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# **EXAMINING THE IMPACT OF THE GIG ECONOMY ON EMPLOYMENT AND POVERTY REDUCTION IN INDIA**

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## **ABSTRACT**

The gig economy has emerged as a prominent force in the modern labor market, considerably influencing employment and poverty worldwide. The gig economy brings a diverse collection of difficulties and possibilities that have an influence on employment and poverty in both good and negative ways. While it has increased work opportunities for some, it has also increased economic inequality and reduced labor rights for many others. There is a need to balance the flexibility and creativity provided by the gig economy and the need to maintain fair labor practices and enough social security for gig workers. By assessing both positive and negative outcomes, this research aims to provide insights for policymakers on how to harness the gig economy's potential for poverty alleviation while mitigating its risks to worker welfare. This study article digs into the complicated link between gig labor and employment, examining its possible advantages and disadvantages.

**KEYWORDS:** Employment, Gig Economy, Gig worker, ILO, Poverty.

## **INTRODUCTION**

The gig economy, defined by short-term and flexible job arrangements, has grown unprecedentedly worldwide, and India is no exception. The employment scene in India has changed dramatically in recent years, with the advent of several gig platforms that link workers to a wide range of jobs and services. Unlike traditional job arrangements, the gig economy allows people to work on a project-by-project basis, contributing to a dynamic and decentralized labor market.

The gig economy, also known as the platform economy or the sharing economy, is a rising economic system characterized by on-demand, short-term employment conducted by independent contractors or freelancers. These individuals, also known as gig workers, are

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generally not considered employees of the company for whom they work and are not entitled to regular employee benefits such as health insurance, paid time off, or overtime pay.

There are undoubtedly significant advantages to having a Gig Economy. Still, because gig workers are frequently categorized as independent contractors/freelancers, most labor or social security legislations do not protect them. As a result, such gig workers are excluded from the protections generally afforded to workers in formal businesses. For the first time, the Social Security Code 2020 recognizes gig workers, providing them with social security benefits.

The pandemic has affected many people, causing them to lose jobs and move towards the gig economy. As a result of the COVID-19 epidemic, the necessity for Gig workers' identification has increased. Furthermore, compared to non-gig workers, gig workers are often younger and have lower to middling levels of education. They frequently work only a few hours every day and prefer flexible hours. Many gig workers also have regular, low paying jobs and may utilize gig work to supplement their income.<sup>2</sup>

## **Overview of the Gig Economy in India**

### **Historical Context**

The term 'gig' was first used by musicians in the Twenties to signify 'engagement' in that technology. Engagement was related to various assignments, including appearing, supporting, and attending musical performances. Later, this concept was given a larger context and became known as the "Gig financial system." This new phrase refers to people or employees who satisfy their wishes by utilizing or operating themselves for a specific time. As a result, the term 'gig' has been used to refer to freelance labor since 2009. Unemployment and generational utilization are the primary motivations behind developing the notion of gigs.<sup>3</sup>

### **Definition of Gig worker**

The Social Security code defines a Gig worker as “someone who performs work or participates in a work arrangement and earns from such activities outside of traditional employer-employee relationships.”<sup>4</sup> Further, the code defines platform workers as those who undertake platform

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<sup>2</sup> B.R. Mukhopadhyay & B.K. Mukhopadhyay, Running to Stand Still: Gig workers in the Gig Economy, NORTH EAST COLOURS, Editorial, Sept 14th, 2021.

<sup>3</sup> Ashwini Kishor Sonawane, “Women and Gig Economy: Opportunities and Challenges” 5 Ijfmr 2582 (2023).

<sup>4</sup> Section 2(35) of the Code on Social Security, 2020.

work online to get access to opportunities to solve problems in exchange for money.<sup>5</sup> Gig workers include platform workers who do the job contractually and get a fixed amount.

