Labour and Industrial Laws

Introduction to Labour and Industrial Law

Labour and Industrial Laws govern the relationship between employers and workers, ensuring fair treatment, dispute resolution, and workplace safety.

Industrial Relations Code, 2020

This Code consolidates and simplifies three major laws:

- 1. Trade Unions Act, 1926
- 2. Industrial Employment (Standing Orders) Act, 1946
- 3. Industrial Disputes Act, 1947

Scope & Applicability

The Code regulates:

- Trade Union registration, alteration, and cancellation
- Work Committee and Industrial Tribunal formation
- Strikes, lockouts, lay-offs, and retrenchment
- Compensation, closure, and dispute resolution

Objective

The Code ensures industrial harmony, protects worker rights, and simplifies labour reforms to promote business ease.

Key Definitions

- Industry: Systematic activity for goods/services production
- Employer: Person/entity employing workers
- Employee: Any individual working in an industrial establishment
- Worker: Manual, technical, or skilled workforce excluding managerial staff
- Trade Union: Worker/employer association for regulating relations
- **Retrenchment**: Termination of workers, excluding voluntary retirement or contract completion

Major Provisions

- Trade Union Registration: Requires at least 10% or 100 workers
- Work Committee: Mandatory for establishments with 100+ workers
- Negotiating Trade Union: Recognized based on worker majority
- **Grievance Redressal Committee**: Required for establishments with 20+ workers
- **Standing Orders**: Needed for 300+ workers, covering classifications, shifts, leave policies, etc.
- Strikes & Lockouts: 60-day prior notice required, with restrictions during dispute resolution

- Change in Service Conditions: Employers must notify workers of significant changes
- Retrenchment & Lay-offs: Requires notice and compensation, with re-employment preference for retrenched workers
- Closure: Requires a 60-day notice and compensation for affected workers

Exemptions

The government may exempt new establishments in the public interest from certain provisions of the Code.

Code on Social Security, 2020

The Code on Social Security, 2020 consolidates, amends, and simplifies provisions of multiple labor laws into a unified framework. It consists of 14 chapters, 164 sections, and 7 schedules and replaces nine previous laws related to employee benefits, social security, and welfare.

Key Highlights

- Uniformity in Definitions & Authorities: Standardizes definitions across laws and simplifies compliance.
- Expanded Employee Coverage: Includes gig workers, platform workers, and unorganized sector employees under social security.
- **Simplified Registration**: Aadhaar-based and electronic registration for all categories of workers.
- Provident Fund (PF), Pension & Insurance: Employer contributes 10%-12% of wages; employees contribute equally. Pension fund contributions are up to 8.3% of wages.
- Employees' State Insurance (ESI): Provides benefits like sickness, maternity, disability, dependents' benefits, and medical care. Employers and employees contribute as per prescribed rates.
- **Gratuity**: Payable after **5 years of continuous service** (3 years for working journalists). Can be forfeited in cases of employee misconduct.

Social Security Organizations

- 1. Employees' Provident Fund (EPF) Board
- 2. Employees' State Insurance Corporation (ESIC)
- 3. National & State Social Security Boards
- 4. State Building Workers' Welfare Boards

Benefits Under ESI

- Sickness Benefit
- Maternity Benefit
- Disablement & Dependents' Benefit
- Medical Treatment & Funeral Expenses

An individual cannot claim multiple benefits for the same period and may choose the most suitable one.

Gratuity Forfeiture

Employers can **wholly or partially forfeit** gratuity if an employee is terminated for misconduct, property damage, riotous behavior, or criminal acts.

This Code aims to streamline compliance, enhance worker benefits, and improve social security coverage across formal and informal sectors.

Continuous Service and Maternity Benefits

Continuous Service

An employee is considered to be in continuous service if they have been in uninterrupted service, including periods of absence due to sickness, accident, leave, lay-off, strike, or lock-out, except where an official break in service is declared.

• Deemed Continuous Service:

- o **One Year:** At least **190 days** (for underground mines or workplaces operating less than six days a week) or **240 days** (for other establishments) in the last 12 months.
- Six Months: At least 95 days (for mines/less-than-six-day workplaces) or 120 days (for others) in the last six months.
- Seasonal Establishments: Employees must work at least 75% of operational days to be considered in continuous service.

