

# Contract Labour

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## **Abstract**

The Contract Labour (Regulation and Abolition) Act, 1970 aims to promote the welfare, health, and safety of contract labourers employed in various establishments and factories. The Act ensures that employers provide essential facilities such as clean drinking water, sanitation, restrooms, and first aid to workers. It places a duty on factories and principal employers to maintain safe working conditions and prevent accidents.

In cases where injury, damage, or hazardous incidents occur due to the negligence of the factory or employer, liability is imposed on them to compensate the affected workers. The Act also regulates the employment of contract labour and seeks to abolish it in certain circumstances where exploitation is evident.

Overall, the legislation was enacted by the government to improve working conditions, safeguard the rights of contract labourers, and ensure their protection and welfare in industrial environments.

## **INTRODUCTION**

Contract labour refers to employees working through a contractor. The contractor hires these workers for specific projects or temporary tasks, often without the principal employer's knowledge. Both the contractor and the principal employer hold full responsibility for contract labour. The work arrangement is based on a contract between the workers and the contractor. The contractor or principal employer is fully accountable for wages and essential needs. Violating this act brings penalties. Enacted in 1970, the law took effect on February 1, 1971, and applies throughout India.

## **HISTORICAL BACKGROUND**

Contract labour emerged in India during the early years before independence. Industries such as construction, railways, plantations, and mines relied heavily on contract workers.

During the British colonial period, working conditions were poor, and wages were low, leading to unfair practices. After independence, the government established the Labor Investigation Committee in 1949 to examine specific employment issues. Their recommendations prompted the planning commission and various labour committees to highlight the need for legal regulations.

The government then enacted the Contract Labour Regulation and Abolition Act in 1970 to oversee the employment of contract labour. Contract labour represents indirect labour. Following this regulation, the contract labour system was controlled in India. The act aimed to abolish exploitation, low wages, and poor working conditions, ultimately benefiting contract labourers.

The act seeks to prevent exploitation, ensure fair wages, improve working conditions, and promote the welfare of contract labourers.

## OBJECTIVE

The main goal of the Contract Labour (Regulation and Abolition) Act, 1970, is to support fair wages, improve working conditions, and provide necessary amenities to contract labourers.

The Act ensures that contract workers are not exploited and that they receive essential facilities such as drinking water, restrooms, canteens, and medical aid. It also regulates the hiring of contract labour in factories, industries, and other businesses to protect workers' rights and ensure fair treatment.

- Contract Labour (Regulation & Abolition) Act, 1970
- Contract Labour (Regulation & Abolition) Act, 1970 & Rules 1971
- Definition under the Act

## Definitions

**In this Act, unless the context otherwise requires,-**

'appropriate Government' means,-

in relation to an establishment in respect of which the appropriate Government under the Industrial Disputes Act, 1947 (14 of 1947) is the Central Government;

in relation to any other establishment, the Government of the State where that establishment is located.

A workman is considered "contract labour" if they are hired for work related to an establishment by or through a contractor, with or without the principal employer's knowledge.

"Contractor," in relation to an establishment, means a person who commits to achieving specific results for the establishment through contract labour or who provides contract labour for any work of the establishment, including a sub-contractor.

## NOTES

S.2 (1)(c)-Contractor engaged for S. 2(c) pertains to the construction of buildings. *Gammon India Ltd. v. Union of India*, (1974) 1 SCC 596: 1971 SCC (L & S) 252.

Ss. 2(1)(c) & 12-If a person is contracted to collect and manufacture quarry products for the railways by employing workers, those workers are considered "contract labour" as defined under S.2 (1)(b). The supply of these quarry products fulfills the contractor's obligations under S. 2 (1)(c), requiring a license under S. 12(1). *H.C. Bathra v. Union of India*, 1976 Lab IC 1199 (Gauhati).

(d) "Controlled industry" means any industry whose control by the Union has been deemed necessary in the public interest through a Central Act;

(e) "Establishment" includes-

(i) any office or department of the Government or a local authority; or

(ii) any site where industries, trade, business, manufacture, or occupation occurs;

(f) "Prescribed" means set by rules made under this Act;

(g) "Principal employer" refers to-

(i) in relation to any government office or department, the head of that office or department or another officer specified by the Government or local authority;

(ii) in a factory, the owner or occupier, and where a manager is named under the Factories Act, 1948 (63 of 1948), that person.

