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IZA DP No. 17842

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Prescriptions**

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ABSTRACT

The Landscape of Self-Employment in India: Trends, Constraints and Policy Prescriptions*

This paper assesses the structure and quality of self-employment in India over a decade. India, historically, has had a much larger share of workers who are self-employed and a smaller proportion of wage and salaried workers. This structure of labour force participation has not shifted much in decades. In recent years, the proportion of self-employed has risen relative to the pre-pandemic era, and much more so for women. At the same time, significant underemployment accompanies low earnings of the self-employed. The paper highlights three key constraints for improving the quality of or transitioning out of self-employment – vocational skilling, access to formal credit and legal support for entrepreneurship. It concludes by discussing the implications of technological change and digitization for self-employment and the need for reforming the legal framework of self-employment in India.

JEL Classification: J2, J24, J31

Keywords: self-employment, trends, gender, quality of work, India

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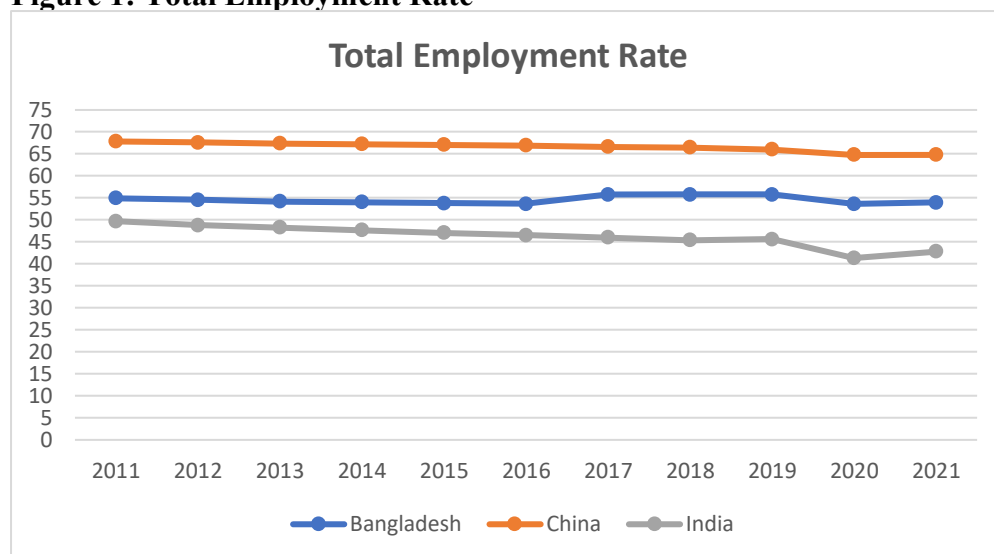
* Keynote chapter of ISLE Conference, 2025. This paper draws on on-going research under the Digital Platforms and Women's Economic Empowerment (DP-WEE) Project, funded by the Bill and Melinda Gates Foundation and housed at LEAD (Krea University) and ISI Delhi. Rohan Varghese provided excellent research assistance. Bhavya Gupta conducted the legal review of platform workers under DP-WEE.

1. Introduction

There are two characteristics of India's labour force that are striking— first, the low, overall labor force participation rate of about 50%. India's labour force participation rate has been low relative to comparable low-middle income countries and our neighbours, such as China and Bangladesh. The second accompanying characteristic, is the slow transformation, rather the almost stagnant structure, of labour force participation in India.

Figure 1 shows ILO estimates of the total employment rate in India relative to Bangladesh and China over the previous two decades or so. India's employment rate has been consistently below both China and Bangladesh, and the gap may even have increased in recent years. At the same time, it is worthwhile to note that even though the share of India's labour force engaged in agriculture has fallen from above 58% in 2004-05 to about 45% today, the share in the manufacturing sector has seen a very slow increase, if any at all. This share has been mostly stagnant at about 12% of the workforce. On the other hand, the growth of the service sector has been almost 10 percentage points during the same period (NSS and PLFS estimates). In contrast, the manufacturing sector in Bangladesh and China employ, about 20% and 30% of the workforce (ILO estimates), respectively.¹

Figure 1: Total Employment Rate



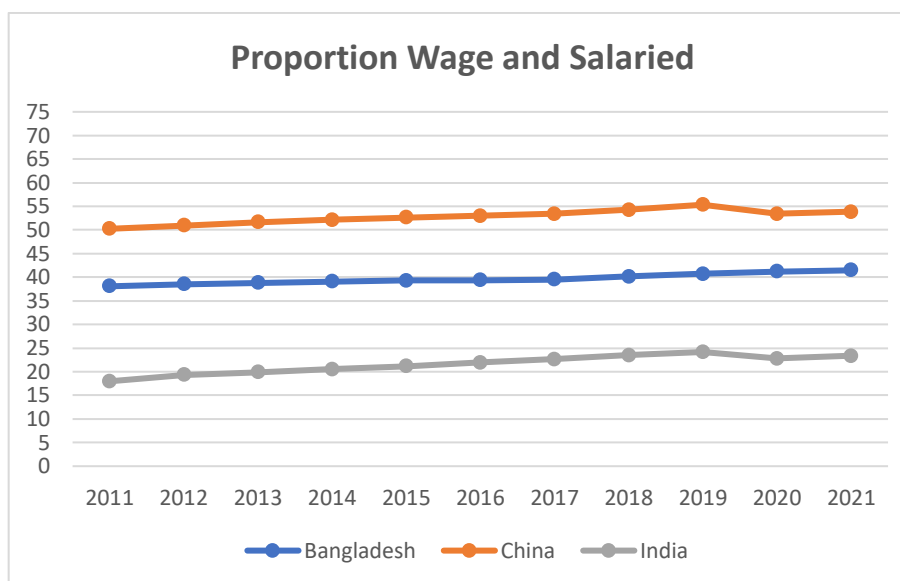
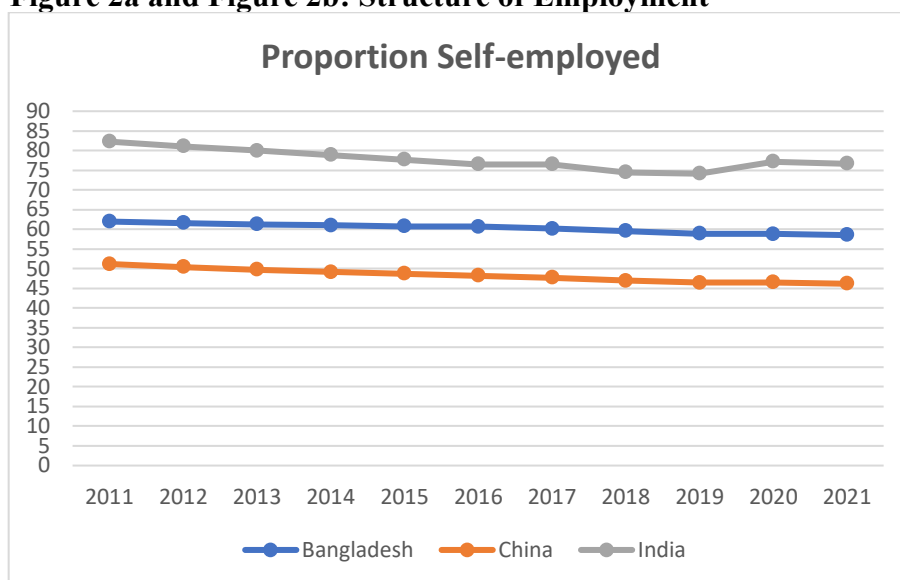
Source: ILO estimates, World Bank data base

Both these features have a bearing or reflect on the type and nature of work undertaken in the country. **Figures 2a and 2b** based on ILO estimates, show that India has a much larger share of workers who are self-employed and a smaller proportion of wage and salaried workers, relative to these two countries. This structure of labour force participation has not shifted much in decades. The continued pre-dominance of the engagement of the workforce in the agricultural sector structure and relative shift towards the services sector, has a significant role to play in the high levels of self-employment we observe in India. In recent years, the proportion of self-employed has risen relative to the pre-pandemic era, and much more so for

¹ <https://www.ideasforindia.in/topics/productivity-innovation/share-of-manufacturing-in-india-s-total-employment-no-mean-performance.html>

women. The muted structural transformation also carries implications for the quality of work and the returns to labour.

