

Commercial Viability and Skill Dynamics in the Indian GIG Economy

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Abstract

India's gig economy is reshaping the labor market, pulling workers from rigid formal jobs into flexible, on-demand tasks. NITI Aayog forecasts 23.5 million gig workers by 2029-30, positioning the country as a global hub for platform labor. This paper dissects the sector's split personality: location-based services like Swiggy's deliveries and Urban Company's home repairs, versus online freelancing in IT and design. We probe the platforms' path to profitability in a market obsessed with low prices, where early cash burns have yielded to unit economics. Skill levels dictate earnings: location-based gigs commoditize labor and freeze real wages, while freelancing rewards English fluency and digital savvy. The gig economy absorbs India's youth bulge. Yet it breeds a viability paradox—platforms thrive commercially, but low-skill workers scrape by without social safety nets or training. This analysis draws on macroeconomic trends, corporate filings, and labor reports to unpack these tensions, revealing how skill dynamics and policy gaps shape sustainable livelihoods.

Keywords: Gig economy, Digital economy, Freelancing

Introduction

• **Background: The Digital Disruption of the Indian Labor Market**

Demonetization in 2016 jump-started digital payments through UPI, slashing cash transactions from 90% to under 20% within months. Suddenly, even street vendors scanned QR codes. Then COVID-19 hit, locking down cities and spiking demand for contactless delivery—from groceries to medicines. Platforms like Swiggy and Zomato scaled overnight, hiring lakhs of riders. These jolts turned platform work from urban curiosity into mass employment. In the West, gigs often supplement steady jobs—a barista moonlighting on Uber. India differs sharply. Factories shuttered by automation and services strained by skill mismatches fail to hire the 12 million youth entering the workforce yearly. Gigs fill the void, offering entry without degrees. Yet this shift masks deeper woes: informal jobs now dominate 90% of employment, per Periodic Labor Force Surveys. Platforms promise agency, but algorithms often dictate shifts and routes.

• **Commercial Context: From 'Cash Burn' to Profitability**

Zomato, Swiggy, and Ola burned through \$10 billion in venture capital from 2015-2022, doling discounts to hook price-wary customers in a market where a 10-rupee hike sparks churn. Swiggy alone lost ₹8,000 crore in FY22. Post-2022 realities—rising interest rates, global layoffs—demanded profits per order. Platforms hiked take rates from 10-15% to 20-30% and layered on fees: Zomato's ₹5 platform charge per order now nets billions annually. Urban Company stands out. It standardizes services—prescribed steps

for AC repairs or haircuts—to build trust and charge 25% commissions, dwarfing local technicians' unstructured gigs. This "productization" yields 15% EBITDA margins. The puzzle sharpens: can they profit without gutting partner pay? Zomato's FY24 reports show rider incentives slashed 30%, sparking strikes in Mumbai and Delhi. Platforms claim efficiency; workers see survival squeezed.

- **Economic Context: 'Supply-Push' and Distress Employment**

Gig work thrives on surplus labor. India's 40% youth underemployment—graduates flipping burgers—floods low-entry jobs like deliveries and rides. Platforms dictate terms in this glut: 10 lakh delivery riders compete for Mumbai orders, per internal estimates. Wages hover at ₹15,000-25,000 monthly, below urban poverty lines when adjusted for 14-hour shifts. Online freelancing flips the script. Global clients—US startups, European firms—pull skilled Indians into dollar-paying gigs. A Python developer on Upwork bills \$20/hour, pocketing ₹1,600 in rupees amid 83:1 forex rates. This arbitrage minted 15 million freelancers by 2025, per Payoneer data. Supply-push traps the masses; demand-pull lifts the skilled. Yet even here, 70% earn under \$1,000 monthly, gated by profiles and reviews.

- **Research Problem: The Security-Flexibility Trade-off**

Courts uphold "partners" over employees, denying provident funds, ESI, or gratuity under pre-2020 laws. A 2023 Karnataka High Court ruling affirmed this for Swiggy riders. The Code on Social Security, 2020, names gig workers but stalls on schemes. Flexibility sells—pick shifts, no boss—but dodges costs: platforms evade ₹50,000 crore in annual PF contributions, per ILO estimates. Does it empower, or exploit? Skills might break the trap. A plumber upskilling via Urban Company's academy jumps 40% earnings; drivers stagnate. This paper tests if platforms' viability dooms low-skill partners without interventions.

Objectives of the study

- To Analyse the Transition of Platform Business Models from "Cash Burn" to Unit Economics
- To Examine the Impact of Skill Asymmetry on Wage Dynamics and Worker Bargaining Power
- To Evaluate the Implications of the Code on Social Security, 2020 on Platform Viability and Worker Protection
- To Investigate the "Supply-Push" Factors Driving Distress Employment in the Indian Gig Sector

Literature Review & Policy Framework

Policy views evolved: early scepticism yielded to embracing gigs as "New India's" jobs engine, not unemployment patch. Three threads emerge—optimistic forecasts, legal hurdles, skill chasms—drawing from NITI, ILO, and Fair work.