Maternity Benefits

Maternity benefits ensure financial security and protection for working women during pregnancy.

• Employment Restrictions:

- o No woman should work **six weeks** post-delivery, miscarriage, or medical termination of pregnancy.
- No strenuous work is allowed **one month before delivery** and during the **six-week post-delivery period** unless leave is availed.

• Entitlement & Duration:

- o Maternity benefit is paid at the average daily wage for the period of absence.
- o A woman must have worked at least 80 days in the last 12 months before expected delivery.
- o Maximum **26 weeks** (8 weeks pre-delivery + 18 weeks post-delivery).
- o If the woman has **two or more children**, the benefit is **12 weeks** (6 weeks pre-delivery + 6 weeks post-delivery).

• Other Benefits:

- o **Medical Bonus:** ₹3,500 (or as notified).
- o Miscarriage Leave: 6 weeks of paid leave.
- o **Tubectomy Leave:** 2 weeks of paid leave.
- o **Illness Due to Pregnancy:** Additional leave of up to 1 month with wages.

• Nursing & Childcare:

- o Two daily nursing breaks for mothers until the child is 15 months old.
- Workplaces with 50+ employees must provide crèche facilities with four daily visits allowed.

• Employment Protection:

- o Dismissing or disadvantaging a woman for maternity leave is **unlawful**.
- o Dismissal does not affect maternity benefits unless due to **gross misconduct**.
- o Appeals against deprivation of benefits can be made within **60 days**.

• Forfeiture of Benefits:

 Women working for remuneration while on maternity leave lose their entitlement for that period.

Employees' Compensation

1. Employer's Duty to Compensate

- Employers must compensate employees for injuries or occupational diseases arising from employment.
- Accidents resulting in death or serious injury must be reported to the relevant authority within seven days.

2. Employer's Liability

- o Compensation is mandatory for work-related injuries or diseases.
- o No compensation is required if:
 - The injury causes disability for less than three days.
 - The accident is due to the employee's intoxication, disobedience of safety rules, or removal of safety devices.

3. Scope of Compensation

- Accidents occurring during commuting are covered if there is a clear link to employment.
- o Employees cannot claim compensation if they file a lawsuit for damages or have a compensation agreement with the employer.
- o Employers must compensate for house collapses in plantations unless caused by occupants or natural disasters.

4. Amount of Compensation

- **Death**: 50% of monthly wages × relevant factor or government-notified amount (whichever is higher).
- **Permanent Total Disablement**: 60% of monthly wages × relevant factor or government-notified amount.
- o **Permanent Partial Disablement**: Compensation based on the percentage of loss of earning capacity.
- o **Temporary Disablement**: Half-monthly payments equal to 25% of monthly wages.

5. Medical and Additional Benefits

- o Medical expenses for work-related injuries are reimbursed.
- o Funeral expenses (minimum ₹15,000) must be deposited with the competent authority.

6. Calculation of Monthly Wages

o Based on the employee's total wages over the past 12 months or an average of similar employees' wages if the service period is shorter.

Social Security and Cess for Building and Other Construction Workers

Cess on Construction

- A cess is levied between 1% and 2% of the construction cost (excluding land cost and employee compensation).
- Employers must pay the cess as prescribed by the **Central Government**.
- If unpaid within the prescribed time, interest is applicable.

Employer's Obligations

- Employers must pay cess within 60 days of project completion and file a return.
- Cess can be deducted at source for government/public sector projects or collected in advance via local authorities.
- Collected cess is deposited into the **Building Workers' Welfare Board**.

Worker Registration & Benefits

- Workers aged 18-60 years, engaged in construction work for at least 90 days in the past year, can register as beneficiaries.
- Registered workers can avail welfare benefits until age 60.
- Workers with **continuous registration for 3 years** before 60 are eligible for retirement benefits.

Building Workers' Welfare Board

• Manages funds collected from **cess**, **grants**, **and loans** for worker welfare.

Social Security for Unorganised, Gig, and Platform Workers

- The Central Government provides schemes for:
 - o Life & disability cover
 - Health & maternity benefits
 - o Old age protection
 - Education & other welfare benefits
- The **State Government** provides schemes for:
 - o Provident fund
 - Employment injury benefits
 - o Housing & education
 - o Skill upgradation
 - o Funeral assistance & old age homes

Worker Registration

- Must be 16+ years old and submit electronic self-declaration.
- Registration requires **Aadhaar details** and provides access to government welfare schemes.

