The Indian Journal for Research in Law and Management

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Editor-in-Chief – Dr. Muktai Deb Chavan; Publisher – Alden Vas; ISSN: 2583-9896

Gig Economy Workers vs. Traditional Employees in India

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EXECUTIVE SUMMARY

India is home to one of the world's largest and fastest-growing gig workforces, with an estimated 77 million platform and informal gig workers as of 2026. Yet the sweeping labour law reforms encapsulated in four new Labour Codes the Code on Wages, the Industrial Relations Code, the Code on Social Security, and the Occupational Safety Code remain only partially implemented across most Indian states. The promise of extending social security, minimum wages, and occupational protections to gig and platform workers has been repeatedly deferred. This report examines the legal and economic fault lines between gig workers and traditional employees in India, the consequences of the delayed Labour Code rollout, and the policy steps most urgently needed.

I. India's Gig Economy: Scale and Structure

India's gig economy is not a niche phenomenon it is a defining feature of twenty-first-century labour in the country. Platforms such as Ola, Uber, Swiggy, Zomato, Urban Company, Dunzo, Porter, and Rapido collectively engage tens of millions of workers in roles ranging from cab driving and food delivery to home services and logistics. The NITI Aayog estimated in 2022 that India's gig workforce would reach 23.5 million by 2030 in the formal platform segment alone; including informal and semi-platform gig workers, the total figure is far higher.

Unlike the United States or European Union, where gig work emerged primarily in urban, tech-literate demographics, India's gig workforce spans a vast socioeconomic spectrum. Many gig workers come from agricultural backgrounds or informal sector employment, drawn to platform work by the promise of steady urban income. For a delivery rider in Bengaluru or a cab driver in Delhi, platform work is not a supplemental income stream it is the primary livelihood for the family. This demographic reality makes the absence of social protection acutely consequential. A traditional factory worker in India, however poorly paid, is entitled to **Employees' State**

Insurance (ESI), Employees' Provident Fund (EPF), gratuity, and statutory paid leave. A Swiggy delivery partner or an Ola driver, performing equally essential and often more physically demanding work, receives none of these entitlements under current law. The four Labour Codes were supposed to begin changing this reality. They have not at least not yet.

II. The Four Labour Codes: What Was Promised

Between 2019 and 2020, the Government of India consolidated 29 central labour laws into four comprehensive Labour Codes, representing the most ambitious overhaul of Indian labour legislation since independence. The four codes the Code on Wages (2019), the Industrial Relations Code (2020), the Code on Social Security (2020), and the Occupational Safety, Health and Working Conditions Code (2020) were designed to simplify compliance, extend protections to the unorganised sector, and bring gig workers explicitly within the ambit of social security law for the first time.

The Code on Social Security 2020 was particularly significant for gig workers. For the first time in Indian legal history, it formally defined 'gig workers' and 'platform workers' as distinct categories and mandated the creation of a social security fund for their benefit. The Code required central and state governments to frame schemes for life and disability cover, health and maternity benefits, old age protection, and other measures for gig and platform workers. It also obligated aggregator companies defined as digital intermediaries connecting workers and customers to contribute between 1% and 2% of their annual turnover to this fund.

These were landmark provisions. A delivery rider covered under a properly implemented Social Security Code would theoretically have access to accident insurance, health cover, and a retirement corpus for the first time. A platform worker injured on the job would have a statutory claim rather than a contractual dispute with a company that denies any employment relationship.

The codes received Presidential assent. They have not been fully implemented. As of mid-2026, most states have yet to notify the rules required to bring the codes into operational effect, and the social security fund for gig workers remains largely unemployed.

III. Why the Codes Have Stalled

The reasons for the implementation delay are both structural and political. Labour is a concurrent subject under the Indian Constitution, meaning both central and state governments have legislative and executive competence. While the central codes have been passed, each state must independently frame and notify its own rules under the codes before they can take

operational effect. As of early 2026, only a handful of states including Uttar Pradesh, Madhya Pradesh, and Rajasthan have notified rules under all four codes, and even these states face implementation gaps in practice.

The task of rule-framing is administratively complex. Determining which workers qualify as 'gig workers' under the code, calculating aggregator turnover contributions, establishing the fund's governance structure, and creating a grievance mechanism all of these require detailed sub-legislative work that has moved slowly through state bureaucracies already burdened with other priorities.

Platform companies have also lobbied actively against strict implementation. The 1%-2% turnover contribution requirement, if vigorously enforced, would represent a significant cost imposition. Companies argue that turnover-based levies bear no rational relationship to the number of workers or the nature of the work a point that has found some traction in policy discussions. Alternative models, such as per-delivery or per-trip contribution formulas, have been proposed but not enacted.