According to Niti Ayog, 'Gig workers' operate outside the typical employer-employee relationship. The gig economy was expected to employ 7.7 million people in 2020-21, with a predicted workforce of 23.5 million by 2029-30. By 2024, the sector is anticipated to generate \$455 billion in sales.<sup>6</sup> 47% of gig workers have medium-skilled occupations, 22% have high-skilled jobs, and 31% have low-skilled ones.

### Challenges and Criticism

The gig economy has emerged as a substantial source of employment and income for a growing portion of the Indian population, particularly among young people and those looking for flexible work opportunities. It has also aided in the spread of the digital economy and service delivery in various areas, including transportation, food delivery, ecommerce, and personal services.

While the gig economy provides flexibility and new options, it needs help. Here are some of the most typical difficulties linked with the gig economy:

- **Uncertainty in Employment:** Gig workers frequently need more consistency and security in their regular employment. They may experience changes in demand for their services, resulting in unpredictability in their income sources.
- **Inadequate Employment Benefits:** Traditional job benefits like health insurance, paid leave, retirement plans, and other bonuses are often not provided to gig workers. Because of the lack of benefits, gig workers may be financially insecure and need a safety net in times of need.
- **Variability in earnings:** The income of gig workers might need to be more consistent and unexpected. Market demand, competition, and seasonality may all influence their revenues, making it difficult to budget and prepare for the future.
- **Exploitative Behaviour:** Some gig platforms have been accused of engaging in exploitative practices such as low pay rates, insufficient worker safeguards, and

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<sup>5</sup> Section 2(60) of the Code on Social Security, 2020.

<sup>6</sup> Roshni, "Despite Rise in Gig Economy, Women's Participation Still Less than 30%", India Today, Aug. 08, 2022, available at: <https://www.indiatoday.in/education-today/jobs-and-careers/story/despite-rise-in-gig-economy-women-s-participation-still-less-than-30-1985236-2022-08-08> (last visited on Sept. 02, 2024).

arbitrary modifications to terms of service. This might lead to bad working conditions and discontent with one's employment.

- **Worker Rights are Restricted:** Because gig workers are frequently classed as independent contractors, they may have different legal protections and privileges than regular employees. As a result, they may find it challenging to confront concerns such as workplace harassment, discrimination, or unfair treatment.
- **Inability to Access Social Security:** Traditional workers are usually eligible for social security benefits such as unemployment insurance and worker's compensation. As independent contractors, gig workers frequently need access to these critical safety nets.
- **Ratings are overused:** Customers often evaluate gig workers, substantially influencing their ability to acquire future engagements. Overreliance on ratings can lead to a stressful atmosphere in which employees feel pressured to prioritize client pleasure over their well-being.
- **Isolation and want of belonging: Gig labor** is frequently isolated, and employees may need more community and camaraderie seen in regular jobs. This loneliness and lack of support can be exacerbated by isolation.

### **Types of Gig workers prevalent in India**

- **Uber and Ola cab gig workers:**

The Uber and Ola driver lawsuit in Maharashtra State, India, is a complicated legal struggle that underscores the issues that gig workers face regarding employment categorization and access to benefits. In 2017, a group of Uber and Ola drivers filed a complaint with the Maharashtra State Road Transport Authority, saying that the ride-hailing companies were violating labor rules and treating them as independent contractors rather than employees. The drivers claimed they were entitled to minimum wage, health insurance, and other safeguards often granted to workers.<sup>7</sup>

Overall, the case involving Uber and Ola drivers in Maharashtra State serves as a reminder of the complexities and challenges that gig workers face in India and around the world, as well as the need for more robust legal safeguards and advocacy to ensure that they are treated fairly and receive the support they require to succeed in the gig economy.

