

State Legislative Brief

KARNATAKA

The Karnataka Platform based Gig Workers (Social Security and Welfare) Bill, 2025

Key Features

- A gig worker who sources work through a platform will be registered with a unique ID. A Welfare Board will oversee registration of gig workers and aggregators, create social security schemes, and monitor the schemes.
- A Social Security and Welfare Fund will be established. It will be funded by aggregators, gig workers, central and state governments.
- Aggregators will register gig workers, inform them about work parameters, and how automated monitoring and decision-making systems impact working conditions.

Key Issues and Analysis

- The definition of gig work does not consider certain conceptual features of such work, and is based primarily on the manner of obtaining the work. In doing so, it may classify employees as gig workers.
- Social security benefits for gig workers will be funded by aggregators, gig workers, and government. The question is who should fund social security.
- Determining welfare fee as percentage of payout may lead to similar services being treated differently, depending on the business model.

PART A: HIGHLIGHTS OF THE BILL

Context

In recent years, with the rise of technology and digital platforms, there has been a surge in gig work. Gig workers are typically those engaged in work outside the traditional employer-employee arrangements.¹ NITI Aayog has estimated that in 2020-21, 77 lakh workers were engaged in the gig economy, constituting 1.5% of the total workforce in India.¹ By 2029-30, the gig workforce is expected to rise to 2.35 crore, forming 4.1% of the total workforce.¹

In 2020, Parliament passed the Code on Social Security, 2020, which provides for social security for gig workers and platform workers.² The Code is yet to come into effect. Some states have also passed laws in this regard. Rajasthan and Bihar have passed laws in 2023 and 2025, respectively.³ These laws provide for registration of gig workers and platforms, and establish a Board to monitor schemes. Some other states have invited public consultation on draft laws. These include Telangana and Jharkhand.^{4,5}

Karnataka promulgated the Karnataka Platform based Gig Workers (Social Security and Welfare) Ordinance, 2025 in May 2025. The Ordinance empowers the state government to make rules on certain matters. In July 2025, the Karnataka government released Draft Rules for public feedback. These include details on: (i) the manner of registration, (ii) providing a database of gig workers to the Board, (iii) establishing a mechanism to seek information regarding automated monitoring and decision making systems, (iv) the manner of appeal, (v) utilisation of the Welfare Fund, and (v) other sources of contributions to the Fund.

The Karnataka Platform based Gig Workers (Social Security and Welfare) Bill, 2025 was introduced in the Karnataka Legislative Assembly on August 12, 2025. It seeks to replace the Karnataka Platform based Gig Workers (Social Security and Welfare) Ordinance, 2025.

Key Features

- **Gig worker:** The Bill defines a gig worker as someone who engages in a contractual, piece-rate work arrangement through a platform. This work results in a given rate of payment, based on terms and conditions. The gig worker has a right to be registered with the state government under a unique ID applicable across all platforms. The gig worker will have access to social security schemes and a grievance redressal mechanism. The worker onboarded on any platform shall be electronically registered by the Board within 30 days of their registration or onboarding.
- **Aggregator:** The Bill defines an aggregator as a digital intermediary connecting buyers and sellers of goods and services. It includes any entity that coordinates with one or more aggregators for providing services. The

aggregator must provide data of the registered gig workers to the Welfare Board. They must also register themselves with the Board within 45 days from the commencement of the new Act.

