

A Study on Effects of Contract Labour Act with Reference to Sowjan Construction Company Private Limited At Chennai City

Prof. Dr. Murugan R Ramaiah

Professor, Commerce, St.Peter's Institute of Higher Education and Research, Avadi, Chennai

ABSTRACT

The Contract Labour (Regulation and Abolition) Act, 1970 was enacted to regulate the employment of contract labour in industries and prevent exploitation by ensuring better working conditions, fair wages, and social security. The Act applies to establishments and contractors employing 20 or more contract workers and mandates registration, licensing, and welfare provisions for such employment.

This study explores the implementation and effectiveness of the Contract Labour Act in various industries, with a special focus on the building construction sector. It analyzes awareness levels, compliance issues, and challenges faced by contract workers, including job insecurity, delayed wages, lack of social benefits, and inadequate safety measures.

This study examines the awareness, implementation, and effectiveness of the Contract Labour Act in the construction sector, with a focus on compliance by construction companies. The findings indicate that while the Act provides legal protection, enforcement remains weak due to lack of awareness, irregular inspections, and contractor malpractice. Many contract workers are unaware of their rights, and only a few construction companies fully comply with the Act's provisions.

Keywords: Labour Act, Employer, Employee, Industry, Construction

1. INTRODUCTION OF THE STUDY

The Contract Labour (Regulation and Abolition) Act, 1970 was enacted in India to regulate the employment of contract labour and ensure their rights and welfare. Contract labour refers to workers hired through intermediaries or contractors rather than being directly employed by the principal employer. This system is commonly used in industries such as manufacturing, construction, and services, where temporary or seasonal labour is required. However, contract workers often face exploitation, job insecurity, low wages, and a lack of social security benefits. The primary objective of the Act is to provide better working conditions for contract labourers by ensuring fair wages, proper working hours, health and safety measures, and welfare provisions such as canteens, restrooms, and medical facilities. It also empowers the government to prohibit contract labour in certain establishments where work is of a permanent and essential nature. Additionally, the Act mandates the registration of establishments employing contract labour and the licensing of contractors to prevent unfair labour practices.

This study aims to analyse the effectiveness of the Contract Labour Act in safeguarding workers' rights, its impact on industries, and the challenges in its implementation. By understanding the provisions and

limitations of the Act, businesses, policymakers, and labour rights advocates can work toward creating a fairer and more equitable labour system.

2. REVIEW OF LITERATURE

1. Bhandari K.Amit, Heshmati Almas,(2006) Wage Inequality and Job Insecurity among Permanent and Contract Workers in India: Evidence from Organized Manufacturing Industries, IZA Discussion Paper No. 2097, Bonn Germany.
2. "Labour ministry examining proposal to bring wages of contract workers at par with regular workers", Economic Times, 12 Jun 2015.
3. NSSO (2006) defines casual wage labour as "A person who was casually engaged in other's farm and non-farm enterprises (both household and non-household) and, in return, received wages according to the terms of the daily or periodic work contract." A regular salaried/wage worker on the other hand is defined to be one which receives salary or wages on a regular basis, either time wages or piece wages and full time or part time.
4. Sen and Dasgupta (2009) have undertaken a survey of industrial units in a large number of clusters in different parts of India (during 2004-05). The wages of casual workers were found to be significantly lower than that of permanent workers. In NOIDA, for instance, the permanent workers' average wage was about Rs 4760 per month while that of casual workers, Rs 2480 per month. In Kolkata, the relevant figures were Rs 4820 and Rs 1970, respectively.
5. Sharma (2006, p. 2081) writes: "contract labour has been one of the principal methods used by the employers to gain flexibility in the labour market. Thus, employers have been able to find ways to reduce the workforce even with the "restrictive" provisions in place." Similarly, Gupta et al. (2008, p.7) write, "... hiring contract workers can enable firms to get around many of the regulatory restrictions on adjusting employment levels, productions tasks, and others."
6. Bhattacharya (2009) has examined the effects of tightening and loosening of employment protection legislation on the share of contract workers out of total workers employed in organized manufacturing in Indian states. He finds that in one state the share of contract workers rose substantially after a tightening event (consistent with the hypothesis that increasing use of contact workers is a result of rigid labour regulations). But, it also rose in two other states, in one case even more substantially, after a loosening event. Thus, the results are mixed and one cannot conclusively say that tightening of employment protection legislation induces greater use of contract workers.

