CHAPTER - 5

CONTRACT LABOUR SYSTEM

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5.1 INTRODUCTION:-

Globalisation have increased the competition all over the world each and every organisation is now aware of cost, and quality of production. The modern techniques are used and attempts are made to minimise the cost of production. But for inserting new technology, there is need of more capital investment extra space, more workers to perform the work. Therefore all over the world there is a tendency of all the employers to assign the more and more work to the Contractors, instead of assigning the work to the existing employees or appointing new workers for it.

The contract labours are not permanent employees, they can be removed when the work is over or after the period of appointment is over or as and when the employers feels so. The contract workers are young staff, more intellectual, and highly skilled persons available at very low wages, and do not requires to make available the fringe benefits and other amenities to them and also shows more efficiency. Hence contract labour enables the employers to have effect on economy and improve their competitive positions. The contract labour system also helps the employers to transfer the responsibility, in part to the contractors. The contract labour system is broadly divided into two types. One is "job contracting and only labour contracting".

i) Job Contracting:-

In the job contracting the principal employer assigns the work of supplying the goods and services to the contractor. Where the contractor appoints his employees gives them training, controls them, by supervision and gets the work done from them. For which he pays to them, on piece rate system so that those who are more efficient will earn more and those who are less efficient, will earn less.
In this method the contractors supplies the labour to the principal employer and do not pays to them. The contractor also supervises, the labour provided, on behalf of the employer and the real economic control remains with, the principal employer. The principal establishments pays to the contractor on the basis of number of workers supplied.

In the modern age the contract labours have got world wide importance, because of changes in the technology, like computer software, Information and Technology, Biotechnology etc. The concepts of outsourcing and 'offshoring' has been arised in the contract labour system. The work from one nations company is outsourced to another nations company and get done within the same day. Everything is possible because of the rapid development in the computer software and Information and technology. The work is outsourced to the developing nations where, the cheap labour force is available and the labour cost can be minimised. At present the concept of contract farming is also under consideration of the Indian Government, so that by using modern techniques and improving the irrigation systems of the growth in the agricultural production is also possible.

5.2 MEANING AND OBJECTS OF CONTRACT LABOUR SYSTEM:-

Meaning: Contract Labour is a universal phenomenon, which are mostly working in unorganised sector, which are temporary and are given very low wages and required to work hard for long hours, without providing the basic amenities and welfare facilities to them.

The Contract Labours are not paid fixed salaries, their services are terminated automatically after the contract period, or as and when the employer finds it suitable and beneficial. In order to avoid such malpractices the Contract Labour Act has been passed in 1970. This Act received the assent of the president on 5th September 1970, and came in to force on
10th February, 1971.

**Definitions:**

**Workman:**

"Workman" has been defined under section 2(i) to mean any person employed in or in connection with the work of any establishment to do any skilled, semi skilled or unskilled, manual, supervisory, technical or clerical work for hire or reward, whether the terms of employment be express or implied, but does not include any such person -

a) Who is employed mainly in managerial or administrative capacity or

b) Who is being employed in a supervisory capacity draws wages exceeding five hundred rupees per mensum or exercises, either by the nature of the duties attached to the office or by reason of the powers vested in him functions mainly of a managerial nature or

c) Who is an outworker that is to say a person to whom any articles and materials are given out by or on behalf of the principal employer to be made up, cleaned, washed, otherwise processed for sale for the purpose of the trade or business of the principal employer and the process is to be carried out either in the home of the outworker or in some other premises not being premises under the control and management of the principal employer.

**Contract Labour:** A workman shall be deemed to be employed as "Contract Labour" in or in connection with the work of an establishment when he is hired in or in connection with such work by or through a contractor, with or without the knowledge of the principal employer;

Where a person undertook to collect and manufacture quarry products for an on behalf of railways by engaging workmen to carry out his contract works under the railway establishment the workmen employed
by him are to be deemed as 'contract labour'.

**Appropriate Government** :- means,

1. i) 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;
   ii) in relation to any establishment, the Government of the State in which that other establishment is situated - (inserted by Contract Labour Regulation and Abolition Amendment Ordinance, 1986).

2. In relation to any other establishment, the Government of the State in which that other establishment is situated.

**Contractor** :-

In relation to an establishment means a person who undertakes to produce a given result for the establishment, other than a mere supply of goods or articles of manufacture to such establishment through contract labour or who supplies contract labour for any work of the establishment and includes a subcontractor.

The essential ingredients of the definition of a contractor are as follows:-

i) Product of a given result.
ii) Employment or supply of a contract labour.
iii) Contractor to include subcontractor.

**Establishment** :- means

i) any office or department of the Government or local authority or
ii) any place where any industry, trade, business, manufacture or occupation is carried on..

**Principal Employer** :- means

a) Government or local authority head office or department or any other officer specified.
b) Factory-Owner or occupier or person named as manager under Factories Act.
c) Mine-Owner, agent or person named as manager.
d) Other establishment-Persons responsible for supervision and control of management.

**Objects of the Act:-**

The objects of the Act are as follows:-

i) To regulate the contract labour and to provide for its abolition.

ii) To regulate the provisions for working conditions.

iii) To ensure the payment of wages and essential amenities.

iv) Prohibit the employment of contract labour.

v) Do away the abuses of the system of employment of contract labours.

**5.3 APPLICATION OF CONTRACT LABOUR SYSTEM:-**

The Contract Labour (Regulation and Abolition) Act, 1970 was passed in 1970, This Act regulates the employment of Contract Labour in certain establishments and provides for the abolition in certain circumstances and for matters concerned therewith.

**Applicability :-**

The Act came into force on 10th February, 1971. The Act extends to whole India. It applies-

a) Every establishment where 20 or more workmen are employed or were employed on any day proceeding twelve months as contract labour.

b) To every contractor who employs or have employed on any day of the preceding 12 months twenty or more workmen.

The Act empowers the Central Government and the State Government to apply the provisions by notification in the official gazette to any establishment or contractor employing less than twenty workmen, Section 1(4).

**Non Applicability :-**

As per Section 1(5)(a) the act shall not apply to the establishments in which work only of an intermittent or casual nature is performed.
As per section 1 (5)(b) the work performed in an establishment is of an intermittent or casual nature, the appropriate Government shall decide that question for consultation with the Central Board or as the case may be a State Board, and its decision shall be final.

**Work of intermittent nature:** means

The work is deemed to be of an intermittent nature:

i) If it is of a seasonal character and is performed for not more than 60 days in a year or

ii) In other cases if it was performed for not more than 120 days in the preceding 12 months.

