

# “Critical Analysis of Conditions of Contract Labour in India”

Prof. Mohd Abdul Maroof

(Research Scholar, Department of Management Science, Dr. Babsaheb Ambedkar Marathwada University Aurangabad (MS), India)

Prof. Dr. Amol Murgai

(Department of Management Science, International Centre of Excellence in Engineering and Management, Dr. Babsaheb Ambedkar Marathwada University Aurangabad (MS), India)

## Abstract

This paper unfolds the conditions of Contract Labours in India and presents the insights of the conditions of these Contract Labours. In the current dynamic competitive market availability of Skilled contract labour has become a challenge, as most of the companies be it large scale or MSME are predominantly dependent on the hands of these contract labour. Therefore most in general typically company will always prefer a labour on contract rather the permanent worker, as it gives flexibility to the employers to hire and fire at their will. Also, contract labours receives almost half of the wages of those workers who are directly employed by the companies on their regular rolls. These companies, make significant savings in their wage costs by hiring these contract labours also by the virtue of being temporary they are eligible for very few employee benefits in comparison to the regular workers & staff. All these factors put the companies in a cost effective position to keep the product cost low and increase the profit shares. Also the presence of contract workers in the companies acts as an alternative workforce to lower down the bargaining power of their regular workers who are unionized. Although the Government of India safeguards the rights of these contract labour through a dedicated Act “Contract Labour Prohibition and Abolition Act, 1970. Yet most of these contract labours are deprived of their legitimate rights by their employers and are exploited by them to larger extent. The Paper is based on secondary data and has attempted to understand the present conditions of Contract Labour in India.

**KEYWORDS:** *Contract, Labour, Wage, Worker, Contract Labour Act.*

## Introduction

The word “Contract labour” attributes to “the workers who are employed by or through an intermediary on work of any establishment”. The Contract labour can be distinguished from the workers in terms of their relationship, & rights. The establishments hiring these contract labours has no direct responsibility towards these workers who are appointed by the contractors. The primary objective of the companies to engage contract labour to keep the labour cost low and provide required flexibility in the workforce. The origin of Contract Labour can be derived from way back to the emergence of the small scale industries which found to be economically incapable to undertake all activities of the production process themselves and therefore as an alternative got some part of work done on workers hired on contract basis. In Colonial Times, the British employers and their representatives depended on the middlemen who helped them in recruitment of contract labour. Though employment of contract labour in India has attracted debates, it has become a significant form of employment, engaged in various occupations including skilled, semi-skilled and unskilled jobs across sectors. While engaging contract labours, companies need to exercise caution and need to understand the laws that govern their relationship with the contract labours. In this article we would discuss the fundamentals of engaging contract labour and the pitfalls that can be avoided to have a congenial environment in the company. The Contract Labour (Regulation & Abolition) Act, 1970 (Act) permits companies and establishments in the manufacturing and services sectors to engage contract labour through contractors. Such an engagement can be only for work that do not form part of the core operations, which is guided by the memorandum of association of the company. Contract Labour is a significant and growing form of employment. The practice of employing contract labour is observed all over the world and has been in operation since ages. An article in Live mint March 2014 mentioned that contract workers make up 46 per cent of workforce of India’s largest industrial companies. Where as 43% of government sector manned by contract worker as these businesses need flexibility in dealing with input costs like Labour to maintain operational efficiency.

## Objective of the Study:

1. To examine and critically evaluate the present the current scenario of Contract Labour in India.
2. To present overview of Legal obligations on employer covered under Contract Labour Act 1970.

**Research Methodology:**

The research is based completely upon the secondary sources of data, which is exploratory related to the subject of the research. Sources of this research include e-journals, web portals and text books.

**Literature Review:**

**Inian & Rahgu (2018)**, asserted in their Research paper that, Liberalisation of market economy in early Nineties has necessitated greater flexibility of employment of for the industries to compete inside the worldwide perspectives and antediluvian labour legal guidelines has compelled industries to lease agreement labour to address the cyclical demands and creating commercial enterprise pleasant compliance mechanism to survive and compete within the globalized financial system.