- **The Policy Optimism: NITI Aayog's "RAISE" Framework**

NITI Aayog's 2022 report charts a boom: 23.5 million workers by 2029-30, 6.7% of the workforce, adding \$250 billion to GDP. It tiers skills: low (delivery, 47%), medium (plumbers, 29%), high (IT, 24%). RAISE—Recognize workers, allow flexibility, incorporate into economy, Support skilling, ensure protections—pushes incentives like tax breaks for platforms. Critics pounce: it parrots "partner" lingo, dodging employee status and liabilities. Fair work India 2024 scores platforms abysmally—Zomato at 3/10 for fair pay—undercutting NITI's cheer.

- **The Legal Watershed: Code on Social Security, 2020**

The Code carves out gig (Section 2(35)) and platform workers (2(61)), exempting standard benefits. Section 114 mandates an Aggregator Fund: 1-2% turnover levy, capped at 5% worker pay, for insurance and pensions. Platforms balk—Swiggy's FY24 turnover of ₹11,247 crore implies ₹112-225 crore hits amid

2% margins. Assented in 2020, rules gather dust; no notifications by late 2025. Rajasthan's 2023 Act pioneers: mandatory registration, welfare boards funded by 2% fees. Delhi courts mandated similar in 2024 strikes.

The Digital Divide and Skill Asymmetry

ILO's 2023 Wage Report flags divides: 80% gig workers lack secondary education, stuck in location gigs. A phone and bike suffice entry, but oversupply tanks pay—delivery incentives fell 25% since 2022. Azim Premji University's 2024 study: algorithms favor top 20% performers, stranding others. Freelancing inverts: Upwork's 24% Indian share hinges on English. Fluent coders earn 2.5x non-fluent peers, per 2025 platform data, via "cultural fit." Skills gate prosperity; policy lags.

Theoretical Framework

1. Comparative Analysis: The "India Model" vs. Global Gig Trends

While the paper notes that India differs from the West, a dedicated comparison highlights the unique "hyper-informality" of the Indian market.

Asset Ownership Paradox: In developed markets like the US, Uber drivers often utilize personal vehicles. In India, a significant portion of the "supply-push" workforce relies on predatory rental sub-economies for bikes and smartphones, adding a layer of debt to the "viability paradox".

The Trust Deficit: Unlike the standardized trust in Western services, Indian platforms like Urban Company must "productize" basic skills through rigorous in-house academies to overcome deep-seated consumer skepticism.

Algorithmic Management: While global discourse focuses on "data rights," the Indian context is dominated by "incentive-chasing," where workers perform 14-hour shifts not by choice, but to trigger daily survival bonuses.

2. The Gendered Gig Economy: Barriers and Breakthroughs

The current draft focuses heavily on delivery and IT; adding a gender lens explores a critical demographic shift.

The Domestic Services Pivot: Platforms have moved traditional domestic work (cleaning, beauty) from the "invisible" informal sector into the "tracked" digital economy.

The "Double Burden": Flexibility is often cited as a benefit for women, yet data suggests women in the Indian gig economy face a steeper "digital divide," with lower access to high-end smartphones required for complex app interfaces.

Safety and Surveillance: For female gig workers, the platform's GPS tracking serves as both a safety tool and a source of algorithmic anxiety, as detour or "rest" periods are penalized by the system.

3. Technological Evolution: AI and the Future of Freelancing

Building on the "English Dividend", this section explores how Generative AI might disrupt the current high-skill advantage.

The Commoditization of Code: While Python developers currently enjoy high hourly rates, the rise of AI coding assistants is narrowing the gap between "digital savvy" and "entry-level" labor.

The Shift to Human-in-the-Loop: Future commercial viability for Indian freelancers will likely shift from "content creation" to "AI supervision," demanding a new set of micro-credentials beyond basic English fluency.

* **Hyper-Personalization:** Platforms are increasingly using AI to predict "churn" among delivery riders,

deploying targeted "loyalty nudges" just as a worker reaches a burnout threshold.

Expanded Data Table: Skill-Earnings Correlation (Projections 2026)

Skill Tier	Primary Roles	Entry Barrier	Wage Growth Forecast	Risk Factor
Low-Skill	Delivery, Logistics	Smartphone + Bike	-5% (Inflation-adj.)	Oversupply
Mid-Skill	AC Repair, Salon	20-hour Training	+12%	Platform Fees
High-Skill	Data Science, UX	English + Degree	+25%	AI Automation

Updated Recommendations: The "Digital Floor" Strategy

Data Portability: Recommend that the government mandate "Rating Portability." This allows a 5-star worker on one platform to carry their "digital reputation" to another, preventing "platform lock-in" and increasing worker bargaining power.