**5.4 ORIGIN OF CONTRACT LABOUR SYSTEM:**

Contract labour system is already in existence since long back, not only in India but all over the world. Sometimes the manufacturers do not get the time to perform the non core activities, in this situation he assigns the work, to a person known as contractor. Contractor appoints his own labours supervises & controls them and gets work done from them. Because of such assignment of the work, the manufacturer can concentrate on manufacturing function.

The contract labours are also required in the agricultural sector, as well as in both the Central and State Governments. Both the public and Private sector organisations are appointing the contract labours. The state governments are appointing such labours for construction of bridges, roads, dams and buildings on piece work system etc. In the manufacturing organisations mostly the non core activities are allotted to contract labours. Due to globalization there is a free entry for Multinational Corporations, to open there branches any where in the world and such MNCs are preferring the contract labours. On the other hand due to outsourcing the work of non core activities is transferred from one nation to other. Therefore the contract labour is now very popular and growing form of employment because almost all the industries are preferring such contract labours.
The second labour commission have made some observations that contract labour is a part of unorganised sector, they are paid low wages in which there is high percentage of women, family labour. Piece rate payments, to home based work or contractual work, seasonal or intermittent employment, the Commission noted that 60% of total work force is the unorganised labour force.

The commission also noted that the piece rate system of payment is adopted for home workers, contract workers, earth-diggers, brick workers etc. The commission have made the comments that the Minimum wages Act has the provisions of piece-rate wages, but the mechanism of fixing the piece rate is not clearly spelt out. The piece rate are fixed even too below that of minimum wage rates and hence even by working hard the workers are not getting the minimum daily wages also. However piece rate system is old form and gets the incentive bonus & can earn more. Also this form is also suggested by the father of the management, Taylor and Fayol and Halsey and Rowan etc.

**Second national commission on labours recommendation :-**

By passing the resolution on October 15, 1999 the Government of India, Ministry of Labour (Shram Mantralaya) setup the (Second) National Comission on Labour and following term of reference to it.

a) To suggest rationalization of existing laws relating to the labour in the organised sector.

b) To suggest ‘Umbrella Legislation’ to minimum level of protection to the workers in the unorganised sector.

**Recommendations made by second labour commissions:-**

The recommendations made by the national labour commissions are as follows:-

1. The contract labours shall not be engaged for production or service activities and for seasonal demands the employer may employ temporary work force, the perennial or non core services has taken
2) It shall be ensured that the perennial core services should not be transferred to other establishments or agencies.

3) If the services are performed by the employees on the pay role of the enterprise, should not be transferred to other agencies without consulting, bargaining agents.

4) Where transfer of such services do not involve, any who is currently in service of the enterprises the management will be free to entrust the services to outside agencies.

The contract labour will be remunerated at the rate of regular worker engaged by the same organisation doing the same type of work or if such worker does not exist in the organisation, at the lowest salary of the worker will be paid. The principal employer will ensure that the social security measures and other benefits are extended to the contract labour.

The government have reviewed the Act and kept in view the employers associations and trade unions and the recommendations of second labour commissions and the changes to be made are to be worked out in the law.

5.4.1 Contract Labour System at International Level:-
Interfirm Cooperation:-

The medium sized firms in many countries are competing efficiently with big firms and corporations like 'Multinational Corporations', by creating a network of small firms offering services or products from a single source to potential customers. The small firms may co-operate each other in many different ways like they may share 'Research and Development', they may share their marketing or training facilities. They may even share information and ideas, combine their complementary skills and technologies, to produce or manufacture some innovative products or range of products or production processes. They may specialise in different stages, of production process of each others. Specialisation which may include a
complete package of services regarding a particular stage in overall production process.

The significance of cooperation amongst different firms with regard to different stages in the whole production process which enhances competitiveness, both by cutting costs, as well as improving quality by specialisation.

There are many small sized and medium sized firm in different countries like Italy, Denmark, Egypt, Germany, Ghana, Indonesia, Japan and United States, who have been able to meet the challenges brought about by globalization. By adopting strategies of interfirm cooperation the small firms industrial sector have been developed. Even though there is competition about the products, amongst the small firms producing same product, but there will be cooperation for each stage of production, it can also be done in case of firms manufacturing the same products and are from different segments also, because they might have observed the cooperation instead of competing with each other. Therefore firms may decide to combine their productive firms, which they could meet alone. On the other hand they could engage in periodic subcontracting for one another or helps to each other as a long term insurance. This type of understanding of cooperation is always occurring in small firms in ‘Sakaki of Japan’, which are specialists in engineering and metal manufacturing sector. In 1982 there were 330 manufacturing firms out of which 41% had three or less employees. All the factories except 11 factories, there were 99 employees. Because of the cooperation of the firms in Sakaki are world leaders, in the global market for blood pressure testers, and manual and electronic typewriters. For expanding the business a firm can bid even though it is not having a bidding capacity or the technical ability, by relying on neighboring firm can accept the foreign orders or the firm can satisfy the contractual obligations, by purchasing neighbors machinery or technology. This cooperation of small firms have created a confidence
amongst the large organization, that if the order is placed to the firms in Sakaki will be promptly completed. But for this the local or regional institutions, centralised assistance is needed, in the areas of designing market information, administration and finance which the small organisation will not afford by their own.

Outsourcing:-

In the process of globalization not only the small firms but the large firms are also making an attempt to achieve in the global competition by way of cutting their costs and improving the quality of their products or services. For achieving this large firms are restructuring their organisation and production methods. For this the core and peripheral or non core activities are separated from each other. The core activities are performed by the regular employees in the organisation and the peripheral activities like, security, cleaning, or canteen facilities, these organisations are engaging the outside source such as an independent contractor, who provides such services by his own employees or contract labours, so that the firm can concentrate on core activities. In some cases the firms may even outsource their core operations also, either partly or fully. If some times due to urgent orders, or if the existing employees are not ready to cooperate at that time. This trend is catching the wave fastly including India all over the world. The large firms are decentralising their production and outsourcing their requirements from small firm suppliers, and insisting them about quality norms and standards.

There was a concept of mass production in U.S.A. and other countries about 1950-1960 but now the concept of decentralised production is taking place all over the world.

Foreign Collaborations:-

The various forms of collaborations, arrangements, agreements, associations, are either inter firm cooperation or big and small firms relationships are nothing but a variety of contract labour arrangements.
Such arrangements are affected by the flexibility in the labour markets. In order to face the competition of MNCs and Global giants, the Indian employers are more interested in flexibility in the relationships of the employees, for which they are demanding the provisions of contract labour which is more stringent and more flexible and should be given a free hand to hire contractors to perform their jobs, which do not form the part of their core operation. While thinking about the flexibility for efficient running of the organisation the stability, incomes and working conditions are also equally important, for lowering on incomes of workers, here the contract labour system will not show the desirable results to the society and to the enterprise.

