Quote by Charu Malhotra, Co-Founder and Managing Director, Primus Partners

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India Inc sees the quiet rise of non-permanent workers

Volatile demand, cost woes are prompting firms to reassess their workforce commitments.

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Business uncertainty is reshaping how India Inc hires, with the preference for a stable, permanent workforce giving way to more flexible employment arrangements. Volatile demand, geopolitical disruptions, artificial intelligence (AI)-led restructuring and mounting cost pressures are prompting companies to reassess their long-term workforce commitments.

A Mint analysis of 353 BSE 500 companies found that non-permanent employees accounted for 17% of the workforce at these companies in FY26, up from around 11% in FY23. The analysis draws on comparable data from annual reports between FY23 and FY26.

Non-permanent employees include fixed-term employees, contract workers and gig workers, as distinct from permanent, on-roll staff.

For companies, such arrangements offer the flexibility to adjust staffing levels as business needs change. However, workers face uncertainty over statutory benefits and career progression, while employers risk losing institutional knowledge and operational continuity as their reliance on temporary staff grows.

Non-permanent employment broadly covers fixed-term employees hired directly by companies for a specified tenure, and contract workers who work at company premises but remain on the payrolls of third-party contractors, said Atul Gupta, partner, labour and employment practice at Trilegal.

Such workers can be hired quickly and, more importantly, disengaged without the more elaborate procedures involved in terminating permanent employees, Gupta said.

The arrangements, however, carry different implications for workers. Fixed-term employees are generally entitled to wages and statutory benefits comparable to those of permanent staff, though their contracts end automatically on expiry. Contract workers, by contrast, may receive lower wages and benefits, although the law mandates pay parity for those doing the same or similar work, said Suchita Dutta, executive director, Indian Staffing Federation.

As repetitive roles disappear and demand shifts towards technical and specialized skills, employees will increasingly need to reskill to remain relevant, Dutta said.

The new Labour Codes seek to alter some of these dynamics by restricting the use of contract labour in core business activities, subject to specified exceptions, Gupta said. This could push companies towards direct employment for certain roles, although they are still assessing which activities qualify as core functions and how the restrictions will affect their hiring models.

“A true test of whether the Labour Codes have helped change this ratio and increase the share of permanent employees would be to conduct similar surveys for the financial years ending 2027 and 2028,” Gupta said.

Rising business costs could further accelerate the shift towards non-permanent employment, Dutta said. Domestic companies saw overall costs rise 22% year-on-year in the September quarter (Q2), following a 23% increase in the June quarter, according to a Mint analysis of Q2FY27 results of 1,750 listed companies. Overall costs are at a three-year high, with crude oil averaging above $95 a barrel this year, compared with $68 in 2025, amid the West Asia war.

Profitability is also under strain. Companies excluding banks, financial services, insurance and oil marketing companies reported a net profit margin of 11.9% in the September quarter so far, down from 12.8% in the previous quarter and below the four-year average of 12.2%, the analysis showed. With cost pressures expected to persist and limited scope for further price increases, analysts expect profitability to weaken further.
“When margins come under pressure, one of the first things companies reconsider is their commitment to long-term employment,” Dutta said.

While flexible staffing can offer immediate cost and operational benefits, it could discourage investment in training and retention, eroding institutional knowledge and

continuity of skills within organizations, said Charu Malhotra, co-founder and managing director of consulting firm Primus Partners.