

The Study on Regulatory Framework for Contingent Workforce in Indian Organization

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DOI: <https://doi.org/10.5281/zenodo.16792465>

Published Date: 11-August-2025

Abstract: The workforce is the backbone of any organization, playing a crucial role in its growth and productivity. Companies today are increasingly relying on contingent workers—contract employees, freelancers, and gig workers—to meet changing business needs. While this approach offers businesses flexibility and cost savings, it also brings challenges for workers, such as job insecurity, low wages, and limited access to benefits. This study takes a closer look at the legal framework governing contingent employment in India, focusing on key labor laws and their effectiveness in protecting workers' rights. By analyzing secondary data, it highlights the difficulties faced by contract workers, gaps in current policies, and the need for stronger enforcement of labor protections. The study also explores how businesses can strike a balance between workforce flexibility and fair employment practices to create a more sustainable and equitable work environment.

Keywords: Contingent workforce, contract workers, gig economy, labor laws, worker rights, job security, employment policies, workforce flexibility, fair wages, Indian labor market.

1. INTRODUCTION

The employment landscape in Indian companies is undergoing a significant transformation. The Indian job market is evolving rapidly, compelling firms to reassess their workforce management strategies. To maintain competitiveness and navigate economic uncertainties, businesses are increasingly seeking flexible recruitment practices. As market competition intensifies, business requirements shift, and economic conditions fluctuate, organizations are exploring ways to remain agile while efficiently managing costs. This shift has led many firms to rely more on recruitment agencies and outsource tasks to freelancers, enabling them to scale their workforce based on demand. While this model allows businesses to better control costs and adapt to changing needs, it also raises concerns regarding job security, fair wages, and legal protections for contingent workers. Many contract employees lack long-term stability, benefits, and equitable compensation, making this approach advantageous for corporations but challenging for workers. As firms continue to adopt agile workforce models, maintaining a balance between flexibility and worker rights remains a pressing issue.

The term "contingent employment" was first introduced by Audrey Freedman in 1985. It was coined to describe workforce strategies that allow businesses to align staffing with industry demands. A contingent workforce comprises individuals employed on a temporary, contract, or freelance basis rather than as full-time, permanent employees. This category includes freelancers, gig workers, temporary employees, part-time staff, seasonal workers, consultants, and independent contractors. Each of these roles contributes uniquely to modern organizations, enabling businesses to remain adaptable, cost-efficient, and responsive to market fluctuations. Indian companies across various sectors—such as IT services, manufacturing, e-commerce, logistics, and retail—have increasingly adopted contingent employment models. This strategy enables organizations to address short-term business needs without committing to long-term financial obligations associated with permanent hiring. For instance, e-commerce companies frequently employ temporary workers during festive seasons to manage increased demand. Similarly, IT firms hire contract professionals for specialized projects, ensuring access to skilled talent without maintaining a large in-house workforce. The benefits of contingent employment for businesses include cost reduction, operational flexibility, and access to a diverse talent pool. However, this trend also presents significant challenges. In India, contingent workers often face job insecurity, inadequate wages, and limited access to social security

benefits such as health insurance and retirement funds. Many companies depend on third-party staffing agencies to manage their contingent workforce, complicating accountability for worker rights. Although contingent employment offers workers greater flexibility and additional income opportunities, it also results in employment instability and a lack of legal protections.

India has various labor regulations designed to safeguard workers, but these were primarily developed for traditional employment structures. Consequently, many contingent workers do not receive the same legal protections as full-time employees. One of the key legislations governing contract workers in India is the Contract Labour (Regulation and Abolition) Act, 1970 (CLRA). This act aims to regulate contract employment and prevent exploitation by ensuring fair wages, decent working conditions, and social security benefits. However, enforcement remains weak due to inadequate inspections and compliance monitoring. Many businesses circumvent regulations by employing multiple layers of contractors, resulting in ineffective implementation of worker protection measures.

The growing reliance on contingent workers underscores the need for stronger policies that balance business flexibility with worker rights. Stricter enforcement of existing labor laws, improved oversight of third-party staffing agencies, and more inclusive social security measures can contribute to a fairer work environment. As India's economy continues to evolve, it is imperative to ensure that the contingent workforce—which plays a crucial role in business growth—is not left vulnerable to exploitation. This study explores the evolving landscape of contingent employment in India, assessing the challenges faced by workers and evaluating the effectiveness of existing labor laws. By identifying gaps in the regulatory framework, this research aims to provide recommendations for enhancing worker protections while maintaining business flexibility.