Employment Information & Monitoring

• Employers must report job vacancies to **career centres** but are **not required** to hire through them.

Aadhaar-Based Identification (Section 142)

- Aadhaar is mandatory for:
 - o Registration as a beneficiary
 - o Claiming benefits (pension, maternity benefits, withdrawals, etc.)
 - o Availing career centre services
 - o Foreign employees must obtain Aadhaar upon residency.

Inspector-cum-Facilitator

- Inspectors-cum-Facilitators will:
 - o Conduct web-based/random inspections.
 - o Guide employers and employees on **compliance**.

Employer Record-Keeping Requirements

- Maintain **electronic/manual records** on:
 - o Employee work details, wages, and attendance
 - o Compensation, EPF, and ESI deductions
 - o Building cess payments and recruitment details
- Must display notices at workplaces and issue wage slips.

Duties and Responsibilities

1. Owner, Agent, and Manager (Mines)

- Jointly responsible for financial, safety, and regulatory compliance.
- Liable for violations unless due diligence is proven.
- Supervisors, managers, and responsible officials can also be held accountable.

2. Designers, Manufacturers, Importers, and Suppliers

- Ensure products are safe for workers and comply with Indian standards.
- Conduct necessary tests and provide safety information.
- Importers must ensure products meet Indian or higher foreign standards.
- Research and minimize risks related to factory substances.

3. Architects, Project Engineers, and Designers

- Consider worker safety during planning, construction, and maintenance.
- Avoid hazardous materials and structures.
- Address risks associated with upkeep and maintenance.

4. Reporting of Accidents, Dangerous Occurrences, and Diseases

- Employers must report workplace accidents and occupational diseases to authorities.
- Medical practitioners must report work-related diseases or face penalties.
- Government authorities must investigate fatal workplace accidents.

5. Duties and Rights of Employees

- Take care of their own and others' safety.
- Report unsafe conditions.
- Avoid misuse of safety equipment.
- Right to safety information and to report imminent dangers.

6. National & State Occupational Safety and Health Advisory Boards

- Advise governments on safety standards, regulations, and policy implementation.
- State boards assist in administering occupational safety laws.

7. Occupational Safety and Health Standards

- Set safety norms for physical, chemical, and biological hazards.
- Establish hazard evaluation, medical examinations, and reporting criteria.
- Mandate post-employment monitoring for occupational diseases.

8. Safety Committees and Officers

- Required in large factories, construction sites, and mines.
- Safety officers must meet qualifications and fulfill prescribed duties.

9. Employer's Responsibility for Workplace Conditions

- Ensure hygiene, ventilation, potable water, waste treatment, and adequate space.
 Maintain clean and safe working conditions as per government regulations.

Welfare Facilities and Work Regulations

Welfare Facilities in the Workplace

Employers must provide and maintain welfare facilities as prescribed by the Central Government, including:

- Separate washing and bathing facilities for male, female, and transgender employees.
- Locker rooms, drying areas for wet clothing, and sitting arrangements for standing workers.
- Canteens in establishments with 100+ workers.
- Medical examinations for mine workers before and during employment.
- First-aid kits, ambulance rooms (for establishments with 500+ workers), and medical facilities for motor transport workers.
- Restrooms, lunchrooms (for factories/mines with 50+ workers), and temporary living accommodations for construction workers.
- Welfare officers in establishments with 250+ workers.
- Crèche facilities for children under six in workplaces with 50+ employees.

Hours of Work and Annual Leave

- **General Work Hours:** Max 8 hours/day, with spread overs as per government regulations.
- Mines: Below-ground workers have specific limits set by the Central Government.
- **Motor Transport Workers:** Includes time spent driving, subsidiary work, and brief attendance periods.
- **Journalists:** Max 144 hours over four weeks with at least 24 consecutive rest hours per week.
- Leave Policies:
 - Earned leave: 1 day per 20 days worked (15 days for adolescents, underground mine workers).
 - o Accumulated leave max: 30 days, with encashment options.
 - o Medical leave: 1 day per 18 days worked on half wages.
 - o Leave encashment upon retirement, resignation, or death.

