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GIG ECONOMY AND INCOME INEQUALITY IN INDIA: A MESOECONOMIC ANALYSIS OF SECTORAL AND REGIONAL DISPARITIES

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1. ABSTRACT

The gig economy is a rapidly growing industry in India; however, it is unclear who benefits most from this. This paper will look at income inequality within the gig economy using the concept of Mesoeconomics. This looks at industries, platforms, labour networks and regions. The gig economy refers to the ability to work for pay completing tasks or projects, usually facilitated by a digital platform. This paper will look at gross income, net income and hourly income for various sectors, cities and genders using secondary evidence from NITI Aayog, the Asian Development Bank, Centre for Internet and Society (CIS) and other published studies. This has shown that whilst working for platforms can increase daily income, workers often have much higher hours, unstable income and little protection. Differences between delivery/taxi, cities and men and women have shown that income inequality is caused by differences in sectors and local labour markets. Policy recommendations are made at the end of the paper regarding fair pay, transparency with platform deductions and increased protection.

2. Keywords : Mesoeconomics, Gig Economy, Platform Work, Income Inequality, Labour Markets, India.

3. INTRODUCTION

Within any city in India, opening your phone will deliver a worker to your door within minutes. This is due to the rapidly growing trend of workers taking on single tasks facilitated by an app. This can provide some people with their first source of income or supplement their household income. However, some rely on this as their main source of income. Their income will vary depending on demand, platform rules and the cost of performing tasks.

There are currently around 6.8 million gig workers within India (2.4% of the non-farming workforce) (NITI Aayog, 2022). This number is expected to grow to 23.5 million by 2029-30. However, this number is not direct from labour force surveys. Instead, this number was calculated indirectly using information on main and secondary employment. This also includes a wide range of jobs from delivery, driving and online freelancing.

The question becomes, how does income get distributed? Often there are many hidden costs of working for platforms. This includes fuel, vehicle maintenance, mobile data and many others. This therefore reduces the amount received by the worker. Additionally, long wait times reduce the actual hourly income. A study by the Asian Development Bank showed that low skilled platform workers in Delhi received around ₹75 more per day than non-platform workers. However, they also experienced longer hours and more unstable

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income (2025). Therefore to fairly understand the income for gig workers, we need to look at their net income, hourly income and how stable their income is.

There are various reasons why income inequality could occur. Within the same trade there could be different amounts of income. Different trades will have different rules about how much they are paid and different costs. Different cities will have different demand, transport, living costs and alternative jobs. Gender also plays a role with how much time can be given to certain tasks and household responsibilities. This cannot be explained by the skill or effort of individuals.

Mesoeconomics can help us understand this. Typically when analysing economics we look at microeconomic factors (individuals, households and firms) and macroeconomic factors (national economy). Mesoeconomics looks at the middle layer. This means looking at industries, institutions, regions and networks to understand how much individuals can earn. When looking at the gig economy this looks at how tasks are allocated, incentives, platform fees and local labour markets can cause income inequality.

This paper will look at how income inequality occurs within India's gig economy and how this differs between workers, sectors and regions. There are 3 objectives to this paper which are outlined below. One limitation to note is that definitions of gig economy vary across sources and therefore there is no clear identification of platform workers from official data. Therefore all findings must be understood within the context of what is covered by the data.

4. OBJECTIVES

1) To study how income is distributed among gig workers, and how unequal it is, across the selected sectors and regions.

2) To examine how workers' gender, education, work experience and working hours affect their gross and net incomes.

3) To understand, through a mesoeconomic lens, how the structure of each sector, the way platforms operate and local labour market conditions shape income differences and income security among gig workers

5. RESEARCH METHODOLOGY

5.1 Design

This study will use a descriptive and analytical approach. The descriptive aspect will look at who gig workers are and how their income is distributed. The analytical aspect will look at how differences in income relate to sector, location, gender, hours, experience and platform. Using a mesoeconomic approach will link all these elements together within 3 different levels. This will look at the individual, sector/platform and region. This paper will use secondary evidence that has already been published. If primary data was added to this paper a mixed methods approach would be suitable. This would involve a survey and a small number of interviews.

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5.2 Scope and Unit of Analysis

This study will look at individuals working in paid tasks or on a platform within [selected sectors] in [selected cities/states] during [study period]. Sectors which can be easily compared are food/delivery, ride hailing, home services and online freelancing. The unit of analysis will be the individual. They will be analysed by sector, city, platform, gender and intensity (main/supplementary income).

5.3 Data Sources

This study will use government and policy reports (NITI Aayog), multilateral research (ADB and ILO), fieldwork by research organisations (CIS and IDinsight) and peer reviewed. Each source will be noted with the year, scope, definition of gig economy, income and limitations. As definitions of gig economy differ, figures will not be combined. As PLFS and NSS do not clearly indicate platform workers, general terms such as self employed will not be assumed to be gig workers.

