
CONTRACT LABOUR SYSTEM IN INDIA

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ABSTRACT

The contract labour system in India refers to employers hire workers to work under them on a contractual basis. This system is prevalent across various industries and sectors in India and has both advantages and disadvantages. A workman is known as a contract labourer when they are assigned to a work for a specific period through a contract by a contractor with or without the knowledge of the principal employer. In recent years, there have been efforts by the government to address some of the issues associated with the contract labour system through legislative reforms, enforcement of labour laws, and social policy. However, the system continues to be a subject of debate in India's labour market. The aim of this paper is to focus on the overview of contractual labour in India, evolution, and the laws related to it. This Paper also analyses the history of the contract labour Act.

Keywords: Contract Labour, Social Issues, Employer, Employee

INTRODUCTION

In the present world and globalisation are increasing at a very rapidly and it changed the business environment as profit oriented and increased competition among industries for survival. Many MNC S, of the best brands in the world, started investment in India as it had high potential, capability of workplace, highly talented employees, equipped machines and advanced technologies. They started setting up their offices in India and giving a tough competition. To manage in this market economy, industries requires pliable in managing manpower to address occasional rising or slowdowns in demand. But the ancient and rigid Indian Labour Laws which were enacted decades back, restricting right of employees are creating drawbacks in smooth functioning of industries. These factors are causing industries to hire more numbers of contract labourers to have flexibility to adjust the number of work based on cost efficiency, better utilisation of resources, optimisation of profit and bringing cost-effectiveness despite the risk of worker loyalties and miserable payment of salary. Contract Labour can be differentiated from direct labour in terms of employment relationship. In India, contract labourers are protected by the Contract Labour Regulation and Abolition Act, 1970. A contract labourer is defined in the Act as one who is hired in connection with the work of an establishment by a principal employer (who is the firm owner or a manager) through a contractor. The act makes a number of provisions for the welfare of the contract workers including payment of minimum wages, social security benefits and others. At various points of time Government amended the law with a view to make work environment more friendly.

HISTORY

The concept of contract labour in India has a long historical background, it tends back to decades. In the Pre-Independence era the roots of contract labour in India can be traced back to the colonial period when the British East India Company established its rule. The British colonial administration introduced various labour laws and regulations to manage the vast workforce required for their economic activities, such as plantation agriculture, mining, railways, and other infrastructure projects. This era witnessed the exploitation of labourers. In Post-Independence Era, After India gained independence in 1947, the government enacted various labour laws to protect employer's rights and regulate employment practices. The Contract Labor (Regulation and Abolition) Act, 1970, is a significant legislation aimed at regulating the employment of contract labour and ensuring their welfare. The act requires

employers who engage a certain number of contract workers to obtain licenses, maintain certain conditions of service, and ensure payment of wages and benefits. British employers or their representatives were not accustomed with some basic problems of the employees like Low status of factory workers, lack of labour mobility, discrimination, language etc. They were unable to solve these problems. Therefore, they had to depend on a person who helped them in recruitment and control of labour. These contractors were known by different names in various parts of the country. Contract labourers were exploited due to lack of organisation on their part. Due to this, the Whitely Commission (1860) suggested the abolition of contract labour. Before 1860, in addition to the many disadvantages suffered by contract labour, the Workmen's Breach of Contract Act 1959 operated in holding them criminally responsible in the vent of breach of a contract service. In addition to this Many Committees were formed by the Government to study the socioeconomic conditions of contract labour like Bombay Textile Labour Enquiry Committee, The Bihar Labour Enquiry Committee, the Rega Committee etc.

In the case of **Standard Vacuum Refinery Company V. Their Workmen**, the Supreme Court declared that the contract Labour should not be employed where:

- a) The work is perennial and must go on from day to day
- b) The work is incidental to and necessary for the work of the Factory
- c) The work is sufficient to employ considerable number of whole time workman
- d) The work is being done in most concerns through regular workmen

In the second five year plan, the planning commission insisted the need of improvement in the working conditions of contract labour and thus, recommended for a special treatment to the contract labour so as to ensure them continuous employment.

OUTLINE OF CONTRACT LABOUR REGULATION & ABOLITION ACT

The Contract Labour (Regulation and Abolition) Act, 1970, is a very important legislation in India aimed at regulating the employment of contract labour and ensuring their welfare. Before the enactment of this act there was no specific legislation which dealt in detail with the issues of contract labour. Although there were legislation like Industrial Disputes Act, 1947, Payment of Wages Act, 1936 etc. But these enactments were not specifically designed to solve the

problem of contract labour. The primary objective of the Act is to regulate the employment of contract labour in certain establishments and to ensure that they are not exploited. It aims to protect contract laborer's rights and ensure they receive fair wages, proper working conditions, and other benefits. The Act applies to establishments where 20 or more contract labourers are employed on any day of the preceding 12 months as contract labor. It is not applicable to establishments where work is of an intermittent or seasonal nature. The Act directs that every contractor employing contract labor should obtain a license from the appropriate government authority. The license ensures that contractors comply with various labour laws, rights, liabilities and regulations, including those related to wages, working hours, and welfare measures. Principal employers, i.e., those who engage contract labour through contractors, have certain responsibilities under the Act. They are required to ensure that contractors comply with all provisions of the Act, including obtaining licenses, providing statutory benefits, and maintaining records.