Recently, in 2023, Ola and Uber cab drivers went on a day strike in Pune, leaving passengers

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<sup>7</sup> Dr. Vijeta Banwari, Gig Economy: Challenges and Opportunities in India, JETIR, Vol 5 Issue 11, (2018).

on alternative transport, which created many problems. Therefore, The Indian Gig Workers' Front (IGF) staged a one-day strike in Pune, urging the state government to Approve the Platform-Based Gig Workers (Registration and Welfare) Bill 2023 and adhere to the Cab Aggregator norms.<sup>8</sup>

- **Zomato and swiggy food delivery gig workers:**

Another high-profile instance involving gig workers in India is the conflict between Swiggy, Zomato, and its delivery partners. In 2019, a group of delivery partners petitioned the National Company Law Tribunal, saying that the firms engaged in unfair business practices and did not provide enough remuneration or benefits to their employees. The case has emphasized the need for more robust safeguards and rights for gig workers in India, notably regarding job categorization and access to benefits. It has also raised serious concerns about the role of platforms and aggregators in the gig economy and their obligations to their employees.

The swiggy workers in Maharashtra went on strike. Multiple organizations organized them collectively, including Shiv Sena-affiliated Rashtriya Karmachari Sena and the Indian Federation of App-based Transport Workers (IFATW). The IFATW has asked for a 'Social Security Bill' for Mumbai gig workers, similar to legislation recently enacted by the Rajasthan government. It also sought a "tripartite board" comprised of "representatives from aggregators, worker organizations, and the government" to implement worker initiatives, as well as that e-commerce platforms pay a "welfare cess" to a collective fund for gig workers.<sup>10</sup>

The Rajasthan Platform Based Gig Workers (Registration and Welfare) Bill, 2023, enacted in the state legislature in July, is widely regarded as the country's first law to safeguard gig workers.<sup>9</sup>

- **UrbanClap gig workers:**

Urban Company (formerly UrbanClap) is an Indian services company that connects customers with service professionals for various tasks, including home cleaning, appliance repair, beauty services, and pest control. In September 2021, service experts working for Urban Company filed the complaint. Urban Company is a home services website that links clients with service providers such as cleaners, plumbers, and electricians. Under Indian labor regulations, service

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<sup>8</sup> Tigga S, "Gig Workers, Ola & Uber Drivers Go on Strike; Commuters, Food Deliveries Hit" The Indian Express (October 25, 2023) *available at*: <https://indianexpress.com/article/cities/pune/gig-workers-olau-uber-drivers-go-on-strike-commuters-food-deliveries-hit-8999713/> (Last visited 03 September 2024). <sup>10</sup> Saha S, "Swiggy, Zomato Operations Hit as Delivery Workers Strike in Mumbai" The Economic Times (October 10, 2023) *available at*: <https://economictimes.indiatimes.com/tech/startups/swiggy-zomato-operations-hit-as-delivery-workers-strike-in-mumbai/articleshow/104289569.cms/> (Last visited 03 September 2024).

<sup>9</sup> Khan H, "Rajasthan Passes Bill Extending Social Security to Gig Workers sans Debate" The Indian Express (July 25, 2023) *available at*: <https://indianexpress.com/article/india/rajasthan-passes-bill-extending-social-security-to-gig-workers-sans-debate-8857510/> (Last visited 04 September 2024).

providers working for Urban Companies are categorized as independent contractors and do not have the same legal rights as employees.<sup>10</sup>

The service experts cited a recent Supreme Court of India decision regarding Food Corporation of India v. Jagdish Balaram Bahira.<sup>13</sup> In that decision; the Supreme Court ruled that, regardless of their designation or contract, a person who provides services for a corporation for compensation is an employee under Indian labor laws. The lawsuit is ongoing, and the Delhi High Court has given Urban Company notice to answer the petition. The case's conclusion is anticipated to have far-reaching repercussions for classifying gig workers in India and their rights under labor laws.

### **IMPACT OF COVID 19 ON GIG WORKERS**

The COVID-19 epidemic has both beneficial and harmful effects on the gig economy. On the one side, the pandemic increased demand for gig workers, notably in delivery, healthcare, and online teaching. People depended increasingly on gig workers to offer essential services while they stayed at home to escape the infection. This resulted in higher compensation and more options for gig workers in these industries.

However, the pandemic severely impacted gig workers in other industries, such as transportation and hospitality. Demand for gig workers fell because the epidemic particularly heavily affected these industries. This resulted in many gig workers losing income and career options.