**Subcontracting:-**

The subcontracting or (contracting) that who are not be employees and are not independent firms, employs higher skilled labours and Superior technology. India and other developing countries, like Argentina, Brazil, Mexico and Republic Korea already having the subcontracting system and having the relationship of large firms/small firms. Such intervention of relationship aims that to expand the customers and supply choice through technological up gradation, by development of small firms cooperation is necessary through the intervention and support of regulatory agencies, information network and collective institutions.

**New Trend:-**

Contract Labour is not a new phenomenon and was used in India alone. Now the trend has been arrived to use the same concept again, and this trend has been noticed all over the world. The recourse of contract labour is there in the areas like agriculture sector, construction, retail trade and plantations. The contract labour system has been spread all over the world i.e. in the developing as well developed countries, public and private sectors, manufacturing and service sectors like textile, clothing, forestry, canteens, and restaurants, offshore petroleum, installation and
inland transport and in the high technology industries. In the United Kingdom the Contract System has permeated even “highly skilled operations like accountancy, architectural and administrative occupations”. The Government policies are also encouraging to introduce the Contract Labour System in the Public Sector in order to reduce the expenditure.

Insecurity of the Contract Labour at International Level:

The Economic Times have published an article on 6th August 1999, that William Echikson in ‘Business Week’ have described the condition of the workers at El Salvador. The product manufactured is sports wear giant Adidas Salomon where the young girls up to 14 years age are employed and are compelled to work for 70 hours in a week, not allowed to go for toilet more than twice a day and not more than 2 minutes, if they stayed more than three minutes in the toilet, then one day salary was deducted. The worst condition is published in ‘Marmik’ of 18th January 2004, by Mr. Walson Thampu under the heading "Valvantatil Mrugajal"- "Madhyapurvetil Kantrati Kamgaranchi Durdasha" they have mentioned the bad conditions of the contract labours in the Middle East countries. One Miss. Raj. Josef amongst the workers who was working as housewife, her owner was beating her every day, harassing mentally and physically, keeping her in a locked up condition in a room for many weeks, and the starvation of many days, was heating the skin. In such a unbearable condition she complained against him, but it was of no use the owner kept some blames against her, and she punished the imprisonment of 3 years.

Another fact of one Mohameddian girl from Kerala, who was working as housewife, her owner kept her in a locked up condition for nine months. One day a Malyali worker who went there for repair work of the house, he saw her worst condition there, then he planned to escape her from there and sent her directly to Kerala. Such situation is not only in that country. But when Mr. Walson Thampu who visited other countries he heard very worst stories of the Indian women’s, who were working as
house wives, their condition was too bad.

Afterwards he visited to a labour camp in a city where 600 such labour camps were there in which about 35 to 650 peoples were residing those who were visiting such labour camps, they are watched in a doubtful manner and are not allowed to visit without the permission of the head of that labour camp. One supervisor told that the contract labour were on strike for increasing the wages, they were terminated and sent to their countries & those who were not terminated, for them the conditions and obligations about the work were increased.

The contract labours from Kerala has to pay Rs 70000 to 80000 to the agents for getting them selected to work in middle east nations. After they are selected, the salary is decided up to Rs 7000/- but majority labours are getting hardly Rs 3500/- to 4000 p.m. They has to work in severe heat having a temperature up to 50degree Celsius. The payment which they are getting is not paid for a period up to six months. Around 30 to 60 persons stays in a single room. The room is having one fan. Then what should be their condition in the summer season, that we cannot imagine even. After working for eight hours, they are accepting additional part time jobs to satisfy their basic needs in addition to their salary. Out of them 75% persons were married, their wives were not getting any information of their husbands even. The labours who were suffering were not informing in India, because they were feeling that their family will feel uneasy and will get the trouble.

Trade unions at world wide have expressed serious concern at the proliferation of the contract labour. These unions have shown many reasons that even though there are permanent workers appointed in the organisation the contract workers are appointed in order to deny the workmen their rights and benefits. The contract labours in the developing countries are abused. They are given less salaries than the permanent workers in the same organisation. They are deprived of social security benefits like
gratuity, provident fund, sickness benefits, holidays and leave including maternity leave, compensation for accident and required health and welfare measures. Such adverse conditions are coupled with lack of sense of security, which creates negative emotional psychological symptoms and caused stress and strain upon them. The contract labours are constituted as Vulnerable class and therefore can be exploited more easily as compared to the regular workers. According to the ILO report in many cases “High work pressure, unclear responsibilities with the conditions of work safety and health regulations, general lack of training, exposes the contract workers to higher risks of occupational accidents and diseases.

**Chinese Labour Contract System:**

The government of China have allowed the foreign investment and allowed the contract labour system but while appointing the contract labours the foreign investors should appoint them as per the Article II of the Central Labour law and its contents should include clearly the conditions-

i) Quantity and quality of assigned work and the task to be performed.

ii) Duration of the labour contract.

iii) Conditions of work and its duration.

iv) Payment insurance and other welfare amenities.

v) Dismissal, reward and punishment, resignation & discipline of work

vi) The circumstances under which contract labours are terminated.

vii) Liabilities for those who are breaking the contract.

viii) Other terms, as think necessary to put in the contract.

**Other Conditions:**

a) The labour contract shall be in Chinese Language or may be in foreign language but should have Chinese version.

b) After completion of contract the documents are binding upon both the parties. If they wants to revise it then such revision should be by the consent of both the parties.

c) The standard text of labour contract should be filed with the
relevant labour departments, personal, administration and Shanghai Confederation of trade unions, so that these departments should supervise and examine its implementation.

d) The trade unions in foreign invested enterprises includes the members from staff and workers and the negotiations will include the terms of payments, working time, off days and holidays, insurance and welfare, protection to the workers. The representatives of staff and workers should be choosed in the union.

e) Article 13 & 14 deals with the conditions by which the employee should be terminated. According to Article 13 the foreign invested enterprises may dissolve the labour contract and fire the employees upon one of the following conditions-

i) When the employee is proved unqualified during the probation period.

ii) When the Doctor’s certificate due to sickness unable to do the work or non working related injury may cause, that he cannot continue the reassigned work also.

iii) When the employee is in serious violation of labour disciplines or relevant regulations of the enterprise.

iv) When employee seriously neglects his duties which causes serious loss to the enterprise.

v) When due to particular circumstances if the contract is concluded.

vi) When there are other particular terms defined in the labour contract.