2. LITERATURE REVIEW

The Contract Labour system in India has long been debated as it continues to shape the country's workforce. Pragathi's study highlights the everyday struggles of contract workers, who often face job insecurity, unfair wages, and lack of benefits. While the Contract Labour (Regulation & Abolition) Act, 1970 was meant to safeguard their rights, weak enforcement has left many workers vulnerable. Study explores how contract labour has evolved, from its colonial-era roots to its widespread presence today. Industries rely heavily on contract workers, especially in manufacturing and services, but many still lack basic protections. Supreme Court rulings have emphasized the need for fair treatment, yet gaps remain in actual implementation. Pragathi calls for better wages, stronger legal enforcement, and union support. A balanced approach is necessary—one that allows companies flexibility while ensuring workers have dignity, stability, and security.

Meenakshi Rajeev (2009) examines the Contract Labour Act in India, highlighting its ineffectiveness in protecting workers despite legal provisions. Her study reveals how collusion between employers and labour inspectors weakens enforcement, leaving contract workers with low wages, job insecurity, and inadequate social security. Using empirical evidence from Karnataka, she demonstrates how firms bypass legal obligations to cut costs. Through a game-theoretic approach, she explains why non-compliance is economically favorable, exposing gaps in oversight and accountability. Rajeev argues for stronger regulatory frameworks, stricter wage laws, and better worker protections to balance business flexibility with fair labour conditions. Her work highlights the urgent need for reforms to ensure that contract employment does not come at the cost of worker welfare. Rajeev, M. (2010). Contract labour act in India: A pragmatic view. *International Journal of Economic Policy in Emerging Economies*, 3(3), 237-252. This paper explores contract labour in India, focusing on how the Contract Labour (Regulation and Abolition) Act, 1970 is applied in reality. It identifies gaps in enforcement, loopholes that allow exploitation, and suggests possible reforms.

Santra (2021) aimed to provide a holistic overview of contingent workforce management, outlining both the benefits and challenges associated with contingent work arrangements for employers and employees. The study highlights key human resource (HR) practices necessary for effectively managing a contingent workforce. For employers, the benefits of contingent workforce adoption include cost-effective hiring, fulfilling skill requirements, increased numerical flexibility, workforce diversity, and access to a broader talent pool. However, employers also face challenges such as legal ramifications, hidden costs, confidentiality and security concerns, as well as lower organizational commitment and productivity. From the employees' perspective, the contingent work model offers advantages such as work flexibility, financial gain, and valuable work experience. Nevertheless, workers also encounter challenges such as economic dependency, irregular work hours, health risks, exploitation, and differential treatment by employers. To address these challenges, the study emphasizes "value-adding" HR practices, including holistic hiring, structured onboarding, performance management, workplace training, and the development of a resilient organizational culture. The paper acknowledges its limitations by providing a broad outline of the benefits and challenges associated with contingent work.

It suggests that further research focusing on specific contingent work types, such as temporary agency workers and gig workers, could provide more in-depth insights. The study contributes a simplified yet practical framework for understanding contingent employment, offering HR professionals actionable strategies to manage this growing workforce effectively. Sundar, K. S. (2012).

3. RESEARCH OBJECTIVE

Through regress literature review from various articles and research papers, this research paper focused to explore the following objectives-

1. To analyze the evolving role of the contingent workforce in Indian organizations across various sectors, including IT, e-commerce, logistics, and manufacturing.
2. To evaluate the regulatory framework governing contingent employment in India, with a focus on key labor laws such as the Contract Labour (Regulation and Abolition) Act, 1970.
3. To identify the challenges faced by contingent workers in India, particularly in terms of job security, fair wages, and access to social security benefits.
4. To assess the effectiveness of existing labor laws in safeguarding the rights of contingent workers in the Indian employment landscape.
5. To provide recommendations for policy improvements to balance business flexibility with worker protections.

4. RESEARCH METHODOLOGY

This study is descriptive in nature, focusing on systematically analysing the available articles collected from secondary sources, including academic journals, government reports, published research papers, media reports, and online databases.

The collected data has been analysed through qualitative content analysis approach is used to understand and interpret the laws and regulatory framework to channelize the mechanism of Contingent Workforce.

5. DISCUSSION

Growth of the Contingent Workforce in India:

India has witnessed a rapid rise in contract-based and gig employment, with industries like IT, e-commerce, logistics, and manufacturing leading this transition. The staffing industry has recorded a consistent increase in temporary workers, with projections suggesting that India's gig workforce could reach 23.5 million by 2030. This growth is fueled by seasonal demands, project-based hiring, and the rising preference of businesses for a scalable workforce. However, while companies benefit from cost savings and access to specialized skills, workers often face instability in income, a lack of career progression, and the absence of essential benefits like health insurance and retirement savings.

