

Karnataka Gig Social Security Ordinance: Is this BIG for GIG, or Will It BUG the GIG?"



POLICY BRIEF



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Purpose of the Brief



This policy brief provides a critical appraisal of the Karnataka Platform-Based Gig Workers (Social Security and Welfare) Ordinance, 2025. It presents analysis from global and local policy perspectives and aims to inform legislators as they prepare for the winter session of the State Assembly. While the ordinance seeks to extend social security to gig workers, it also raises concerns about overreach, lack of clarity, and the potential disruption of the very ecosystem it seeks to regulate.

Executive Summary



The Karnataka Platform Based Gig Workers (Social Security and Welfare) Ordinance, 2025, marks a significant, yet nascent, step towards safeguarding gig workers. As the second state in India to legislate in this domain, Karnataka aims to enhance social security and impose aggregator obligations.

While commendable in intent, this brief argues that **the Ordinance's current form risks unintended consequences, potentially stifling the very dynamism that defines the gig economy.**

Our analysis, drawing from global experiences, reveals critical gaps: a lack of a precise 'gig worker' definition, an unclear rationale for extensive state intervention, absent financial projections for the welfare fund, and insufficient accountability mechanisms for both workers and the state. Crucially, it risks reclassifying gig work towards traditional employment, thereby compromising its inherent flexibility.

GRAAM advocates for a facilitative, rather than purely regulatory, approach. We recommend a comprehensive definition, robust need-assessment, clear financial planning, multi-stakeholder consultations, and a focus on social security provisions that complement, rather than disrupt, the gig economy's unique model. This brief provides evidence and insights for legislators to ensure the Ordinance truly empowers gig workers while fostering sector growth.

Introduction



The platform-based gig economy has rapidly transformed sectors like transportation, logistics, and food delivery, offering unprecedented flexibility and income avenues. However, this growth has also highlighted the vulnerability of gig workers to economic shocks and workplace risks, often operating outside traditional social security nets.

In response, the Government of Karnataka enacted the Karnataka Platform Based Gig Workers (Social Security and Welfare) Ordinance, 2025. This legislation seeks to improve gig worker welfare and establish compliance responsibilities for aggregators, proposing a Welfare Board, Welfare Fund, and rules for registration, working conditions, and dispute resolution.

The Ordinance : Key Provisions



Welfare Board & Fund:

Establishment of a 'Welfare Board' to implement schemes and a 'Welfare Fund' for financing, with aggregators mandated to contribute a 'Welfare Fee' (1% to 5% of payout per transaction).

Registration:

Mandatory registration of gig workers and aggregators on a state web portal within stipulated timelines.

Fair Contracts & Transparency:

Aggregators must ensure fair contracts and provide workers access to information on earnings, fare structures, and feedback.

Working Conditions:

Mandates safe working environments and adequate rest facilities.

Payment & Termination:

Rules for payment deductions, weekly disbursements, and a 14-day notice period for termination with valid reasons.

Dispute Resolution:

A two-tier mechanism involving an Internal Dispute Resolution Committee and the Board.

Reporting:

Quarterly submission of reports by aggregators to the state portal.



1 Fundamental Flaws in Framing

Absence of a Clear Problem Statement

The Ordinance lacks a compelling, contextualized problem statement justifying its broad regulatory scope.

Vague 'Gig Worker' Definition

A comprehensive definition of a 'gig worker' is notably absent, creating ambiguity that could lead to legal impediments and inconsistent implementation.

Unjustified Regulatory Framework

The necessity for such an extensive regulatory framework, particularly when the gig economy has thrived without significant government facilitation, is not adequately justified. If the objective is solely social security, simpler, less intrusive policy alternatives might exist.

Karnataka Ordinance: "A person engaged in piece-rate work, under a contractual arrangement for defined payment, whose work is sourced through a platform in specified services and who is registered with the Karnataka Platform Based Gig Workers Welfare Board"

Key Shortfalls:

- Exclusion-by-registration, leaving many platform-based and gig workers uncovered.
- Unclear treatment for workers paid hourly, monthly, or through hybrid arrangements.
- Multiple definitions in national and state acts risk overlapping or workers category mismatch
- Addressing algorithmic management, data transparency, or collective bargaining, all of which are emerging focus areas

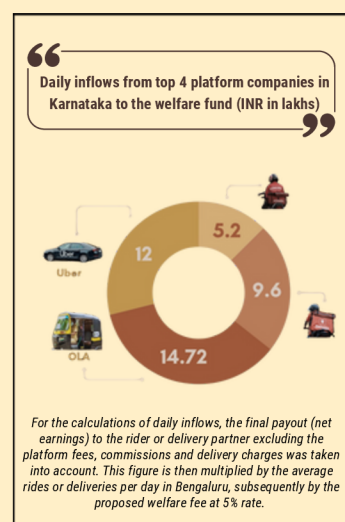
2 Missing Rationale and Calculations

Lack of Needs Assessment

The Ordinance appears to have been drafted without conducting a primary study to understand the actual size of the gig workforce, industry requirements, or future growth projections.

Arbitrary Welfare Fee

The 1-5% welfare fee range lacks a clear rationale or evidence-based determination, indicating indecisiveness.



Unaddressed Financial Implications

Crucially, the Ordinance is silent on how the significant financial burden (e.g., an estimated ₹41.5 lakhs daily inflows from top four companies alone at an upper range of 5%) will be allocated – whether borne by end-customers or platforms – and lacks calculations for scheme implementation.