Article 14:- says, that the labour contract is dissolved in one of the following circumstances.

i) When the employee is charged criminal suit and sentenced to prison.

ii) When the foreign invested enterprise is dissolved or terminated.
Article 18: Says, the Chinese employee when dismissed by the foreign invested enterprise, shall get economic compensation from the enterprise in the light of the employees service length in the enterprise. Those whose service length is less than one year then he will get the compensation equivalent to one months salary for each year of balance service, but the maximum amount should not be more than 12 months salary.

Article 15: talks, of codes under which the labour contract cannot be dissolved the foreign invested enterprise shall neither terminate, nor dissolve the labour contract nor dismiss the employees upon one of the following circumstances.

i) Employee suffers from sickness or non working related injury but it is in the designated medical care period.

ii) When the employee suffers from occupational disease or work related injury.

iii) When the female employee is in pregnancy, maternity and breast feeding period.

iv) When the labour contract has not expired.

Conditions imposed on foreign enterprises: -

Due to the work related injury or occupational diseases the employers of the foreign invested enterprise after the medical care period are identified by Assessment Commission as losing working capacity to different extent. The termination and dissolution of their contract must be implemented according to following terms.

i) The foreign invested enterprise must not dissolve the labour contract of those who have lost the working capacity.

ii) The foreign enterprise must not terminate or dissolve the labour contract of those who have lost the working capacity greatly but may terminate the labour contract by agreement with the employee.

iii) The foreign enterprise should not terminate the labour contract if there is partially loss of working capacity.
The other articles:-

Talks about the compensation on retrenchment or lay off, medical allowances, residential facilities, payment of wages, insurance, provisions of overtime wages for extra working hours etc. Any party which violates the labour contract shall bear the responsibilities of violation and compensation.

Resolution of Labour Dispute in China:-

The disputes among the enterprise and employees are consulted between the parties, if consultation fails the parties may apply to dispute mediation committee if it fails then the parties can apply to the dispute arbitration committee, if the parties are not satisfied then the arbitration may bring case to the peoples court of district or the country.

Attitudes of Unions & Employers & their policies at International Level:-

There is rapid growth of contract labor and the unions all over the world, demanding the regulation of prohibition of contract labour system. The contract labours are always exploited, their abuses should be prevented. There should be direct relationship with the employers. The contract labour system should be allowed in exceptional cases. The security, stability and service conditions available to the regular employees should be extended to the contract workers.

The unions have demanded that there should be registration of contractors and principal employers. While granting the license after registration, it should be observed that the contractor is doing lawful business, and has the capacity to fulfill the obligation and legal formalities has been fulfilled. If the contractor fails to fulfill the contract then the principal employer is held liable to discharge the obligation of contract labour.

The employers are having different attitude about contract labour that the contract labour promotes labours market flexibility and increases competitiveness of enterprises. More possibility of exploitation of contract
labour should not be considered. The present age is the age of competition in this competition the production work is performed by the existing employees and peripheral work is outsourced.

**Policies of Contract Labour of Different Countries:**

Different countries have different policies on contract labour and are influenced by economic and social philosophies, level of economic development, socio-economic conditions etc. Some countries may prohibit labour only contracting, permitting job contracting or genuine contracting arrangements and recognizing as commercial transactions. But the countries those who do not support a regulatory burden on business, but the law offers the protection to the contract labours in occupational safety, wages, social security, benefits, unfair labour practices etc. In Canada and USA by inserting a provision of collective bargaining legislation are made applicable to the contract labour. In this concept two or more separate employers are termed as ‘Single employer’ for collective agreement.

The unions have criticized the policies of encouraging the policies of contract labour system in ‘The Report on Asia-Pacific Regional Seminar for Trade Union Organisations on Contract Labour conducted by ILO in New Delhi in April 1997 says with reference to the Governments of the Asia-Pacific region. “Government policy makers who are concerned about reducing unemployment, have tended to either remove or modify restrictions on the use of contract labour with a view to making labour markets responsive and flexible”. One of the participants representing Bureau for workers activities commented ‘There is growing apprehension among workers that globalization is encouraging Governments to lower labour standards. Very often the desire of the Governments to attract investment has made them dilute or fail to enact measures intended to protect the welfare of contract workers or to turn a blind eye to infringements of legislations.'
Recommendations of ILO:-

For furthering the aims and objectives, the ILO has made certain recommendations and conventions on contract labour. The employers association took the objection on the definition of Contract Labour. Finally ILO recommended definition of contract labour even a persons who directly and personally render services, to enterprises (primary employers) may not fulfill all the requisite services directly and personally to enterprises may not fulfill all the requisite attributes of formal employment relationship, but may still be so dependent on the enterprises that, without adequate protection they would become prone to various abuses.

The ILO is focusing its attention, on the rapid proliferation of the phenomenon of Contract Labour and expressing labour working conditions of contract workers in different economic sectors all over the world. e.g. In 1955-56 at the fifth session (Caracas in April - May 1955 and Geneva in April 1956) the Petroleum Committee of the International Labour Organisation adopted a resolution (No. 44) about contract labours conditions in petroleum industry. The petroleum Committee recognised the following circumstances for the existence of contract labour system.

i) It was a practice of all undertakings in all the countries to assign the work on contract basis which is not a part of regular work and who undertakes such work is known as contractors and persons appointed by him are contract labours.

ii) Some undertakings have contracted the work of permanent nature.

iii) The general tendency of increasing the amount of work finally is given to contractors.

iv) Contract labour and workers appointed in the oil undertakings are performing the same type of work.

v) Some times the less industrialised countries contract labours were employed unnecessarily.

vi) Disparity in standards of work between permanent workers and
contract labour will create a serious problem.

Providing good conditions, is a job of principal employer, as well contract undertakings, but the oil undertakings were responsible for making available it. The petrol committee have adopted the following resolution.

**Actions by public authorities:**

i) The government should ensure that there is adequate legislation for projecting of the contract labour e.g. licenses.

ii) In the absence of trade union collective agreements should be made between contractors and workers.

iii) The government should ensure that, minimum legal standards are applied or not.

iv) There should be effective application of penalties for violation of legal provisions.

**Action by undertakings:**

i) The work should be associated with technical process, in oil undertakings where the work which is not related can be contracted.

ii) The contractor should provide good wages and working condition to the contract labours.

iii) The contractor should provide or arrange the medical facilities in remote and undeveloped areas.

iv) To provide recreational facilities, where the workers are working in remote and undeveloped areas.

v) To see whether, the working conditions are provided by the contractors or not.

vi) To encourage the contractors, to stabilize the employment of employee if there is unemployment area.

