Gig workers to make PF contribution, get social security for first time

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For the first time, gig workers would be asked to make a contribution for availing provident fund and insurance cover benefits under a new social security framework. Prominent aggregator firms representing the gig economy such as Uber, Ola, Swiggy and Urban Company have told the Union government that they expect more than 1 million workers to join the new social security regime in the first year itself.

The government is planning to design the rules under the Code on Social Security, 2020, in such a manner that the finances of gig companies do not take a hit while contributing towards a national social security fund for workers. The government is likely to start seeking contribution from gig companies towards the fund from April 1, 2021.

"The social security benefits will definitely be registration based. It will flow to person identified and available on a portal. We would expect that employees also make a (nominal) contribution towards the schemes under the EPFO [Employees' Provident Fund Organisation] or the ESIC [Employees' State Insurance Corporation] so that the person remains invested, apart from the firm," Labour and Employment Secretary Apurva Chandra told Business Standard in an interview.

The government is looking at a minimum period of enrolment for workers to avail of insurance benefits, he said. The ESI scheme does have a provision for a minimum contribution period to get certain benefits, such as minimum 78 days of contribution in past six months for sickness cash allowance, but in this case "it could be lower and will not be the same as for monthly-based employment," Chandra added.

The Union labour and employment ministry held a meeting with several gig economy firms late last week to discuss the contours of the new Code on Social Security, 2020, which was passed by Parliament recently.

In that meeting, the companies pointed out that more than a million workers would be part of the scheme during the first year of inception. "They were quite excited about the codes and had no objection to the provisions that required them to make monetary contribution towards social security funds of the workers," Chandra said.

At present, gig workers, often treated as independent workers, are bereft of social security cover. For the first time, aggregators—ride-sharing services, food and grocery delivery, logistic services, e-market places—will be asked to contribute 1-2 per cent of their annual turnover for the social security of gig economy workers. According to the law, the contribution "should not be more than 5 per cent of the amount paid to gig workers".

"Some large gig companies sought clarity from the government about whether the turnover of the entire group will be factored in while calculating their social security contributions as their turnover would run into thousands of crore and it will become unsustainable in that case," an industry executive aware of the meeting said, requesting anonymity.

However, the labour ministry has told the gig firms that the calculation of the turnover will be solely based on sales made by gig workers, rather than the total turnover of the group, a senior government official said. For instance, Amazon India is employing workers for gig activities like package delivery, permanent staff for its inventory and sales operations, and gives out third-party contract for its customer care centre. The government intends to take contribution from firms only on part of the operations dealing with gig workers.

Extending the coverage

- Gig workers to be asked for nominal contribution towards Employees' Provident Fund and Employees' State Insurance schemes.
- Govt looking at a minimum period of enrolment for workers to avail of insurance benefits.
- Companies to be charged 1-2% of turnover only on operations related to gig workers and not on the entire sales of the group.
- Gig firms needn't set up separate social security funds and will have to contribute towards a fund to be managed by the Govt.
- Once govt sets up a social security fund, firms needn't provide for their own schemes for gig workers.

Firms also appreciated the 5 per cent cap on the contribution as it would keep the social security cost in check, the executive said. The Centre has also clarified that once a fund is set up by the government, companies will not be required to incur additional cost towards social security of its gig workforce. "If we provide social security, then they don't need to provide for their own schemes. They can take exemption from us if they want to but none of the firms we met have sought it yet,'' the labour secretary said. Most gig companies provide some form of social security benefits to its workers. For instance, Swiggy and Urban Company offer health and accident insurance cover among other benefits.

In last week's meeting, gig companies raised concerns on whether they will have to set up separate social security funds towards which the contribution will go. "They don't want to go into directly to set up a fund of their own. But the code is clear that the contribution will go into national social security fund and we will take over. Once the use of Aadhaar comes in, it will make it easier to identify beneficiaries and avoid duplication. Right now, private firms are unable to do so," a senior government official said.

Gig workers typically refer to a shared economy and the jobs in this space are enabled by a technology platform where workers are not bound to any organisation or hours of work. The social security code, however, defines a gig worker as "a person who performs work or participates in a work arrangement and earns from such activities outside of traditional employer-employee relationship."

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