- **Transparency in gig work:** Aggregators must inform gig workers about the procedure to seek information regarding their working conditions, fares, earnings, and customer feedback. All contracts should be transparent and include fair terms of payments, deductions, incentives, and calculations of work done. Gig workers should have access to such information. Contracts should explicitly contain the worker's right to refuse tasks offered.
- **Grievance redressal:** Gig workers may file grievances against the aggregator, and against the Board. Any grievances arising out of payouts, deductions, or terminations will go to the Internal Dispute Resolution Committee of the aggregator. The procedure for disposal of such petitions will be prescribed. If the worker does not receive an action taken report from the Committee within 14 days, the grievance will go to the Board, whose decision shall be final. Gig workers may file a petition with the Grievance Redressal Officer, in relation to any grievances arising out of entitlements or payments. The state government may also designate an Ombudsman for grievance redressal. Appeals may be filed with the Appellate Authority within 90 days of the order.
- **Gig Workers Welfare Fee:** A welfare fee will be collected from the aggregators. This fee will be between one to five percent of the payout to the gig worker in each transaction. The exact percentage will be based on different categories of aggregator, as determined by the state government.
- **Karnataka Gig Worker's Social Security and Welfare Fund:** The Fund will be set up for the assistance of registered platform based Gig Workers. It will be funded by: (i) welfare fee collected under this law, (ii) contributions by platform-based gig workers, (iii) grants-in-aid from both central and state governments, (iv) grants, gifts, donations, or transfers, and (v) any other sources. The Board shall not spend more than five percent of the fund to cover administrative costs.
- **Social Security:** The Bill defines social security as benefits for health and income security provided through schemes for gig workers.
- **Payment and Welfare Fee Verification System:** Aggregators shall report all payments made to gig workers and welfare fee deducted to a system administered by the state government. The system will be compliant with the data protection law.
- **Welfare Board:** The Bill provides for the establishment of a Gig Workers Welfare Board, to be appointed by the state government. The Board will oversee the registration process of aggregators and gig workers, and create, recommend, and monitor schemes. It will also engage with gig worker unions and hold regular consultations with them. The Board will consist of: (i) the state Labour Minister, (ii) secretaries from various government departments, (iii) a chief executive officer, (iv) four representatives of gig workers, (v) four representatives of aggregators, and (iv) two representatives from civil society.
- **Interest and penalties:** Failure to pay the welfare fee will result in paying an interest rate of 12 percent per annum on the fee payable. The penalties for contravening any provision of the Bill (or Rules) will extend from Rs 5,000 to one lakh rupees.

PART B: KEY ISSUES AND ANALYSIS

Defining gig work

The Bill defines a gig worker as someone who engages in a contractual, piece-rate work arrangement. This work is sourced through a platform and results in a given rate of payment, based on terms and conditions. There are some issues to consider with this definition, which we discuss below.

Challenge in defining gig work

In recent years, products and services are increasingly being obtained through digital platforms. Finding and performing jobs through such platforms is known as gig work.⁶ The Bill uses a similar framework for defining gig work. However, a challenge with defining and regulating gig work is that it includes aspects of traditional employer-employee roles, contract work, and freelance work, all of which are regulated differently (see Table 1). The International Labour Organisation (2021) noted that the line between employment and self-employment has blurred due to technology.⁷ That is, it is not easy to distinguish between employment and self-employment in some cases.

With gig work, it is understood that: (i) gig workers are not employees, (ii) companies may not exert sufficient control over their work, (iii) workers have flexibility in carrying out work, and (iv) there may be a lack of mutual obligation between the parties.⁸ The Code on Social Security, 2020 defines gig worker as a person who works outside a traditional employer-employee relationship. The definition of gig work in the Bill does not consider these conceptual features, and is based primarily on the manner of obtaining the work. In doing so, it may classify employees as gig workers.

Table 1: Comparison between different forms of work^{9,10,11,12}

Parameters	Employer-Employee	Contract labour	Freelance work	Gig work
Engagement for employment	Employment under a written contract, on a permanent basis.	Engaged through a contractor/ agency, on negotiated terms.	Engaged through online platforms, social media, referrals or directly.	Engaged through platforms, on terms negotiated with the aggregator.
Worker flexibility	No flexibility in choosing location of work, projects, and working hours.	Limited flexibility in terms of deadlines, may choose their working hours (if not in a specific hourly role).	Flexibility to build a client base on their own. Can choose their working hours, pay and projects.	Can choose their working hours, location, projects. Platform may put constraints like performance ratings, commission, penalties.
Control by the employer	Direct control by employer, as per the employment agreement.	Supervisory control of the employer. Contractor has ultimate control.	Minimal control by the client.	Ways of control include: (i) performance ratings, (ii) pricing system, and (iii) keeping location on during work hours.
Primary source of income for employee/ worker	Remuneration by employer. Employees cannot work for competitors.	Can have multiple sources of income, if part-time contract.	Multiple sources of income from different projects.	Can have multiple sources of income if engaged with multiple platforms.

Sources: Contract Labour Act, 1970; Industrial Disputes Act, 1947; IAAI vs. International Air Cargo Workers' Union (2009); A Framework for modern employment, House of Commons; Gig Economy, House of Lords; Gig Economy, Congressional Research Service; Rasier Operations BV v. E TU Inc. (2024); Freelance Platform Work in the Russian Federation, ILO; PRS.

The contractual obligations often placed by companies on gig workers seem to go against these typical features of gig workers. For example, ride-sharing drivers are considered gig workers, with flexibility on work hours and areas of operation. However, the Karnataka High Court ruled that drivers using Ola (a ride sharing platform) would be considered employees of the company.¹³ The Court noted that the company controls all aspects of the service, including fares, routes, and the devices used.¹³ In some other countries, courts have decided the status of gig workers by going into details of the particular case, and the way a business actually operates.