3. NEED FOR THE STUDY

The need for this study arises due to the increasing reliance on contract labour in both public and private sectors. Many organizations prefer contract labour over permanent employees to reduce costs and operational risks. However, this often leads to the exploitation of workers, as they are denied benefits such as minimum wages, medical facilities, provident fund contributions, and job stability. Analysing the implementation, loopholes, and challenges of the Act can help policymakers and businesses create more inclusive labour policies. Furthermore, with the changing nature of work and the rise of the gig economy, it is crucial to evaluate whether the Act remains relevant in today's labour market.

The study will also help in understanding how automation, globalization, and economic reforms have impacted contract labour and what legal reforms are needed to improve their working conditions. By conducting this study, stakeholders, including government authorities, employers, trade unions, and labour

rights organizations, can gain valuable insights into how contract labour can be better regulated while balancing business needs and worker welfare. The findings can contribute to policy recommendations aimed at ensuring fair labour practices, improving compliance with labour laws, and protecting the rights of contract workers in India.

4. OBJECTIVES OF THE STUDY

1. To Know the Study on contract Labour Act with the Reference of Sowjan Construction consultancy.
2. To Regulate Contract Labor Employment – It establishes guidelines for hiring contract labour and ensures they are employed under fair conditions.
3. To Prevent Exploitation – It protects contract workers from unfair wages, harsh working conditions, and lack of job security.
4. To Improve Working Conditions – It ensures that contract labourers receive proper wages, working hours, rest intervals, sanitation, and welfare amenities.
5. To Define Employer Responsibilities – It mandates that principal employers and contractors provide basic.

5. SCOPE OF THE STUDY

1. Industry Coverage Construction – Infrastructure, real estate, and building projects. Manufacturing – Factories, industrial plants, and production units. Service Sector – Security, cleaning, logistics, and IT-related outsourcing. Government and Public Sector – Contract workers in municipal services, railways, and large public projects.
2. Legal and Policy Analysis Examining the provisions and objectives of the Act. Assessing the role of regulatory authorities in enforcing the Act. Identifying legal gaps and ambiguities in contract labour regulation.
3. Impact on Workers and Employers Studying the working conditions, wages, and benefits of contract labourers. Evaluating the level of job security and social protection provided to workers. Understanding the employers' perspective on contract labour management and compliance challenges.
4. Challenges in Implementation Identifying non-compliance issues and loopholes in the system. Examining cases of worker exploitation, wage delays, and lack of benefits. Analysing how contract labour laws are enforced in different states and industries.
5. Future Recommendations suggesting policy reforms to strengthen contract labour rights. Exploring alternative labour models for better worker protection. Assessing the impact of automation and digitalization on contract labour employment

6. LIMITATIONS OF THE STUDY

- Limited Coverage – The Act applies only to establishments employing 20 or more contract workers, leaving a large number of small businesses outside its purview, potentially allowing worker exploitation in smaller setups.
- No Direct Employment Rights – The Act regulates contract labour but does not mandate their direct absorption into permanent employment, leaving workers without long-term job security.
- Lack of Social Security Benefits – Many contract workers do not receive benefits such as provident fund (PF), employee state insurance (ESI), gratuity, or paid leave, which are available to permanent employees.

- Weak Enforcement and Compliance – Many companies fail to comply with the Act due to lack of proper monitoring, corruption, or ineffective regulatory oversight, leading to continued worker exploitation.
- Ambiguity in Abolition of Contract Labour – While the Act allows the government to prohibit contract labour in certain cases, there is no clear guideline on when and how it should be done, leading to inconsistent implementation.