Figure 2a and Figure 2b: Structure of Employment



Source: ILO estimates, World Bank data base

In the next section I discuss the level and trends in self-employment in India and how this differs by sector and gender. In Section 3, I analyse the trends in wages and earnings in terms of sectoral growth, and its implications for the quality of self-employment. The paper highlights three key constraints for improving the quality of or transitioning out of self-employment – vocational skilling, access to formal credit and legal support for entrepreneurship – in Section 4. Section 5 discusses the implications of technological change and digitization for self-employment and the need for reforming the legal framework of self-employment in India. The paper concludes with policy implications in Section 6.

2. Trends in self-employment

Self-employment dominates the landscape of work in India. As shown in **Figures 3a** (male) and **3b** (female), of the working age population, the highest proportion of both males and females are self-employed - over 50% of the workforce in India is categorised as self-employed. The proportion of (overall) self-employed in rural areas (of all workers) was a little less than 60% for both male and female workers and about 40% in urban areas (1983 – 2017-18). This picture is broken down by sector and gender for the recent PLFS data (2017-18 to 2022-23) in **Figure 4**. The trend that strikes us immediately is the recent rise in the proportion of women workers who are self-employed, particularly in the rural sector.

Figure 3a: Proportion self-employed, salaried and casual workers (male)

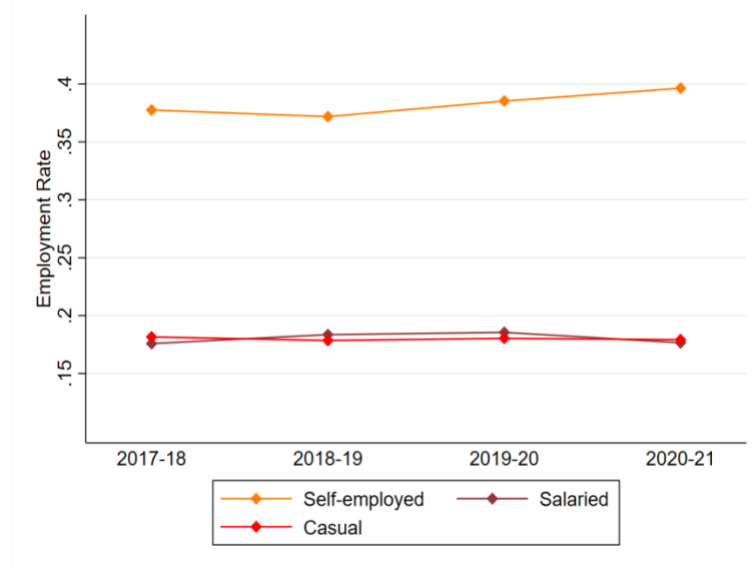
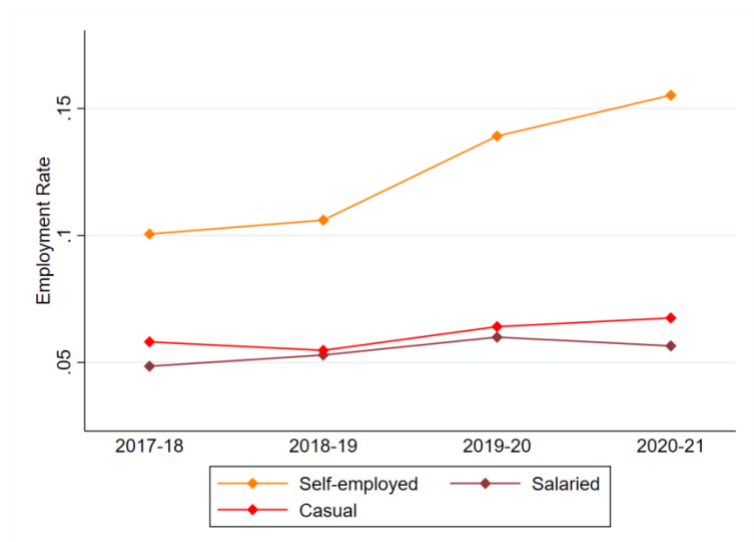


Figure 3b: Proportion self-employed, salaried and casual workers (female)

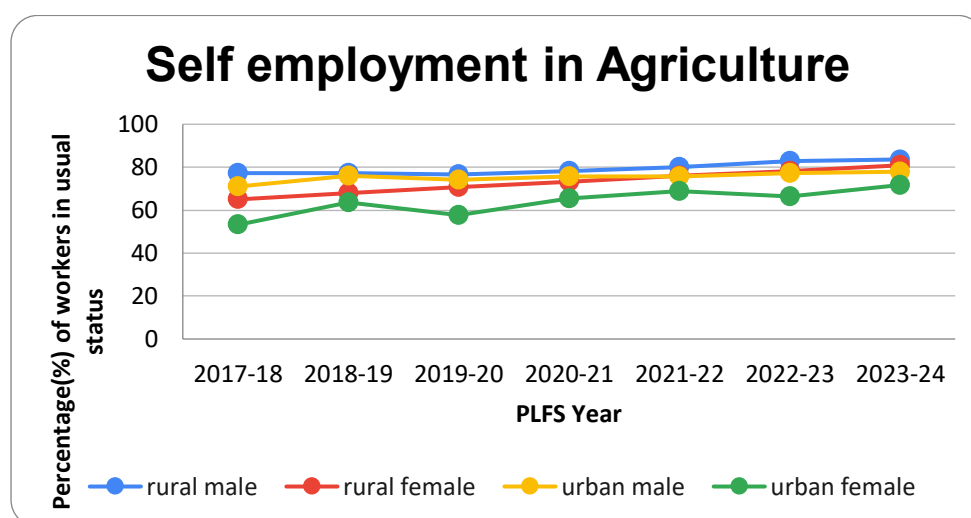
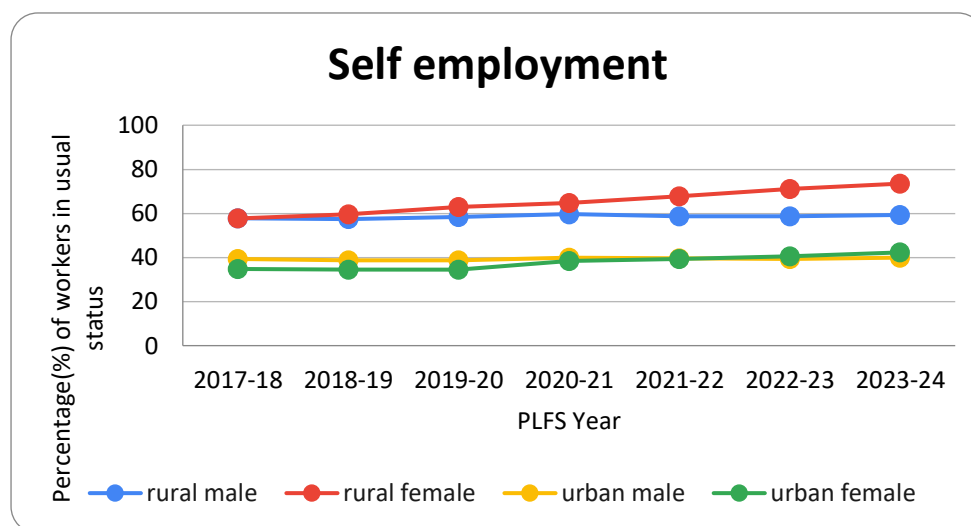