Work Regulations and Holidays

- Weekly Rest: Max 6 working days per week. Motor transport workers can work 10 days without a break in exceptional cases.
- Overtime Pay: Double the regular wage for overtime, calculated daily or weekly.
- Night Shifts:
 - Weekly rest for night shift workers starts when their shift ends.
 - o Hours worked post-midnight count toward the previous day.
- **Prohibition of Overlapping Shifts:** No more than one set of workers can perform the same task simultaneously.
- **Restriction on Double Employment:** No worker can be employed in a factory or mine if they have worked in another similar establishment within the last 12 hours.
- **Work Notices:** Employers must display and notify work hours to the Inspector-cum-Facilitator, with prior approval required for changes.

Key Provisions

Maintenance of Registers, Records, and Returns

Employers must maintain registers (electronically or otherwise) with worker details, working hours, wages, leave, and other employment-related records. They must also issue wage slips and submit returns to the Inspector-cum-Facilitator as prescribed by the government.

Inspector-Cum-Facilitators and Authorities

Inspector-cum-Facilitators are appointed to conduct inspections, including web-based inspections, and enforce compliance electronically.

Women Employment

Women can work in all establishments, including night shifts, with their consent and subject to safety conditions. If certain jobs are deemed hazardous, employers must implement safety measures before employing women.

Contract Labour & Inter-State Migrant Workers

- **Contract Labour:** Applies to establishments and contractors employing 50+ contract workers. A license is required to engage contract labour. They cannot be employed in core activities except under specific conditions.
- **Inter-State Migrant Workers:** Applies to establishments employing 10+ such workers. Employers must provide suitable working conditions, report accidents, extend employee benefits, and cover travel expenses for workers to their native places.

Audio-Visual Workers

Workers must have a written, registered contract specifying wages, working conditions, benefits, and dispute resolution mechanisms. The producer is liable if a contractor fails to meet obligations.

Mines

- Every mine must have a qualified manager responsible for operations.
- The owner/agent must not interfere in management except in emergencies.
- Certain small-scale mines are exempt from specific provisions.
- Workers under 18 cannot work in mines; trainees (16+) can work under supervision with approval.
- Medical fitness exams are required for mine workers.

This summary captures the key regulatory aspects governing employment conditions across different sectors. Let me know if you need more details!

Code on Wages, 2019

The Code on Wages, 2019 consolidates and amends existing laws related to wages, bonuses, and remuneration for workers across both organized and unorganized sectors. It replaces four key legislations:

- 1. The Payment of Wages Act, 1936
- 2. The Minimum Wages Act, 1948
- 3. The Payment of Bonus Act, 1965
- 4. The Equal Remuneration Act, 1976

Key Changes Introduced

- 1. **Gender-Neutral Pay**: Employers must pay equal remuneration to employees regardless of gender and consider experience alongside skills, effort, and responsibility.
- 2. **Uniform Overtime Pay**: Over time wages fixed at **twice the normal wage rate**, applicable across all sectors.
- 3. Standardized Definition of 'Wages': Now includes basic pay, dearness allowance, and retaining allowance, while excluding bonus, HRA, provident fund contributions, etc. Exclusions cannot exceed 50% of total wages.
- 4. **Expanded Minimum Wage Coverage**: Now includes **supervisory**, **managerial**, **administrative**, **and technical employees**, not just skilled/unskilled/clerical workers.
- 5. Wider Payment of Wages Coverage: Applies to all establishments (except government entities) without any salary limit.
- 6. Distinction Between 'Employee' and 'Worker':
 - o **Employee** includes all types of workers except apprentices.
 - o Worker excludes managerial/administrative personnel earning over ₹15.000/month.
- 7. Standardized Wage Payment Timelines:
 - o Daily wages: End of the shift
 - Weekly wages: Last working day of the week
 - o Fortnightly wages: Within 2 days after fortnight
 - o Monthly wages: By the 7th of the following month
 - o Termination/resignation: Within 2 working days
- 8. **Bonus Disqualification**: Adds **conviction for sexual harassment** as a ground for disqualification from receiving a bonus.
- 9. **Introduction of 'Inspector-cum-Facilitator'**: Officers will **inspect and advise** employers instead of focusing only on enforcement. First-time violators get a chance to comply before prosecution.
- 10. Decriminalization of Offences:
 - o Most offences attract monetary penalties rather than imprisonment.
 - o Repeat offences (within 5 years) can lead to imprisonment.
 - First-time violators can opt for compounding (settling by paying up to 50% of the fine).