DATA ANALYSIS AND INTERPRETATION

1. AGE GROUP OF THE RESPONDENTS

Identifying the age group distribution of the respondents is important for analysing demographic patterns and understanding how perspectives may vary across different stages of life. The representation of various age ranges within the sample and helps examine how age-related factors may influence opinions, experiences, and working conditions.

TABLE NO. 1 AGE GROUP OF THE RESPONDENTS

S.NO	PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
1	18-25	15	37.5
2	26-35	5	12.5
3	36-45	7	17.5
4	Above 45	13	32.5
	Total	50	100.00

Primary data

From the above table, it is observed that 37.5% of the respondents (15 responses) fall within the 18–25 age group, indicating that a significant proportion of the workforce or participants are young adults. 12.5% (5 responses) belong to the 26–35 age group, while 17.5% (7 responses) are within the 36–45 age group. Additionally, 32.5% (13 responses) are in the Above 46 category. This distribution shows a diverse age range among the respondents, with a notable representation from both younger and older age groups, providing a balanced perspective on the workforce’s preferences and experiences within the company.

2. GENDER OF THE RESPONDENTS

Understanding the gender distribution of the respondents is essential for analyzing the perspectives and trends represented in the study. In this survey, respondents were categorized into three gender groups: Male, Female, and Other. This classification helps to ensure inclusivity and provides valuable insights into how gender may influence opinions, preferences, and behaviors relevant to the research objectives.

TABLE No. 2 GENDER OF THE RESPONDENTS

S.NO	PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
1	Male	30	75
2	Female	10	25
3	Others	0	00
	Total	40	100.00

Primary data

Table No. 2 shows the gender distribution of the respondents. It reveals that 75% (30 responses) identified as Male, while 10% of the respondents are Female. Notably, 0% (0 responses) selected Others. This indicates that the majority of the participants are male, with relatively low female representation and no responses from other gender categories in this survey for the company preference.

3. EMPLOYMENT TYPE

Identifying the employment type of the respondents is crucial for understanding the nature of their work arrangements and the stability of their job roles. In this study, respondents were classified as Permanent Employees, Contract Labour, or Subcontractors. This categorization provides a comprehensive view of the workforce structure, allowing for an analysis of how different employment types may impact work experiences, job security, and overall satisfaction within the organization or industry.

TABLE No. 3 TYPE OF THE EMPLOYMENT

S.NO	PARTICULARS	NUMBER OF RESPONDENTS	PERCENTAGE
1.	Permanent Employee	20	50
2.	Contract Labour	20	50
3.	Subcontractor	00	00
	Total	40	100.00

Primary data

From the table, it is observed that 50% (20 responses) of the respondents identified themselves as Permanent Employees, while another 50% (20 responses) indicated that they are Contract Labour. Notably, 0% (0 responses) reported being Subcontractors. This indicates an equal representation of permanent and contract workers among the respondents, providing balanced insights into the perspectives of both employment categories within the company.

4. EXPERIENCE IN THE CONSTRUCTION INDUSTRY

Assessing the respondents' experience in the construction industry is important for evaluating their level of familiarity and expertise within the field. In this survey, respondents were grouped based on their years of experience into three categories: Less than 1 year, 1–5 years, and 6–10 years. This classification provides insight into the diversity of experience among participants, helping to analysed how varying levels of industry exposure may influence their perspectives, skills, and contributions to construction projects.

TABLE No.4. EXPERIENCE IN THE CONSTRUCTION INDUSTRY

S.NO	PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
1.	Less than 1 year	5	12.5%
2.	1 - 5 years	5	12.5%
3.	6 - 10 years	10	25%
4.	More than 10 years	20	50%
5.	Total	40	100%

Primary data

From the table, it can be seen that 12.5% (5 responses) of the respondents have less than 1 year of experience, while another 12.5% (5 responses) have 1–5 years of experience in the construction industry. Additionally, 25% (10 responses) reported having 6–10 years of experience. Notably, 50% (20 responses) indicated that they have more than 10 years of experience. This distribution shows that a significant portion of the respondents are highly experienced, providing valuable insights based on long-term involvement in the construction field.