The impact of COVID-19 on the gig economy demonstrated both gig workers' weaknesses and flexibility. It has generated debate on the need for more substantial labor rights, social safety nets, and a more inclusive approach to the gig economy's growth. "During the shutdown, India observed a 115% increase in work-from-home (WFH) engagements."<sup>11</sup> While the pandemic has accelerated the gig economy's growth, it has also shown the precarious nature of previously appealing jobs. Gig workers have faced the brunt of the pandemic without safety nets, whether

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<sup>10</sup> Prachi Agnihotri v. Urbanclap Technologies India Private Limited, 2021 SCC OnLine CCI 18. <sup>13</sup> Food Corporation of India v. Jagdish Balaram Bahira, (2017) 8 SCC 670, (India).

<sup>11</sup> Press Trust of India, Covid-19 pandemic prompts workers, corporates to adopt gig economy, BUSINESS STANDARD (October 21, 2023), available at: [https://www.business-standard.com/article/companies/covid-19pandemic-prompts-workers-corporates-to-adopt-gig-economy120101800493\\_1.html](https://www.business-standard.com/article/companies/covid-19pandemic-prompts-workers-corporates-to-adopt-gig-economy120101800493_1.html) (Last visited on 4th September 2024).

it's a lack of healthcare insurance, financial stability, or long-term employment. This has increased awareness of the fragility of many gig-economy jobs.

Salary inconsistencies and poor working conditions exist, according to the "International Labour Organisation (ILO)." Most platform-based gig workers earn far less than the local minimum wage. Because there is asymmetric knowledge and few opportunities for collective bargaining for better working conditions and remuneration, the benefits easily outweigh the drawbacks. The pandemic has put gig workers in the cab and food delivery businesses on the front lines, with no employment benefits or financial stability.<sup>12</sup>

The COVID-19 outbreak also emphasized the importance of increased social protection for gig workers. Traditional labor safeguards, such as minimum wage, paid time off, and health insurance, are frequently denied to gig workers. This renders them more exposed to financial difficulties, especially during times of crisis. In response to the epidemic, several governments have tried to give additional social protection to gig workers. The Indian government, for example, provided a rescue package for gig workers that included cash help and healthcare access.

The COVID-19 epidemic is expected to have long-term consequences for the gig economy. As the globe recovers from the epidemic, it is critical to analyze the lessons gained and implement policies that support a more fair and sustainable future.

## IMPACT OF THE GIG ECONOMY ON EMPLOYMENT

The gig economy has recently been a critical source of job growth. It has given individuals new chances to work outside traditional employment institutions and more flexibility and choice for workers and customers. Here are some of the ways the gig economy has increased employment:

- **Increased access to work:** The gig economy has made it simpler for people to find jobs, particularly those who have struggled to obtain regular employment. This is because the gig economy only demands specific credentials or experience from workers and allows them to work flexibly.

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<sup>12</sup> Bhaskar Pant & Geetima Das Krishna, COVID-19, and Gig Workers: Need to democratize the Gig Economy in India, ECONOMY (May 21, 2023, ), available at <https://government.economicstimes.indiatimes.com/news/economy/covid-19-and-gig-workers-need-to-democratize-the-gig-economy-in-india/78567292> (Last visited on 4th September 2024).

- **Increased income diversification opportunities:** The gig economy has enabled people to supplement their income by doing several jobs. This has been especially advantageous to those unemployed or with low-paying employment.
- **Increased work flexibility:** The gig economy has given workers more freedom regarding when and where they work. This has benefited persons with family or other obligations that make performing a typical 9-to-5 job impossible.
- **New options for entrepreneurs:** The gig economy has opened up new avenues for entrepreneurs to launch their firms. Many people, for example, have created their enterprises as delivery drivers, personal assistants, and housekeepers.
- **Productivity has increased** due to the gig economy since people can work when they are most productive. Businesses have profited from this since they can do more work with fewer personnel.
- **Reduced unemployment:** The gig economy has reduced unemployment by providing individuals with new job options. This has proven especially advantageous for persons out of work for an extended period.