3 Accountability Gaps

Limited Gig Worker Accountability

The Ordinance overemphasizes aggregator accountability while largely overlooking mechanisms for gig worker accountability (e.g., prior notice for quitting, meeting service standards).

State Accountability Unaddressed

The state's own accountability in effectively delivering social security benefits, including timelines, and mechanisms is not clearly defined. Data governance and security protocols for collected information are also ambiguous.

4 Inadequate Scope and Inclusivity

Lack of Needs Assessment

The Ordinance appears to have been drafted without conducting a primary study to understand the actual size of the gig workforce, industry requirements, or future growth projections.

Narrow Social Security Focus

The Ordinance primarily focuses on accidental benefits, failing to specify a comprehensive range of social security schemes (e.g., old age protection, disability coverage, health, maternity benefits).

Lack of Gender and Disability Sensitivity

There is significant scope to incorporate gender-responsive policies (e.g., harassment prevention, paid maternity leave considerations) and disability inclusion (e.g., platform accessibility, customized aids, compliance with RPwD Act, 2016).

5 Fund Mechanism Ambiguities & Compliance Burden

Overlapping Provisions

Ambiguity exists in the welfare fund mechanism due to potential overlaps with central and state legislations, necessitating coordinated discussions.

CSR Clarification

The Ordinance's claim of tax exemptions for voluntary CSR contributions towards the welfare fund requires clarification regarding its inclusion in Schedule VII of the Companies Act.

Increased Compliance Cost

Mandatory registration and quarterly reporting impose additional administrative and economic burdens on aggregators, potentially hindering financial and operational sustainability, especially for new start-ups.

6 Compromising the Gig Economy's Unique Dynamics

Perhaps the most critical concern is the Ordinance's subtle drift towards re-establishing an employer-employee relationship. The gig economy has thrived precisely due to its inherent flexibility and low regulatory barriers. Imposing stringent obligations and oversight, as seen in global precedents, risks:

Stifling Innovation

Excessive regulation can deter new platform start-ups and innovation.

Reduced Flexibility

The core appeal of gig work for many, its flexibility, may be compromised.

Market Exit/Caps

Companies might cap employment or even exit the market due to increased costs and obligations.

Global Lessons



California's AB5

Initially mandated reclassification, leading to a 10.5% decline in self-employment and a 4.4% drop in overall employment before Proposition 22 exempted app-based transport and delivery companies.

Spain's Riders' Law

Mandating employee status and algorithmic transparency, this law could reduce casual employment by 13 percentage points and average wages by 7%, impacting overall welfare.



- **Comprehensive 'Gig Worker' Definition**

Develop clear, holistic, and context-relevant metrics for defining a 'gig worker,' drawing from international models (e.g., Brazil's dependent/independent worker categories, California/Spain's metrics).

- **Justified Regulatory Framework**

Clearly articulate the problem statement and rationale for the Ordinance. Explore policy alternatives if the primary objective is solely social security, potentially leveraging existing mechanisms like ESIC/PF or insurance companies, rather than creating new government machinery. The state can also refer to the “monotax” mechanism to streamline the compliance by combining tax and social security contributions into a single payment, thereby extending social insurance coverage to self-employed and certain categories of platform workers. This results in reducing the administrative burden and entry barriers for workers to contribute to social insurance schemes.

- **Robust Planning & Budgeting**

Conduct thorough need-assessments to understand workforce size and industry requirements, welfare measures required, duplication of gig workers in different platforms, varied norms for high-risk sectors (e.g., bike taxis vs. digital marketing gigs) etc. Provide clear rationale for welfare fee rates and detailed calculations for fund collections, allocation, and scheme implementation.

- **Balanced Accountability**

Establish clear accountability mechanisms for gig workers (e.g., prior notice for quitting) and ensure state accountability in delivering benefits, including timelines and grievance redressal.

- **Holistic Social Security**

Specify a comprehensive range of social security schemes beyond accidental benefits (e.g., old age protection, health, maternity). Mandate aggregators to provide health insurance and other necessary coverages directly.

- **Enhanced Inclusivity**

Integrate gender-sensitive policies (e.g., safety, dignity, POSH Act compliance, paid maternity leave considerations) and disability inclusion (e.g., platform accessibility, aids, customized vehicles for PwDs).

- **Clear Fund Mechanisms & Data Governance**

Establish a clear, efficient mechanism for fund collection and distribution, ensuring no undue burden. Develop robust data governance policies for worker and aggregator data.

Recommendations



- **Facilitating Start-ups and Part Time Workers**

Provide exemptions or supportive facilitations for new platform start-ups to prevent compliance burdens from hindering innovation and growth. For part-time gig workers, opt-in schemes with lighter compliance may be allowed.

- **Multi-Stakeholder Consultation**

Engage workers, platforms, industry specialists, and civil society in a consultative approach to craft a balanced and sustainable policy framework.

- **Facilitative Role for Government**

The government should adopt a facilitative role, enabling social security through existing or streamlined mechanisms, rather than acting as an overbearing regulator, to preserve the gig economy's inherent flexibility and dynamism.

Conclusion



The Karnataka Platform Based Gig Workers' (Social Security and Welfare) Ordinance, 2025, is a progressive step, but its effectiveness hinges on addressing critical ambiguities and potential pitfalls. By adopting more precise definitions, a robust and transparent framework, greater inclusivity, and strengthened accountability, while ensuring limited and targeted government intervention, Karnataka can deliver meaningful, equitable, and sustainable protections for its platform-based gig workers. This balanced approach will propel further growth and innovation within the state's vital gig economy, ensuring it remains a "BIG for GIG," not a "BUG for GIG."

Disclaimer

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