Industrial Disputes Act, 1947 & Factories Act, 1948

Industrial Disputes Act, 1947

The **Industrial Disputes Act**, 1947, is the primary legislation in India governing the investigation and resolution of industrial disputes. It aims to prevent illegal strikes and lockouts, provide relief to workers during layoffs, retrenchments, or wrongful dismissals, and establish mechanisms like **conciliation**, **arbitration**, **and adjudication** for dispute resolution.

Applicability & Scope

- Industrial Dispute (Sec 2(k)): Disputes between employers and employees or among workmen related to employment conditions.
- Industry (Sec 2(j)): Includes any business, trade, manufacture, or service activity involving systematic organization and employer-employee cooperation.
- The **Bangalore Water Supply case** established a **three-pronged test** to determine industrial status.

Dispute Resolution Mechanisms

1. Internal Mechanisms:

- Works Committee (Sec 3): Mandatory for industries with 100+ workers, ensures dialogue between management and employees.
- o **Grievance Redressal Committee (Sec 9C)**: Required for establishments with 50+ employees, resolves grievances within 45 days.

2. External Mechanisms:

- o Conciliation Officers & Boards (Sec 4-5): Appointed by the government to mediate disputes and submit reports.
- o Court of Enquiry (Sec 6): Investigates industrial disputes.
- o **Labour Court (Sec 7)**: Handles disputes under the Second Schedule, headed by a judicial officer.
- Industrial Tribunal (Sec 7A): Deals with matters in the Second and Third Schedules.
- o National Tribunal (Sec 7B): Resolves disputes of national importance.

Factories Act, 1948

The Factories Act, 1948, governs working conditions, health, safety, and welfare of workers in factories. It ensures a balance between industrial efficiency and worker wellbeing.

Key Objectives

- Protect workers' health, safety, and welfare.
- Establish **standard working hours** and prevent overwork.
- Ensure minimum wages, clean working conditions, and medical facilities.

Key Provisions

- Work Hours: Limited to 48 hours per week, with a maximum of 9 hours per day.
- Minimum Wages: Employers must pay at least the prescribed minimum wages.
- **Holidays & Welfare**: Weekly holidays, potable drinking water, sanitation, and first-aid facilities are mandatory.
- Child Labour Committee: Regulates employment of 14-18-year-olds in factories.
- Labour Officers: Monitor compliance and enforce laws.
- Industrial Dispute Resolution: Involves conciliation officers for mediation.

Implementation & Amendments

- Implemented on June 15, 1951, and amended in 1951, 1960, 1961, and 1972.
- Applies to factories employing 10 or more workers.

Conclusion

The Industrial Disputes Act, 1947, and Factories Act, 1948, play a crucial role in ensuring industrial harmony by protecting workers' rights and providing mechanisms for dispute resolution. These laws contribute to a balanced and efficient industrial environment in India.

Recent Amendments in Labour Laws

Introduction

India's labour law framework is extensive, with around 16 legislations governing labourers, many dating back to British rule. Despite constitutional obligations under the Directive Principles of State Policy (DPSP) and international influences like the International Labour Organization (ILO), many of these laws remain outdated. Recent reforms have consolidated labour laws into four Labour Codes:

- 1. The Code on Social Security, 2020 (SS Code)
- 2. The Industrial Relations Code, 2020 (IRC)
- 3. The Code on Wages, 2019 (Wage Code)
- 4. The Occupational Safety, Health, and Working Conditions Code, 2020 (OSH Code)

However, these Codes have not yet been officially notified, delaying their enforcement. This article critically examines their viability in both organized and unorganized sectors, especially in the IT industry, which has grown significantly since 2012 but remains inadequately regulated by labour laws.

Differentiation Between Employees and Workers

Labour laws in India previously lacked clear legislative differentiation between "workman" and "employee," leaving courts to define these terms under the **Industrial Disputes Act**, **1947**. Key judicial rulings shaped these definitions, often restricting certain categories (e.g., managerial and supervisory employees).