Examples of other jurisdictions defining gig work

UK: The UK Supreme Court ruled that Uber drivers are workers, and not self-employed contractors, as Uber tightly controls the transportation service.¹⁴ In contrast, people working at Deliveroo (food delivery company) were not deemed workers because they had an unlimited right of substitution.¹⁵ The right of substitution provides for any person to delegate their work to a substitute. This is an important right in determining the employment status.¹⁶

California, US: In 2020, California passed a law creating the ABC test to determine independent contractor status.^{17,18} It presumes that all workers who provide labour in exchange for remuneration are employees, unless proven otherwise. To classify someone as an independent contractor, the hiring entity must prove three conditions: (i) the worker is free from the entity's control, (ii) the work is outside the entity's usual business, and (iii) the worker is engaged in an independent trade or business of the same nature.¹⁷

European Union: In December 2023, the European Union countries agreed on a Bill to regulate gig work. The Bill presumes an employer-employee relationship between a worker and a platform company, if the conditions of direction and control by the employer are met. The burden of proving that the contractual relationship in question is not an employment relationship is on the employer.^{19,20}

Australia: Australia classifies workers as employees and independent contractors. Originally, it classified gig workers as independent contractors. However, High Court decisions have highlighted the risk of misclassification of gig workers as independent contractors. It has stated that contracts will be given primacy for classifying gig workers.²¹

Bill provides benefits only if gig work is obtained through platforms

The Bill specifies that the work performed by the gig worker must be sourced through a platform, and for certain services such as ride sharing, content and media services, or food delivery. Therefore, the Bill is drawing a distinction between persons who may be carrying out similar work, and extending benefits to individuals obtaining work only through an online platform. The question is if the work and work conditions are similar, why should social security benefits extend only if the work is obtained through an online platform (see Table 2).

Table 2: Workers carrying out similar tasks are likely to be treated differently

Case	Control by aggregator (platform)	Flexibility
Uber driver	Control on routes and fare; must keep location on during work hours	Cannot reject more than a specified number of ride requests
Taxi driver	Fare set by state government, expected to take the shortest route	Cannot refuse rides when on duty

Sources: "How much do drivers make?", Uber, last accessed on December 24, 2024; Motor Vehicles Act, 1988; PRS.

Financing social security benefits

Under the Bill, a welfare fee will be collected from the aggregators, which will fund the Gig Worker's Social Security and Welfare Fund. This Fund will also receive contributions from the workers and the government. The question is who should bear the cost of funding social security for workers.

Across countries, social security financing models are a mix of contributions by the state, the employer and employee contributions (see Table 3 for some examples). In India, an example is the Employees' Provident Fund, where the employer and the employee jointly contribute a premium at a fixed percentage of the payroll.²² Some countries have come up with social security benefits for gig workers, since they are not classified as employees and traditional social security models may not apply to them.²³

Table 3: Comparison of financing models in relation to social security across countries

Country	Funding of social security	Benefits for gig/platform workers	Funding of gig workers benefits
India	Contributions by employers, employees, and the government ^{22,24}	Should get social security benefits like maternity benefits, accident insurance, old age protections; benefit schemes to be notified by the government ²	Contributions by gig workers, aggregators, and the government
United Kingdom	National insurance contributions by employers, employees and tax revenue ²⁵	Benefits based on employment status, self-employed workers can get some benefits like maternity benefits, state pension	Self-employed gig workers pay certain types of national insurance contributions
USA	Contributions by employers, employees and self-employed, interest income from Social Security trust fund investments ²⁶	Social security (includes old age and disability insurance) and Medicare (hospital insurance) for self employed	Contributions by self-employed under Self-Employment Contributions Act
Australia	Public funds for welfare of persons unable to support themselves due to age, unemployment; mandatory contribution by employer, employee for superannuation	Entitled to superannuation if worker meets definition of employee under superannuation law; self-employed entitled to pension and some income support payments	Platform required to make superannuation payments if worker meets the required definition
Sweden	Contributions by employers, employees, and the government	Can receive benefits as self-employed (includes occupational injury insurance, and certain types of pension)	Social security contributions by self-employed persons
Singapore	Contributions by employers and employees, state contributes in some cases (like low wage workers)	Work injury compensation, housing and retirement adequacy through Central Provident Fund contributions	Contributions by platforms and workers to the Central Provident Fund

Sources: Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (India); Code on Social Security, 2020 (India); Social security rights in the UK, European Commission, 2011; Employment Status, Research Briefing, House of Commons Library, 2024; Social Security: The Trust Funds, Library of Congress, 2024 (USA); Self-employment tax (Social Security and Medicare taxes), USA; Australia's social security system, Senate Standing Committee on Community Affairs, Parliament of Australia, 2024; Conditions and pay information for gig workers, Government of Victoria (Australia); Social Insurance Code (2010:110), Sweden, 2010; Thematic Report on Financing Social Protection: Sweden, European Commission, 2019; Platform Workers Act, 2024 (Singapore); Central Provident Fund Act, 1953 (Singapore); PRS.