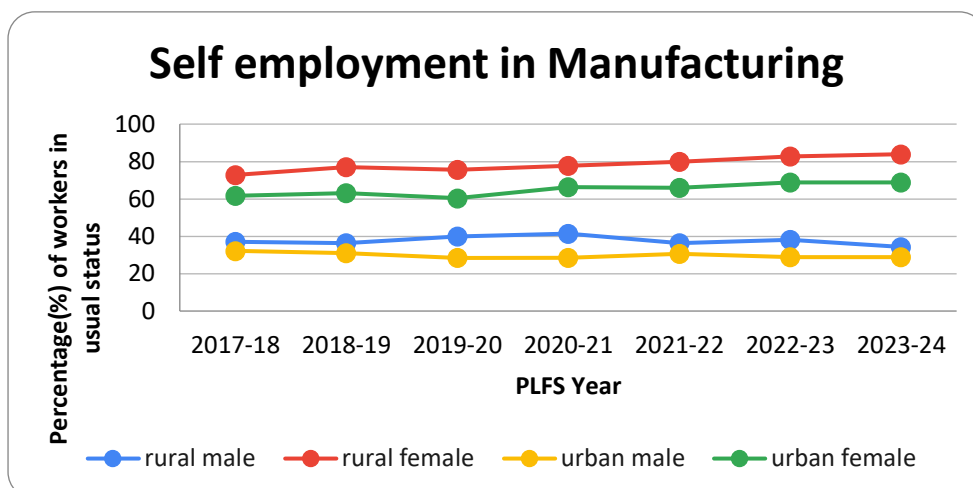
Source: PLFS (various years); Author's calculations

In agriculture, self-employment has traditionally been dominant (over 70%), and higher in rural areas (over 80% in 2023-24). Both men and women are largely self-employed in agricultural work. But there has been a particularly sharp increase in the self-employment of rural women by almost 20 percentage points between 2017-18 and 2023-24, primarily in the agriculture sector.

Self-employment in manufacturing is nearly 48% (2023-24) and higher for rural areas. Women, however, are significantly more likely to be self-employed in the manufacturing sector – both rural (73%) and urban (62%) – relative to men. Furthermore, there has been an increase in self-employment of both rural and urban women between 2017-18 and 2023-24 in the manufacturing sector. See **Figure 4** for recent data from the PLFS for this period.

Figure 4: Proportion of self-employment: Overall and by sector





Source: PLFS (various years)

a. Types of self-employment

The Periodic Labour Force Survey (PLFS) categorises self-employment into two types – (1) own account worker/employer and (2) helper in household enterprise.²

For males (both rural and urban), the first category dominates the composition of the self-employed. But most self-employed rural women (approximately 40%) are in the second category of ‘helpers in household enterprises’. Although the gender gap in the proportion of own account workers has declined between 2017-18 and 2023-24, the proportion of self-employed females in the category of ‘helpers’ has also increased between 2017-18 and 2023-24.

This gender gap in ‘own account’ vs ‘helper’ in self-employed category is particularly sharp in the agriculture sector. Thus, women are primarily helpers in household enterprises in agriculture, while in the manufacturing they are more likely to be an own account worker/employer. However, men in the manufacturing sector are predominantly engaged in salaried or regular wage labour.

The nature of self-employment carries implications for the status and quality of work. While own account worker or employer is likely to be running own enterprise and creating employment for others, a helper in a household enterprise may or may not be receiving wages or earnings. This classification, therefore, carries implications for the formal nature of self-employment undertaken.

b. Self-employment and informality

Is the nature of work done by the self-employed formal or informal? The operational criteria used by most countries to define formal jobs include: coverage by social security system; entitlement to paid annual or sick leave; and written employment contract. Naturally, all three of these elements of formal sector work will be missing from self-employment.

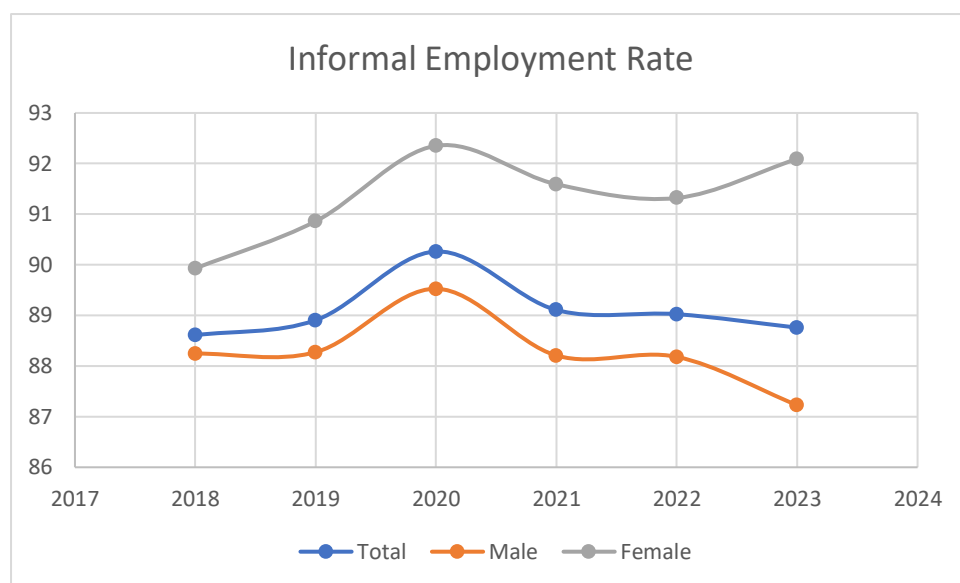
² This classification is not available in the NSS.

However, the ILO utilizes a much broader definition of informality. Specifically, the ILO definition defines informal employment as persons whose main or secondary jobs include the following (besides the above mentioned characteristics):

- Own-account workers and employers employed in their own informal sector enterprises.
- Own-account workers engaged in the production of goods exclusively for own final use by their household (e.g. subsistence farming or do-it-yourself construction of own dwellings).
- Contributing family workers, which includes helper in household enterprise.

Hence, by ILO definition, 90% of India’s workforce for informally employed in 2018. This proportion increased during the pandemic (2020) but has since somewhat fallen for men and increased for women in 2023 (**Figure 5**). As per this ILO definition, the entire self-employed category in India would be considered to be in the informal sector.³ Hence the increase in women’s self-employment has a direct bearing on rise in informality of women workers, as per the ILO.

Figure 5: Informal Employment Rate



Source: ILO

Note:

https://rshiny.ilo.org/dataexplorer18/?lang=en&segment=indicator&id=EMP_TEMP_SEX_ECO_NB_A&ref_area=IND

In the next sub-section, I delve into the implications of the nature of self-employed work on wages and earnings. Later, I will discuss in detail the legal definition of self-employment and its implication on formality of work.

³ <https://ilostat.ilo.org/methods/concepts-and-definitions/description-labour-force-statistics/>

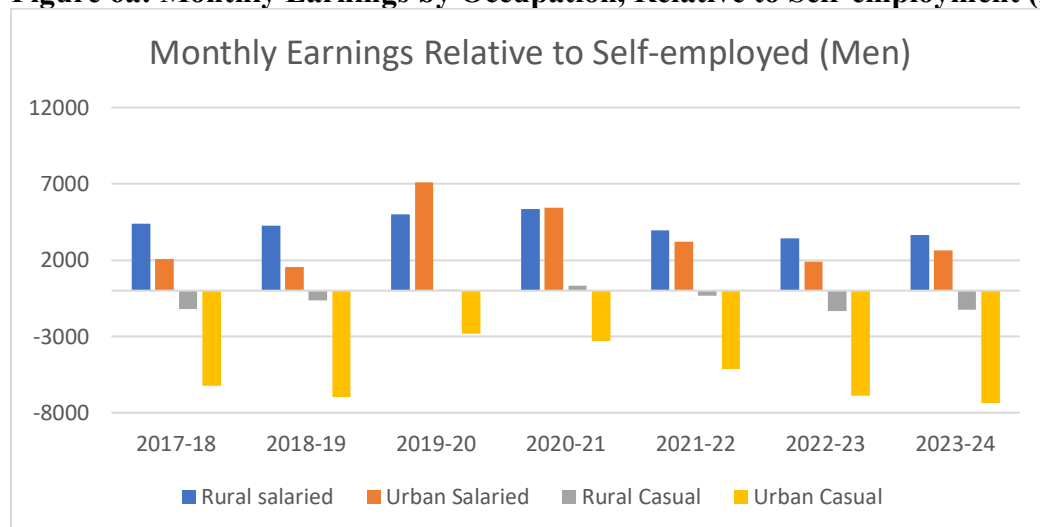
3. Sectoral growth, wages and earnings

Sectoral output and its growth, in terms of the value of output, carries significant implications for labour productivity and labour earnings (both levels and growth) in different occupations and by the type of work undertaken.