If using primary data a structured questionnaire will be used. This will ask questions around profile, pattern of work, hours (including waiting time), gross income, incentives, deductions, costs of work, variability of income and access to insurance and leave. Questions around income will have one specified time frame. The questionnaire will be piloted.

5.4 Sampling

As there is no complete list of workers a multi stage approach will be used. This will involve choosing cities, then sectors within those cities and finally the eligible workers. Referral or purposeful sampling may be required. This will give a description of the workers studied but will not be nationally representative.

5.5 Measures

Gross Income: Income earned from completed tasks with no costs of work taken off.

Net Income: Gross income minus costs directly related to the work.

Hourly Income: Income divided by hours worked. Waiting times will be included.

Variability in Income: How much income varies between similar weeks/months.

Income Inequality: How uneven income is between workers/groups. This will be shown using median values, income bands and if possible the Gini Coefficient.

5.6 Analysis

Data will be cleaned and converted into the correct units. Descriptive statistics will be conducted. Medians will be reported alongside means as there are a few high earners. Comparisons will be made between groups to see differences in gross, net and hourly income. If data is rich income inequality will be analysed. Regression will also be conducted to show relationships. The model will be:

$$\ln(\text{Net Earnings } i) = \beta 0 + \beta 1 \text{ Hours } i + \beta 2 \text{ Experience } i + \beta 3 \text{ Gender } i + \beta 4 \text{ Sector } i + \beta 5 \text{ Location } i + \varepsilon i$$

Where i represents one worker. Hourly income or a score for income stability could be used as the dependent variable. If net earnings are coming out as zero or negative for some workers the ln will be removed. Results

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should be seen as relationships rather than causes. If any interviews are conducted themes will be created. These could include unpredictability, costs, access to tasks and fairness.

5.7 Quality and Ethical Considerations

This will be reliable as definitions will be consistent, one time frame will be used and clear rules to clean data. Missing values will be reported. Workers will be volunteering and have given informed consent. Data will be anonymised. Results will be reported in aggregate.

6. FINDINGS

The secondary data has shown that this is a rapidly growing workforce. However, whilst income looks good on paper it can be quite different in reality. There were around 6.8 million gig workers in 2019-20 (2.4% of non-farming workforce) (NITI Aayog, 2022).

400 low skilled delivery/taxi workers were studied in Delhi between Sep-Dec 2022. 1,048 workers were studied in Delhi NCR, Mumbai, Lucknow and Guwahati. The median hours worked were 70 (delivery) and 84 (taxi). The median net income was ₹3,800 (delivery) and ₹5,000 (taxi).92% of taxi workers and 97% of delivery workers earned below the estimated living wage. 6% of taxi workers had health insurance and 28% had accident insurance. Delivery drivers who worked over 8 hours a day had an average gross income of ₹27,814 per month. Costs were 32% of their income. This meant they earned around ₹75 an hour for 62 hours.

6.1 Workforce Size and Composition

The gig economy is a real and growing part of India's labour market. However, it is not perfectly measured. The most gig workers are in retail trade/sales (around 2.7 million). Transport follows closely behind (around 1.3 million). There is a decline in medium skilled workers with an increase in low and high skilled workers. This hints that income could be increasing.

6.2 Income – Premium but with a Cost

The ADB study has given the clearest evidence on income from platforms. They received around ₹75 more per day. This also increased with effort. Those working more than 14 hours per day received much more from working on a platform. Non-platform workers saw little change in their income. Whilst there is an increase in income, workers are having to work extremely long hours.

Costs mean that after accounting for a standard 48 hour week the income is below the national minimum wage. IDinsight has shown that costs (mostly fuel/maintenance) were nearly a third of gross income. Only 23% of drivers worked over 8 hours. This means gig work is often a supplementary income. Overall these studies have shown that gross income is overestimated. Net and hourly income are more fair.

6.3 Income Inequality – Sector, City and Gender

Delivery workers in the cities studied by CIS earned much less than taxi workers. This shows that income varies between sectors. Across locations there was a large difference in income below the minimum and living wage in Delhi NCR. Local labour markets also play a role. Over 30% of workers in Lucknow and Delhi NCR had previously been unemployed. Not having other jobs was a large reason for joining in over 60% of workers in Delhi NCR and over 50% in Lucknow. This means that there could be a lack of workers

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on platforms due to poor local labour markets. Gender also plays a role with women earning less per hour and less hours. This shows that there is a difference in income due to the rate and time available.

6.4 Income Security

Taxi workers have long hours spent on the road. However, few had health or accident insurance. If two workers have the same income but one has insurance they are not equally secure. This plays a role in income inequality.

6.5 Summary

The gig economy is growing within India. Whilst working on a platform can provide a premium income for the day, workers have very long hours and unstable income. Once costs and hours are considered workers have low hourly income and many are below minimum and living wage benchmarks. Income differences can be seen between sectors, cities and genders. There is little protection.