5. WORKED UNDER A CONTRACT SYSTEM

Understanding whether respondents have prior experience working under a contract system is vital for assessing their familiarity with contractual work arrangements and related responsibilities. In this survey, participants were asked whether they have previously worked under a contract system, with responses categorized as either Yes or No. This information helps to evaluate the respondents’ exposure to contractual work practices and provides context for analysing their opinions and experiences within such employment frameworks.

TABLE No.5 CONTRACT SYSTEM

S.NO	PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
1.	Yes	34	85%
2.	No	6	15%
	Total	40	100.00

Primary data

From the table, it is observed that 85% (34 responses) of the respondents answered “Yes”, indicating that they have worked under a contract system before. In contrast, 15% (6 responses) responded “No”, showing they have not had such experience. This suggests that the majority of the respondents are familiar with working under contract-based arrangements within the company.

6. RIGHTS UNDER THE CONTRACT LABOUR ACT

Assessing the respondents’ level of awareness is essential for understanding how well-informed they are about the relevant systems, processes, or practices addressed in the study. In this survey, respondents were asked to indicate their level of awareness by choosing from three options: Yes, fully aware; Somewhat aware; and Not aware. This classification provides valuable insight into the depth of their knowledge and helps to interpret their responses in relation to their familiarity with the subject matter.

TABLE No.6. RIGHTS UNDER THE CONTRACT LABOUR ACT

S.NO	PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
1.	Yes, fully aware	27	67.5%
2.	Somewhat aware	10	25%
3.	Not aware	3	7.5%
4.	Total	40	100.00%

Primary data

From the table, it is evident that 67.5% (27 responses) of the respondents indicated they are “Yes, fully

aware”, while 25% (10 responses) stated they are “Somewhat aware”. Additionally, 7.5% (3 responses) reported being “Not aware”. This shows that the majority of respondents have a good level of awareness, while a smaller proportion are only partially or not at all aware, highlighting areas where further information or training may be beneficial.

7.WRITTEN CONTRACT BEFORE STARTING THE WORK

Knowing whether workers receive a written contract before commencing work is vital for understanding the level of formal agreement and legal protection provided to them. In this survey, respondents were asked if they are given a written contract before starting their job improvements in contract enforcement and worker rights.

TABLE No.7.WRITTEN CONTRACT BEFORE STARTING THE WORK

S.NO	PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
1.	Yes, always	40	100%
2.	Sometimes	0	0%
3.	No, never	0	0%
	Total	40	100.00%

Primary data

From the table, it is clear that 100% (40 responses) of the respondents stated “Yes, always”, indicating that they consistently receive a written contract before starting their work. There were no responses for “Sometimes” or “No, never”, showing that all respondents have proper written agreements in place. This highlights strong compliance with formal contracting practices within the company.

8.WORKING HOURS

Identifying the number of hours respondents work each day is crucial for understanding their workload, time commitment, and potential impact on health and productivity. In this survey, respondents were asked to specify their daily working hours, choosing from three categories: 8 hours per day, 8–10 hours, and more than 10 hours. This information provides valuable insight into the typical working conditions in the industry and helps to analyze the relationship between working hours and employee well-being and efficiency.

TABLE No.8.WORKING HOURS

S.NO	PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
1.	8 hours per day	31	77.5%
2.	8-10 hours	9	22.5%
3.	More than 10 ours	0	0%
	Total	40	100.00%

Primary data

From the above table, it is observed that 77.5% (31 responses) of the respondents reported working “8 hours per day”, while 22.5% (9 responses) indicated working “8–10 hours” each day. Notably, 0% (0

responses) stated that they work “More than 10 hours” per day. This shows that the majority of workers have a standard 8-hour workday, with a smaller proportion occasionally working slightly longer hours, and none regularly exceeding 10 working hours per day.