Of the total gross value added (GVA) in the economy, the GVA of the primary sector (which includes agriculture) has been about 20%, while that of the secondary sector (encompassing manufacturing) has been about 25% between 2019 and 2023 in India (MOSPI).⁴ The tertiary or the services sector has contributed the most to the GVA, at almost 50%, during this period. Hence productivity growth has been the slowest in agriculture, followed by manufacturing. This carries implications for wage/earnings levels and wage/earnings growth, for self-employment which is the dominant category of work undertaken in agriculture.

Data from the PLFS show that the level of wages/earnings of the self-employed is barely above those engaged in casual labour, but there is significant variation between sectors and by gender.⁵ Rural, self-employed men earn about Rs 1000 more than casual workers in 2022-23 but urban male self-employed earn almost Rs 6000 more than casual male workers in that year. Self-employed women, however, earn significantly less than salaried women, and potentially also casual women workers (if working for 30 days), as shown in **Figure 6**. Of all occupation categories, rural self-employed women earn the least of all categories of work done by women.

Figure 6a: Monthly Earnings by Occupation, Relative to Self-employment (Men)



⁴<https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2022323>

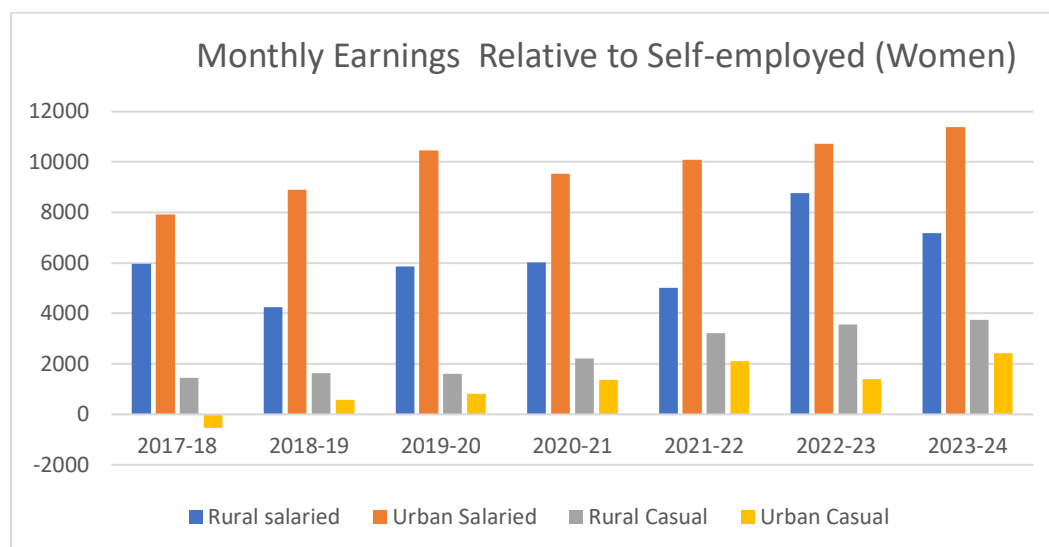
Primary Sector: Agriculture, Livestock, Forestry & Fishing and Mining & Quarrying

Secondary Sector: Manufacturing, Electricity, Gas, Water supply & Other Utility Services and Construction

Tertiary Sector: Trade, Hotels, Transport, Communication and Services related to Broadcasting, Financial, Real Estate & Professional Services and Public Administration, Defence & Other Services.

⁵ The earnings data are reported for each quarter in the PLFS at 2012 prices. Throughout this discussion I restrict myself to the April-June quarter though the conclusions apply to other quarters as well. The casual earnings are reported at the daily rate. Daily wage is multiplied by 30 days (maximum monthly earnings) and then compared with the monthly earnings reported for self-employed.

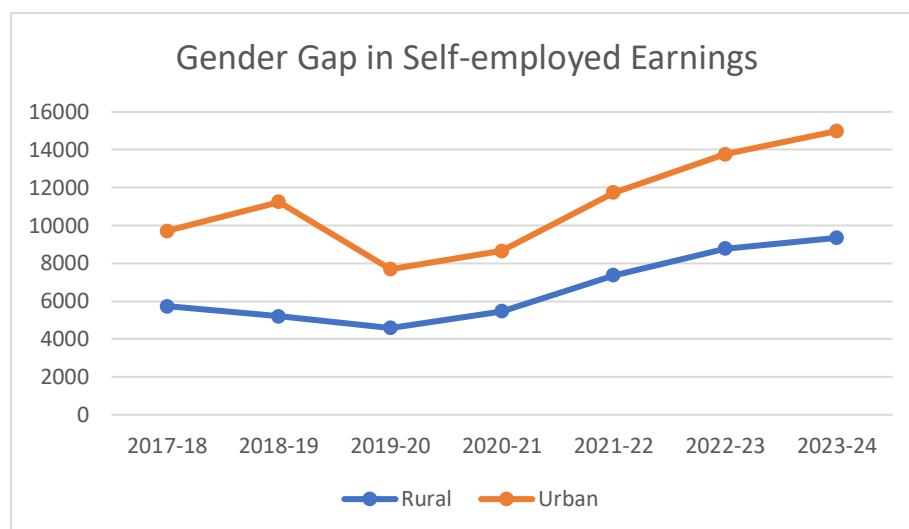
Figure 6b: Monthly Earnings by Occupation, Relative to Self-employment (Women)



Note: PLFS data; current prices for April-June quarter (Author’s calculations); Each bar is the difference between salaried/casual and self-employment monthly earnings.

Not surprisingly, the gender gap in self-employed earnings is large – about Rs. 9346 less in rural areas and almost Rs. 15000 less than self-employed men in urban contexts in 2023-24 (April-June quarter). This gender gap in earnings has increased between 2017-18 and 2023-24, with the gap expanding more in rural relative to urban areas (Figure 7). This increase in the self-employed earnings gender gap is particularly large, relative to the change in the earnings gap for salaried and casual workers during the same period.

Figure 7: Gender gap in self-employed earnings



Note: PLFS data; current prices for April-June quarter (Author’s calculations)

Note that the earnings data exclude those self-employed who do not report any explicit earnings.⁶ This implies that the average (unconditional) earnings across all self-employment categories would be even lower than reported in the PLFS. Of all the self-employed, almost 30% reported zero earnings in 2023-24. While almost 50% of women self-employed report no earnings, only 18% of men who are self-employed report no earnings. This statistic is driven by the fact that women are more likely to be ‘helpers in household enterprises’ and almost all helpers (irrespective of gender) report having no earnings from their work. Further, since the proportion of all self-employed with no earnings is higher (almost 33%) in rural areas, the rural gender gap in earnings of the self-employed would be larger.

Furthermore, and not surprisingly, there is significant underemployment amongst the self-employed as per the PLFS. As per the PLS reports “information on hours worked during each day of the reference week was recorded when the household member was engaged in economic activity and for each of such days information was also collected on whether the household member was available for additional work.” For both rural and urban self-employed women, the hours of work is lowest (less than 40 hrs per week) which is close to that for casual work hours. In most quarters, proportion of workers who are available for additional work is highest among self-employed across all quarters in rural areas. This suggests significant underemployment in rural/agricultural contexts. A larger proportion of self-employed women in urban and rural areas are available for additional work (more than 10 hours per week) in most quarters, relative to women who report salaried or casual work.

