

## **Critical analysis on the role of the ‘gig economy’ in addressing underemployment and disguised unemployment in countries like India**

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### **ABSTRACT**

*The growth of the gig economy is a major source of employment for populous countries like India. The spread of this sector has been phenomenal given the widespread provision of internet facilities and the availability of cheap smart phones. How has this growth helped in using effectively India’s ‘demographic dividend’? Has this helped in reduction of unemployment figures in India? Is this an option that addresses both unemployment issues as well as growth of GDP in the Indian economy? What are the specific issues that this sector faces?*

**Key words:** unemployment, skill, independent workforce, freelance, growth rate, sector, developing economy, demographic dividend, technological advancement, labour market, inexpensive smartphones, liberalisation,

### **1. Introduction**

With the introduction of globalisation and liberalisation and the spread of internet facilities all over the world, there has been an increasing demand for “online” products. This originally started in the US with the growth of stores like Amazon and transport services like Uber. This became a prototype of things to follow in other economies of the world. Amazon started in 1994, primarily as a bookstore. The first online store was Boston Computer Exchange which started in 1982 as a place for selling used electronics. As time progressed, both Amazon and Boston Computer Exchange became online shops for almost all type of commodities.

Uber, which was used as an alternative to taxi services that could be hailed through an app, gave rise to competition to the traditional system of calling for public taxis.

All these innovations were possible with the development of internet facilities and smart phone technology. As the years passed, this technology developed to such a large extent that it led to

“apps” or “applications” being developed through the electronic sphere which further led to the use and the development of such “online systems”.

This development, due to globalisation and liberalisation, spread throughout the world, including developing economies like India. As it entered the Indian economy there were modifications and specifications that were adjusted to meet the local population’s demand and needs.

The prime reason for the widespread use of the “online system” in India was basically the inexpensive availability of internet facilities alongside cheap smartphones that flooded the market.

Online demand and supply required workers to meet the needs of both the producers and the consumers. It is these type of workers who are called “gig workers”. There may be part-time or full time set of labour force who, in search of employment, decide to be partners with big producers in “ferrying” goods from one place to another.

This system of using such form of employment was first initiated by Uber where educated people, students, out of work labour force, and underemployed could seek employment by becoming “drivers” of vehicles that would be a part of the Uber platform. The company allowed part-time workers to drive their car at their own time and convenience. These cars could be owned by the company or owned by the drivers themselves. This gave freedom to the workforce to work as much as they like for however much time they wanted to earn extra income.

This started the trend of a new type of employment for the economy known as the “gig economy”. This specifies that the workforce is temporary and works independently according to the time that it wishes to spend on the work that the gig economy has specified. These type of jobs are primarily “freelance” ones, giving independence to its workers. But these come with a rider, primarily one that entails nil security as far as the employer is concerned with respect to health, work hours, holidays, pension funds, etc.

The below figure indicates companies world-wide which have joined the gig economy structure. Most of these companies, to increase their market share, have entered both developing and developed economies. The situation in developing economies is far different from that of developed ones. The main difference between the two is the unemployment levels in developing economies vis-à-vis those of developed economies.

**Figure 1: Collage illustration of gig companies**



Source: <https://fabrikbrands.com>

## **2. Types of unemployment in developing economies**

1. Disguised unemployment- Disguised unemployment is a type of unemployment where more workers are working on a job than actually required. This type of unemployment is predominant in rural and agricultural sectors of India. This situation usually arises in developing economies where there is a scarcity of capital which consequently leads to the labour work force being unable to engage themselves in productive work, often working jobs where they do not contribute towards anything productive.
2. Seasonal unemployment- This type of unemployment occurs during certain seasons of the year, meaning that people have jobs during part of the year and in the remaining season they remain unemployed. A huge part of the labourers working in the agriculture sector face this problem: they are working during the high season when there is high productivity and during the season of low productivity, they are forced towards unemployment and have to rely on savings to survive.
3. Structural unemployment- Structural unemployment typically occurs due to a fundamental mismatch between the skill a worker possesses and the skill required for a job. It is inherent that workers require certain essential skills in order to perform jobs but when the skill set of the worker does not align with the skill set that the job requires, the condition of structural unemployment arises.

