A Decade of Ambiguity, A State Steps In

Rajasthan's New Law and the Unfinished Business of India's Central Labour Codes

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Executive Summary

Three years after Parliament passed a labour code that, on paper, recognised gig and platform workers, that recognition still has not been switched on. Rajasthan just decided not to wait any longer.

In July 2023, Rajasthan became the first Indian state to pass dedicated legislation for gig and platform workers — the Platform Based Gig Workers (Registration and Welfare) Act — establishing worker and aggregator registration, a state welfare board, and a welfare fund financed by a fee on platform transactions. It is a significant move, and a telling one: it happened not because the central framework was working too slowly, but because it has not been switched on at all. The Code on Social Security, 2020, which first gave gig and platform workers a legal category, was passed by Parliament three years ago and remains unenforced pending rules that have not yet been notified.

This report examines what Rajasthan's law does, why the central Code has stalled for three years, and what a widening gap between state initiative and central inaction means for a sector NITI Aayog itself has projected will roughly triple in size by the end of the decade.

1. Background: A Category Without a Commencement Date

The Code on Social Security, 2020 was one of four labour codes passed by Parliament in 2020, consolidating dozens of older labour statutes. Unlike the older laws it replaces, it explicitly creates categories for “gig worker” and “platform worker,” and contemplates a central welfare fund financed partly by aggregator contributions. This was, at the time, a genuinely novel piece of statutory recognition — India would have been among a relatively small number of jurisdictions to define these categories in national labour law.

Three years on, none of the four labour codes have been brought into force. Bringing a passed law into effect in India typically requires the Central Government to notify an effective date, and states to frame their own rules under the Code — a two-step process that has, for reasons not fully explained in public statements, not been completed for any of the four codes, despite their having cleared Parliament in 2020.

2. The Scale of What’s Waiting to Be Regulated

NITI Aayog’s own analysis, published in 2022, estimated India's gig and platform workforce at roughly 7.7 million workers in 2020–21, and projected growth to approximately 23.5 million workers by 2029–30 — a threefold expansion across food delivery, ride-hailing, e-commerce logistics and home services. Every year the central Code remains unenforced is a year in which an increasing number of workers enter a sector where their legal status — recognised in statute, but not yet operative — offers them essentially none of the protection that recognition was designed to provide.

3. What Rajasthan's Act Actually Does

- **Worker and aggregator registration:** Both gig workers and the platforms that engage them must register with the state, creating — for the first time in India — an official, state-maintained record of who is doing this work and for which platforms.
- **A dedicated state welfare board:** The Act establishes a board responsible for administering worker welfare schemes, with a structure that presumably will need to include aggregator, worker and government representation, though the precise implementation rules were still being finalised at the time of this report.
- **A welfare fund financed by a transaction fee:** Aggregators will contribute to a state welfare fund based on a fee levied on platform transactions — a funding mechanism that notably differs in structure from the annual-turnover-based contribution the still-unenforced central Code contemplates, an inconsistency that will need to be reconciled if and when the central framework is eventually switched on.

4. Why This Matters Beyond Rajasthan

Rajasthan's move creates an immediate practical question for every national platform operating there: how does a state-specific registration and welfare-fee regime interact with a central Code that formally exists in statute but has no operative rules? For now, the honest answer is that this has not been tested, and Rajasthan's implementation will be the first real-world case study of what a state-level gig-worker welfare regime looks like when it runs ahead of, rather than in coordination with, the central framework it is nominally built alongside.

> *Rajasthan did not wait for Delhi. Whether other states follow that example, or whether the Centre finally notifies its own three-year-old Code first, may determine whether India ends up with one coherent framework or several competing ones.*

5. International Context

Rajasthan's approach — a distinct statutory category for platform workers, funded by an aggregator-paid welfare fee, without presuming full employment status — sits within a broader global pattern of jurisdictions experimenting with a middle path between full employee status and unregulated independent contracting.

- **California's Proposition 22 (2020)** took a similar middle-path approach in the United States, preserving independent-contractor status for app-based drivers while mandating minimum earnings guarantees and limited benefits — though it has since faced sustained legal challenge, illustrating the durability questions any such middle-path model faces.

- **The United Kingdom's Supreme Court ruling on Uber drivers (2021)** took a different route to a similar outcome, using existing employment case law to classify drivers as "workers" — an intermediate status entitling them to minimum wage and holiday pay — without new legislation. Rajasthan's approach, by contrast, creates its intermediate category through statute rather than litigation, which may prove more durable but also required the years of legislative process this brief has traced.

6. Stakeholder Implications

- **For platform workers in Rajasthan:** Registration and welfare-fund access are now, for the first time, statutory rights rather than platform goodwill — though the practical value of that right depends heavily on how quickly the state welfare board becomes operational and starts disbursing benefits.
- **For aggregators operating in Rajasthan:** The transaction-based welfare fee is an immediate, quantifiable compliance cost, and its structural difference from the central Code's turnover-based model (still not in force) means aggregators cannot simply plan for "the" cost of gig-worker welfare — they must plan for whatever patchwork of state models eventually emerges.
- **For other state governments:** Rajasthan has absorbed the political and administrative risk of being the first mover; other states can calibrate their own legislation based on Rajasthan's implementation experience at comparatively low cost to themselves.

Key Terms

Gig worker / platform worker: The two statutory categories the Code on Social Security, 2020 introduces to describe workers engaged through digital platforms, distinct from traditional "employee" status.

Welfare fund fee: A financial contribution levied on aggregators — under Rajasthan's model, based on platform transactions — to finance worker welfare schemes.

Commencement notification: The formal step by which a Central Government brings a passed law into legal force; the Code on Social Security, 2020 has been passed by Parliament but, as of this report, has not received this notification.

7. Recommendations

1. The Central Government should set, and publicly commit to, a notification timeline for the Code on Social Security.

Three years of unexplained delay has already pushed at least one state to act unilaterally; further delay only increases the odds of a fragmented, state-by-state patchwork rather than a coherent national framework.

2. Rajasthan's implementing rules should explicitly address how the state welfare fee will interact with any future central contribution.

Resolving this now, while only one state framework exists, is considerably easier than trying to reconcile several different state models with a central one after the fact.

3. Other states considering similar legislation should study Rajasthan's implementation closely before finalising their own approach.

As the first operational model in the country, Rajasthan's early implementation experience — including whatever friction emerges between the registration system and actual worker uptake — offers genuinely useful, low-cost learning for any state following its lead.

4. Industry associations representing aggregators should engage constructively with both Rajasthan's implementation and the pending central rulemaking, rather than treating the two as separate battles.

A coordinated industry position on how a state and a central framework should interact would likely produce a more workable outcome than reactive engagement with each framework in isolation.

8. Conclusion

Rajasthan's Act is the first genuine test of what statutory recognition for India's gig and platform workers looks like in practice, arriving three years after that recognition was first written into national law. Whether it becomes the first of many state frameworks, or the catalyst that finally pushes the central Code into force, is the question this report leaves open — because, as of September 2023, it genuinely is still open.

References

The Platform Based Gig Workers (Registration and Welfare) Act, 2023 (Rajasthan) — text and Statement of Objects and Reasons

Code on Social Security, 2020 — Government of India (as passed by Parliament, not yet in force)

NITI Aayog — "India's Booming Gig and Platform Economy" report (2022)

Contemporaneous reporting on Rajasthan's gig-worker legislation (July–September 2023)