Furthermore, the hours of works has fallen (for both genders), more for the self-employed than the casual workers between 2017-18 and 2023-24. This further suggests increase in underemployment of workers in the self-employed category.

The analysis, overall, suggests that the nature of self-employment work is of poor quality, low paying and is the fall back option when other work opportunities are unavailable, particularly in rural areas and for women. A caveat to the observed trends in self-employment, particularly the increase in self-employment of women, is possible changes in the measurement of work. There has been a growing discourse amongst academics and policy makers of the need to increase women’s labour force participation in the country. The NSS has often been criticised for not effectively capturing unpaid (but otherwise income-generating for the family or household) work done women. If, in response to these concerns, there have been increasing attempts to identify unpaid work done by women during field surveys, changes in measurement methods could have led to the observed increase in self-employment by women. However, note that we do observe increase in self-employment in agriculture for not just women but also men (but not in the manufacturing sector).

Measurement issues notwithstanding, it is clear from the data that India exhibits high levels of poor quality self-employment. What are the constraints to improving the quality of self-employed work – either in terms of the nature of self-employed work itself or transition out of self-employment into salaried work?

⁶ Page 76 of (2017-18) PLFS report: “In PLFS, information on gross earnings from self-employment work was collected through a single-shot question from the self-employed persons in current weekly status. In Statement 25, average gross earnings during the last 30 days from the self-employment work by the self-employed persons in the current weekly status are presented. It may be noted that average gross earnings have been calculated by excluding those self-employed persons who had reported zero gross earnings.”

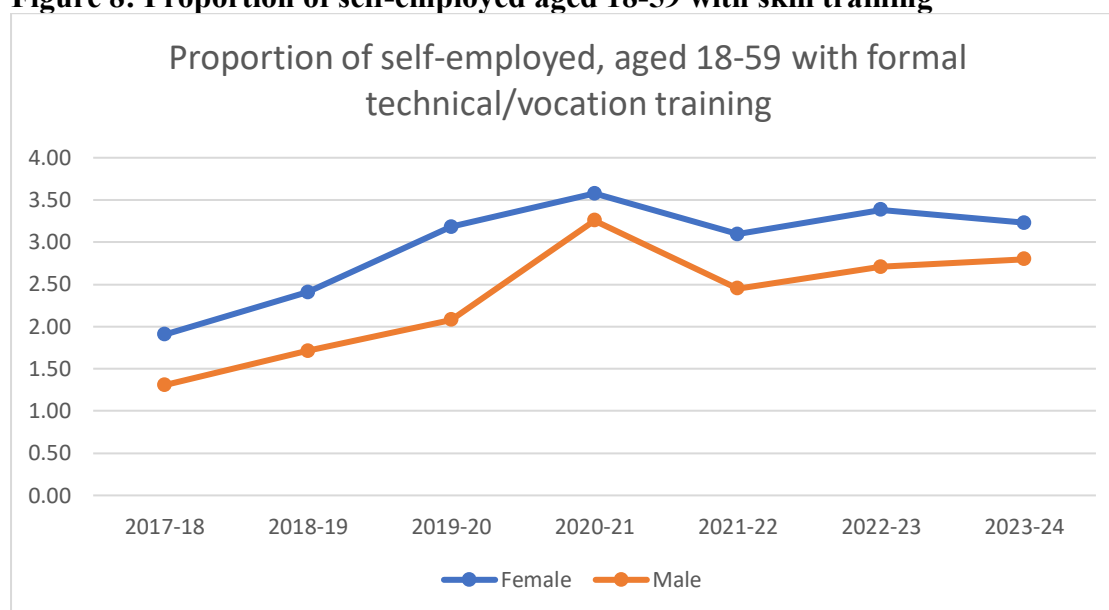
4. Constraints to quality self-employment

There are several constraints to resources that complement entrepreneurship required for quality self-employment, in India. While these constraints impinge on all self-employed workers, often these concerns are particularly binding for women’s self-employment and entrepreneurship.

a. Education and Skill Training:

The proportion of self-employed with grade 12 or above education was only 17% in 2017-18 and has increase marginally to 20.6% in 2023-24. Education levels are very low for women self-employed – 9% of these women had completed high school or higher in 2017-18, which has inched to just 11.4% in 2023-24. In addition, the proportion of all self-employed with any formal or vocational training is abysmal at 3%. Both education and skill training are vital for high quality self-employment and can be a transforming force for significantly enhancing the quality of self-employment and entrepreneurship, broadening occupational choices and expanding work opportunities (**Figure 8**).

Figure 8: Proportion of self-employed aged 18-59 with skill training



Source: PLFS (Author’s calculations)

Skilling (either formal or informal) has the potential to improve employment prospects, according to data from the PLFS 2022-23 (**Figure 9**). Men’s employment rate with any vocational training is 24 percentage points higher than for those with no vocational training. Similarly, women’s employment rate is 30 percentage points higher if they have any vocational training. Second, skilling enhances the opportunities for both men and women to get salaried jobs (**Figure 10**), which are more likely to be in the formal sector and are less precarious – more than 10 percentage points higher for men and almost 20 percentage point more for women – relative to unskilled.

Figure 9: Employment rate by skill training and gender

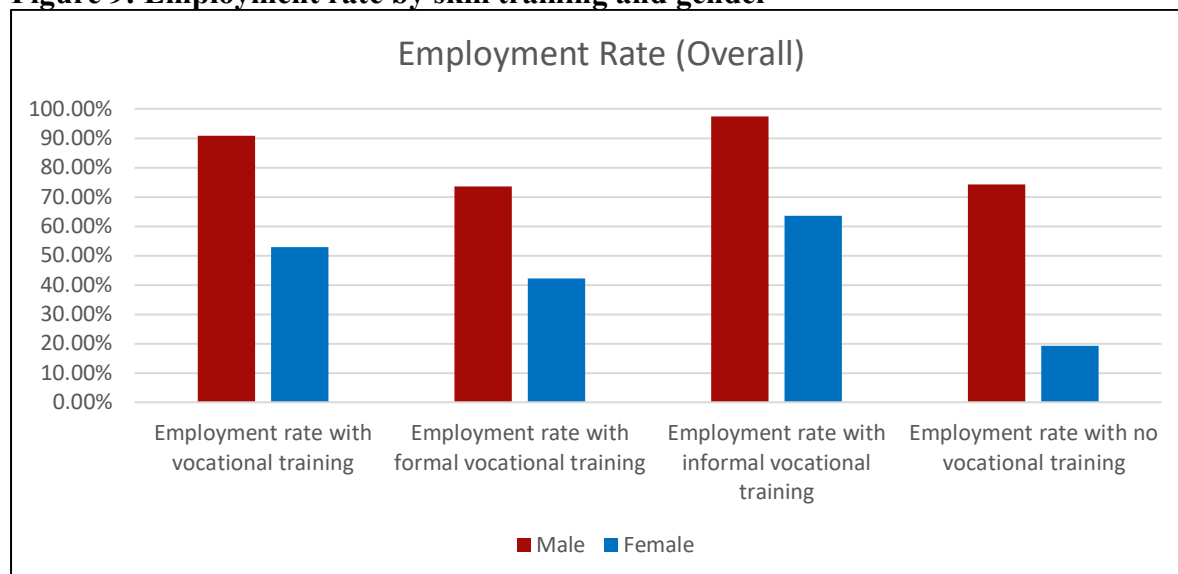
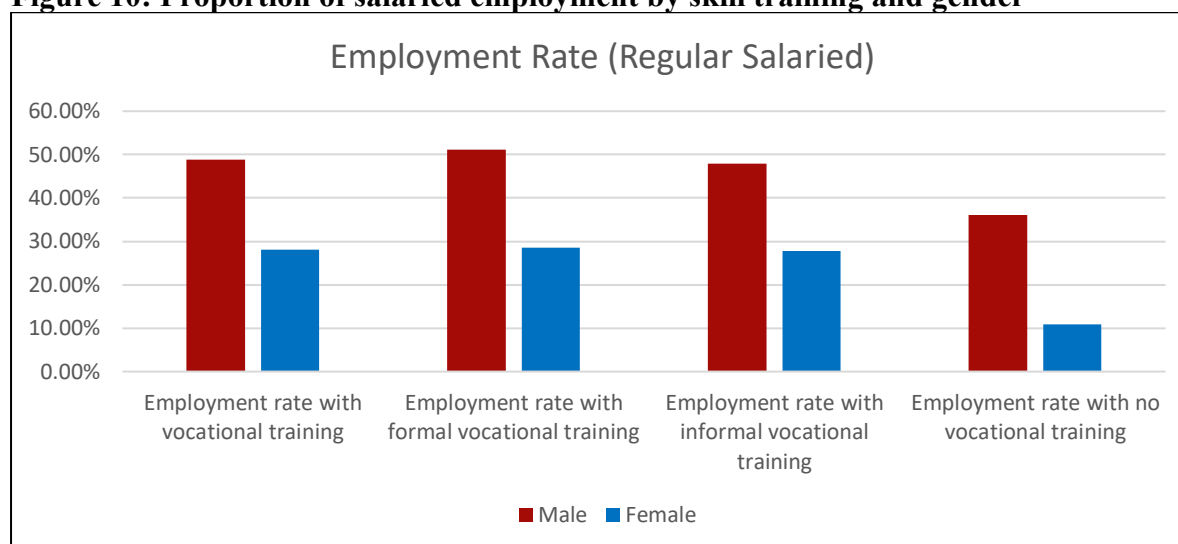