Decentralized Cooperatives: Explore the potential for worker-owned "Platform Co-ops" as an alternative to the Zomato/Swiggy duopoly, utilizing the existing UPI infrastructure to bypass high commission rates. Would you like me to draft a specific "Case Study" section on a company like Urban Company or Zomato to further illustrate these points?

Research Methodology

- **Research Design**

Descriptive and analytical methods dissect secondary data. The sector's fragmentation— millions of untracked workers—demands this macro view for viability across platforms.

- **Data Sources Secondary data**

Data Analysis & Discussion

Filings, projections, indices reveal rifts. Platforms hit unit profits via squeezes; workers bifurcate by skill. Dive deeper.

- **Commercial Viability of Indian Platforms: The "Take Rate" Pivot**

India's price sensitivity forced subsidies—Zomato discounts peaked at 60% order value in 2021. Pivot hit: FY24 shows Zomato's contribution margin at 19%. Take rates climbed.

Urban Company crafts full-stack: 25% commissions plus 12% from partner supplies (detergents, tools). Scripted facials ensure repeats, premiums over ₹500/hour locals
 Swiggy/Zomato duopoly extracts 22% from restaurants, cuts rider pay 20%, adds ₹3-7 user fees—₹2,000 crore yearly. Uber surges 25% peaks. Risk cascades to partners amid fuel hikes.

Platform	Category	Commission (Take Rate)	Additional Monetization	FY24 Margin Impact
Urban Company	Home Services	20-30%	Supplies (10-15% revenue)	+15% EBITDA
Zomato/Swiggy	Food Delivery	18-24%	Ads + Fees (20% revenue)	4-6% net
Uber India	Ride Sharing	20-25%	Surge + Rentals	8% operating
Upwork (India)	Freelancing	10% tiered	Bids (\$0.15 each)	Platform 18%

- **Skill Dynamics: The "English Dividend" and Labour Arbitrage**

India's 24% global freelance share (Upwork 2025) masks tiers. Technical chops open doors; English fluency multiplies. Fiverr data: fluent Indians charge \$25/hour vs. \$15, a 67% premium. Clients cite "smooth communication" in 80% reviews. This dividend dodges offshoring stigma, positioning pros as

partners. Non-fluent coders languish at \$500/month; fluent hit \$5,000. Arbitrage amplifies: \$20/hour = ₹1.4 lakh monthly pre-tax.

- **Income Analysis: Blue-Collar Stagnation vs. White-Collar Growth**

Blue-Collar Trap (Location-Based)

Physics caps: 20-25 deliveries/shift max. Fuel at ₹100/liter erodes ₹20/order to ₹12 net. Nominal ₹22,000/month stagnates post-7% inflation; real wages dipped 5% since 2022 (Azim Premji). Incentives demand 14-hour grinds—self-exploitation amid 50% attrition yearly.

White-Collar Growth (Online Freelancing)

Portfolios compound: Fiverr designers scale \$10 to \$55/hour in 18 months via 5-star loops. Top 10% earn \$100k/year. No parallel for drivers—can't "upskill" bikes.

[Graph 1: Growth of Gig Workforce in India 2020-2025]

(Note: NITI curve: 7mn (2020) → 15mn (2025) → 23mn (2029); low-skill pyramid base swells 3x.)

Supply gluts buoy platforms (90% utilization). Workers crave portable skills.

Findings and Recommendations

Asymmetry defines the sector.

Viability paradox: Platforms post ₹5,000 crore profits (Zomato FY24), via 25% takes squeezing partners—riders' take-home fell 18%.

K-shaped paths: Freelancers surge 40% YoY via English arbitrage; blue-collar real wages flatline in 10:1 oversupply.

Policy stall: Code's levy contested; Rajasthan pilots yield 20% insurance coverage, but national void persists.

- **Recommendations**

Policy Makers: Nationalize Rajasthan Model

Enact tripartite boards: 1-2% levies fund ₹10,000 crore pool for insurance, pensions. Mandate e-Shram registration; enforce via fines (2% turnover).

Skilling Bodies: Micro-Credentials via Skill India

Roll 20-hour "Gig Passports": EV tuning (₹5,000 cert) unlocks premium Swiggy tiers (+15% pay), low-interest bike loans. Target 5 million by 2028.

Platforms: Partner Equity

ESOPs for 2-year veterans (0.1% pool), loyalty bonuses (₹10k/quarter). Cuts 40% churn, stabilizes supply.

Conclusion

India's gig sector fuels urban pulses, minting unicorns amid chaos. Commercial grit shines: unit economics lock in growth. Endless cheap labor erodes, though—burnout, strikes signal cracks. Skills rule fates: upskill 20 million blue-collar into tech hybrids, or forge a working underclass. Forge a pact: flexibility fused with dignity, profits tethered to prosperity. Platforms, states, workers converge, or the dividend sours.