

## Policy Brief

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### *Quantifying the Symbiotic Gain of the E-commerce Sector and Gig Economy*

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## Background

The recently concluded Budget 2024-25 has prioritised skilling and employment. India is required to generate around 12 million new jobs year on year over the next decade. This in itself is a herculean task and one that requires not only for India to grow steadily above 7 per cent every year, but also for the manufacturing sector to grow in order to generate these jobs. However, compared to the previous year, growth in manufacturing has slowed down and India still seems dependent on the services sector for job creation.

A Human Development Report (2020)<sup>1</sup> stated that only 21.2 per cent of India's workforce is skilled. This also means that India has to take into consideration a large number of unskilled labour force and focus on skilling them and creating certain kinds of jobs that can employ unskilled or low skilled people. India's growing digital economy is expected to play a significant role in job creation and upskilling of the labour force.

India's digital landscape is rapidly evolving, driven by a confluence of factors including robust internet penetration, growing smartphone adoption, and a burgeoning young population. At the heart of this transformation are two interconnected forces - e-commerce and the gig economy. Both sectors have witnessed phenomenal growth in recent years, particularly in the Covid and post Covid years, and their intertwined trajectories are shaping the future of India's evolving labour market.

## E-commerce and Gig Economy in India

The Indian e-commerce sector has experienced explosive growth, fuelled by factors such as rising disposable incomes, increasing access to internet and smartphones, and a preference for convenience and variety. According to Statista, the Indian e-commerce market was valued at USD 102 billion in 2023 and is projected to reach USD 163 billion by 2026, and USD 300 billion by 2030<sup>2</sup>. This growth has been driven by the emergence of many major domestic and international marketplaces, which offer a wide range of products and services across categories such as electronics, fashion, groceries, and travel. The rise of online marketplaces has provided consumers with a plethora of choices, competitive pricing, and convenient delivery options, particularly

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<sup>1</sup> <https://hdr.undp.org/content/human-development-report-2020>

<sup>2</sup> <https://www.statista.com/statistics/792047/india-e-commerce-market-size/>



for India's Tier 2, 3, and 4 cities and beyond from where the most number of orders seem to be coming from<sup>3</sup>.

Concomitantly, India's gig economy has also experienced significant growth over the years, arguably fuelled by the rise of e-commerce platforms. The gig economy, characterised by short-term, flexible work arrangements, has gained significant traction in India, offering a unique model for employment. A NITI Aayog Report (June 2022)<sup>4</sup> classifies gig workers into two categories, "Gig workers – those engaged in livelihoods outside the traditional employer-employee arrangement – can be broadly classified into platform and non platform-based workers. Platform workers are those whose work is based on online software apps or digital platforms. While, non-platform gig workers are generally casual wage workers and own-account workers in the conventional sectors, working part-time or full time." The report also pegs the number of gig workers at 6.8 million in 2019-20, which grew to 7.7 million on 2020-21, and expected to reach 23.5 million by 2029-30, constituting 6.7 per cent of non-agricultural workforce in India<sup>5</sup>. A BCG report estimates that as many as 24 million jobs will transfer to platform based gig work in the medium term<sup>6</sup>.

## **A Symbiotic Relationship**

The gig economy in India has flourished in conjunction with the rapid expansion of e-commerce platforms in recent years. E-commerce platforms have fundamentally reshaped the landscape of employment in India, creating a vast and diverse range of gig opportunities. From delivery drivers and customer service representatives to freelance writers and online tutors, e-commerce has facilitated the emergence of a new breed of independent workers who are able to leverage their skills and time flexibility to earn a living. This shift from traditional, fixed-term employment to flexible, project-based work has provided individuals with greater autonomy and control over their working lives.

The increased demand for goods and services online has created numerous opportunities for individuals to participate in the gig economy as delivery partners, freelance workers, and service providers. The impact of e-commerce on the gig economy in India can be quantified by looking at the number of jobs created, income generated by gig workers, inclusiveness, and the overall contribution to the economy.

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<sup>3</sup> <https://www.investindia.gov.in/team-india-blogs/e-commerce-boom-india-current-trends-and-prospects>

<sup>4</sup> "India's Booming Gig and Platform Economy," NITI Aayog, June 2022

<sup>5</sup> Ibid

<sup>6</sup> <https://media-publications.bcg.com/India-Gig-Economy-Report.pdf>

The BCG report pegs the economic contribution of the gig economy at 1.2 per cent of GDP<sup>7</sup>.