Figure 10: Proportion of salaried employment by skill training and gender

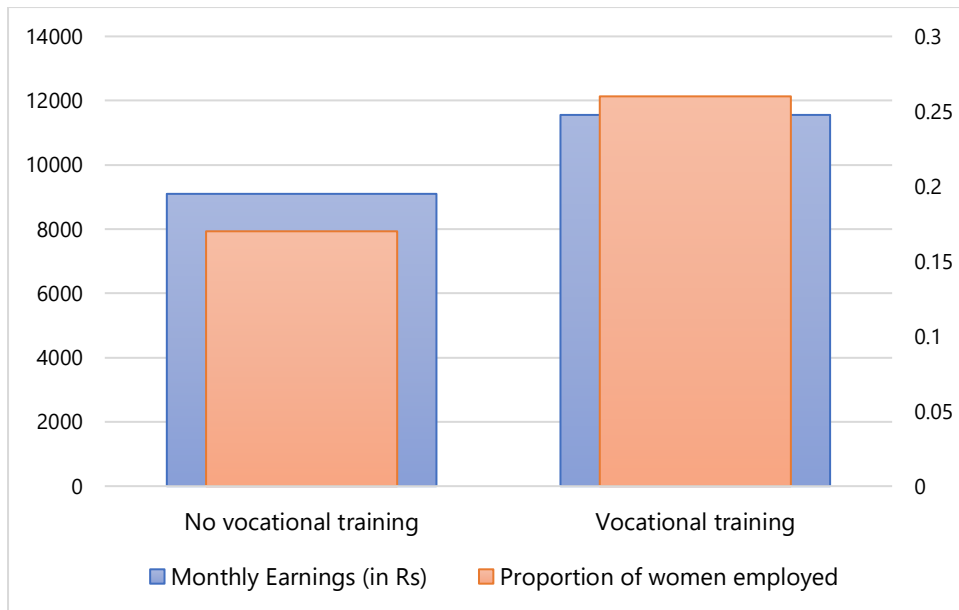


Data: PLFS (2022-23)

Source: IndiaSpend (2024)

In an ongoing study by the Digital Platforms and Women’s Economic Empowerment ([DP-WEE](#)) Project housed at IFMR-LEAD and the Indian Statistical Institute (ISI Delhi) 1,560 women in the 18 – 40 age group residing in the urban areas of Delhi and Bangalore were surveyed on skilling and employment in 2023-24. Conditional on working, women who reported being skill trained received 27% higher monthly earnings than women with no skill training (**Figure 11**).

Figure 11: Percentage of women employed and their monthly earnings between those with and without vocational training



Data: DP-WEE Survey
Source: IndiaSpend (2024)

Ironically, there is no paucity of skill training programs and initiatives for women, by the Ministry of Skill Development and Entrepreneurship (MSDE).⁷ However, the take-up of these programs remains below par for both men and women. Further, common gender stereotypes shape the landscape of skill acquisition for women. Existing research has identified a variety of factors that contribute to low enrollment by women, including a lack of awareness of skill programs, geographical distance from skilling institutes, and a limited range of offered courses. Even amongst women who do enroll in skilling, a significant contribution to their low skill acquisition is the high dropout rate of women, often due to marriage, lack of family support, and household responsibilities —anecdotal evidence from the DPWEE survey data suggests.

b. Access to formal credit:

Lack of access to formal credit markets limits the size and scope of self-employment, entrepreneurship and the ability to create establishments that employ others and generate employment. Unincorporated non-agricultural enterprises (ASUSE 2022-23) employed about 10 crore workers during 2022-23 which is about 20% of the workforce of India. These 10 crore workers are almost equally divided between rural and urban sectors and fall in the informal sector. Overall, 41% of the total unincorporated non-agricultural establishments operate on a small scale, within household premises.

As per the ASUSE (2022-23), 5.53 crore establishments out of estimated 6.50 crore are Own Account Establishments (OAEs) -- establishments which have not employed at least one

⁷ There are approximately 15,000 Industrial Training Institutes (ITIs) in India that provide various skilling programs, in which 30% of seats are reserved for women. Additionally, 19 National Skill Training Institutes (NSTIs) have been established, exclusively catering to vocational training for women. The Deen Dayal Upadhyaya-Grameen Kaushalaya Yojana (DDU-GKY), a placement-linked skill development program for rural youth, reserves 33% of its seats for women. *Pradhan Mantri Kaushal Vikas Yojana (PMKVY)*, a flagship scheme by MSDE, aims to enhance the participation of women in short-term vocational training.

hired worker on a fairly regular basis. Thus, less than 1/5th of these establishments have been estimated as those that create employment through hiring other workers - Hired Worker Establishment (HWE). Not surprisingly, the annual GVA per worker (in Rs.) in OAEs is about 50% of that in HWEs (Rs. 1 lakh vs 2 lakhs).

Skill training together with access to credit can give a fillip to entrepreneurial activity. However, there is no conscious attempt to link skills training to entrepreneurship. The NITI report states: “Hardly any ITI arranges for tie-ups with financing institutions to make credit accessible to ITI pass outs for starting an enterprise. Though the PM Mudra Yojana is open for a range of self-employed people such as small manufacturers or artisans, ITIs so far have not been able to channel any start-up funds for their trainees.” (NITI Aayog Report, 2023).

Lack of access to formal credit not only raises the cost of borrowing, smaller loans and lower borrowing amounts but also restricts the capacity and size of the entrepreneur and their enterprise. It can also lead to the misallocation of credit to inefficient enterprises, which are better networked into the informal credit markets.

c. Administrative and legal support for businesses:

Although the ease of doing business has been steadily improving in India, starting an enterprise remains challenging even when the entrepreneur has the technical know-how and access to credit. The administrative and legal landscape for setting up a formal business or enterprise is often complex, hence informal and household-run enterprises abound. The WDR 2024 notes: “In developing countries,.....because their time and talent are limited, owners are compelled to manage firms through their children. In India, for instance, this is a factor behind firms’ inability to grow. Its effect is sizable - poor delegation of managerial responsibilities could account for 11 percent of the difference in per capita incomes between India and the United States (Akcigit, Alp, and Peters 2021).”