9. PAID WAGES ON TIME

Understanding whether respondents receive their wages on time is important for assessing the financial stability and reliability of their employment conditions. In this survey, respondents were asked to indicate the regularity of their wage payments by choosing one of three options: Yes, regularly; Sometimes delayed; or No, often delayed. This information provides insight into the consistency of wage disbursement and highlights any challenges faced by workers regarding timely compensation.

TABLE No.9. PAID WAGES ON TIME

S.NO	PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
1.	Yes, regularly	35	87.5%
2.	Sometimes delayed	5	12.5%
3.	No, often delayed	0	0%
	Total	40	100.00%

Primary data

From the table, it is analysed that 87.5% (35 responses) of the respondents indicated that they receive their wages “Yes, regularly”, while 12.5% (5 responses) reported that their wages are “Sometimes delayed”. Notably, 0% (0 responses) stated “No, often delayed”. This suggests that the vast majority of workers receive timely payments, with only a small portion experiencing occasional delays and none facing frequent wage delays within the company.

10. INSURANCE COVERAGE

Evaluating whether respondents receive health benefits or insurance coverage from their employer is vital for understanding the level of welfare and support provided to the workforce. In this survey, respondents were asked if they receive any health benefits or insurance, with responses categorized as Yes, No, or Not sure. This information helps to assess the extent of employer-provided healthcare support and highlights areas where employee welfare measures may need improvement.

TABLE No.10. INSURANCE COVERAGE

S.NO	PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
1.	Yes	36	90%
2.	No	4	10%
3.	Not sure	0	0%
	Total	40	100.00%

Primary data

From the table, it is expressed that 90% (36 responses) of the respondents indicated “Yes”, confirming that they receive health benefits or insurance coverage from their employer. 10% (4 responses) answered

“No”, indicating they do not receive such benefits, while 0% (0 responses) selected “Not sure”. This shows that the majority of workers are provided with health-related support by the company, with only a small portion lacking such coverage.

11.LEAVE PERMISSION

Understanding the leave policy available to employees in cases of illness or emergency is crucial for evaluating their job security and well-being. In this survey, respondents were asked whether they are allowed to take leave under such circumstances, with options categorized as: Yes, with pay; Yes, but unpaid; and No leave allowed. This information provides insight into the level of support and flexibility offered by employers when workers face unexpected health issues or urgent personal matters.

TABLE No.11.LEAVE PERMISSION

S.NO	PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
1.	Yes, with pay	25	62.5%
2.	Yes, but unpaid	15	37.5%
3.	No leave allowed	0	0%
	Total	40	100.00%

Primary data

From the table, it is evident that 62.5% (25 responses) of the respondents stated “Yes, with pay”, indicating they are allowed to take paid leave in case of illness or emergency. 37.5% (15 responses) reported “Yes, but unpaid”, meaning they can take leave but without pay. Notably, 0% (0 responses) indicated “No leave allowed”, showing that all respondents have at least some form of leave available. This demonstrates that while the majority have access to paid leave, a significant portion still rely on unpaid leave during emergencies or illness.

12.EXPERIENCE OF UNFAIR TREATMENT OR EXPLOITATION

Assessing whether respondents have faced unfair treatment or exploitation at work is essential for understanding the working conditions and the level of protection employees receive in their workplace. In this survey, respondents were asked to share if they have experienced any form of unfair treatment or exploitation, with response options of Yes, frequently; Sometimes; and No, never. This information sheds light on the prevalence of workplace injustices and helps identify areas where labour practices and employee rights may need to be strengthened.