**Radhika and Krishnapriya (2018)** in sketched the Conditions of the Labor in article of the Hindu Business line, attempted to analyze the facts and myths of contract labour in India. They found that, there is little evidence to support the view that ‘rigid’ labour laws have contributed to contractualisation of the workforce. Late last year, around 200 workers of a Chinese smart phone manufacturing unit, Hipad Technology India, were “sacked” without any prior notice. Reports suggest that the workers were employed on a contractual basis and due to the shortage of raw materials their contractor was asked not to supply workers. Thereafter, the agitated workers resorted to violence. This and several such incidents of massive unrest and protests in India over the last decade are reflective of the pent-up anger of contract workers who find themselves in an increasingly precarious position.

**Abrahm S (2011)**, was opined that, there were many cases of exploitations of contract labours by their employers, there were no real contracts with the contractors of labour as it existed only on the papers. **Bhattacharje (2019)** The Contract Labour (Regulation and Abolition) Act 1970 was enacted with a view to regulate the employment of contract labour in certain establishment and to provide its abolition in certain circumstances and for matters connected therewith. However it is observed that this objective has not been fully achieved. Simultaneously inadequacy of provisions of law has resulted in non delivering the intended justice to the outsourced contract labour. Side by side Interpretations placed by the judiciary have added to the failure of achieving the desired results. It is unfortunate to say, the machinery created by the government is hopelessly failed to maintain or to execute the provisions of the Act and rules. Apart from inefficiency there is an element of corruption which has been eating away at the system for the past several years, thus resulting in the failure of the Act.

In an comprehensive research done by **Meenakshi (2011)** titled, “ Contract labour act in India: a pragmatic view” she concluded that, most of the enterprises have revealed during the field survey that they are ready to enhance the wage levels of contract workers provided minimum wage norms are revised accordingly. While the public sector always go by minimum wage norms, many of the comparatively larger private companies pay more than the minimum wages to ensure efficiency. Smaller companies on the other hand are often unable to pay higher wages. Thus, rather than fixing a uniform minimum wage rate for all firms, wage rates for contract labour should be linked to the wages paid by the firm to the direct worker .

**Kumar Chattopadhyay (2017)** in his research identified some key issues in Contract Labour in Contemporary Indian Industrial Relation Scenario which comprised of

- Potential threat of permanent job.
- Favorable decisions from labour department and courts.
- Poor qualification
- Poor Skills and Poor loyalty and no long term commitment.
- Extra cost of Service Tax, Service Charge to manpower supply agency.
- Guilt-Exploitation
- Legal protection at the workplace.

ICRIER ( 2019 ) Report revealed that total employment in the organized manufacturing sector increased 78% to 13.7 million in 15 years to 2015-16, while the share of contract workers in total employment increased from 15.5% to 27.9%, noted a January 2019.

### Legal Obligations under Contract Labour Act 1970.

- **Intent & coverage:** The Act provides for regulation of the employment of contract labour and its abolition under certain circumstances. It covers every establishment in which 20 or more workmen are employed on any day of the preceding 12 months as contract labour and every contractor who employs or who employed on any day of the preceding 12 months, 20 or more contract employee. It does not apply to establishments where the work is of intermittent and casual nature unless work performed is more than 120 days and 60 days in a year respectively. (Section 1)
- **Advisory Boards:** The Act provides for setting up of Central and State Advisory Contract Labour Boards by the central and state governments to advise the respective governments on matters arising out of the administration of the Act. (Section 3 & 4)
- **Registration & licenses:** The establishments covered under the Act are required to be registered as principal employers with the appropriate authorities. Every contractor is required to obtain a licence and not to undertake or execute any work through contract labour, except under and in accordance with the licence issued in that behalf by the licensing officer. The licence granted is subject to conditions relating to hours of work, fixation of wages and other essential amenities in respect of contract as prescribed in the rules. (Section 7 & 12)
- **Facilities to contract labours:** The Act has laid down certain amenities to be provided by the contractor to the contract labour for establishment of canteens and rest rooms, arrangements for sufficient supply of wholesome drinking water, latrines and urinals, washing facilities and first aid facilities have been made obligatory. In case of failure on the part of the contractor to provide these facilities, the principal employer is liable to provide the same. (Section 16, 17, 18, 19 and 20)
- **Payment of wages:** The contractor is required to pay wages and a duty is cast on him to ensure disbursement of wages in the presence of the authorised representative of the principal employer. In case of failure on the part of the contractor to pay wages either in part or in full, the principal employer is liable to pay the same. The contract labour that performs same or similar kind of work as regular workmen will be entitled to the same wages and service conditions as regular workmen as per the Rules. (Section 21)

### **RIGHTS OF CONTRACT LABOUR**

The act determines the rights of the contract labour so as to make them secure from any exploitation. These rights ensure equal status of them as of the workmen and the violation of which is enforceable in court of law. The interests of contract labour are protected in terms of wages, hours of work, welfare, health and social security. Any agreement made between the parties, which is inconsistent with the benefits provided under the Act and are not favorable for the laborers will be treated as invalid.