Political economy plays a role as well. India's labour market is characterised by a vast informal sector, and any push to formalise gig work risks disrupting the flexibility that both workers and platforms value. In a country where unemployment remains a pervasive concern, the argument that strict regulation could reduce platform activity and thus reduce employment opportunities has political resonance, even when the empirical evidence for this proposition is contested.

IV. The Rights Gap: Gig Workers vs. Traditional Employees

The practical consequences of the implementation gap can be seen most clearly in a direct comparison of the rights and entitlements of gig workers versus those of traditional employees under Indian law. The cumulative financial impact of this rights gap is substantial. A traditional factory employee earning Rs. 25,000 per month receives, through mandatory employer contributions, the equivalent of an additional Rs. 3,000 to Rs. 5,000 per month in EPF contributions, ESIC coverage, and leave entitlements. A delivery partner earning the same gross amount bears all social security costs personally and has no entitlement to paid leave, gratuity, or employer funded health cover. Over a working life, this gap compounds dramatically.

V. Human Cost: Voices from the Platform

Statistics illuminate the scale of the problem; individual circumstances reveal its human weight. A Zomato delivery partner in Hyderabad described working 12-hour shifts, seven days a week, during the peak monsoon season. When he suffered a road accident while on a delivery run, the platform's insurance a limited, voluntary product covered only a fraction of his hospitalisation costs. He had no ESI coverage, no sick leave, and no income during his recovery. His family depleted their savings. He returned to work before he had fully healed because no law required the platform to provide any income replacement.

An Ola driver in Pune, who had driven for the platform for six years, was deactivated without warning when his rating fell below the platform's threshold following a dispute with a passenger. He had no access to a grievance mechanism, no Industrial Disputes Act protection against arbitrary termination, and no unemployment benefit to sustain him while he sought alternative work. His six years of service generated no gratuity entitlement. From the platform's legal perspective, no employment relationship had ever existed.

These are not exceptional cases. A 2024 survey by the Indian Federation of App-Based Transport Workers found that fewer than 15% of surveyed gig workers had accessed any form of formal social security, and more than 70% had experienced income disruption due to illness or injury without any institutional support.

VI. What Has Changed: Partial Advances

It would be inaccurate to suggest that nothing has improved for gig workers in India since the Labour Codes were passed. Several incremental advances have occurred, even in the absence of full code implementation. Rajasthan enacted the Platform Based Gig Workers (Registration and Welfare) Act in 2023, making it the first Indian state to create a dedicated legislative framework for gig workers. The Act established a Gig Workers Welfare Board, required platform companies to register their workers and contribute to a welfare fund, and created a grievance mechanism. While implementation has been uneven, the Rajasthan model has been cited as a blueprint by other states and by the central government's own policy discussions.

The Supreme Court of India, in several decisions between 2023 and 2025, has affirmed that the substance of an employment relationship not its contractual labelling determines legal status. These decisions, while not directly overturning platform companies' contractor classifications, have emboldened labour enforcement authorities and plaintiffs' advocates. Several High Court decisions have also required platforms to provide minimum wage protections to workers in specific factual circumstances.

At the central level, the Ministry of Labour and Employment has established a National Database of Unorganised Workers (e-Shram), to which gig workers can register and access some government welfare schemes. As of 2025, over 300 million workers had registered on the platform, including a significant number of gig workers. Registration does not itself confer formal employment rights, but it creates a data infrastructure that could support future targeted interventions.

Several major platforms have also voluntarily enhanced their benefit offerings partly in anticipation of regulatory requirements and partly in response to worker organising and reputational pressure. Swiggy and Zomato both expanded their accident insurance covers in 2024. Urban Company introduced a gratuity-equivalent scheme for long-tenure workers on a voluntary basis. These voluntary measures, while meaningful, are inadequate substitutes for statutory entitlements and can be withdrawn at any time.

VII. The Rajasthan Model and State-Level Innovation

Rajasthan's 2023 Gig Workers Act deserves particular attention as a potential template for national reform. The Act departed from the binary of employee-versus-contractor by creating a third legal category the 'gig worker' with its own set of rights and entitlements, distinct from but complementary to the protections available to traditional employees.

Under the Rajasthan framework, platforms must register with the state Welfare Board, provide detailed data about their worker populations, contribute to a welfare fund at a rate determined by the Board, and comply with a set of minimum standards for transparency in rating systems, deactivation procedures, and earnings disclosure. Workers can access welfare fund benefits for health emergencies, accidents, and education support for their children.

The model is imperfect. The welfare fund has been slow to accumulate resources, and enforcement capacity is limited. But its conceptual innovation decoupling social protection from employment classification points toward a workable solution for the broader Indian context, where full reclassification of gig workers as employees would face enormous political and economic resistance.