Furthermore, access to legal recourse in the event of any business disputes is fraught with challenges. Boehm and Oberfeld (2020) find that variation in the functioning of legal institutions across states in India account for “contract enforcement frictions which lower aggregate productivity to an extent that is relevant on the macro scale.” Existing research suggests that there can be sizeable welfare gains from improving contract enforcement, particularly more efficient courts in India can affect the future growth of the formal manufacturing sector (Amirapu 2021).

According to the ASUSE (2022-23), a majority of the unincorporated enterprises that are proprietary or partnerships are run by minority groups. Not surprisingly, therefore, Saha et al. (2022) find that court quality has a disproportionately larger (negative) impact on the investment decisions of SC-ST entrepreneurs. This further limits the ability of these informal establishments to expand and grow.

5. The changing nature of work and its implications for self-employment

Evidence review by DPWEE highlights the potential of the digital economy in generating work opportunities in India. The ILO’s flagship report on digital labor platforms (2021) indicates a

five-fold increase⁸ in the number of digital labor platforms in the world, spurred by digitization and new ways of working during the Covid-19 pandemic. This highlights the potential of digital labor platforms for creating income-generating opportunities for workers, with Asia leading investment in online platforms (96% share). According to ILO, India is emerging as the largest supplier of global labor on online platforms, with 8% of global platforms currently operating in India, behind only the US (29%) and the UK (5%).

A report by Boston Consulting Group and Michael and Susan Dell Foundation on India's 'gig economy'⁹ (2021) notes that while India's predominantly informal economy always encompassed a gig component, what has in fact changed in recent years is the large-scale matching and delivery of such work via the use of technology. Acknowledging methodological complexities and data gaps, NITI Aayog (2022) estimates that in 2020-21, 7.7 million workers, or 1.5% of the Indian workforce, were engaged in the gig economy. By 2029-30, these figures are expected to rise to 23.5 million and 4.1%, respectively. As per the BCG-Dell report, "the gig economy has the potential to service up to 90 million jobs in India's non-farm economy."

a. Re-engineering towards digital skills

The ILO broadly categorizes these platforms into online web-based ones (where tasks are performed online or remotely, for example, remote work on video transcription) and location-based platforms (such as taxi, delivery, or home services). The report also defines two types of work relationships offered by the platforms, namely internal employment wherein workers are directly provide services through the platform, or external employment mediated through the platform, viz. employer-employee online/app-based matching.¹⁰ Both types of engagement with platforms falls within the realm of self-employment but is also a grey area, discussed in detail later.

In this digital era, where the landscape of employment is changing swiftly there is a need to re-engineer the skills for the digital age. Digital skills have the potential to benefit the workforce by allowing them to be self-employed through home-based participation in the gig economy, and starting their own businesses online. Proficiency with digital technologies improves networking, simplifies job searches, and encourages ongoing professional development. It also carries the potential of enhancing earnings and quality of self-employed work towards the grey and white collar sectors.

Despite a tremendous increase in internet and smartphone coverage in India, however, there remains a significant gender gap in access to this technology. This carries implications for the observed nature of self-employment by women and the potential to enhance its quality for them. Internet usage among Indian women remains significantly below that of women in lower-middle income regions. While women predominantly use the internet for entertainment, communication, and social media, their digital literacy and skills are notably poor. They struggle with basic tasks like searching for jobs, writing, and sending emails. Almost 50 percent of women report that they do **not** know how to write and send emails, how to search for jobs on digital/gig platforms, and how to create and use social media accounts for marketing skills – data from our study reveals (**Figure 12**). These findings, along with the recently

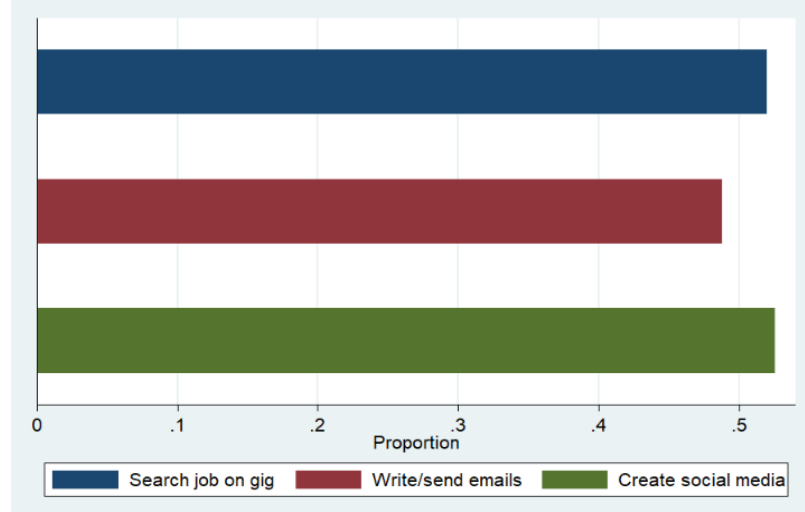
⁸ From 142 in 2010 to over 777 in 2020.

⁹ Here, gig work is defined as work delivered on-demand with little to no formal contracting.

¹⁰ Other categories are also used in the literature, and there are certainly some grey areas in the classification of digital labor platforms and platform work.

released ASER report (2023) on digital skills of rural adolescents (14 – 18 year olds), suggest that the digital gender gaps begin at young ages and get amplified over time. A case in point is the low usage of internet, for entrepreneurial purpose - 13.5% in rural and 30.2% in urban sector as per the ASUSE 2022-23.

Figure 12: Proportion of women who CANNOT perform digital tasks



Source: DP-WEE survey data (2023-24)

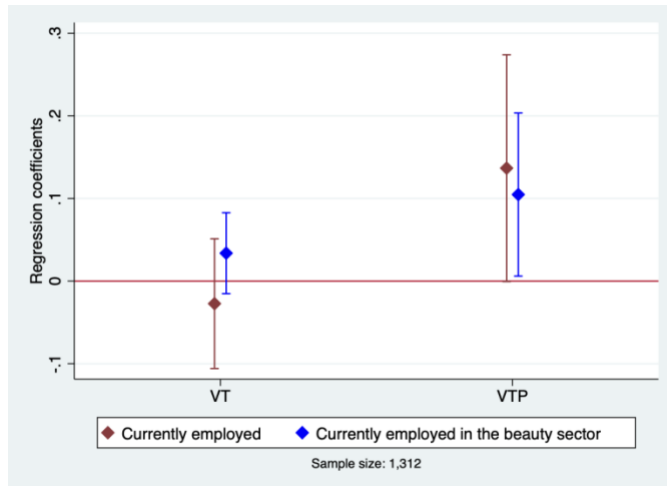
Under the DP-WEE project, Afridi et al. (2023-24) address the low levels of labor force participation and quality of work done by women in India through a randomized intervention in two cities to analyze the role of sector specific hard skills and a combination of these hard skills with digital skills, in improving women's work opportunities. Specifically, one (randomly selected) group of women is provided a vocational training (VT) program in the beauty sector which includes classroom and on-the-job training components. In another group, along with the VT program, the study provides Project-Based Experiential Learning (PBEL) that focuses on digital skills. This group is referred to as VTP. The vocational training is provided in collaboration with LaborNet - nation-wide skill training institute that provides work-integrated job training to informal workers across multiple sectors (e.g. manufacturing, construction, leather, beauty, data entry, tailoring). The study is being conducted across seven training centers of our partner organization in Bangalore and Delhi. Women applicants at each job training center are randomized into either VT, VTP or a control group which is not enrolled into any vocational training.

Preliminary findings from this on-going study show that training shifted the nature of employment towards the preferred beauty sector - the probability that women assigned to the VTP program were currently employed in the beauty sector rose by 4.8 pp, while the effect is positive but imprecise for the VT group (**Figure 13**).¹¹ Furthermore, the quality of work improves for the VTP group - there is an increase in salaried and self-employed work relative to more precarious daily wage work. The completion of VTP training led to higher days and hours of employment by 47% and 54% respectively. Consequently, earning rose by 48% for those who completed the VTP program. These positive effects are driven greater usage of digital platforms for job search, and usage of social media for business purposes as well as

¹¹ Estimates shown in Figure 13 are based on an ANCOVA regression of the outcome on random assignment to the treatment group along with controls for outcome measured at baseline, individual characteristics (e.g. age, education and marital status), household characteristics (e.g. religion, caste, assets) measured at baseline and training center and time fixed effects.