Even seventeen years after passing the resolution there is non-implementation of provisions suggested. By the petroleum committee. The Committee also have strongly advocated that the contract workers employed on the construction of new installations, should have ever appropriate after a
permanent employment, after suitable, "Vocational training, further training and retraining to them and the own employees so that they could fill up" Specialized personnel requirements by promotion or transfer of suitable workers, to avoid the contract labour systems.

**Clothing Industry:**

At the second tripartiate technical meetings for the clothing Industry held in Geneva from 23rd Sept, to 2nd October, 1980, the following conclusion were drawn:

i) The contract labour should offered the advantages. The small organisation will generate the employment without any special difficulties.

ii) Their may be inferior remuneration in many cases due to pressure on productivity and delivery dates, especially on female workers.

iii) The advantages of contracting out should not be, at the expense of the workers, either to the contractors or principal employers.

iv) Labour only contracting should be avoided.

v) The system of industrial homework, or use of child labour will create the health and safety problems as well as they can be abused; therefore there systems should be abolished.

**Construction Industry:**

For focusing attention on construction industry the ILO at its twelfth session of the building Civil Engineering and Public works Committee (at Geneva, December 2-10-1992) passes a specific resolution (No 102) regarding contract labours in construction.

In its resolution Committee requested to the member states of the ILO to ensure compliance with appropriate labour legislation in the line with their working conditions.

On 28th April, 1993 the Tripartite meeting on safety and related issues pertaining to work on offshore petroleum Installations (Geneva, April 20-28, 1993) ensures by calling a meeting of contractors for upgrading the safety measures and assures to the governments by the safety management system.
that how the safety measures should be adopted and divided amongst other operators.

5.4.2 Origin of Contract Labour System in India –

The contract Labour system is in existence sine long back, it was in existence in the agricultural sector, in the form of contractors who were taking the work of cultivation, excavations of well, constructions of dams, roads, bridges, buildings, were also given on contract basis. The contractors were getting the work from principal employers, appointing his workforce and was getting the work done. Such workforce appointed by contractors means nothing but the contract labours.

The contract labours were also appointed on mines, quarries, bricks making, and other agro based industries.

There were expert artist in India before British period like weavers, sculptors, gold smiths, carpenters, who were giving their services to the other part of the society. As well as they were also exporting their products on order basis in the foreign countries also eg:- The production of Shaloos (Saries) and were popular by the name of the cities eg:- Banaras, Paithan, Yevala, Baroda, Dhaka, Kashmir such cities were famous for saries. This type of system is in existence in the modern age by the name “Job Contracting”.

There were self sufficient villages before British came to India. The work were done by the peoples in the villages by their inherent professions, everybody was co-operating each other. Therefore what ever was needed to whom so ever was getting in the village only. So there was a village economy and the villages were self sufficient i.e. farmers were producing food grains, vegetables, milk, fruits, etc. the farmers were taking the help of the other peoples, known as Sonar for jewellery, chambhar for footwear, Kumbhar for clay made items, barbers for cutting the hairs, the others were, washer man, fisherman, etc. In all such persons were called as Bara Balutedars, were giving services to farmers in exchange of foodgrains and vegetables. It was a part of contract labour system of providing the services or collaborations at village level or the co-
operation of different peoples in the villages.

The same contracting system is in existence in the 21st century, i.e. In order to face the global competition, the small firms are co-operating each other and for to face the competition of giant corporations or multinational in the world trade. Another example is that small firms in Sakaki Japan are few in number but leading the whole world’s automobile industries due to they are co-operating each other.

But when British peoples captured the Hindustan and in addition to this there was ‘Industrial Revolution’ around 1862. the huge production was possible, and quality was super. The British peoples started contract labour system which was in existence in India since ancient period.

The peoples who were working in British industries were unorganized, were allocated the large volume of work were paid low wages, were not provided the health, safety and welfare measures, and also they were no permanent workers too. The first trade union started by Mr. Lokhande and formed the Mill Mazdoor Sangh at Bombay.

The Royal Commission:-

On labour was appointed by British Government in 1928 and the first National Commission on labour headed by Justice Gajendragadkar, the Commission said that this shows “a high degree of similarity, as far as core area of enquiry is concerned”. The Royal Commission was also known as whitely commission and asked to report and make the recommendations on “existing conditions of labour in industrial undertakings and plantations in British - India, on health, efficiency and standards of workers and on the relations between employers and employees”. The first National Commission is also known as Gajendragadkar commission had more comprehensive and different areas were specifically mentioned. The legislative and other provisions were intended to protect the interest on labour.

The Gajendragadkar commission was asked to review the changes
in the conditions on labour since independence and to report the existing condition of labour. The commission was asked to study and report on workers earning, the standard of living and health efficiency of workers, both at the central and states level. The report of Gajendragadkar commission in the section on the condition on labour, levels of earnings standard of living and other question related to these subjects.

**History of contract labor system:**

The contract labour is in existence since long back is in existence in public and private organisations. The State Government and Central Government are also making the use of contract labour. The system itself tended the abuses of contract labour. Therefore the government planning commission was appointed in the second five year plan, the commission have made certain recommendations about improvement of service conditions. If in some cases the abolition is not possible, then the system is kept continued.

**The Contract Labour (Regulation and Abolition) Act, 1970:**

The contract labour Act has received the assent on 5/09/1970 and was passed on 5/09/1970.

**Title of the Act:** The title of the Act is “Contract Labour (Regulation and Abolition) Act, 1970.

The Act extends to whole India, and the Act came in to force after central government may by notification in the official Gazette appoints different provisions of the Act.

The Act is very small containing very few sections. The provisions about canteen are very important in the contract labour act.

**Registration of the Establishments:**

The principal employer means who is the owner and exercises ultimate control and supervises and controls the employer.

**Section 7(1) rule 17:** The application is made in triplicate in the registering office in that area Sec 7 (2). The changes due to registration
office should be made within 15 days.

Sec (8) - Revocation of Registration: in certain cases revocation is made if the certificate is obtained by misrepresentation, suppression of material facts, but the opportunity of hearing is required to be given by the appropriate government.

According to section G, if the establishment is not registered by the principal employer, he is not allowed to employ the contract labour.

Licensing of Contractors: -

The contractor will not be able to appoint contract labour or cannot undertake the contract work unless he is having the license certificate. Such licenses are issued by licensing officer.

The application should be made to the licensing officer in triplicate along with the required documents or certificates section 13 (1) Rule 21 (1)

The principal employer should give the declaration about the engagement of contract labour rule 21 (2-A)

Eligibility: -

According to the section 2 Rule 22 – the licensing officer investigates in the application whether the applicant who has applied is minor, of unsound mind, insolvent or no, and the license is granted after investigation.