With the **Labour Codes**, the focus has shifted to legislative definitions:

- **Employee**: Anyone working in an establishment, receiving wages for skilled or unskilled work.
- **Worker**: Defined in multiple ways, particularly under the SS Code, distinguishing between unorganized workers, gig workers, etc.

Despite these updates, ambiguities persist, especially concerning the definition of **wages**, leading to unclear applicability across different worker categories. The UK labour law system, which explicitly distinguishes between employees and workers, could serve as a reference point for India to refine its legal framework.

Labour Law, Social Security, and the Unorganized Sector

Many earlier social-security-centric legislations have been consolidated into the **SS Code**, repealing acts such as:

- Employee's Compensation Act, 1923
- Employee's State Insurance Act, 1948
- Employee's Provident Funds Act, 1952
- The Unorganized Workers' Social Security Act, 2008, etc.

However, the SS Code fails to rectify key issues:

- 1. **Restrictive Definitions**: The term **"unorganized sector"** excludes wage workers and arbitrarily limits enterprises to less than ten workers, excluding many deserving workers from legal benefits.
- 2. **Unclear Gig Worker Provisions**: The SS Code defines **gig workers** separately but does not integrate them under unorganized sector benefits, limiting their protections.

Conclusion

While the new Labour Codes attempt to streamline and modernize India's labour laws, they retain many of the old system's flaws. Key challenges include unclear definitions, the limited scope of protections for IT workers and gig workers, and the Codes' pending notification. To improve labour law effectiveness, legislative reforms must clarify definitions, expand coverage, and align with international best practices.

Indian Labour Law and the Pink-Slip Trend in the IT Sector

Ambiguity in Labour Law Applicability to IT Sector

India's labour laws have historically determined the applicability of the **Industrial Disputes Act, 1947 (ID Act)** on a case-by-case basis. The Supreme Court has not explicitly ruled on IT sector applicability, but:

- The **Tamil Nadu Government (2016)** recognized IT employees as "workmen" under the ID Act for trade union formation.
- The **Karnataka High Court** held that IT employees qualify as "workmen" for tax exemptions under the **Income Tax Act, 1961**. However, these rulings are not universally applicable across India, leading to ambiguity.

Legislations Supposedly Applicable to IT Sector

Some labour laws may apply to IT companies, but lack clarity:

- 1. **Trade Unions Act, 1926** Recognizes IT employees' right to unionize, with four Indian states explicitly applying the Act to IT.
- 2. **Payment of Gratuity Act, 1936** Covers employees in establishments, but definitions vary across states.
- 3. **Minimum Wages Act, 1948** Enlists applicable employment categories, but IT-specific inclusion is unclear.
- 4. **Sexual Harassment of Women Act, 2013** Covers IT employees but is enforced by the **Ministry of Women & Child Development**, causing implementation issues.

Despite broad definitions, no Supreme Court precedent explicitly includes IT workers under the **ID Act**, leading to uncertainty in pink-slip cases (mass layoffs).

Pink-Slip Trend and Labour Code Shortcomings

The **Bangalore Water Supply case** introduced a **triple test** to define an "industry," which IT companies might meet. However, in the absence of clear legislation, employers exploit loopholes, making large-scale layoffs unregulated. Consequences include:

- 1. No guaranteed retrenchment compensation for IT employees.
- 2. Lack of transparency in severance payments.
- 3. Limited legal recourse for laid-off workers.

The Industrial Relations Code (IRC), 2020, which replaced the ID Act, merely replicates old provisions, failing to clarify IT sector applicability. Atal Bimit Vyakti Kalyan Yojana offers benefits to job-losers, but its applicability to IT workers remains unclear.

Need for Legislative Reform

India lags behind countries like the UK in IT employee rights, particularly in areas like job security and workplace privacy. The **Labour Codes were meant to simplify** 29 labour laws,

but they merely compile existing provisions without substantive reform. Given the delay in Code notification, there is still scope for:

- Clarifying IT sector inclusion in labour laws.
- Ensuring fair retrenchment compensation and transparent processes.
- Strengthening judicial precedents to protect IT employees' rights.

Without reforms, **mass layoffs in the IT sector will remain unchecked**, undermining labour law objectives and workers' constitutional protections.