The flexibility and convenience offered by gig work in the e-commerce sector have attracted a large number of participants, especially among the youth and urban populations. Online marketplaces like require a substantial workforce to handle order fulfilment, delivery, and customer support. This demand has created numerous job opportunities for individuals with diverse skillsets, including those with limited educational qualifications or prior work experience. The gig economy has provided a pathway for entry-level workers to gain valuable experience and build their professional networks, ultimately contributing to their economic empowerment.

E-commerce companies rely heavily on gig workers for various tasks, such as delivery, customer service, content moderation, and logistics. This has led to the creation of millions of jobs, particularly in urban and semi-urban areas, providing employment opportunities to a diverse range of individuals, including those with limited educational qualifications.

The gig economy has opened up opportunities for women, enabling them to participate in the workforce on their own terms. Since the pandemic, India's female labour force participation has been on the decline. However, e-commerce platforms have created a level playing field, allowing women to access work opportunities irrespective of geographical location, tie constraints, or social constraints. This has contributed to women's economic empowerment, financial inclusion, and financial independence. An ILO Report notes that the inclination to opt for gig work, "...was particularly notable among women, with 40 per cent of them in 2021 opting for platform work, compared with 31 per cent of men."<sup>8</sup> The justification for this was that women were able to balance care giving activities with employment better due to the flexibility offered by gig work.

E-commerce companies are increasingly investing in skilling and training initiatives for gig workers, equipping them with the necessary skills and knowledge to perform their tasks effectively. This is crucial for improving worker productivity and ensuring the long-term sustainability of the gig economy, particularly for a country like India that has a large percentage of unskilled labour force. A NASSCOM report suggests

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<sup>7</sup> Ibid

<sup>8</sup> "India Employment Report 2024" International Labour Organisation and Institute for Human Development

that, “~22% of the jobs are high-skilled, 47% are medium-skilled, and ~31% are low skilled.”<sup>9</sup>

Similarly, the gig economy has had a significant economic impact on e-commerce companies, providing them with numerous advantages. The gig economy provides e-commerce companies with access to a large pool of flexible and readily available labour, allowing them to scale operations quickly and efficiently. This is particularly crucial for handling peak seasons and demand surges. The gig economy allows e-commerce companies to adapt to changing market demands and consumer preferences by adjusting their workforce size and skillsets as needed. This flexibility enables companies to remain agile and responsive in a dynamic business environment.

## Quantifying the Gains

No extensive survey has yet been carried out to accurately quantify the cumulative gains for the gig economy because of e-commerce. However, there have been studies that have managed to quantify few such gains.

- ILO states that women prefer to work in gig jobs than in regular employment roles because of the flexibility.
- The report also states that gig work is preferred by the youth in India. “The majority of platform workers in developing countries, including India, were younger than 35 in 2021. In these countries, a considerable number of young individuals are motivated to engage in online platform work due to their preference for flexible work arrangements, autonomy or the necessity of working from home. This particularly benefits individuals with limited qualifications and experience as well as those who are starting their career.”<sup>10</sup>
- NASSCOM states that the gig economy is generating the majority of jobs in medium to low skill jobs, which is important for India, given the current labour mix.
- A CII Blog states that gig workers are likely to earn more than regular employment<sup>11</sup>.
- Gig economy is able to generate significant jobs that is the need of the hour for India. The NITI Aayog report estimates that over 5 million gig economy work was generated merely through the hiring of delivery persons<sup>12</sup>. While delivery

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<sup>9</sup> “Future of Workforce: Decoding the Gig Workforce 2.0” NASSCOM

<sup>10</sup> India Employment Report 2024” International Labour Organisation and Institute for Human Development

<sup>11</sup> <https://ciiblog.in/emerging-gig-economy-opportunities-challenges-for-job-creation/>

<sup>12</sup> “India’s Booming Gig and Platform Economy,” NITI Aayog, June 2022, page 30

is the most visible aspect, other e-commerce-related gigs are booming, including customer service representatives, content moderators, virtual assistants, and social media marketers.

- A TeamLease report suggested that e-commerce created as many of 7,00,000 gig jobs in the second half of 2023. They have also predicted a 25 per cent growth in these jobs in 2024.<sup>13</sup>
- The NITI Aayog Report<sup>14</sup> also notes that the large informal labour markets tends to benefit from formalisation that is possible through e-commerce and platform generated gig work. The report further notes that e-commerce companies and platform companies consciously aim at creating more inclusive workforce. As a case study, the report notes, “Amazon has introduced a first-of-its-kind “Silent Station” in Mumbai, that employs a large workforce of individuals with hearing and speech disabilities.... Meanwhile, the e-commerce giant has also launched “The Saheli Store” on its India website, for products curated by women entrepreneurs. In Thiruvananthapuram (Kerala) and Chennai (Tamil Nadu), Amazon has women-only delivery stations (ibid), aimed at empowering them.”<sup>15</sup>

There is little doubt that e-commerce and the gig economy benefit from each other. There have been several independent estimates on quantifying these gains, which are significant. In this context, a webinar was held by the Policy Consensus Centre to discuss this symbiotic relationship between the two sectors and to quantify these economic gains for the gig worker, for the e-commerce sector, and for the economy.