As per Rule 23 the eligibility of the applicant is taken into consideration.

Security Deposit: -

The Rule-24 states that the security deposit of Rs. 100 per workman should be deposited by the contractor.

The license is granted or can be renewed under the Rule-29 of the section 13(2) of the contract labour Act.

Validity: -

As per rule 27, the license remains valid by to 31st December, every year.

Renewal of License: -

An Application should be made in triplicate made within 60 days, before
Section 14(1) (a) & (b) states that if the licensing officer satisfies that license is obtained by misrepresentation, suppression of material facts, may revoke the license or forfeit the amount of deposit.

Amendment of License :-

As per the Rule 28 the contractors shall apply to the labour officer, with the receipt of a treasury receipt for amendment of license.

Prohibition of Contract labour – Section 10(1) and (2) :-

If the appropriate government satisfies that the conditions of the work and other factors whether

a) Operation or process is incidental to or necessary for trade and industry.
b) It is perennial in nature, with regard to trade and industry.
c) The work can be done by the regular workman in the same or similar establishment.
d) The work is sufficient to employ considerable number of whole time employee.

The appropriate government may offer consolation with Advisory Boards and by notification in the official Gazette, prohibit the employment of contract labour in any operation or process or other work in the establishment.

Appeal and Procedures Section 15 (1) & (2) :-

A person aggrieved from order made u/s 7,8,12, or 14 may prefer to appeal to appellate officer within 30 days.

Every person shall be in the memorandum form signed appellant or his authorised agent or by regered post and a certified copy of appealed form.

If the application is not complied with Rule 32 then it is rejected or returned or dismissed on non appearance of appecant on fixed date.

Re-admissions of Appeals:-The appeals dismissed under rule 34, if the re-appeal is made within 30 days, after dismissed and proved certain
causes then it is readmitted.

Table No. 5.1: Enforcement of Contract Labour (Regulation & Abolition) Act, 1970

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>No. of registration certificates issued to principal employees cases received during</td>
<td>375</td>
<td>425</td>
<td>639</td>
<td>670</td>
<td>658</td>
<td>516</td>
</tr>
<tr>
<td>2</td>
<td>No. of Licences issued to contractors.</td>
<td>3613</td>
<td>4660</td>
<td>5471</td>
<td>6832</td>
<td>7734</td>
<td>6827</td>
</tr>
<tr>
<td>3</td>
<td>No. of Inspections conducted.</td>
<td>4653</td>
<td>3966</td>
<td>4263</td>
<td>5281</td>
<td>5479</td>
<td>6052</td>
</tr>
<tr>
<td>4</td>
<td>No. of Irregularities detected.</td>
<td>72541</td>
<td>70709</td>
<td>65509</td>
<td>85936</td>
<td>83414</td>
<td>94685</td>
</tr>
<tr>
<td>5</td>
<td>No. of prosecutions launched.</td>
<td>3705</td>
<td>3330</td>
<td>3147</td>
<td>3805</td>
<td>3857</td>
<td>3671</td>
</tr>
<tr>
<td>6</td>
<td>No. of convictions.</td>
<td>2770</td>
<td>2240</td>
<td>2060</td>
<td>2019</td>
<td>2126</td>
<td>2071</td>
</tr>
<tr>
<td>7</td>
<td>No. of contract labourers covered by licences.</td>
<td>499776</td>
<td>588678</td>
<td>664216</td>
<td>762425</td>
<td>773649</td>
<td>709030</td>
</tr>
<tr>
<td>8</td>
<td>No. of licences revoked/cancelled.</td>
<td>757</td>
<td>1371</td>
<td>1669</td>
<td>1099</td>
<td>3562</td>
<td>3904</td>
</tr>
<tr>
<td>9</td>
<td>No. of registration certificates revoked</td>
<td>23</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>2</td>
<td>Nil</td>
</tr>
</tbody>
</table>

(Source: Annual Report 2002-03, Ministry of Labour, Govt. of India, New Delhi)

From the above table, it is cleared that the registration certificate issued to the principle employer were 375 in the year 1996 increased upto 670 in the year 1999 and again reduced upto 658 in the year 2000 and upto 516 in the year 2001-02.

The licences issued to the contractor were 3613 in the year 1996 increased upto 6632 in the year 1999, the highest licenses issued were 7734 in the year 2000 and reduced to 6827 in 2001-02.

The inspection conducted were 4653 in 1996. These inspection were
Graph 5: No. of Registration certificates issued to the Principle Employers and Licenses issued to Contractors for the period
The number of contract labour covered by the licences were 489776 in the year 1996 increased at its highest 762425 in 1999 and again increased 773849 in the year 2000 and 709030 in the year 2001-02. Which means the contract labour system is increasingly adopted in the industrial sector for the working of non core activities.

**Absorption of Contract Labour**

It has been settled by the various judgments of Apex courts and high courts. The employees of the contractors cannot become the employees of the principal employer even though the principal employer or contractor are not having licenses or not registered. Even if the contract of the contractor is terminated and employees of the contractor becomes surplus, it is not obligatory on the principal employers to absorb the employees of the contractor.

**No Automatic Absorption of Contract Labour on Prohibition Abolition**:­

The latest judgment given by the Supreme court is that on abolition or prohibition of contract labour the employees or workers engaged through contractors will not become the employees of the principal employer.

Steel Authority of India Ltd. Vs National Union, Water Front Workers, 2001 LLR 961 (Sc).

**Other Acts Applicable to Contract Labour**:­

1) Factories Act, 1948:- The Act do not makes any difference between the persons directly employed & by contractors the contract labour can enjoy the same benefits as like workers in a factory like leave, holiday, overtime, extra wages etc.

2) The Employees Provident fund Act 1952.

3) Employees state Insurance Act 1948.

4) The Payment of Wages Act 1936.

5) The minimum wages Act, 1948.
7) The Workmen's Compensation Act 1923 are applicable to the contract labour system.

**Health and welfare of contract labour canteen section 16, rule 40:-**

This provision is applicable to those establishment where 100 more contract labours are employed for last 6 months. The canteen should be made available to the contract labours within 60 days either by the contractors or by the principal employer.

**Rest rooms - section 17, rule 39:-**

If the contract labours are required to halt at night and work is to continue for 3 months or more.

The rest room should be provided by the contractor or principal employer within 60 days of commencement of work.

**Other Facilities section 18 – Rule 41,42 and 43:-**

It shall be a duty of the contractor to provide and maximum facilities like.

- Latrines and Urinals - Should be provided by clause(1) to (9) of rule 41.
- Washing facilities - should be provided adequately as per rule 42.
- Other facilities - within 60 days of the commencement of the rules and 30 days after in case of new establishments as prescribed in this rule.