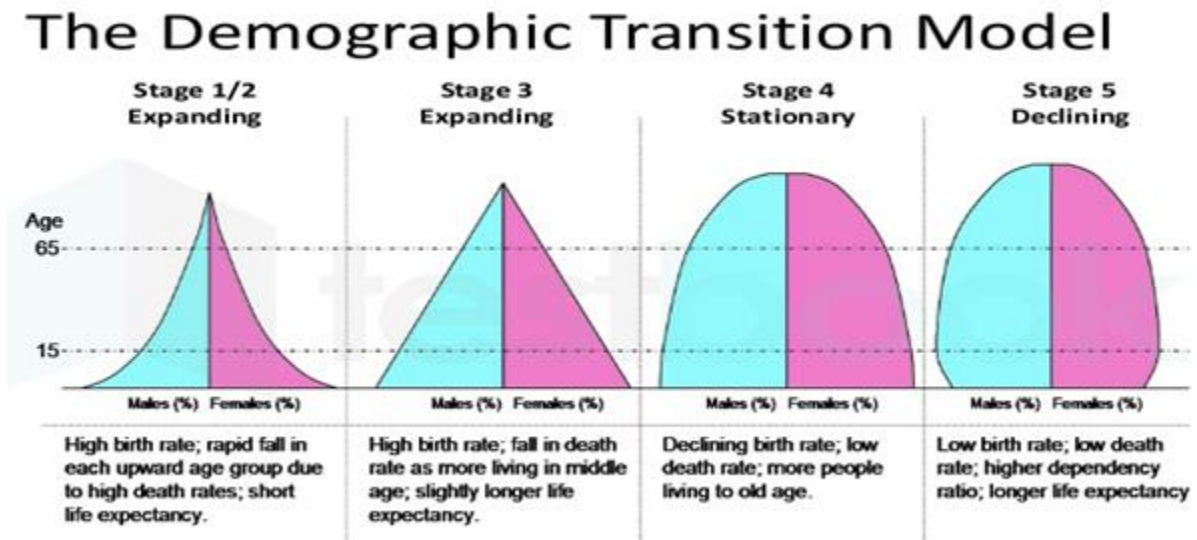
4. **Technological Unemployment-** Technological unemployment takes place when there are changes in the technology. In this era where there is rapid growth and expansion in the field of technology, it is imperative for workers to keep up with the growing technology. When workers are unable to keep up with the technological advancements that their jobs typically require, they are faced with unemployment. This situation arises when workers have to face barriers in doing their jobs due to lack of technological skills.
5. **Frictional unemployment-** When workers or labourers find themselves in a situation where they are not satisfied with certain aspects of their job (e.g.- working conditions, remuneration, benefits, work ethics, etc.) they leave their job in search for a better job opportunity that satisfies them. The period of time they search for a new job is known as frictional unemployment. This type of unemployment is also known as search unemployment. The delay that is caused looking for a new job is what causes frictional unemployment. It is considered a voluntary unemployment as the workers are choosing to quit their jobs to pursue something else.
6. **Cyclical unemployment-** This type of unemployment can be mostly seen in capitalistic companies. It occurs due to changes in the business cycle. The economic growth of an economy directly impacts its employment rate, hence when the business cycle is in a condition of depression, economic growth declines and unemployment rises. This is known as cyclical unemployment.
7. **Voluntary unemployment-** It refers to a situation when workers choose to not work. When a worker is not satisfied with his job, he may voluntarily quit it. There are various reasons workers might not feel satisfied such as working conditions, pay, procedures, etc. and in such cases they choose to not work anymore. This is known as voluntary unemployment.

### **3. Demographic Dividend**

The Indian economy is currently undergoing a demographic dividend which means that the percentage of the independent work force is much more than the dependent workforce. The dependent workforce lies between the age 0-15 years and above 60 years. This is based on the theory of “demographic transition”. This theory states that the initial years of a country’s development, the death rate is close to the birth rate resulting in a rate of growth of the population to be stagnant. In the second stage, the birth rate is higher than the death rate leading to a high rate of growth of the population in the economy. Towards the end of this stage, there is a period where the independent workforce is higher than the dependent one. It is this that is known as a ‘demographic dividend’. It is called a dividend as this workforce can be used