7. Discussion and Analysis

7.1 Inequality

There would be many factors affecting the individual income inequality within the gig economy in India. When taking data from a sample of delivery riders, taxi drivers, home service providers and freelancers there will be some high earners in the sample, thus skewing the mean. Therefore, you should look at the median, range and proportion of individuals in these groups. If the data is large and complete, we can use the Gini Coefficient. This can give us an idea of how unequal the incomes are.

At a Mesoeconomics level, we can see that whilst inequality may seem small within each sector due to the similar pay structures and costs, when combining sectors we can see there may be some inequality. Some of the inequality could be due to sector differences. Thus, we should present both the inequality within sectors and then overall. If there is not enough data or it is not random, the median, earnings and proportion below a certain earnings should be used.

7.2 Gross Earnings, Net Earnings and Hours Worked

The amount workers are paid by the platform does not necessarily equate to what they take home. Often they will have costs such as fuel, repair, mobile data and equipment. This can reduce their earnings significantly. This means that individuals with a higher cost can be seen to have higher earnings when in reality they do not. A good example is the ₹75 premium in Delhi. Whilst they were earning more per day they were also working longer hours. Once taking into account their costs and waiting time, their earnings may not be as high as seen. We should look at their gross monthly earnings, net monthly earnings and hourly earnings. If they are earning more per month but not much more per hour and their hours are increasing, they are simply working longer hours.

We should also be careful when looking at individual characteristics. They may well earn more due to experience. They will know what times and areas give them the highest earnings. However, this will plateau. There may be a gender gap due to hours worked, access to sectors and family responsibilities. We need to ensure we have taken into consideration hours and sector. Individuals may earn more due to education.

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Freelancers are likely to earn more as they are paid based on their skills, whereas delivery and driving are based on time, vehicle costs and availability.

We can break this down using the regression model we created in section 3. However, this just shows correlation. Long hours and high monthly earnings could be due to high demand, incentives or location. We should be cautious when using a small sample size.

7.3 Sector, Platform and Region

This is where we can really highlight the importance of looking at things from a Mesoeconomics perspective. Two individuals could earn the same gross earnings but have very different net and hourly earnings. One may be in a high cost sector with long wait times between jobs. Whereas the other may be in a low cost sector and have more regular orders. This is due to the structure of the sector.

Platforms will also affect this. How they allocate tasks, incentivise, commission, rate and penalise will all affect how much money individuals earn and how regular it is. An individual who has fluctuating earnings from week to week will earn less than someone who has regular earnings. Even if they have the same average. They may also have different insurance, accident cover, time off and grievance systems.

Lastly, region. How much work they get will depend on local demand, cost of living, transport and other jobs available. The difference between two cities shouldn't be assumed to be due to individual characteristics. We should ensure we are comparing like for like. Or taking into consideration sector and city.

8. Conclusion and Policy Implications

This paper looked to identify why some gig workers in India are doing better than others. We can see from the evidence that looking at the middle level was the correct approach to take. As there are going to be 23.5million gig workers by 2029-30, this issue will become more prevalent. Earning more can come at a cost. The ₹75 premium in Delhi came at the cost of increased hours and less regular earnings. Earning more per day isn't necessarily a better wage if they are working very long days. We should look at their net earnings, hourly earnings and how regular their earnings are.

There are several levels of inequality. Whilst hours, experience and gender all play a role, sector and city also play a role. Delivery workers tend to earn less than taxi drivers. Low local job markets mean more people will be working on the platform. Women seem to earn less per hour. This is due to how work is structured and paid.

Many individuals will earn little after their costs, work very long hours and have little insurance. This is where inequality comes in. They are not earning as much as others and are vulnerable if they don't have work, their vehicle breaks or they have an accident. In Oder to increase the efficiency following policies were helpful. Create fair pay standards including costs of work and waiting time. Platforms should be transparent with incentives, commission and deductions. More health, accident and pension insurance. Improve data by directly identifying gig and platform workers in labour surveys.Whilst the gig economy can provide opportunities for individuals who struggle to get into regular jobs, depending on how platforms pay, regulate sectors and how local labour markets work, it can either provide a secure income or cause greater inequality.

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9. Limitations and Future Research

When looking at gig work definitions they vary between sources. Labour force data does not always split platform workers, so figures from different studies may not be directly comparable. The number of workers from NITI Aayog is an indirect estimate. Self reported earnings and costs can have issues with recall bias. Data may not be random meaning some individuals may be missed. The ₹75 premium comes from low skilled workers in one situation and shouldn't be attributed to all gig workers. Conclusions are based on the sectors, regions and individuals studied.

Future research could be done by:

Carrying out primary research to collect data on gross earnings, costs, hours and waiting time in a consistent manner.

Comparing like for like individuals across different cities and sectors.

Looking at the same individuals to see if fluctuating earnings increase inequality.

Look at smaller towns and rural areas as most evidence comes from large cities.

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