countries for flexi-staffing (gig and platform work), and this sector will likely continue to expand alongside the growth of e-commerce platforms.

This study highlights the significance of the gig sector by estimating the workforce size and future requirements based on the demand for various skill levels. Ultimately, the gig and platform economy offers tremendous employment generation potential. Because these jobs have low entry barriers, they successfully cater to the needs and aspirations of workers with varying degrees of skills, including women, youth, and Persons with Disabilities (PwDs).

However, as AI shapes the job market and automates certain roles, workers are facing new pressures. Ultimately, what people want most is social security. This paper studies how to balance technological growth with worker safety.

### **Literature Review**

Recent studies show that the gig economy has both positive and negative sides.

Dawle et al. (2025) describe AI as a 'double-edged sword'. It improves business speed but creates problems for workers, such as unpredictable income and a lack of transparency in how applications assign work. Workers often cannot understand how their pay is calculated, leading to financial stress.

Vaidya and Biju (2025) describe the gig workforce as the "silent drivers" of India's economic growth. They highlight that the sector is expanding rapidly due to affordable internet and a young population. According to their analysis, the gig workforce is projected to grow from 7.7 million in 2020 to 23.5 million by 2030, and potentially reach 62 million by 2047. However, the authors identify a critical structural problem in the gig economy called the "vanishing middle". This means the labor market is splitting into two extremes: high-skilled roles and low-skilled jobs, with very few opportunities in between which leads to point three major challenges for workers. First, platforms use extractive practices by relying on low-cost labor without offering career growth, trapping workers in a "low-wage trap" with no upward mobility. Second, workers suffer from 'digital fatigue', experiencing exhaustion caused by 'algorithmic management' and the stress of volatile, unpredictable earnings. Third, there is a severe lack of security; despite being essential, gig workers face "invisible labor" conditions and lack access to basic social protections like health insurance or provident funds. To build a sustainable future, Vaidya and Biju (2025) propose a framework focused on formalization, which involves moving gig work from the "grey" economy into a regulated system. Their key recommendations include legislative action, citing specific state-level initiatives such as the Rajasthan (2023) and Karnataka (2025) gig welfare bills as positive models for protecting worker rights. Furthermore, they suggest that the government and private companies must form public-private partnerships to create skilling programs. This would help workers transition from low-skill delivery jobs to higher-value employment. Ultimately, the goal is to establish social security to balance flexibility with security. This requires a dedicated regulator to enforce minimum wages, ensure data transparency, and provide a safety net for workers.

The NITI Aayog report (2022), titled "India's Booming Gig and Platform Economy," offers a comprehensive assessment of the sector's scale and future potential. It estimates the gig workforce at 7.7 million in 2020-21, projecting a substantial expansion to 23.5 million by 2029-

30. The report highlights the sector's role in job creation, noting that while medium-skilled jobs currently dominate at 47%, there is a shifting trend towards both high-skilled and low-skilled roles. However, significant challenges are identified, particularly regarding the lack of job security, income instability, and the absence of social safety nets. The analysis points to the "informalisation" of labor within this sector. It notes that gig workers, who are often termed "partners," are excluded from traditional labor regulations and benefits, despite being subject to strict algorithmic control.

To address these issues, the report recommends a concrete framework for formalization. First, it calls for regulatory interventions, such as implementing the Code on Social Security to extend benefits like health and accident insurance to gig workers. Second, it emphasizes platform accountability by clarifying the employer-employee relationship to prevent exploitative practices. Third, the report advocates for skill development by integrating training with employment portals and promoting "platform-led transformational skilling" to enhance career mobility. Finally, it recommends social inclusion through the adoption of the "RAISE" framework to operationalize social security and support workers during periods of irregular work. Ultimately, this analysis underscores the dual nature of the gig economy as both a source of flexible employment and a domain requiring urgent policy intervention to ensure worker welfare

Similarly, the World Bank (2023) reports that the gig economy makes up to 12 percent of the global labor market, with demand in developing countries growing significantly faster than in developed nations. While it helps people escape poverty, it lacks social protections. Finally, Mer et al. (2024) explain that while AI helps companies hire people faster, it brings new challenges in managing human resources that must be handled carefully.

### **Objectives**

1. To study the importance and significance of the gig economy.
2. To analyze the current challenges faced by gig workers.
3. To predict future trends and provide a suggestive framework to prepare the Indian economy for a gig-dominated future

### **Research Methodology**

This research is based on an analytical study of secondary data. Information was gathered from government reports, such as the NITI Aayog analysis, global organization data (World Economic Forum, World Bank), academic research papers, and current news reports involving industry leaders.

### **Research Problem:**

The global and Indian economies are moving toward a gig-based future driven by digital platforms. However, gig workers currently lack basic social security, job stability, and fair working conditions. If the government and private companies implement a formal framework that provides social security and transparent applications rules, the future gig economy will be safe and sustainable for workers.