Temporary Workforce Expansion: As of September 2024, India's staffing industry added approximately 235,000 temporary workers, marking a 17.9% year-on-year increase. This growth was primarily driven by sectors such as FMCG, e-commerce, and manufacturing.

Projected Gig Workforce: India's gig workforce is projected to reach 23.5 million by 2030, up from 7 million in 2021. This would constitute 4.1% of the total workforce by the 2029-30 financial year.

Rise in Contractual Employment: Contractual employment has been gaining momentum across various sectors in India. Data from Careernet indicates a 15% compounded annual growth rate in contractual hiring since 2022, with an anticipated surge of 20%-25% in 2024 compared to the previous year.

The Role of Businesses in Workforce Flexibility: Organizations have shifted towards contingent employment to remain competitive in a fast-changing economic environment. While this approach provides flexibility, it also raises ethical concerns. Companies should consider hybrid employment models that balance workforce adaptability with fair employment practices.

Youth Inclination Towards Contingent Work: A survey indicated that 53% of millennials and Gen Z in India are highly likely to voluntarily move to a contingent workforce within the next year, reflecting a growing trend among younger employees valuing autonomy in their careers.

Legal Framework Governing Contract Labour:

Contract Labour (Regulation and Abolition) Act, 1970: This Act was enacted to regulate the employment of contract labour in certain establishments and to provide for its abolition in specific circumstances. It applies to establishments employing 20 or more contract workers and outlines provisions for the welfare and rights of these workers.

Proposed Legislative Changes: The Contract Labour (Regulation and Abolition) Act has been subsumed under the Occupational Health, Safety and Working Conditions Code, 2020 (OSH Code), which introduces new definitions and revises existing provisions related to employing contract labour. Notably, the OSH Code prohibits the employment of contract labour in core activities of any establishment, with certain exceptions. The increasing reliance on contingent workers in India reflects the evolving nature of the workforce, driven by economic uncertainties, technological advancements, and the need for organizational flexibility. While this shift has enabled businesses to remain agile, it has also exposed significant gaps in labor protection, social security, and long-term employment stability.

The Code on Social Security, 2020:

This code introduced definitions for:

- **Gig workers:** those engaged in income-earning activities outside of traditional employer-employee relationships.
- **Platform workers:** individuals who provide services via online platforms or aggregators.

Labour Codes and Related Acts:

India's four consolidated Labour Codes (Wages; Industrial Relations; Social Security; OSH) include gig and platform workers under Social Security and redefine "worker" broadly. That said, core labor rights—like paid leave, minimum wages, or right to unionize remain tied to the traditional employee category, leaving freelancers less protected. It empowered the central and state governments to formulate schemes covering health, maternity benefits, accident insurance, and pensions. However, the implementation remains stalled, and many of the rules necessary to operationalize the provisions are still under development (ICRIER, 2023).

Legal and Regulatory Challenges

The current regulatory framework for contingent employment in India is largely built on traditional labor laws that fail to address the unique needs of temporary and gig workers.

1. **The Contract Labour (Regulation and Abolition) Act, 1970**, aims to regulate contract employment, but enforcement challenges have allowed many businesses to bypass worker protections by employing intermediaries.
2. The **Occupational Health, Safety, and Working Conditions Code, 2020**, attempts to improve working conditions but still leaves key aspects like social security and minimum wages loosely defined for gig and contract workers.
3. **Limited Enforcement Mechanisms:** Many companies leverage third-party staffing agencies to manage their contingent workforce, making it difficult to hold them accountable for labor rights violations.
4. **Social Security and Financial Stability Issues:** One of the biggest concerns for contingent workers is the **lack of social security coverage**. Unlike permanent employees who are entitled to benefits under schemes like the Employees' Provident Fund (EPF) and Employees' State Insurance (ESI), contract workers often do not receive such benefits. The **Code on Social Security, 2020**, aims to include gig and platform workers under its framework, but its implementation remains inconsistent.
5. **Job Security and Benefits:** Many contingent workers in India face challenges such as job insecurity, inadequate wages, and limited access to social security benefits. The reliance on third-party staffing agencies often complicates accountability for worker rights.
6. **Non-uniform Implementation:** Only a few states have introduced enforceable laws. This leads to discrepancies in worker rights and welfare access across regions.
7. **Lack of Dispute Resolution Mechanisms:** While state laws suggest setting up grievance boards, enforcement has been slow. Workers often lack a formal channel for raising complaints or seeking legal remedy.