Contribution of aggregator may depend on its business model

Welfare fee payable by aggregators will be charged as a percentage of the payout to the gig worker in each transaction. The Bill defines payout as the total amount payable to the gig worker by the aggregator for any work performed or services offered using a platform. However, in certain business models such as those of ride hailing aggregators (Uber, Ola, Rapido), the payout may be zero. This is because the platform only matches the customer with the gig worker, and the customer pays the gig worker directly.

This may lead to similar services by two aggregators being treated differently. For example, for cab services by Uber and Ola, the customer pays the company which in turn pays the driver. The company will be obligated to contribute to the Fund. On the other hand, Rapido and Namma Yatri only match customers to drivers, and payment is made directly to the driver. The company has a zero payout, and hence will not make any contribution. Even within the same platform, there could be differences; Uber takes payment for its cab service, whereas the customer pays the driver directly for its auto-rickshaw service.

Comparison of state laws

The table below provides a comparison of the Karnataka Bill with the Acts of Rajasthan and Bihar, and the draft Bills in Telangana and Jharkhand.

Table 4: State wise comparison of gig workers laws

Feature	Karnataka (Bill)	Rajasthan (Act)	Bihar (Act)	Telangana (draft Bill)	Jharkhand (draft Bill)
Definition of Gig Worker	Work through online platform, with pay determined by terms and conditions.	Work falls outside the employer-employee relationship, obtained through an online platform, contractual, piece-rate.	Outside the employer-employee relationship, contractual, and includes piece-rate.	Work arrangement falling outside the traditional employer-employee relationship.	Same as Rajasthan
Registration of gig workers	By the Board within 30 days of their registration or onboarding.	Must be registered by aggregators within 60 days from the Act's commencement.	By the aggregators within 60 days from the Act's commencement.	Self-registration as prescribed.	Same as Rajasthan.
Registration of aggregators	Within 45 days of the Act's commencement.	Within 60 days from the Act's commencement.	Same as Rajasthan.	Same as Karnataka.	Same as Rajasthan.
Transparency in Algorithm	Aggregators must inform the workers about the procedure to seek information on the parameters affecting work.	No provision for transparency in automated monitoring and decision-making systems.	Aggregators must inform workers about criteria determining distribution of work, rating systems, log-in time, personal data.	Same as Karnataka.	Aggregators must inform workers about rating systems, worker classification, use of personal data.
Termination of Work	Reasons must be included in the contract, and 14-day prior notice must be given.	No provision for termination of work.	Same as Telangana.	Reason for termination be given in writing, and a seven-day prior notice.	Same as Karnataka.
Grievance Redressal	Internal Dispute Resolution Committee or Grievance Redressal Officer.	Grievances can be filed via a portal or an officer.	Same as Rajasthan.	Same as Rajasthan.	Same as Rajasthan.
Welfare Fee	Between 1% to 5% of the payout to the gig worker.	Percentage of transaction value, as specified.	Between 1% to 2% of the payout to the gig worker.	Same as Rajasthan.	Percentage of transaction value, as specified by state government.
Sources of Welfare Fund	Welfare fee, contributions by gig workers, grants-in-aid from centre and state, grants, or transfers.	Welfare fee, grants-in-aid from state, or any other sources.	Welfare fee, contributions by gig workers, grants from centre and state, CSR, compounding fees.	Same as Karnataka.	Same as Karnataka.
Usage of Fund	Prescribed by the state government.	Prescribed by the state government.	Not specified.	Not specified.	Prescribed by the state government.

Sources: The Karnataka Platform Based Gig Workers (Social Security and Welfare) Bill, 2025; The Draft Telangana Gig and Platform Workers (Registration, Social Security, and Welfare) Bill, 2025; The Draft Jharkhand Platform Based Gig Workers (Registration and Welfare) Bill, 2024; Rajasthan Platform Based Gig Workers (Registration and Welfare) Act, 2023; Bihar Platform Based Gig Workers (Registration, Social Security and Welfare) Act, 2025; PRS.

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