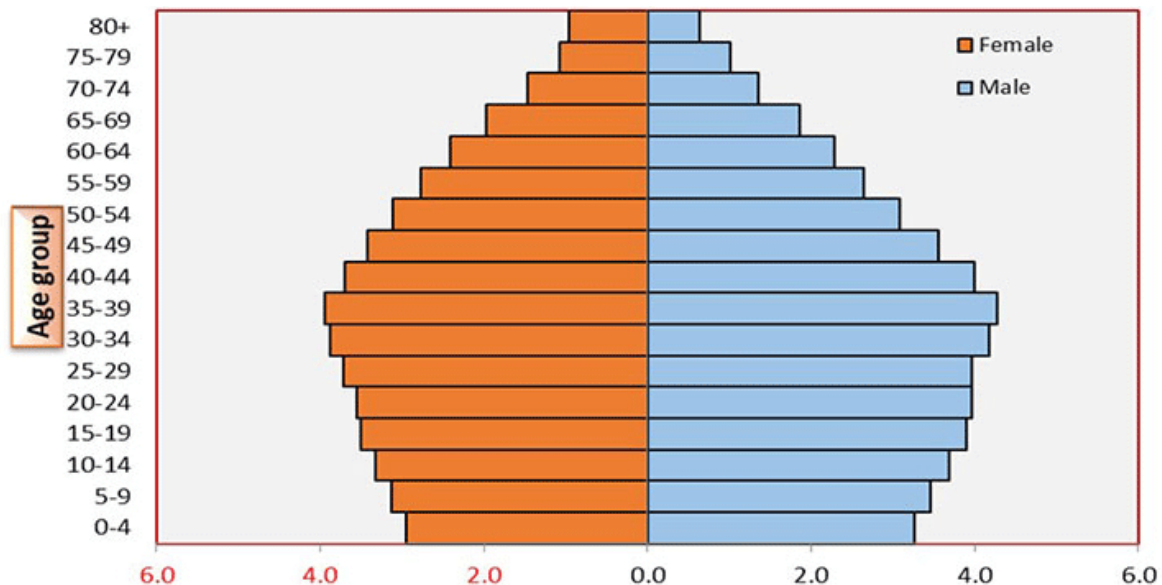
judiciously to increase the GDP of the country. The third stage is one where the death rate is higher than the birth rate leading to a negative growth rate.

Figure 2: Illustration of “demographic transition” theory



Source: testbook.com

Figure 3: An indication of the increasing extent of the independent workforce as compared to the dependent numbers



Source: oxfordre.com

Figure 3 clearly indicates the workforce numbers that are independent. This occurs for some years only as soon the dependent workforce (the aging population) will start increasing compared to the independent ones. It would be prudent for economies to take full advantage of this situation. China, too, made full use of these labourers when it was faced with it. It was during this time period that they increased skilling of such individuals and took advantage of scientific and technical knowledge. During this time period they were a part of a global value supply chain and earned a lot in terms of foreign exchange as well as expertise.

Presently, India is in the same situation and it needs to effectively use this dividend to increase the country's GDP levels as well as earning capacities of its workforce.

#### **4. Research Gap and Methodology**

This paper would analyse the role of the "gig economy" in addressing unemployment issues that have been plaguing the Indian policy-makers for a long time. Given that the Indian economy is undergoing a demographic division to what extent can this new type of opening to address unemployment be relevant for the country? Would there be any limitations in using this sector as a viable alternative to solve the unemployment problem for India?

The methodology adopted would be of the mixed type using both quantitative and qualitative analysis. The data that would be used would be from authentic secondary sources and qualitative analysis would then be used to explain the trends that are seen in the data.

#### **5. The development of the gig economy**

The gig economy is defined as a labour market that is characterised by temporary and flexible contract work. This is different from the permanent full-time employment where the labourer works either on a contract basis or a permanent one. The contract basis could be employment till the project is completed. The full-time employment implies complete security for the employee as well as social security for them in terms of health, specified holidays and security of salary being credited.

#### **6. Importance of the 'gig economy' for India's unemployment problem**

This economy is providing India a crucial, flexible part to employment potentially reducing the unemployment in the country. This sector does not require very high skills which suits the Indian workforce. This sector in India and all over the world has seen exponential growth primarily due to the following reasons:

- Covid-19 pandemic- This period from late 2019 to 2021 experienced an unheard of situation of lockdown that resulted in the citizens of all countries in the world being

forced to be confined within their homes. This situation led to a large number of online platforms being developed to provide innumerable services right from food to furniture to education to health, etc. The demand for such services led to the supply responding to the increasing demand resulting in an increase in the gig economy. This led to an increase in employment and thus an avenue for the unemployed. The unemployed force that was employed in this sector was primarily illiterate and unskilled but the job requirement did not require any high level of literacy nor extreme skill.