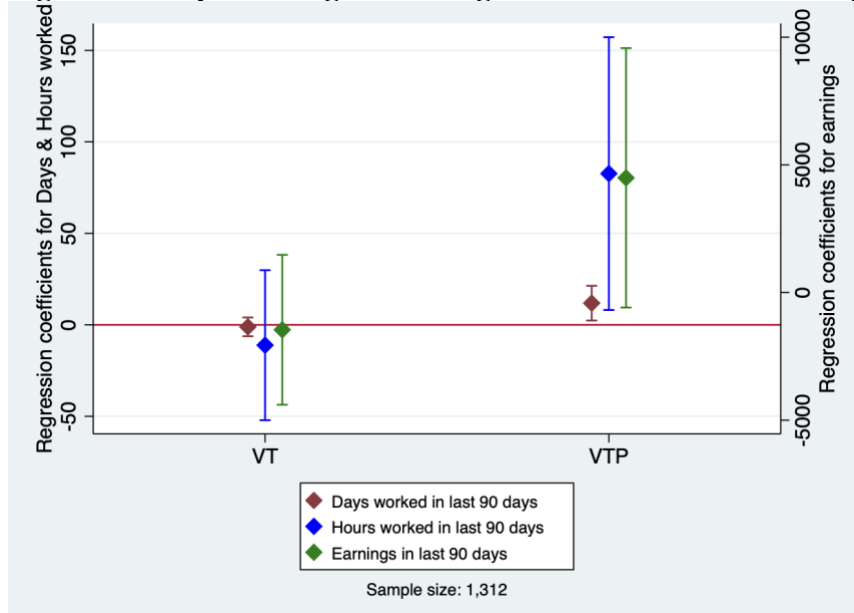
higher job offers to women assigned to the VTP group. At the same time, job aspirations, life satisfaction and self-efficacy rose for the women who undertook VTP training.

Figure 13: Impact of digital skilling on women’s employment



Source: DPWEE project by Afridi, Gupta, Heath and Mahajan (work-in progress)
 Note: 95% confidence band

Figure 14: Impact of digital skilling on women’s work intensity and earnings



Source: DPWEE project by Afridi, Gupta, Heath and Mahajan (work-in progress)
 Note: 95% confidence band

b. Labour law reforms, self-employment and gig work

What implications does the burgeoning gig economy have for the overall quality of self-employed work and the formal nature of self-employed work? *In this section, I include excerpts from DP-WEE project's legal review of the status and right of platform workers.*

The organised sector provides formal employment opportunities where workers receive regular salaries or wages along with benefits like health insurance, a provident fund, and other social security provisions. The employment contracts in this sector often adhere to labour laws and regulations. The unorganised sector is characterised by informal employment arrangements. Workers in this sector often lack job security, receive lower wages, and have limited access to social security benefits. They may be self-employed without written contracts or employment protection.

A self-employed or own account worker refers to an individual who works for themselves and operates their own business or profession. Unlike employees with a formal employer-employee relationship, self-employed workers work independently and do not have a traditional employment relationship with another person or entity. They may enter into contracts or agreements with clients or customers for their services, but these are typically not employment contracts. They are not entitled to a fixed salary or wages from an employer but rather earn income based on the services they provide, the products they sell, or the contracts they secure.

In India, self-employed individuals, including platform and gig workers are often classified as independent contractors, or other categories of workers but are not “employees”. This classification has significant implications for their employment rights and benefits because, in the Indian legal system, the terms ‘employee’ and ‘worker’ often have different legal meanings and belong to organised and unorganised sectors. An employee is a person who works under an employer and is entitled to certain benefits, such as minimum wages, paid leaves, and social security benefits. On the other hand, a worker is a broader term that includes employees who may not be entitled to the same benefits as employees, depending on their employment status and the nature of their work.

c. New labour codes

Recently GOI consolidated twenty-nine labour laws into four Labour Codes: (1) Code of Wages, 2019; (2) Code on Social Security, 2020; (3) Industrial Relations Code, 2020; and (4) Occupational Safety, Health, and Working Conditions Code, 2020.

Under the proposed labour codes, specifically the Occupational Safety, Health, and Working Conditions Code (“OSH Code”) and the Code on Social Security (“SS Code”), a self-employed worker in India generally refers to an individual who works for themselves and does not fall under the definition of an employee. These self-employed workers under the OSH Code are generally excluded from the provisions related to employee welfare, safety, and working conditions since they work independently. The SS Code introduces social security schemes for self-employed workers, including providing benefits such as life and disability coverage, health and maternity benefits, and old-age pensions. For the first time, the Code on Social Security (“SS Code”) has specifically recognised and defined platform and gig work under the Indian legal framework.

Thus, platform workers fall in the grey area of unorganised workers and not “employees” as per the definition of traditional work. They are, therefore, categorised as self-employed.

The SS Code defines a ‘gig worker’ as:

“a person who performs work or participates in a work arrangement and earns from such activities outside of a traditional employer-employee relationship”. (Section 2(35), the Code on Social Security, 2020)

and a ‘platform worker’ is a person engaged in:

“a work arrangement outside of a traditional employer-employee relationship in which organisations or individuals use an online platform to access other organisations or individuals to solve specific problems or to provide specific services or any such other activities which may be notified by the Central Government in exchange for payment”. (Sections 2(60) and (61), the Code on Social Security, 2020)

The definition of gig and platform worker uses a new term, ‘work arrangement’, instead of the traditional terms ‘establishment’ or ‘industry’. Nevertheless, the definition of worker and employee continues to refer to establishment and industries. The establishment is a wider genus, of which industry is a species.

Therefore, while platform or gig workers are workers and not employees in the ‘traditional employer-employee’ sense, their ‘work arrangements’ corresponds to the traditional set-up of an enterprise. In appropriate cases, such ‘work arrangement’ may even withstand the triple test of an industry. In other words, in defining platform and gig workers, the legislators have used an undefined term, ‘work arrangement’, that implicitly refers to an establishment. This leads to the further inference that platform and gig workers can be employees even though they are specifically intended to be workers not entitled to benefits enjoyed by employees in an organised sector.

Despite these legislative and judicial developments, effectively regulating and protecting platform and gig workers remains a challenge. Issues such as lack of job security, low wages, limited access to grievance redressal mechanisms, and inadequate representation in decision-making processes continue to pose challenges.

6. Conclusions

The PLFS indicates an increase in the proportion of self-employed workers in India since 2017-18. However, self-employed work is undoubtedly of poor quality and low paying – indicating that self-employment is a fall back option when better work opportunities are unavailable, particularly in rural areas and for women. Low levels of education and skills, poor access to formal credit and legal support stand out as the main limitations to improving the quality of self-employment and consequently the overall nature of work in the country. While these constraints impinge on all self-employed workers, they are often particularly binding for self-employed women. Furthermore, technological changes are influencing the nature of self-employment, particularly in the urban areas, with the advent of gig and platform sector. These changes carry implications for reforming the existing labour laws in India.

The analysis in this paper suggests that policy measures to increase the productivity of self-employed work needs to be top priority. This includes addressing the key constraints of technical skills, ease of access to formal credit and legal support for entrepreneurship. Second, since self-employment in agriculture is more of a fall-back option for women, initiatives that

help women transition to the non-farm sector and out of self-employment to better quality work is becoming increasingly important. Finally, the analysis here highlights the larger issue of creation of jobs in the formal sector, given the observed increase in low-quality self-employment since 2017-18. As such, discourse on an employment focused industrial policy that emphasizes growth of labour intensive manufacturing and services sectors in India is critical.

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