



Worker Education Series

Contract Labour (Regulation and Abolition) Act, 1970

Cividep India
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Contract Labour Act, 1970

Are you a temporary employee in your company? As a contract worker, are you aware that you have rights under a legislation called the Contract Labour (Regulation and Abolition) Act, 1970?

The Contract Labour (Regulation and Abolition) Act, 1970, has been enacted to “regulate the employment of contract labour in certain establishments and to provide for its abolition in certain circumstances”.

This Act has provisions to ensure that the contract labour is not misused and the rights of workers employed on contract basis are protected. The Act does not ban contract labour altogether, but puts restrictions on it and prohibits it under certain circumstances.

Who comes under this Act?

The Act is mainly directed at establishments and contractors. This Act covers:

- Every establishment employing more than 20 workmen as contract labour;
- Every contractor employing 20 or more workmen.

The Act uses two important terms: Principal Employer and Contractor. A contractor is the person who supplies contract labour for any work of an establishment. Contractor could also mean a person who undertakes to produce a given result for the establishment through the employment of contract labour. Principal Employer is the employer who employs contract labour through a contractor.

Illustration: ‘A’ is in the business of supplying labour on contract basis to companies. 240 workmen employed by ‘A’ are working in factory owned by Company ‘B’. Here, A is the Contractor and B is the Principal Employer.

Are there any exceptions to this act?

This Act shall not apply if the work done in the establishment is casual or intermittent in nature.

What is the meaning of intermittent work?

Work would come under the category of intermittent work if:

- It is ‘seasonal’ in nature, and is performed for not more than 60 days in a year.
- If it was performed less than 120 days in the preceding 12 months.

If a principal employer of an establishment or a contractor comes under this Act, what are the requirements they have to follow?

A principal employer has to register himself under this Act, by applying to the Registering Officer under the Act.

A contractor has to obtain a license under this Act, in order to employ contract labour for any purpose. Before obtaining this license, he cannot undertake or execute any work using contract labour.

What if the principal employer is not registered? Or, the contractor has not obtained a license?

If the principal employer is not registered, or the contractor has not obtained a license, they are prohibited from employing contract labour for any purpose.

Are there any other cases where employment of contract labour is prohibited?

The Central and State Government may prohibit a particular establishment from employing contract labour. For this, the Government has to consider the following:

- whether the conditions of work and benefits provided for the contract labour in the establishment are satisfactory;
- whether work is incidental to or necessary for the business of the establishment;
- whether it is of perennial nature, that is to say, it is of sufficient duration;
- whether it is done ordinarily through regular workmen;
- whether it is sufficient to employ considerable number of full-time workmen.

If a worker has been employed as contract labour under this Act, are there any provisions to make him permanent under the Act?

No, the Act has been enacted to regulate contract labour to ensure that it is not misused. There are no provisions in this Act that confer the right to an employee for permanent employment. Nothing in the Act requires the employer to automatically absorb the contract workers into its permanent workforce¹.

¹ This principle has been reiterated in judgments of the Supreme Court such as Steel Authority of India Ltd. vs. National Union of Waterfront Workers & Others 2001 (4) LLN 135 OR.

Are there any benefits to the temporary employee or contract worker under this Act?

The Act lays down that it is the duty of the Contractor to provide the contract workers with Canteens, Restrooms, Drinking Water facilities, Toilets and First Aid. In case the contractor fails to provide these services, the Principal Employer has to provide these amenities to the contract workers.

What are the regulations with regard to the wages given to contract workers?

Section 21 of the Act says that a contract worker who is performing the same or similar kind of work as a permanent worker should be paid the same wages as the permanent worker. Such a contract worker is also entitled under the Act to same service conditions as their permanent counterparts.

What if the Contractor fails to pay the contract worker wages in part or in full?

The Act casts the duty on the Contractor to pay the wages to the contract worker in the presence of an authorised representative of the principal employer. More importantly if the Contractor fails to pay the wages to the worker either in part or in full, the Act puts the liability to pay the wages on the Principal Employer.

What are the penalties for not following the provisions of this Act?

In case of any contravention of the provisions of the Act, the punishment is that of imprisonment for a period of up to three months and a fine of up to Rs. 1000.

Colophon

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Cividep India

Cividep India is an NGO based in Bangalore, which works to empower workers and communities and to ensure that businesses comply with human rights, labour rights, and environmental standards. With this objective Cividep educates workers, studies effects of corporate conduct, dialogues with various stakeholders, and advocates for policy change. Cividep's workers' rights initiatives have been in the garment manufacturing and electronics manufacturing as well as plantation and leather sectors.



The GoodElectronics Network accommodates networks, organisations and individuals that are concerned about human rights, including labour rights, and sustainability issues in the global electronics supply chain, including but not limited to trade unions, grass roots organisations, campaigning and research organisations, academia, and activists. The Network has a strict civil society-only profile.



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