**Payment of Wages - Section 21 (1), (2), (3) & (4) :-**

The contractor shall be responsible for payment before prescribed period of time.

The representatives of principal employer should be nominated.

The disbursement of wages should be in the presence of representatives.

If the contractor is not paying full wages then principal employer is liable for making such payment of wages.

As per rule 54 – The entries of payment of wages should made in the register.

The wage period should not exceed more then one month.
Mode of Payment of wages:-

If the period of wages is a week or fort night then the wages should be made within 3 days.

In other cases if the workers are less than 1000 then the payment of wages should be before 7th day of the month. If the workers are above 1000 then the payment of wages should be made before 10th day of the month.

The payment of wages on termination should be made one day after such termination.

The payment of wages should be made on the working day and the person authorised to make it.

The payment should be made in coin or currency or both.

The wages should be made without deduction except those deductions which are permissible by the payment of waged Act.

The notice should be displayed showing the work place and the period of distribution.

Liability of the principal employer in certain cases :-

If the contractor does not provide u/s 16 & 17 the principal employer is obliged to provide & the expenses may be recovered from contractor either by deduction or as debt payable.

Registers and other Records to be Maintained (sec 29) (1) & (2) :-

Every principle employer & contractor should maintain registers and records with particulars like number of contractors employed, nature of work and rates of wages.

Register of Contracts :-

Should include the particulars of contract, hours of work & nature of work etc. the principle employer shall maintain the register.

Muster rolls, Wages Registers, Discounts Register and Overtime Registers etc Rule 59:-

The establishments which are governed by payment of wages Act
required to maintain, The muster roll, register of wages, register of wage deduction, overtime, fines & advance.

According to rule 59(1) the contractor shall maintain muster roll- cum wage register & issue attendance card-cum slip as prescribed by maharashtra. Minimum wages rules 1963, along with signature or thumb impression.

Display of the act and rules:-

As per rule 60, every contractor should display the acts and rules in English, Hindi and Marathi or in the form approved by the labour commissioner.

Register to be kept handy:-

All registers and records should be kept in the office or 3 kms from the work place, maintained in Hindi, English and Marathi shall be preserved for 3 years from the date of last entry and should be produced on demand by inspector on any other authority.

Penalties and offences Section 22(1),(2),(23)&(24) :

Obstructions – To the inspector while discharging his duty imprisonment up to 3 months or fine up to Rs 500 or both.

In case refusal to produce the registers and documents an imprisonment up to 3 months or fine up to Rs 500 or both

Contravention of provisions :

Regarding employment of contract labour, prohibition, restriction or regulation of contract labour etc. Imprisonment of 3 months or fine up to Rs 1000 or both.

Contravention if continued :- additional fine of Rs 100/- for every continuing day.

Offences of the Company – Section 25(1),(2),(27)&(30)

Offences by the Companies

The company or a person in charge who is guilty is punished unless proved to the contrary.

If proved and the offence is committed then the negligence by director or manager shall be punished.
Limitation of prosecution :-

3 Months from the date on which alleged commission came to inspectors knowledge.

For offence of disobeying order of inspector 6 months from the date of offence.

5.4.3 Contract Labour System at Maharashtra level: -

Maharashtra is industrially advanced state in India. The labour laws in Maharashtra are simplified and the domestic industries are getting the benefits of simplified labour laws.

The contract labours are allowed for peripheral services like canteens, transport, gardening, security and housekeeping etc. The contract will be permitted in direct manufacturing also to take care of seasonal peaks. There is inefficiency, amongst the worker due to they have offered permanent jobs and life time job security, to the workers who have become inefficient, having low productivity and poor quality of work.

Due to globalization the competition of the domestic industries has been increased, and the industries are in great difficulty in Maharashtra. The employment in Maharashtra is declining due to down sizing measures adopted and modernisation of the industries.

High-tech Maharashtra a good scope for contract labour: -

Maharashtra state have stressed on IT industries. The perfect policy making and its effective implementation is the main reason why Maharashtra ranks number one state in IT industries in India.

The state government is providing the infrastructural facilities to the IT and Software industries, like roads, communications, electricity, transport etc.

The Maharashtra government have developed the IT parks at Bombay, Pune, Nagpur and at Kolhapur, as well as the BPO centers and the call centers. These industries are providing employment and the higher salaries and amenities to the workers, the workers employed in these
industries are mostly on contract basis only.

**Contract labour system in Pune and Pimpri Chinchwad areas**:

The effect of globalisation have affected the industries in pune area. Pimpri Chinchwad is the prosperous industrial area, in pune city. Due to world competition most of the small industries are closed, some have retrenched the workers and some have declared VRS in this area.

But one more added advantage is that the IT industries and software parks, call centers and BPO centers are started in pune area which recruits the workers on contract basis only and giving attractive salaries and amenities.

The IT industries and software parks are developed at Hinjawdi, Talawade, Kharadi areas and proposed at Wagholi area is also, under consideration.

The Multinational Companies are located at Ranjangaon Ganapati in 2000 acres and mostly preferring the contract labours only.

**THE MAHARASHTRA CONTRACT LABOUR (Regulation and abolition) Rules 1971**:

*Industries and labour Department, Sachivalaya Bombay -32 dated 26th October 1971*

No CLA, 1170/1545/-LAB-IV In exercise of the powers confirmed by subsection (1) and clauses (a) to (p) (both inclusive) of section (2) of section 35 of the contract labour (Regulation and abolition) Act 1971 (37 of 1970) and all other powers enabling it in that behalf, that the government of maharashtra hereby makes the following rules, the same having been previously published as required by sub section (1) of the said section 35 namely-

**Short Title** - “Maharashtra contract labour (Regulation and Abolition) rules, 1971.

**Definitions** -

(i) The act means contract labour act 1970
(ii) Appellate officer – Means appointed by the government under section (1) of section 15.

(iii) Board means state advisory contract labour board

(IV) Chairman-Means chairman of the board

(V) Government means government of maharashtra.

STATE ADVISORY BOARD :-

The board consists of chairman appointed by the government, the labour commissioner, ex-officio or any other officer appointed by government, five persons in which (3 from employers 2 from contractors) five persons representatives of the workers appointed by the government

Terms of office :-

i) Chairman will hold the office for 3 years

ii) The members of the board as per the pleasure of the government

iii) The other members will hold office for 3 years.

Resignation :-

i) Member excluding ex-officio resigns his office addressed to government

ii) After resignation the office will fall vacant or 30 days of intimation by the government.