(h) "Wages" carries the meaning given in clause (vi) of Section 2 of the Payment of Wages Act, 1936 (4 of 1936);

(i) "Workman" means anyone employed in connection with work at an establishment to perform skilled,

semi-skilled, or unskilled manual, supervisory, technical, or clerical tasks for pay. It doesn't include people who-

(A) are mainly in managerial or administrative roles; or

(B) who, in a supervisory capacity, earn more than five hundred rupees per month or mainly perform managerial functions; or

(C) who work as out workers, meaning they receive materials from the principal employer to complete tasks outside the employer's premises.

(2) Any reference in this Act to a law not in effect in the State of Jammu and Kashmir shall be understood as referring to the common law, if any, in effect in that State.

Note: The fact that a contractor works away from the establishment does not exclude it from being considered "work of any establishment" under S. 2(1)(c). Constructing a building for the principal employer at a new location is still "work of that establishment."

## REGISTRATION OF ESTABLISHMENTS EMPLOYING CONTRACT LABOUR

### 6. Appointment of registering officers.-

The appropriate Government may, by order published in the Official Gazette, appoint Gazetted Officers of Government as registering officers for this Chapter; and define the areas within which a registering officer can exercise the powers given to them under this Act.

### 7. Registration of certain establishments.-

(1) Every principal employer of an establishment covered by this Act must, within a period set by the appropriate Government in the Official Gazette, apply to the registering office for registration.

The registering officer may accept registration applications after the deadline if satisfied that a valid reason prevented timely submission.

(2) If the application is complete, the registering officer will register the establishment and issue a registration certificate to the principal employer containing prescribed details.

### 8. Revocation of registration in certain cases-

If the registering officer determines that the registration of any establishment was obtained through misrepresentation or suppression of key information, or if the registration has become ineffective for any reason and needs revocation, the registering officer will act accordingly.

#### Effect of not registering

If an establishment does not register under this Act the principal employer cannot employ contract labour.

Here are the rules:

If an establishment needs to register but does not within the given time

If an establishments registration is revoked then the principal employer cannot employ contract labour after the registration period ends or after revocation.

### 10. Stopping contract labour

(1) The government can stop contract labour in any process. Work in an establishment.

They will consult with the Central or State Board before making this decision.

(2) Before stopping contract labour the government will consider:

Working conditions and benefits for contract labour

If the work is necessary or usual for the industry

If the work is ongoing or a one-time task

If regular workers are used for this work

Number of workers needed

Some court cases

### **1. P. Karunakaran vs. Chief Commercial Superintendent**

Facts: A contractors licence. Contract labourers lost their jobs.

Issue: Can contract labourers become employees?

Judgement: No their employment ends with the contractors licence.

### **2. AP State Road Transport Corporation vs. G. Srinivas Reddy**

Facts: Workers employed through contractors demanded jobs.

Issue: Can contract labourers become employees?

Judgement: No unless theres a government notification or the contract system is sham.

Licensing contractors

### **11. Licensing Officer**

The government appoints a Licensing Officer to grant licences.

The Licensing Officer:

Grants licences

Renews licences

Cancels. Suspends licences

### **12. Licensing contractors**

Contractors must get a licence from the Licensing Officer.

A contractor cannot work without a licence.

Some court cases

### **3. General Labour Union (Red Flag) vs. K.M. Desai**

Facts: A contractor did not get a licence.

Issue: Do contract labourers become employees if the contractor has no licence?

Judgement: No. The contractor may face penalties.

### **4. United Labour Union vs. Union of India**

Facts: Principal employer and contractor did not follow rules.

Issue: Do contract labourers become employees?

Judgement: No, unless the Act says so.

Section 13 – Getting a licence

A contractor applies for a licence to the Licensing Officer.

The application must:

Be in the form

Have necessary details

14 – Licence changes

The Licensing Officer can change or cancel a licence.

This happens if:

The licence was obtained by lying

The contractor breaks rules

15. Appeal

If someone is unhappy with a decision they can appeal.

The appeal must be within 30 days.