Karnataka, Tamil Nadu, and Delhi have announced plans for similar legislation. If multiple large states implement versions of the Rajasthan model, the cumulative coverage could extend meaningful protections to tens of millions of workers even before the central Labour Codes are fully operational.

VIII. Algorithmic Management: The Hidden Dimension

Any serious analysis of gig worker rights in India must address the role of algorithmic management the use of automated systems to assign work, set pay rates, monitor performance, and take disciplinary actions including deactivation. This dimension of platform labour has received less public attention than the classification debate but is equally consequential for workers' day-to-day experience.

Indian gig workers routinely describe interactions with algorithmic systems that are opaque, inconsistent, and effectively unappealable. Pay rates are adjusted by algorithms that workers cannot inspect. Rating systems aggregate customer feedback in ways that workers cannot verify or contest. Deactivation decisions are communicated as automated notifications with no accompanying explanation, no appeal process, and no transition period.

The Labour Codes, as drafted, do not comprehensively address algorithmic management. The Code on Social Security contains provisions related to social security fund governance but does not require platforms to disclose how their algorithmic systems operate or to provide workers with meaningful recourse against automated decisions. The Industrial Relations Code, which governs dispute resolution, was designed for traditional workplaces and does not account for disputes arising from algorithmic actions.

Regulatory attention to this gap is beginning to emerge. The Ministry of Electronics and Information Technology's draft Digital India Act includes provisions related to algorithmic accountability for large platforms, and some of these provisions could, if enacted, create obligations relevant to gig worker algorithmic management. However, a final Digital India Act is not expected before 2027, and its labour implications are uncertain.

IX. Policy Pathways: What Needs to Happen

Given the current situation Labour Codes passed but not implemented, state-level innovation nascent but promising, voluntary platform measures insufficient what policy steps would most effectively advance gig worker protection in India in the near term?

The most urgent priority is accelerating state-level rule notification under the Code on Social Security. The social security fund for gig workers cannot be operationalised until states notify the relevant rules, and this has been the single largest bottleneck. The central government should set binding deadlines for state rule notification, provide model rules to reduce the drafting burden on states, and offer financial incentives for early implementation.

Second, the aggregator contribution formula requires reform. The current 1%-2% of annual turnover formula has proven difficult to administer and has generated legal uncertainty. A per-delivery or per-service contribution model simpler to calculate, audit, and enforce should be adopted through an amendment or through ministerial guidance under the Code's existing provisions.

Third, the Rajasthan welfare board model should be scaled. The central government should establish a National Gig Workers Welfare Board as a parallel track to the Labour Codes, drawing on the e-Shram registration database to identify and reach gig workers, and channelling contributions from platforms and government into a single portable benefits account for each registered worker.

Fourth, algorithmic transparency obligations should be introduced. Platforms engaging more than a threshold number of gig workers should be required to disclose the factors their algorithms use to determine earnings, explain deactivation decisions in writing, and provide a human-reviewed appeal process within a defined time period.

Fifth, access to grievance mechanisms must be improved. Many gig workers lack the resources, legal literacy, or time to pursue formal labour court proceedings. Online dispute resolution platforms, simplified filing procedures, and the appointment of dedicated gig economy adjudicators within the labour court system would all reduce the barriers that currently prevent workers from exercising even the limited rights they nominally hold.

X. Conclusion: India's Gig Workers Cannot Wait

India stands at a significant inflection point in its labour market history. The four Labour Codes represent a genuine legislative attempt to modernise a framework built for the industrial era and extend its protections to the workers of the digital age. The Code on Social Security's recognition of gig workers as a distinct legal category is, in historical terms, a major advance. The tragedy is that recognition has not translated into protection. For the 77 million Indians who earn their livelihoods through platform work delivering food in the rain, navigating traffic as drivers, providing services in strangers' homes the delay is not an abstract policy failure. It is a daily reality of exposure to injury, illness, and income loss without institutional recourse. Every month that rule notification is deferred, every quarter that the welfare fund remains undeployed, is a month and a quarter during which these workers bear risks that the law has already determined they should not bear alone. The political and economic forces that have slowed implementation are real, and they will not disappear. But the trajectory of state-level innovation from Rajasthan's welfare board to Karnataka's proposed legislation, from Supreme Court rulings affirming the substance of employment relationships to High Court orders extending minimum wage protections points toward a system that is slowly, imperfectly, but genuinely moving toward greater protection for gig workers. The question is one of pace. India's gig economy will continue to grow rapidly regardless of what the regulatory framework does. The workers entering that economy in the years ahead deserve to do so knowing that their government will not allow them to be invisible in the eyes of labour law. The implementation of the Labour Codes complete, time-bound, and adequately funded is the single most important step that can be taken to ensure that outcome.