### **Analysis And Interpretation**

#### **The Shift Toward a Gig-Dominated Future**

The way people work is changing permanently. Artificial intelligence (AI) is rapidly reshaping the job market by creating new work opportunities while replacing traditional jobs with automation. This shift shows that the future economy will be largely gig-based. Reflecting on

the creation of this gig economy, LinkedIn co-founder Reid Hoffman made headlines with a bold prediction that the traditional 9-to-5 job will become obsolete by 2034. He suggested that, driven by the rapid advancements in AI and the expansion of digital platforms, the conventional employment structure is dying. Instead of holding a single, stable job for years, Hoffman predicts that the future workforce will increasingly juggle multiple contracts and gigs across various sectors. However, portraying the gig economy as the inevitable future also brings resistance and challenges from employees who fear losing their job stability and traditional benefits. The industry insights also confirms that the future economy will undoubtedly be a gig economy, requiring workers to continuously adapt to short-term, task-based roles rather than permanent employment.

### **Importance, Significance, and GDP Contribution of Gig Economy**

The gig economy is no longer a peripheral sector; it is a structural pillar of India's macroeconomic growth. Its primary significance lies in its ability to absorb surplus labor, lower entry barriers for employment, and drive digital and financial inclusion across Tier-II and Tier-III cities. This shows that it does not just impact business; it actively affects the GDP. At the global level, data from the World Economic Forum (WEF) indicates that the gig economy is expanding rapidly, with its market size projected to grow from \$556.7 billion in 2024 to an estimated \$1,847 billion by 2032. India sits at the very center of this massive transition. According to the Government of India's Economic Survey 2025-26 and baseline estimates from NITI Aayog, the Indian gig workforce has already experienced incredible growth, jumping 55% from 7.7 million workers in 2020-21 to 12 million by 2025. This upward trend is expected to continue aggressively, with projections showing the sector will employ 23.5 million people by 2030. As more revenue continuously flows through ride-sharing, food delivery applications, and digital freelance platforms, the financial impact becomes undeniable. By FY30, the gig sector is projected to contribute a massive ₹2.35 lakh crore to India's GDP. This data clearly proves that the gig economy is no longer just a flexible alternative to traditional jobs; rather, its massive GDP contribution makes it a critical, permanent pillar of the nation's overall financial health. Thus, the gig economy's contribution to India's GDP is becoming critical to the nation's financial health.

### **Current Challenges Faced by Gig Workers and Public Debate**

Despite its ease of finance, gig workers face severe ground-level challenges. They are heavily controlled by algorithms, have unstable incomes, and pay the burden of self-employment taxes without standard benefits like paid leave or pensions.

This lack of safety recently sparked a major national debate over the "10-minute delivery" models used by quick-commerce applications. Politicians and business leaders have strongly differing views on this. Raghav Chadha, an AAP Member of Parliament, strongly criticized 10-minute delivery services. He stated that gig workers are not robots and argued that forcing young men to speed through traffic to deliver groceries in 10 minutes puts their lives at risk just for the convenience of consumers.

On the other hand, Zomato CEO Deepinder Goyal shared a different view. He commented that the gig economy is a reminder of the systemic inequality in the country. He noted that the middle and upper classes are finally coming face-to-face with the hard labor of the poor. He warned against completely banning or over-regulating these services, arguing that it might destroy jobs and simply hide the problem from public view. This debate highlights the core issue: finding a balance between business innovation and human safety.

### **Predictions for the Future**

The prediction for the future is clear: the gig economy will soon become the main economy. Traditional jobs will decrease, and task-based work managed by AI will become normal. If India does not prepare now, the gap between rich platform owners and poor gig workers will cause social unrest and severe digital fatigue among the youth.

## Conclusion

The shift toward a gig economy is happening fast and is permanent. The sector contributes heavily to job creation and GDP growth. However, treating gig workers as informal labor without rights is no longer an option. The debates between political figures and business leaders show that the current system is stressed. To ensure that India benefits from its large youth population, the country must accept the gig economy as the future of work and actively prepare for it by protecting the workers who drive it.

## Suggestions

To prepare for the future, this study suggests the following framework:

- **Adopt the RAISE Framework:** As recommended by NITI Aayog, the government should adopt the RAISE framework: **R**ecognize varied platform work, **A**llow innovative financing for social security, **I**ncorporate platform interests, **S**upport worker awareness, and **E**nsure accessible benefits, the government should use the RAISE model to support workers and ensure they have access to benefits even when work is irregular.
- **Mandatory Social Security Contributions:** Platforms must be legally mandated to contribute a fixed percentage (e.g., 1-2%) of their annual revenue to a centralized Gig Worker Welfare Board to fund health, accident, and life insurance.
- **Implement Social Security:** The government must enforce the Code on Social Security to provide basic protections like health insurance, accident cover, and provident funds to all platform workers.
- **Ensure Platform Accountability:** There must be clear rules regarding the employer-employee relationship to stop unfair practices. Platforms must set up simple grievance systems to solve worker problems quickly.
- **Improve Algorithm Transparency:** Policymakers must force tech companies to be transparent about how their applications assign tasks and calculate pay. Workers should not be punished for refusing unsafe tasks, like dangerous 10-minute deliveries.
- **Focus on Skill Development:** The government and private companies should create training programs to help delivery workers learn new skills and move into better-paying jobs over time. To solve the issue of the "vanishing middle" and low-wage traps, the government and platforms should track a gig worker's experience and competencies, allowing them to transition into formal, higher-paying roles over time.

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