## POVERTY ALLEVIATION THROUGH THE GIG ECONOMY

Poverty is a multifaceted notion that includes low income, a lack of access to essential services, insufficient education, bad health, and restricted prospects. It is a lack of money, resources, and a need for more critical talents. The United Nations has outlined 17 Sustainable Development Goals (SDGs) to address global challenges, including poverty. Goal 1 is dedicated explicitly to "No Poverty," aiming to end poverty in all its forms by 2030.<sup>13</sup> Overt and sustainable development are intertwined ideas with social, economic, and environmental implications. Sustainable development addresses poverty's underlying causes while encouraging economic progress, social inclusion, and environmental conservation.

The gig economy has the potential to alleviate poverty by providing flexible job alternatives, particularly in areas with high rates of unemployment and underemployment. The gig economy may link individuals with various services that can be supplied flexibly and on-demand using digital platforms. This can be especially advantageous for impoverished individuals who may struggle to acquire or keep traditional jobs because of a lack of education, skills, or

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<sup>13</sup> Dpicampaigns, "Goal 1: End Poverty in All Its Forms Everywhere - United Nations Sustainable Development" (United Nations Sustainable Development, October 19, 2023) available at: <https://www.un.org/sustainabledevelopment/poverty/> (Last visited on 4<sup>th</sup> September 2024).

transportation.

The gig economy has significantly influenced young people, providing them new jobs, flexibility, and entrepreneurial prospects. It has, however, sparked worries about job stability, poor pay, and a lack of benefits.

The need for white-collar gig workers has lately increased. According to CIEL Group, a personnel solutions company, 55% of organizations have recruited gig workers. Notably, in certain situations, the number of gig workers has reached as high as 20% of their overall workforce, implying that these companies have a sizable proportion of gig workers.<sup>14</sup> According to ASSOCHAM research, the gig economy can expand to \$455 billion by 2024 at a compound annual growth rate (CAGR) of 17%. The Indian gig economy has the potential to generate 1.25% of the Indian GDP and create over 90 million employment in India's non-farm industries.<sup>15</sup>

According to the Economic Survey for 2020-21, "the changing nature of work with the technology change, the innovation in organization structures, the evolution of new economic activities, and evolving business models have grown the potential of the gig economy."

According to the poll, internet networks play a significant role in connecting job seekers and employment suppliers due to the need for more intermediaries in the gig industry.

According to Niti Aayog's research, 'India's Booming Gig and Platform Economy,' the Indian gig labor is predicted to grow to 23.5 million workers by 2029-30, a nearly 200% increase from the present 7.7 million. The demand for gig workers has expanded by 10X, while participation has climbed by 3X in 2022 compared to 2021, according to the Taskmo report 2022. "The participation of youth in the gig economy has increased 8-fold between 2019 and 2022," according to the research.<sup>16</sup>

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<sup>14</sup> Jaswal M, "Rise in Demand for Gig Workers in Companies, with 55% of Organisations Hiring': Report | Mint" Mint (August 4, 2023) available at: <https://www.livemint.com/companies/news/rise-in-demand-for-gig-workers-in-companies-with-55-of-organisations-hiring-report-11691141473408.html>.

<sup>15</sup> Market C, "India's Gig Economy Set To Hit \$455 Billion By 2023" [www.business-standard.com](http://www.business-standard.com) (January 23, 2020) available at: [https://www.business-standard.com/article/news-cm/india-s-gig-economy-set-to-hit-455-billion-by-2023-120012300579\\_1.html](https://www.business-standard.com/article/news-cm/india-s-gig-economy-set-to-hit-455-billion-by-2023-120012300579_1.html).

<sup>16</sup> Education F, "Indian Gig Workforce to Witness 200% Jump by 2030: Niti Aayog" Financial Express (February 6, 2023) available at: <https://www.financialexpress.com/jobs-career/education-indian-gigworkforce-to-witness-200-jump-by-2030-niti-aayog-2972631/>.