RIGHTS OF LABOUR

Labor rights encompass a broad range of entitlements and protections afforded to workers to ensure fair and safe working conditions. Workers have the right to receive fair compensation for their work, including minimum wage standards set by law or collective bargaining agreements. Under the Minimum Wages Act of 1948, employers are required to pay their employees at least the minimum wage as determined by the government. This minimum wage is reviewed periodically and may vary depending on the type of work and the region where the work is performed. The Industrial Disputes Act, 1947 provides that employees who work more than the prescribed time per day or week are entitled to receive overtime pay at a rate of twice their normal wage. Some states have laws that provide paid maternity leave for women who have recently given birth to a child. Indian law directs employers to provide their employees with safe and healthy working conditions. This includes providing proper lighting, ventilation, and safety equipment, as well as ensuring that the work environment is free of hazards and risks to employee's health. Workers have the right to form and join trade unions, organisations that represent the rights of workers and negotiate with employers on their behalf. Trade unions can also help employees to resolve disputes and solve any violations of their rights. Labourers have right to privacy and dignity in the workplace, including protection from harassment, surveillance, and invasive monitoring of personal activities, tapping etc.

LIABILITIES OF LABOUR

While labour rights focus on the entitlements and protections afforded to workers, there are responsibilities and liabilities that workers have in the context of their employment. Workers are generally liable for performing their job duties without any fail. Failing to carry out assigned tasks or meet performance standards could result in disciplinary action or termination of employment. Employees have access to confidential information or trade secrets as part of their employment. They are generally obligated to maintain the confidentiality of such information and refrain from disclosing it to third parties. Laborers are responsible for the proper use and care of company property, equipment, and resources. This includes avoiding misuse, theft, or damage to company assets. Employees are liable for maintaining professional conduct in the workplace, including treating colleagues, clients, and customers with respect and professionalism.

ISSUES OF CONTRACT LABOUR REGULATION AND ABOLITION ACT, 1970

Contract workers are far more insecure compared to regular labourer. The exploitation of contract labourer in employment is one the biggest concern of the government. Contract labourer has little bargaining power, social security and often engaged in the hazardous industries with lesser facilities and security. The contract labourer generally belongs to weaker sections of the society and will be deprived of the benefits that accrue to regular employees. Hours of work are frequently longer as remuneration is linked to output and task completion. Contract laborers often face exploitation and vulnerability due to lack of job security, inadequate wages, long working hours, and limited access to benefits such as healthcare and social security. Contractors may take advantage of their precarious employment status to violate labor laws and regulations. Many contractors and employers fail to obtain the required licenses, neglect to provide statutory benefits, or violate other provisions of the Act. Many contract laborers are unaware of their rights under the Act or are unable to assert them due to fear of unemployment or lack of legal recourse. There is a need for greater awareness-raising efforts and capacity-building initiatives to empower contract laborers to ensur for their rights.

CHALLENGES OF CONTRACT LABOURS

Contract labor, also known as contingent or temporary labour, presents several challenges both for the workers themselves and for the organizations that employ them. They often face

uncertainty regarding the duration of their employment. They may not have job security or benefits such as health insurance, retirement plans, or paid time off. Unlike permanent employees, contract laborers typically do not receive benefits such as health insurance, paid vacation, or sick leave. This lack of benefits can impact their financial stability and overall well-being. Contract workers may have limited opportunities for career advancement within the organization since they are often hired for specific projects or tasks rather than being integrated into the company's long-term plans. They may have fewer legal protections compared to permanent employees, making them more vulnerable to exploitation and unfair treatment by employers.

SUGGESTIONS

Afford contract laborers with fair compensation and benefits that increases their skills, experience, and contributions. Consider offering benefits such as health insurance, paid time off, and retirement plans to improve their financial security and well-being. Implement and enforce health and safety standards to protect contract laborers from workplace hazards and ensure their well-being. Provide necessary training, equipment, and support to reduce risks. Cultivate a culture of mutual respect, dignity, and fairness where all employees are valued and treated with integrity and professionalism, regardless of their employment status. Advocate for sturdier labor laws and regulations that protect the rights and interests of contract workers. Support initiatives to improve legal protections, benefits, and job security for all workers. By applying these suggestions, employers can create a more inclusive and supportive environment for contract laborers, while contract workers can better steer the challenges they face and advocate for their rights and well-being.

CONCLUSION

Although employment of contract labour in India has engrossed debates and raised conflict of interest among the social partners, it has become a significant. The system of employing contract labour is prevalent almost in all sectors, in agriculture, manufacturing, and high GDP yielding service sector. The contract labour (regulation and abolition) act 1970 provides protection and security to the workers employed on contract. On the one hand, it seeks to provide contract workers minimum wages through licensing of contractors and by holding principal employers liable for enforcement of the law. In conclusion, employment & labour

laws and regulations in India provide a vital framework to ensure the protection of worker's rights. This framework will guarantee a fair, safe, and equitable workplace. These laws and regulations set clear standards for employers and employees to ensure that workers are treated fairly and given the proper wages, equal treatment and benefits. With the execution of these laws, workers in India can expect a workplace that is free from discrimination and harassment. In addition, they can expect a safe and secure environment. With the continued enforcement of these laws, workers can look forward to a more prosperous future.

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