Worker welfare Sections 16–21

#### Section 16 – Canteen

If there are 100 or more contract labourers a canteen must be provided.

#### Section 17 – Rest Rooms

Restrooms must be provided if labourers work hours.

#### Section 18 – Other facilities

Basic facilities like drinking water and toilets must be provided.

#### Section 19 – First Aid

First-aid boxes or facilities must be available.

#### Section 20 – Principal employers liability

If the contractor fails to provide welfare facilities the principal employer must.

#### Section 21 – Paying wages

The contractor is responsible for paying wages.

The principal employer must be present when wages are paid.

Some court cases

5. Hindustan paper corporation Ltd, vs kagaj kal Thikadar Sramik Union and Others

Facts: Contract labourers demanded wages.

Issue: Who decides wages?

Judgement: The Labour Commissioner is the authority.

The Court said that when a competent authority is already handling a case courts should not interfere or decide the issue before the authority finishes its work.

#### Main Principle

If a competent authority is already investigating a labour dispute the court should not interfere until the authority completes the process. This is a point.

The Supreme Court held that courts should not interfere in matters that are already pending before the competent labour authority.

#### Penalties and Procedure

Section 22 – Obstruction: If anyone stops an inspector from doing their job under the Act it is an offence.

The person can be punished with imprisonment. Fine.

Section 23 – Contravention of Provisions Regarding Employment of Contract Labour: If a contractor employs contract labour without registration or licence or breaks the rules of the Act it is an offence. The punishment can be imprisonment up to 3 months. Fine up to ₹1000 or both.

#### Case Laws

### 6. S.B. Deshmukh v. Labour Enforcement Officer

Facts: The Chief Regional Manager of State Bank of India and a contractor employed 12 contract labourers for cleaning, dusting and maintenance.

The Central Government had already prohibited the employment of contract labour for this activity under Section 10(1) of the Act. A complaint was filed for violating the Act.

Issue: Whether the prohibition under Section 10 applies to the establishment or only to a specific activity of work.

Judgement: The Court said that the prohibition under Section 10 applies to a process, operation or work not to the entire establishment. If contract labour is used in the prohibited activity, the principal employer is responsible and the contractor may also be liable.

### 7. P.R. Catering v. State of Bihar

Facts: P.R. Catering, a registered partnership firm was running a pantry car service in the train Brahmaputra Mail under licence from the North-East Frontier Railway. A Labour Enforcement Officer inspected the pantry car. Reported violations of the Contract Labour Act.

Issue: Whether the catering firm employing workers in the railway pantry service must comply with the provisions of the Contract Labour Act.

Judgement: The Court said that licensed businesses must follow the provisions of the Contract Labour Act. If contract labour is employed the rules and conditions of the Act must be strictly followed.

Section 24 – Offences: If anyone breaks any other rule or provision of the Act for which no specific punishment is provided they may be punished with fine.

Section 25 – Offences by Companies: If an offence is committed by a company, the company and the person in charge (manager, director, etc.) may both be held responsible and punished.

### 8. Lift Engineering Services Pvt. Ltd. V. P.K. Bhattacharyya

Facts: A complaint was filed against the Director of Lift Engineering Services Pvt. Ltd. For violating the Contract Labour Act.

The complaint did not mention that the director was in charge of or responsible for the conduct of the company's business at the time the offence occurred.

Issue: Whether a director of a company can be prosecuted for an offence under the Act when there is no allegation that he was responsible for the conduct of the company's business.

Judgement: The Court said that a director cannot automatically be prosecuted only because he holds the position of director. The complaint must clearly state that the director was in charge of and responsible for the company's business when the offence occurred.

Section 26 – Cognizance of Offences: A court can take action for offences under this Act only when a complaint is made by an Inspector or with the permission of the government. Only a Metropolitan Magistrate or Judicial Magistrate of First Class can try offences.

Section 27 – Limitation of Prosecution: The complaint must be filed within 3 months from the date when the offence came to the knowledge of the Inspector.

## Conclusion

The Contract Labour (Regulation & Abolition) Act, 1970 is a law that protects the interests of contract labourers in India. It provides a framework, for regulating contract labour. The recent consolidation of labour laws is an attempt to simplify the framework but the core principles of protecting contract labour remain intact.