In short, tackling poverty is a critical component of long-term development. Sustainable development attempts to build a fairer and more resilient world where individuals and communities can succeed without jeopardizing future generations' well-being by combining economic, social, and environmental issues.

## LEGAL REGIME REGARDING GIG WORKERS

The Code on Social Security 2020 is a historic legislation that intends to consolidate and modernize India's social security regulations. The SSC 2020 includes several new rules to assist gig workers, described as workers who do short-term, on-demand employment using digital platforms. Key Provisions of the Code on Social Security 2020 for Gig Workers:

- **Extension of Social Security to Gig Workers:** The Code extends the scope of social security to gig workers, bringing them under the purview of social security schemes.
- **Creation of a Gig Workers' Social Security Fund:** The Code establishes a Gig Workers' Social Security Fund to finance social security benefits for gig workers.
- **Contribution to the Gig Workers' Social Security Fund:** The Code mandates contributions to the Gig Workers' Social Security Fund from aggregators, the platforms connecting gig workers with clients.
- **Benefits Payable to Gig Workers:** The Code provides gig workers a range of benefits, including life and disability cover, Accident insurance, health and maternity benefits, and age protection.

## Challenges and Way Forward

Despite the favorable provisions of the Code on Social Security 2020, significant obstacles still need to be overcome to guarantee appropriate social security coverage for gig workers. Among these difficulties are:

- **Defining Gig Workers:** No clear and universally accepted definition of a gig worker exists. This makes it challenging to identify and classify gig workers, which can impact their eligibility for social security benefits.
- **Determining Contribution Rates:** The Code on Social Security 2020 specifies a range of contribution rates for aggregators, but no specific formula is provided for establishing the right amount for each aggregator. This might result in anomalies in contributions and a reduction in the availability of cash for social security payments.

- **Enforcing Compliance:** Ensuring aggregators comply with the Code on Social Security 2020 and contribute to the Gig Workers' Social Security Fund is crucial. This needs efficient enforcement procedures and cooperation across various government entities.
- **Promote awareness among gig workers:** Gig workers must know their rights and benefits under the SSC 2020 to collect their entitled benefits.
- **Encourage collaboration among the government, aggregators, and gig workers:** Effective social security coverage for gig workers necessitates cooperation among several stakeholders, including the government, aggregators, and gig worker organizations.

By tackling the issues and putting these measures in place, India can get closer to delivering complete social security coverage for gig workers, giving them the safety and assistance they need to live secure and dignified lives.

The Code on Social Security 2020 is essential to securing social security coverage for India's gig workers. However, several issues must be addressed for successful implementation and widespread coverage. By addressing these issues and encouraging stakeholder participation, India may develop a more equal and safe social security system for all workers, including gig workers.

## CONCLUSION

The gig economy has transformed our work, giving people unparalleled flexibility and autonomy. It has enabled millions to make a living, pursue their hobbies, and contribute to the global economy. On the other hand, the gig economy has prompted worries about worker rights, job security, and the lack of traditional benefits. A comprehensive approach is required to capitalize on the potential of the gig economy while tackling its problems.

Gig and platform work in India can assist in lowering the unemployment rate because of the low entry barriers for employees. However, this may not be the case due to the informal character of the employment, which does not allow for proper pay and employee benefits. The Government of India adopted the Code of Social Security 2020 to assist with this. However, experts and professionals claim that the architecture of the Social Security Code promotes inefficiency since it fails to address critical concerns concerning platform work. On the other

hand, the Code on Social Security is the first time the Government of India has acknowledged that gig and platform workers must be considered employees.

To make the Code on Social Security 2020 effective, the Appropriate Government may issue appropriate directions to local Panchayats, Ration shops, and other feasible local bodies to raise awareness about the registration contemplated in the Code, Helpline number, Social Security Schemes, and Benefits. Given the current circumstances in India, time may be allotted for gig workers to register and reap the advantages of the Schemes. Furthermore, clarification might be provided regarding implementing the welfare measures assigned in the Code.