8. **No Minimum Wage Mandate:** There is no statutory floor wage or earnings guarantee for contingent workers, leaving them vulnerable to fluctuating pay and lack of bargaining power.
9. Many contingent workers depend on **short-term contracts**, which do not guarantee stable incomes, making financial planning difficult.
10. **Lack of medical benefits** forces many temporary workers to rely on personal savings or informal support systems during health emergencies.
11. **Fair wage structures:** Ensuring that contract workers receive industry-standard wages can help improve their financial stability.
12. **Skill development initiatives:** Training programs for contingent workers can enhance their career prospects and increase their employability.
13. **Transparent employment policies:** Clear guidelines on contracts, wages, and working conditions can improve trust and reduce exploitation.

The lack of comprehensive legal protection leaves many workers vulnerable, as companies are not obligated to provide job security, fair wages, or benefits that permanent employees receive.

Recommendations to improve Contingent Workforce Participation in India:

To create a more balanced labor market, it is essential to strengthen labor protections for contingent workers while maintaining business flexibility. The following measures could help achieve this goal:

1. **Stronger enforcement of labor laws:** Government agencies should ensure better monitoring and compliance with regulations related to contract employment.
2. **Expansion of social security schemes:** More inclusive social protection measures should be introduced to cover gig and contract workers.
3. **Collaboration between businesses and policymakers:** A dialogue between companies, workers, and regulators can lead to sustainable labor policies that benefit all stakeholders.
4. **Ensure Income Stability:** Platforms should implement baseline earnings—daily/weekly—via subsidy or dynamic pricing models like WORK4FOOD. This cushion reduces unpredictability without eliminating flexibility
5. **Expand Social Dialogue & Grievance Channels:** At state/district levels, bring together worker unions (e.g., IFAT, AIGWU), platforms, civil society, and government officials. These councils would set local minimum-wage standards, establish dispute processes, and steer welfare fund use
6. **Invest in Skills & Upskilling:** Scale vocational and digital training through schemes like PMKVY and DigiPivot to equip contingent workers with in-demand skills .Encourage firms and vendors to offer continuous reskilling, reducing reliance on workers to self-fund training.
7. **Leverage Market Intelligence & Local Partnerships:** Use data on talent supply, skills demand, and hiring trends to structure agile contingent. Engage local staffing firms and managed service providers to navigate complex regional regulations, especially in high-complexity areas like India
8. **Strengthen Social Protection & Regulatory Clarity:** Expand platforms such as e-Shram to include gig and contingent workers, ensuring access to pensions, insurance, and benefits across multiple. Clarify definitions and rights under legal codes like the Industrial Relations Code (2020) to reduce classification ambiguity and disputes

6. CONCLUSION

The Indian labor market is growing dependent on contingent workers, who offer both advantages and drawbacks. It helps companies in adapting; nonetheless, legal and social security concerns persist. A more systematic regulatory framework and judicious employment practices can enhance workplace equity and inclusion. The future of contingent employment in India relies on the collaboration of governments, entrepreneurs, and workers to enhance economic growth while protecting labor rights.

The emergence of contingent labor in India indicates a significant transformation in corporate practices. In information technology, logistics, e-commerce, and manufacturing, organizations are progressively employing contract, freelance, and gig labor to address evolving market demands and client expectations. This shift affects agility, access to specialized talents, and operational efficiency, in addition to economics.

Simultaneously, contingent employment advantages extend beyond just firms. Young professionals and others seeking work-life flexibility favor this approach due to its provision of choice, autonomy, and income diversification. More than 50% of millennials and Gen Z express interest in contingent labor, indicating that this is a valid and expanding job alternative.

Employees encounter job instability, ambiguous legal safeguards, and restricted benefits. These challenges indicate that regulatory frameworks are struggling to adapt to economic transformation, rather than reflecting deficiencies in the models. Contemporary labor legislation, prioritizing permanent employment, frequently relegates contract and gig workers to a state of uncertainty. Recent Occupational Safety and Health and Social Security policies are ineffectively implemented owing to inadequate enforcement measures. These are significant impediments; yet, they are surmountable.

India possesses a unique chance to modernize its labor framework while preserving flexibility. Enhancing oversight, social protections, employment criteria, and compensation and complaint systems can empower contingent workers instead of exploiting them.

Businesses are also accountable. A committed and competent workforce can be developed even in the absence of full-time employment through open contracts, equitable compensation, and skill development. Our definitions of stable and dignified employment must evolve in accordance with economic changes.

Consequently, contingent work is not a provisional solution. A diverse, inclusive, and adaptive workforce is crucial. If India can synchronize policy, enforcement, and business practices, contingent employment can advantage both companies and millions of individuals pursuing self-employment.

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