The panellists for the discussion were

- Mr. Amar Patnaik, Member of Parliament, Biju Janata Dal
- Dr. Arpita Mukherjee, Professor, ICRIER
- Mr. Shriram Subramanian, Founder and Managing Director, InGovern Research Services
- Ms. Sushma Morthania, Director General, India SME Forum

## Outcome of the Discussion and Recommendations

The National Commission for Enterprises in the Unorganized Sector (NCEUS) has defined informal worker or informal employment as, “Unorganized workers consist of those working in the unorganized sector or households, excluding regular workers

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<sup>13</sup> <https://economictimes.indiatimes.com/jobs/hr-policies-trends/e-commerce-industry-to-create-7-lakh-gig-jobs-in-second-half-of-2023-teamlease/articleshow/102316689.cms?from=mdr>

<sup>14</sup> India’s Booming Gig and Platform Economy,” NITI Aayog, June 2022

<sup>15</sup> Ibid

with social security benefits provided by the employers and the workers in the formal sector without any employment and social security benefits provided by the employers”.<sup>16</sup> However, the gig jobs in India are neither absolute formal employment, nor absolute informal employment and straddle the edges of both the formal and the informal employment. Globally, gig economy is regarded as self-employment or additional employment. The discussants agreed that the new Labour Codes of 2020, attempts at formalisation of gig workers, however, due to the nature of the services in the gig economy and lack of data, formalisation of gig economy is challenging. It was also unilaterally accepted that the e-commerce sector is one of the largest employers of gig workers in India.

- To formalise gig economy and improvise the standard of gig workers in India, policy makers should consider developing a holistic and uniform definition for gig economy considering the various kind of platform based and non-platform-based gig employment in India.
- The Government of India might also consider amending the Unorganised Worker Social Security Act 2008 to include the definition of gig economy under this Act so that the benefits of the Act can be availed by gig workers in India. This would further provide a collective bargaining power for gig economy workers for securing social benefits such as accidental and health insurance etc.
- Alternatively, a model central legislation should be developed specifically for the gig economy and gig workers. This model legislation will act as an underlying framework for all states to develop their own legislation in consultation with industries as per the concentration of the kind of gig works in the state and track implementation and adherence to these legislations. However, States must consider a soft touch approach while implementing these legislations and must not over-regulate industries in the process.
- Collection of data on employment in India is a challenge while collecting data of gig economy workers is almost next to impossible. This is mostly due to gig jobs are temporary, workers keeping entering and exiting the system, and, work hours and income of workers may vary depending on the contract with the employee. Data collection on gig economy is currently dependent on self-reporting by workers. Policy makers should work together with e-commerce platforms and service providers to develop a framework that can help capture data on gig workers. Recording and reporting of gig workers should be mandated for the employers. Moreover, the e-Shram portal run by the Government of India does not have a separate column to list gig economy workers. Creating a separate section for the gig economy workers will enable Government in tracking and collecting data on gig workers. Industries

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<sup>16</sup> [https://labour.gov.in/sites/default/files/report\\_vol\\_4\\_final.pdf](https://labour.gov.in/sites/default/files/report_vol_4_final.pdf)

employing gig workers must also educate and encourage such workers to register on the e-Shram portal.

- Gig economy provides an opportunity for unskilled workers to learn a new trade or upskill themselves, as per the job requirement. Employers, especially e-commerce platforms, impart critical on-job skill training to their employees such as technological skills, soft skills, assessing and maintaining hygiene standards on jobs, creating awareness on sustainable and green economy etc. Such skills and training prove to be lifelong learnings for such workers which can be utilised in future jobs. To further encourage this and for better quality workforce, policymakers should work with e-commerce platforms in developing customised skill courses for the gig economy and certified upskilling programme for semi-skilled workers. The National Skill Development Council (NSDC) should be roped in to assess and develop customised training module for such skilling needs.
- Employers of gig economy should further encourage more women participation in workforce. This can be done by availing them of safe and secure work conditions, flexible working hours, basic amenities, creches etc. and providing them basic on job skill training.





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