TABLE No.12.EXPERIENCE OF UNFAIR TREATMENT OR EXPLOITATION

S.NO	PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
1.	Yes, frequently	10	25%
2.	Sometimes	30	75%
3.	No, never	00	0%
	Total	40	100.00%

Primary data

From the table, it is observed that 25% (10 responses) of the respondents reported “Yes, frequently”, in

dicating that they often face unfair treatment or exploitation at work. A larger portion, 75% (30 responses), responded “Sometimes”, showing that they occasionally experience such issues. Notably, 0% (0 responses) answered “No, never”, which suggests that all respondents have faced some level of unfair treatment or exploitation to some extent within the company. This highlights the need for stronger measures to address and prevent workplace injustices.

13.SUGGESTIONS FOR CHANGES IN LABOUR LAWS

Understanding the respondents’ opinions on the adequacy of existing labour laws is important for identifying potential areas for policy improvement and better protection of contract workers. In this survey, respondents were asked whether they believe changes are needed in current labour laws to enhance the welfare and rights of contract workers. Their responses were categorized as: Yes, major changes needed; Minor improvements needed; and No changes needed. This feedback provides valuable insight into the workforce’s perspective on legislative reforms and highlights the demand for stronger labour protections where necessary.

TABLE No.13.SUGGESTIONS FOR CHANGES IN LABOUR LAWS

S.NO	PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
1.	Yes, major changes needed	40	100%
2.	Minor improvements needed	0	0%
3.	No changes needed	0	0%
	Total	40	100.00%

Primary data

From the table, it is evident that 100% (40 responses) of the respondents believe that “Yes, major changes needed” in the existing labour laws to ensure better protection for contract workers. There were 0% (0 responses) for both “Minor improvements needed” and “No changes needed”, indicating unanimous agreement among the respondents that significant reforms are necessary. This highlights a strong demand for substantial policy changes to address the issues faced by contract workers in the company.

SUGGESTIONS

1. Conduct Employee Feedback Sessions – Organize meetings, surveys, or focus groups to understand specific areas where employees feel major changes are necessary.
2. Improve Work Policies and Environment – If the concerns relate to work conditions, salaries, job security, or workload, management should review policies and implement necessary improvements.
3. Enhance Employee Benefits – Assess whether salary structures, leave policies, or incentives need revisions to improve overall satisfaction.
4. Strengthen Communication Channels – Establish better ways for employees to voice concerns and receive timely responses from management.
5. Implement Strategic Reforms – Once issues are identified, create a structured plan with clear timelines to implement necessary changes and monitor progress.
6. Improve Work-Life Balance.
7. Enhance Career Growth Opportunities
 1. Offer training programs, workshops, and skill development courses.

2. Provide clear promotion criteria to help employees see a long-term future in the company.
8. Implement Mental Health and Wellness Initiatives Improve Job Security and Stability
9. Address Management and Leadership Issues
3. Conduct leadership training programs for managers to improve their engagement with employees.
4. Establish a transparent feedback system where employees can evaluate their supervisors.
10. Review Salary and Compensation Structure By implementing these suggestions, comprehensive privilege to the employee can further enhance their effectiveness and better growth for company.

CONCLUSION

The Contract Labour (Regulation and Abolition) Act, 1970 plays a crucial role in protecting the rights and welfare of contract workers in India. The Act aims to regulate the employment of contract labour and prevent exploitation by ensuring fair wages, proper working conditions, and necessary benefits. It establishes a framework where principal employers and contractors are held accountable for compliance with labour laws, reducing job insecurity and unfair treatment. While the Act has significantly improved working conditions for contract workers, challenges such as loopholes in enforcement, non-compliance by employers, and limited awareness among workers still exist. Strengthening monitoring mechanisms, enhancing penalties for violations, and promoting awareness can further improve the effectiveness of this law. Despite these legal protections, challenges remain, including non-compliance by contractors, wage delays, lack of job security, and inadequate enforcement of safety regulations. Many construction workers are unaware of their rights, leading to exploitation and unsafe working conditions. To improve the implementation of the Act, regular inspections, strict penalties for violations, and better grievance redressed mechanisms are needed.