P.L.RAJ IAS & IPS ACADEMY

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Editorial of the Day – 05.01.2026

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1. High and dry- On gig workers, social security (TH)

General Studies 2- Social Justice

Topic- Welfare schemes for vulnerable sections of the population by the Centre and States and the performance of these schemes.

High And Dry- Social Security for Gig Workers

1. Introduction

The gig economy in India is at a critical juncture where the rapid expansion of platform-based work has outpaced the legal frameworks designed to protect labour. The recent nationwide strike by gig workers served as a flashpoint, exposing the deep structural insecurity—or "precarity"—inherent in app-mediated labour. While the government has signaled an intent to provide social security through new draft Labour Rules, the current framework risks offering merely formal recognition without addressing the root causes of vulnerability. The challenge lies in moving beyond the "intent" of the law to ensuring social security is genuinely accessible, reliable, and secure in practice.

2. Context of the Strike and Policy Backdrop

Magnitude of Unrest- The fragility of the sector was highlighted on December 31, when nearly one lakh gig workers went on a nationwide strike. This mass mobilization underscored that the precarity in the sector is deepening, not improving.

Power Asymmetry- The power imbalance between platforms and workers was starkly illustrated by a platform CEO publicly praising police intervention against striking workers, signaling a refusal to engage with worker grievances democratically.

Policy Anxiety- The protest was not just about immediate wages but coincided with the release of the draft Labour Rules. Instead of alleviating fears, the release sharpened workers' anxieties about their future legal standing.

Selective Inclusion- A critical grievance is the selective nature of the new legal framework. While gig workers are included under the ambit of "social security," they remain explicitly excluded from protections regarding "wages" and "working conditions," leaving them vulnerable to exploitation.

3. Limits of the Current Labour Code Framework

Exclusion from Wage Code- The Code on Wages does not recognize the gig worker-platform relationship as a formal "employment" relationship. Consequently, gig workers are denied basic statutory protections like minimum wage or overtime pay.

Superficial Contribution Model- Platforms are only mandated to make a "gross contribution" (1-2% of turnover) to a social security fund. This acts as a generic welfare cess rather than a defined benefit contribution linked to individual workers.

Algorithmic opacity- The core operational grievances of workers—such as arbitrary algorithmic pay cuts, opaque incentive structures, and dynamic pricing—remain completely unregulated and untouched by the new codes.

Mismatch of OSH&WC Rules- The Occupational Safety, Health and Working Conditions (OSH&WC) Rules are designed around traditional, physical workspaces (factories/offices). They rely on the "Shram Suvidha Portal," which fails to capture the dispersed, digital, and mobile reality of app-based work.

4. Flaws in Social Security Eligibility Design

Registration Hurdles- The onus is placed on workers to register on a government portal to claim benefits. Meanwhile, aggregators (platforms) are only required to upload worker data quarterly. This lag creates a data mismatch that can delay or deny claims.

Arbitrary Eligibility Thresholds- To be eligible for social security, a worker must have worked for 90 days with a single aggregator or 120 cumulative days across multiple platforms. This "time-based" threshold ignores the nature of gig work, which is often task-based rather than time-based.

Illusion of Flexibility- While the rules allow for "multi-platform work" to accelerate eligibility (reaching the 120-day mark faster), this does not empower the worker. It effectively locks them into a cycle of continuous work without limiting the platform's control over work allocation.

Penalizing Vulnerability- The fixed time windows for eligibility are rigid. They risk penalizing workers who take breaks due to illness, caregiving duties (disproportionately affecting women), or simple market demand slumps. A worker who falls sick and misses the 90-day target could lose social security access entirely.

5. Need for Redesign to Ensure Real Security

From Promise to Practice- Social security must be designed to be accessible in reality, not just on paper. The current "intent" is insufficient if the administrative barriers (portals, thresholds) prevent access.

Protection During Downturns- Eligibility criteria must be redesigned to protect, rather than exclude, workers during periods of maternity, illness, or economic downturns (when demand for rides/deliveries drops).

Defined Benefits & Guarantees- The rules must move beyond vague "funds" and clearly define Specific benefit entitlements (health, pension, insurance). Minimum fund guarantees (what happens if the fund runs dry?). Robust dispute resolution mechanisms for when claims are rejected.

Data Transparency & Rights- Workers must receive periodic, transparent work statements from platforms. Crucially, they must have the legal right to contest faulty data uploaded by aggregators, ensuring they aren't denied benefits due to clerical errors or platform malice.

6. Conclusion

The current draft Rules, if implemented without change, threaten to institutionalize precarity rather than resolve it. By offering social security that is hard to access while denying wage protection, the state legitimizes the gig model without fixing its exploitative elements. To restore worker trust and prevent further unrest, the government must ensure accessible social security, clear entitlements, and aggregator accountability. Without safeguards for care work, illness, and demand shocks, the reforms will remain "high and dry," failing to protect the very workforce they aim to serve.