- The contract labours are entitled for the wages including overtime wages and allowances as stipulated for their work at the establishment. It must be paid without delay whenever the wage period is over. It must be in accordance with the Minimum Wages act.
- The contract labours have also the right to be provided the safety measures at the establishment and immediate health service in case of any injury to the labour. They are entitled for facilities like rest rooms, canteens, washing facility, first aid facilities and many more. The women labours are entitled for the separate washrooms, restrooms.
- They are entitled not be employed in any work which is prohibited under any law.

### **Conclusion**

India is heading steadily towards the rapid economic growth with massive industrialization by supporting the industries by SEZ and also the “Make in India campaign” which is acting as a powerful catalyst to achieve this massive industrial growth. The Indian Govt is taking rigorous efforts to transform India into a global manufacturing hub. However, it is inevitable that Labour issues will be at the helm of affairs of its inclusive success, therefore it is vital role of the management of the companies to ensure

that address the issues of the Contract labours and ensure contract workers are dealt with in a fair and equal manner as that of other people working in the company. To Attain this role of HR Department is very important in attracting selecting and retaining the contractual labours. HR Department can customize certain HR Practices for even the Contractual labours. In an over all impression it is found that the Large scale companies and MNC's are having good policies and practices for the Contract Labours. However their conditions are gruesome in many MSMEs of India. Although there is a separate Act for regulation of Contract Labour but seldom is adhered by the companies adding miseries to the conditions of the Contract labours.

#### References:

1. <https://www.livemint.com/Money/zSFof4LqBrTfX3dxvp8Y2I/Contract-workers-make-up-46-of-workforce-of-Indias-largest.html>
2. <https://economictimes.indiatimes.com/news/politics-and-nation/43-of-government-sector-manned-by-contract-workers-study/articleshow/40544673.cms?from=mdr>
3. Inain and Raghu (2018) "ISSUES AND PROBLEMS OF CONTRACT LABOUR IN INDIA OF ORGANIZED AND UNORGANIZED SECTORS" International Journal of Pure and Applied Mathematics Volume 120 No. 5 2018, 4637-4651 ISSN: 1314-3395 (on-line version)
4. <https://www.thehindubusinessline.com/opinion/facts-and-myths-on-rise-of-contract-labour/article26571045.ece>
5. Abraham, S, The issues, Concerns, Problems and Remedies in managing the Contract Labour, retrieved from <http://www.lawbrain.in/Contract-Labour.pdf>
6. Bhattacharjee(2019). "STATUS OF CONTRACT LABOUR: A SOCIO-LEGAL PERSPECTIVE (WITH SPECIAL REFERENCE TO ODISHA).", Journal of Emerging Technologies and Innovative Research, ISSN: 2349-5162 pp 204-218
7. Meenakshi (2010) Contract labour act in India: a pragmatic view International Journal of Economic Policy in Emerging Economies 3(3):237-252
8. <https://clc.gov.in/clc/acts-rules/contract-labour-regulation-abolition-act-1970>
9. Kumar Chattopadhyay (2017),CONTRACT LABOUR IN INDIA-A CONCEPTUAL ANALYSIS ,International Journal of Research in ISSN(P): 2347-4572; ISSN(E): 2321-886X Vol. 5, Issue 3, Mar 2017, 45-60
10. Maroof (2018), Study of Contractual Labour in India, International Journal of Scientific Research Trend, ISSN-2456-6740 Vol 2 Issue 3 pp-911-915
11. <https://www.indiaspend.com/contract-workers-lower-paid-more-insecure-as-companies-reduce-permanent-hiring>
12. Agarwal, Rashmi (2001): Labour Laws and Contemporary Issues, Manpower Journal, XXXVII,4,39-47.
13. Kumar, Arun ,2002, Labour Law Reforms in India: Some Issues for Consideration, Manpower Journal, Vol. XXXVII, 4, 39-47.
14. Industrial Relations and Contract Labour in India, All India Organisation of Employees, retrieved from <http://aioe.in/htm/IndustrialRelations.pdf>