- Digital revolution- The globalisation and liberalisation of the world in earlier years had already led to the spread and access of internet facilities by all. In India, the provision and encouragement by the government to spread broadband facilities to the hinterland as well as the availability of cheap smart phones led to nearly every citizen having access to data. This helped in the spread of the employment potential of the ‘gig economy’ as both the worker as well as the person who was demanding goods and services were in a position to use and access their familiarity with smart phones and data. The use of such instruments did not require much skill.
- Favourable demographics- India experiencing demographic dividend helped the companies as well as the workforce in terms of expansion for the companies and employment for the workforce.
- Changing workforce preferences- This was an option that was available primarily to skilled workers who wanted to spread their skillset across a number of companies and did not want to tie themselves down to one employer. They wanted the freedom to freelance and earn income according to their requirement, time and capabilities.
- Economic necessity- In countries which had a huge unemployment or less employment situation, the gig economy became an option to increase their incomes by holding more than one job. It gave the flexibility to be permanently employed and at the same time, opt for a flexible job opportunity in their free hours. An example of this is “Uber” and “Ola”. In both these cases the drivers could use their free time to ferry people back and forth and substantiate their income. As there was no requirement for fixed working hours or fixed days, it gave the drivers the freedom to take their vehicles out according to the time that they were free.
- Demand for flexible, cost-effective employment solutions- This economy responded to increasing demand without forcing the employer to employ permanent staff. As and when there was a demand for additional people it could automatically be provided by freelancers or casual labourers on a daily, monthly or yearly basis. There was no fixed

contract or commitment from either side in terms of fixed, strict, stringent time. This environment also helped the employer save costs and earn higher profits.

## **7. The gig economy in India**

The gig economy in India is predicted to reach \$1847 billion by 2032. It is not only expanding in India but it is expanding all over the world. It serves a variety of sectors- e-commerce, transportation and delivery services; and for India it is expected to create 90 million jobs and contribute 1.25% of India's GDP by 2030. India's compound annual growth rate is expected to be 17% (Business Standard 2024). The gig labour is expected to go at 23.5 billion by 2029-2030 up from 7.7 million now (NitiAyog 2022). This sector provides an unprecedented opportunity for revenue creation and economic diversification (Chen et al. 2023). For the Indian economy, though there has been a stable increase in GDP over the years, it has not effectively translated into productive employment. There is a high informal sector in India with 90% of the workforce being employed in it. There is a large number of workforce that is still dependent and working in the agricultural sector implying that employment is predominantly poor in quality, it is mainly of the type of self-employment, seasonal and casual in nature.

As the independent workforce increases, employed youth are likely to be engaged in vulnerable occupations. Spread of education has increased but the extent of jobs for that level of education has not.

These jobs in India have expanded due to the widespread use of internet and the availability of cheap smart phones. This may be an alternative to the traditional "job setup" but it has a number of problems that have emerged due to the widespread prevalence of this sector. In India, one can see it in every sphere and in Tier 2-3 cities and the rural areas. Examples of these are Swiggy, Zomato, Amazon, Flipkart, Zepto, Blinkit, to name a few. Every organisation depends upon online demand which is being addressed by the 'gig economy'.

## **8. Limitation of the gig economy**

The main problem in this sector is the lack of legal protection for workers. This workforce is wrongly classified as independent contractors. Their jobs are strife with income instability, long working hours, lack of benefits, lack of health insurance and paid leave. This sector faces a large amount of gender disparities, delayed payments, and extremely slow implementation of social security laws. This translates into financial strain, anxiety, and job insecurity. There have been cases where workers put in long hours, at time more than 8 hours a day, to meet their income requirements. All the service and manufacturing units which employ these workers are dependent on algorithmic control, which is dependent on a matrix that determines work, pay and termination. This creates a large amount of uncertainty and anxiety.

There are gender inequalities in the workplace of such organisations in respect to limited opportunity and career advancement, and at times differences in income.

## **9. Conclusion and the way ahead**

The gig economy seems to be a viable alternative to employment for the huge independent workforce that is prevalent in India. It may not be the best type of solution to India's unemployment dilemma but it is a reality, given the extent of spread of online facilities in India. The online demand ranges from the fintech sector to the retail sphere. The main problem for these workers is the lack of social obligations on behalf of the employers on their employees. This can be a troubling aspect for the employee. The possible policy change that could be adopted has to be imposed by the government in the form of a law for this section of workers. The other alternative is for the government to step in and provide social welfare facilities to all.

In times to come, the 'gig' sector will only increase, leading to an increase in employment and a reduction in the unemployment figures of the government. The growth of this sector is also going to add substantially to the GDP of the economy. The main concern is the welfare of these workers which would have to be addressed.

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