Source- https-//www.thehindu.com/opinion/editorial/high-and-dry-on-gig-workers-social-security/article70470838.ece

2. Going forward, much depends on states' room for spending (IE)

General Studies 3- Governance

Topic- Issues relating to development and management of Social Sector/Services relating to Education, Human Resources.

State Spending Capacity- Balancing Welfare and Growth

1. Introduction

In recent years, India has witnessed a debate regarding the fiscal health of states, specifically concerning the breach of the 3% fiscal deficit limit and the potential "crowding out" of capital expenditure by populist welfare schemes. The editorial clarifies that the increased fiscal deficits were not a result of fiscal indiscipline but were enabled by deliberate policy interventions—specifically, enhanced borrowing flexibility and Centre-supported loans. The data indicates that despite rising social welfare costs, states have managed to keep capital expenditure resilient, supported by structural reforms and central assistance.

2. Borrowing Flexibility and Higher Fiscal Deficits

Policy-Driven Expansion- The breach of the traditional fiscal deficit limit (3% of GSDP) by several states was a permitted policy response, not an anomaly.

Relaxed Limits- For the period FY2021–FY2025, states were authorized to borrow beyond the base limit of 3–4% of GSDP.

Crisis Response- Additional borrowing space of 0.5–1.1% of GSDP was specifically granted to support economic recovery during periods of stress (post-pandemic).

Conclusion- The higher deficit numbers reflect utilized flexibility rather than fiscal mismanagement.

3. Role of Central Loans in Expanding Fiscal Space

GST Compensation Loans- To bridge the revenue shortfall caused by the pandemic and GST implementation issues, the Centre extended back-to-back loans worth ₹2.6 trillion to states during FY2021–FY2022.

Special Capex Assistance- The Centre introduced a "Scheme for Special Assistance to States for Capital Investment," providing 50-year interest-free loans.

Scale- States received ₹3.7 trillion under this window during FY2021–FY2025.

Impact- These loans were over and above normal borrowing limits, directly boosting the funds available for infrastructure without adding to the immediate interest burden.

4. Reform-Linked Borrowings and Incentives

Incentivizing Reforms- The Centre linked additional borrowing permissions to the successful completion of specific structural reforms (e.g., One Nation One Ration Card, Ease of Doing Business).

Quantifiable Impact- Total reform-linked borrowings amounted to ₹1.1 trillion (FY2021–FY2025).

Power Sector Focus- Specific reforms in the power sector allowed states to borrow an additional ₹1.3 trillion, linking fiscal leeway to the financial turnaround of DISCOMs.

5. Carry-Forward of Unutilized Borrowings

Smoothing Spending- Recognizing that capital projects have long gestation periods, states were allowed to carry forward unutilized borrowing limits from FY2021 to FY2022.

15th Finance Commission Support- The Commission permitted the carry-forward of borrowing space within its award period. This prevented a "use it or lose it" rush and allowed states to sustain spending even during fragile recovery phases.

6. Welfare Spending vs. Revenue Deficit Management

Surge in Welfare Costs- There has been a significant rise in cash transfer schemes, particularly targeting women.

Data Point- Cash transfers to women across 11 states skyrocketed from ₹120 billion (FY2023) to an estimated ₹1.5 trillion (FY2026).

Fiscal Prudence- Despite this massive increase in welfare bills, revenue deficits widened only marginally.

Balancing Act- States managed this by rationalizing older, less efficient schemes and adjusting spending under other heads, indicating a degree of fiscal prioritization.

7. Resilience of Capital Expenditure (Capex)

Myth of Crowding Out- Contrary to the fear that "freebies" (welfare) would eat into infrastructure funds, capital expenditure has remained robust.

Strong Growth- The combined capital expenditure and loans by states grew at a Compound Annual Growth Rate (CAGR) of 18.5%.

Doubling of Assets- In absolute terms, capital spending by 28 states doubled to ₹8.4 trillion during the FY2021–FY2025 period, proving that welfare and growth-oriented spending co-existed.

8. Future Fiscal Space and the 16th Finance Commission

Critical Dependencies- The sustainability of this high-spending model is uncertain and depends on the 16th Finance Commission.

Key Determiners- Future state capex will be dictated by Vertical devolution (tax sharing ratio). New borrowing limits set for the next cycle. Decisions on whether to continue the "interest-free capex loan" scheme.

Risk- If borrowing flexibility is withdrawn without a corresponding increase in revenue share, states may be forced to cut back on capital expenditure to maintain welfare schemes.

9. Conclusion

The fiscal expansion seen in Indian states over the last five years was an "exceptional" phase driven by central hand-holding and relaxed norms. States successfully utilized this space to balance rising welfare demands with record capital investment. However, as these emergency measures wind down, the 16th Finance Commission bears the responsibility of designing a framework that prevents a hard landing, ensuring states do not have to choose between social security and economic growth.

Source- https-//indianexpress.com/article/opinion/columns/going-forward-much-depends-on-states-room-for-spending-10455496/