Cessation of membership :-

i) If the member excluding ex-officio fails to attend three consecutive meeting without obtaining a leave from chairman will cease the membership.

ii) If the government satisfies that his absence for 3 meetings may direct such cessation.

Disqualification :-

i) A person of unsound mind declared by the court, or insolvent, or moral turpitude cannot be a member of the board.

ii) About above condition the government shall decide the same.

Removal from membership :-

If a member of board if ceased to represent interest a government may
remove him from the board, but he should be given the opportunity to represent his opinion.

Vacancy :-

After vacancy occurs or due to death the chairman informs the government, then the government of feeling the vacancy.

Staff :-

One secretary and other staffs are appointed by the board, their salaries and allowances are decided by the government.

Allowances of members :-

The traveling allowances are paid to the official and non official members are observed by the secretary of the board.

Disposal of business :-

Each question is decided in the board meeting by majority, the chairman have a second or casting vote power in case of equality.

Notice of the meeting :-

At least seven days notice before meeting & incase of emergency 3 days notice will be given & for the business which is not in agenda, no notice is required.

Quorum :-

At least one third member excluding chairmen should be present for ordinary business.

If member is not sufficient then the meeting is postponed and next time the business is adjourned irrespective of number of member attending.

Committee of the board :-

The committee of the board is also formed one person is selected as chairmen, for meeting fifteen days notice is given, for emergency issue at least 7 days notice is given. The chairmen will be the president of the meeting and in his absence the member will elect amongst them one as president.
Registration and licensing :-

Application for registration :-

The application made in triplicate with treasury certificate.

On receipt of the application, the registering officer records there in the date of receipt and acknowledges the receipt.

Grant of certificate :-

The registering officer grants the certificate in the form no II and he maintains the records in the form no III, & if there are any changes in certificate should inform within 15 days to the principal employer.

Rejection of registration :-

a) If the application for registration is not complete.

b) Or if the registering officer requires the change in the application & within 15 days. Such change is not made by principal employer then his registration is rejected.

Application for license :-

The contractor should make his application in triplicate in the form no IV and should be accompanied with the certificate of the principal employer, should be sent by registered post. The registering officer records the date of receipt there on. Every application should be accompanied by treasury receipt & payment of fees at the rates specified.

Matter to be considered while granting license :-

a) Whether the applicant is a minor of unsound mind declared by court; undercharged insolvent, has convicted an offence, or moral turpitude declared by of the government.

b) Abolition of the contract.

Grant of license :-

After receipt of application, the licensing officer makes the enquiry and grants the license.

Security:- The contractor is an individual or co-operative society has to deposit Rs.100. per workman as a security deposit.
Fees: - The fees of registration for new contractors are Rs.200 for 20 workmen and Rs.5000 for workmen exceeds 400. The fees varies with number of workmen, for 100 workmen Rs.1600, for 200 workmen Rs.2000, for 400 Rs.4000.

The contract renewal fees are for 20 workmen it is Rs.100 minimum and for exceeding 400 workmen it is Rs.2500 maximum.

The license remains valid up to 31st December every year. The license should be renewed 60 days before the license expires. If the license is lost or destroyed due to accident then duplicate certificate is issued by payment of the fees.

Welfare and health of contract labour and wages: -

In the welfare & health facilities, rest rooms, canteens, latrines & urinals, washing facilities & other facilities, First aids & wages etc. are similar to the provisions which are mentioned in the contract labour (Regulation & Abolition) Act 1970 at all India level are similarly applicable to the Maharasthra contact labour (regulation & abolition) Act, 1970.

Register and records: -

The register of contractor are maintained by the principal employers. Every contractor shall issue an identity card to the worker in the form number X. The identity card should be maintained up to date. The contractor shall ensure that (Identity cards) are carried by the workers with them or no.

The muster roll, wage registers, deduction register and overtime register should be maintained by the contractor. The changes in the act or rules should be displayed on the notice board. The registers, records and notices should be kept handy. The notice about changes in the rates of wages should be displayed on the notice board.

Every principal employer of the register establishment shall send annually a return in form XXI in duplicate before 15th February to the registering officer the end of the year to which it relates.

The Board, committee, commissioner of labour or the inspector or
any other authority of the act has the power of information of statistics, about contract labour or principal employer at any time by an order in writing. Any person called upon to furnish the information under sub rule(1) shall be legally bound to do so.

5.5 ADVANTAGES AND DISADVANTAGES OF CONTRACT LABOUR SYSTEM:-

The contract labour system is beneficial to the employers, employees and the nations.

Advantages to the nation:-

i) Contract labour system reduces the unemployment problem.

ii) It helps to increase the standard of living of the peoples because after getting employment standard of living increases automatically.

iii) The labour intensive nations can take the advantage of outsourcing.

iv) The workers of developing countries can seek the jobs in developed nation.

v) The contract labour system will earn the foreign exchange. So that the balance of payment situation of the developing country will improve.

Advantages to the employers:-

i) This system helps to reduce the cost of production.

ii) Improves the productivity and service competitiveness.

iii) The non core activities can be outsourced and attention only on core activities is possible.

iv) The highly skilled, educated and young persons are available at low rate than the regular employees.

v) Improves the productivity, due to young labours efficiency.

vi) As the work is assigned to contractors no supervision is required.

vii) The contract labours cannot be a permanent workers hence no burden on the organisation in future.

viii) The fringe benefits are not given to the contract labour.
ix) No problem of trade unions.

x) The automation measures or technological upgradation is possible by removing contract labours at any time.

Advantages to the employees:-

i) Unemployed persons will get the employment.

ii) The employees can get good jobs in other organisations.

iii) They can improve their skills and seek better jobs.

iv) In the modern age, there are bright opportunities to the skilled labours in the advanced nation.

Disadvantages of contract labour system:- are as follows-

Disadvantages to the employers:-

i) The possibility of forming trade unions by contract labours.

ii) Product quality cannot be maintained.

iii) There is no attachment to the organisation of the contract labors.

iv) As the workers are changing frequently, it will require to incur more expenses on training.

v) The contract labours will affect the productivity.

vi) Only non-core activities are assigned to contract labour.

Disadvantages to the employees (Contract Labour) :-

i) They will be given wages at low rate.

ii) They are terminated at any time.

iii) No reward for extra work, or more efficient work.

iv) No stability in the life, so creates tension.

v) The basic amenities also are not provided.

vi) The working hours are not fixed.

vii) The contract labours are harassed by the contractors or principal employer.

viii) The women and child workers will be more sufferers.

ix) The multinational companies will not offer the jobs to the Indian workers due to the requirement of highly intellectual and training related jobs.

x) The social securities are not provided to the contract labours.

xi) There will be reduction in the regular employment.